# CHAPTER TEN
## TRANSPORTATION POLICY

## 1. Performance Measures

**Recommendations**

1. Make traffic relief a top priority as an "Investment Guideline."
2. Implement program improvements recommended by State Auditor investigations.
3. Reinstate the congestion relief performance measures the legislature repealed in 2007.

**Background**

Traffic relief is the most basic goal of any transportation policy, yet it does not exist as a priority in Washington state. In all cases, "mobility" should mean traffic relief, but state officials define mobility as a strategy to move people, rather than to improve traffic flows.

In 2000, Washington's Blue Ribbon Commission on Transportation identified several benchmarks to measure the effectiveness of the state's transportation system. These performance measures are very specific and some of them were adopted into law. They include:

- Traffic congestion on urban state highways shall be significantly reduced and be no worse than the national mean.
- Delay per driver shall be significantly reduced and no worse than the national mean.

However, seven years later, lawmakers passed Senate Bill 5412, which repealed these precise benchmarks. Instead, the legislature substituted five broad, ill-defined policy goals: Preservation, Safety, Mobility, Environment and Stewardship.[1]

Likewise, the strategy for spending transportation taxes is defined in the Washington Transportation Plan 2007–2026.[2] This document, created by the Washington State Transportation Commission (WTC) and the Washington State Department of Transportation (WSDOT), identifies five "Investment Guidelines" to prioritize spending tax dollars in transportation.

The five guidelines in the 2007–2026 transportation plan are nearly identical to the five goals set by Senate Bill 5412: Preservation, Safety, Economic Vitality, Mobility, and Environmental Quality and Health.

In both cases, the term "mobility" should mean traffic congestion relief for the public. Instead, state officials define it as a strategy to move *people,* rather than improving vehicle flows. This means officials have shifted their spending priorities from actually fixing traffic congestion to trying to provide alternatives to congestion.

In other words, according to the Washington Transportation Plan, relieving traffic congestion is not an "investment guideline" in determining how transportation money is spent. Instead, the plan says policymakers should spend money on other, less-efficient forms of transportation, like buses or light rail operated by government agencies.

Ironically, this spending strategy will always lead to greater traffic congestion.

According to the Federal Highway Administration, private passenger vehicles account for about 85% of all forms of transportation in the Seattle region.[3] This means all other modes, like mass transit, bicycles and walking, serve only 15% of travelers.[4]

Adopting a policy that disproportionately spends public money on only 15% of the market will always lead to greater congestion, because the road system that serves the remaining 85% of the traveling public is left to languish.

Initiative 900, which passed in November 2005, gave the State Auditor's Office authority to conduct performance audits of state

agencies. In one audit of the state's effort to reduce traffic congestion, the Auditor concluded that"

> The Washington State Legislature should choose/identify projects based on congestion reduction rather than other agendas.[5]

**Policy Analysis**

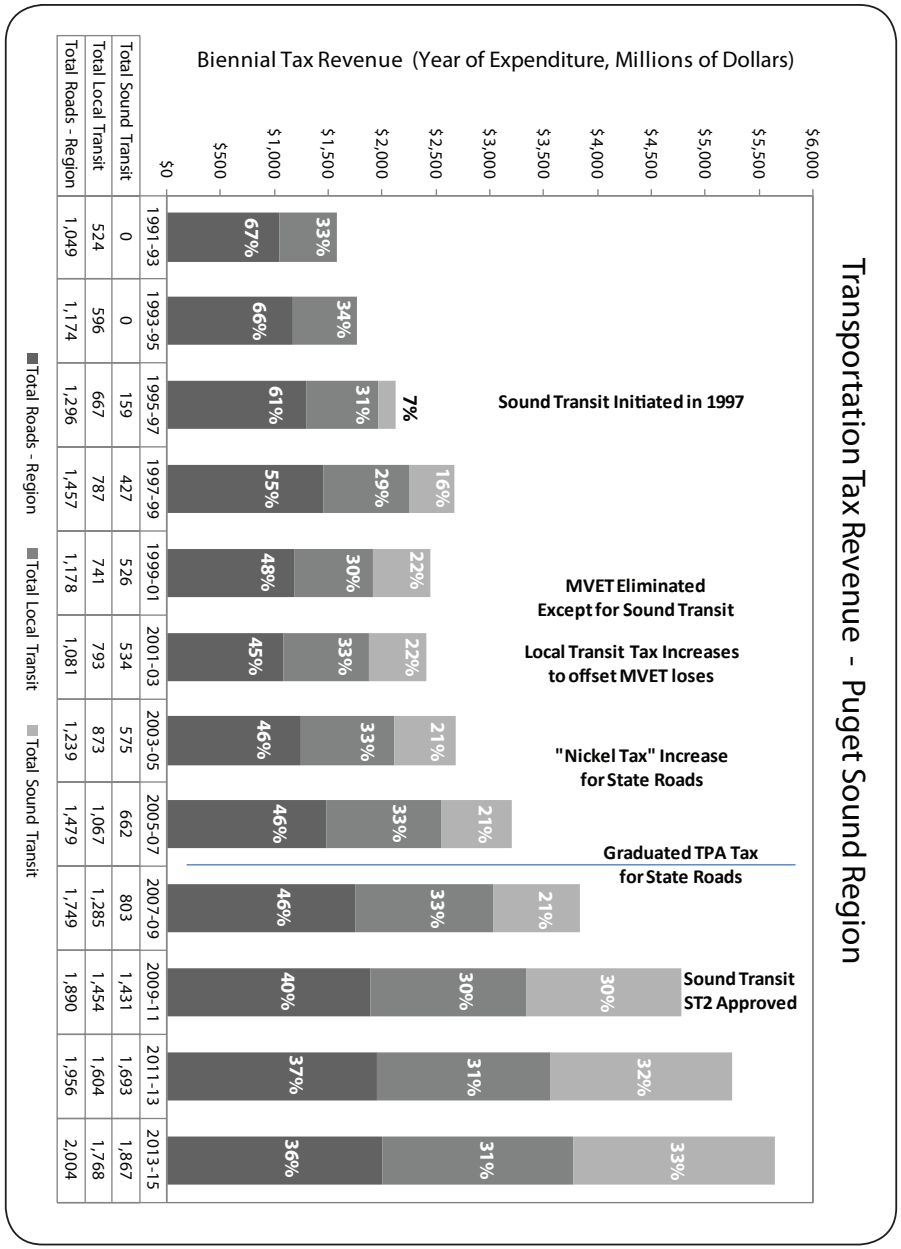
The tables on the following pages compares road and transit taxes collected from the state, local transit districts and Sound Transit,in the central Puget Sound region (Snohomish, King and Pierce counties) since 1991 and projected forward to 2015.

Over the last twenty years, state road and local transit spending has risen from $1.57 billion every two years to $4.78 billion every two years. That is nearly a 200% increase in transportation taxes and fees collected in the central Puget Sound region.

State road funding in the region has risen 80% since 1991, while public transit funding has risen more than 450% over the same time period.

Public transit's share of the 14 million daily person trips made in this region is now less than three percent, while transit collects 60% of all state and transit transportation tax revenues.

Sound Transit now collects half of the transportation funding that goes to public transit in the region and is projected to collect more tax revenue than all of the local transit agencies combined within two years. Sound Transit is on pace to collect almost $30 billion in total tax collections by 2030, yet estimates show the agency will carry 2.5% of all person trips made in the Puget Sound region by 2030.




| | 1991-93 | 1993-95 | 1995-97 | 1997-99 | 1999-01 | 2001-03 | 2003-05 | 2005-07 | 2007-09 | 2009-11 | 2011-13 | 2013-15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Sound Transit | 0 | 0 | 159 | 427 | 526 | 534 | 575 | 662 | 803 | 1,431 | 1,693 | 1,867 |
| Total Local Transit | 524 | 596 | 667 | 787 | 741 | 793 | 873 | 1,067 | 1,285 | 1,454 | 1,604 | 1,768 |
| Total Roads - Region | 1,049 | 1,174 | 1,296 | 1,457 | 1,178 | 1,081 | 1,239 | 1,479 | 1,749 | 1,890 | 1,956 | 2,004 |

## Transportation Tax Revenue, Three-County Puget Sound Region (Millions of Dollars)

| Biennium | 1991-93 | 1993-95 | 1995-97 | 1997-99 | 1999-01 | 2001-03 | 2003-05 | 2005-07 | *2007-09* | *2009-11* | *2011-13* | *2013-15* | Totals 1991-2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Road Revenues** | | | | | | | | | | | | | |
| 23 cents Fuel Tax | 626 | 652 | 677 | 722 | 734 | 742 | 765 | 770 | *836* | *882* | *913* | *933* | 9,254 |
| Nickel & TPA | -- | -- | -- | -- | -- | -- | 156 | 291 | *444* | *528* | *551* | *561* | 2,530 |
| Permits & Fees | 210 | 224 | 238 | 241 | 291 | 309 | 319 | 418 | *469* | *479* | *492* | *510* | 4,200 |
| MVET to Roads | 212 | 298 | 380 | 494 | 153 | 31 | -- | -- | -- | -- | -- | -- | 1,568 |
| **Total Roads - Region** | **1,049** | **1,174** | **1,296** | **1,457** | **1,178** | **1,081** | **1,239** | **1,479** | ***1,749*** | ***1,890*** | ***1,956*** | ***2,004*** | **17,552** |
| **Sound Transit Local Tax Revenues** | | | | | | | | | | | | | |
| Sound Move | -- | -- | 159 | 427 | 526 | 534 | 575 | 662 | *710* | *737* | *825* | *915* | 6,071 |
| ST2 | -- | -- | -- | -- | -- | -- | -- | -- | *93* | *694* | *868* | *952* | 2,607 |
| **Total Sound Transit** | **0** | **0** | **159** | **427** | **526** | **534** | **575** | **662** | ***803*** | ***1,431*** | ***1,693*** | ***1,867*** | **8,678** |
| **Metro Transit Local Tax Revenues** | | | | | | | | | | | | | |
| **Sales & MVET Tax** | **392** | **448** | **503** | **593** | **592** | **594** | **619** | **747** | **926** | **1,044** | **1,162** | **1,297** | **8,916** |
| **Snohomish Community Transit** | | | | | | | | | | | | | |
| **Sales & MVET Tax** | **58** | **66** | **74** | **88** | **83** | **103** | **116** | **142** | **160** | **193** | **206** | **213** | **1,502** |
| **Pierce Transit** | | | | | | | | | | | | | |
| **Sales & MVET Tax** | **64** | **72** | **79** | **92** | **52** | **82** | **124** | **148** | **164** | **181** | **200** | **220** | **1,478** |
| **Everett Transit** | | | | | | | | | | | | | |
| **Sales & MVET Tax** | **9** | **10** | **11** | **14** | **14** | **14** | **14** | **31** | **35** | **37** | **37** | **38** | **264** |
| **Total Local Transit** | **524** | **596** | **667** | **787** | **741** | **793** | **873** | **1,067** | **1,285** | **1,454** | **1,604** | **1,768** | **12,160** |

**The source of state roads revenues from 1997-2015** is the 2007 Key Facts, Washington State Department of Transportation, Major Sources of Tax Revenue chart, pg. 42, December 2007, at www.wsdot.wa.gov/publications/manuals/fulltext/M0000/KeyFacts.pdf. County-by-County Comparison, Return per Dollar Contributed by Citizens within Each County State & Federal Transportation Funds, A Fourteen-Year Look, 2004–2017, Washington State Department of Transportation, February 2009, at www.wsdot.wa.gov/NR/rdonlyres/01173667-1743-4C3C-A127-9BC5695CB630/0/CountyByCountyFuelTaxComparison.pdf. According to this study, 51% of the statewide road revenues come back to King, Pierce and Snohomish Counties. The regional distribution of state road tax revenues depicted in the chart applies this estimate.

**The source for Sound Transit tax revenues for 1997-2015** is the 2009 Draft Financial Plan Excel Model, Worksheet "Annual Revenues," Sound Transit. Complete model can be obtained from Sound Transit through a public records request.

**The source for county transit tax revenues** is the Washington State Summary of Public Transportation 2007, Washington State Department of Transportation, November 2008, at www.wsdot.wa.gov/publications/manuals/fulltext/m0000/transitSummary/2007PTSummary.pdf. Data for 2013-2015 are estimates based on current trends. Estimates prior to 2006 came from previous annual summaries.

**Recommendations**

1. **Make traffic relief an "Investment Guideline."** Much as they did in 2010 when they added economic development to the state's list of transportation goals, lawmakers should include congestion relief as a top transportation policy goal.

2. **Implement the performance audit improvements recommended by State Auditor investigations.** Through the auditing process, the State Auditor has identified about $300 million in transportation cost savings through finding efficiencies, eliminating duplicative services and waste. State Department of Transportation officials and the legislature should implement these money-saving recommendations.

3. **Reinstate the congestion relief performance measures the legislature repealed in 2007.** These measures include: "Traffic congestion on urban state highways shall be significantly reduced and be no worse than the national mean," and "Delay per driver shall be significantly reduced and no worse than the national mean." Reinstating these measure will show the public that policymakers have again made reducing traffic congestion a top priority.

## 2. Base Transportation Spending on Consumer Demand

**Recommendations**

1. Use consumer demand to prioritize projects and spending, proportionally.

2. Adopt a policy of fixing chokepoints and strategic increases in road capacity as the two most effective ways of ending traffic gridlock and allowing citizens more freedom of movement.

**Background**

Transportation resources should be distributed based on natural market demand, in response to the needs of the public, rather than the current system of spending on services that are somehow meant to attract demand.

In economics, supply is a function of demand. This means a willingness to use a service must exist before a supply of that service is created. Boeing executives do not make 300 airplanes knowing they will only sell 100. Likewise, governments should not spend a disproportionate amount of taxes in low-demand sectors, where the public's willingness to use the service does not justify the spending.

In any market, increasing the supply of a service or product before demand is available is wasteful and creates a large gap between costs and benefits.

In the private sector, where benefits are measured by consumer choices, this type of inefficient behavior is unsustainable. A business will simply cease to exist once costs exceed the value of benefits to consumers.

But in the public sector, normal economic laws do not apply. There is a higher tolerance for fiscal inefficiency because benefits are not always measured by consumer choices. There is also an element of public value unrelated to financial considerations.

Thirty years ago, mass transit accounted for six percent of daily trips in the Puget Sound region. After years of massive public subsidies, mass transit today accounts for less than four percent of daily trips.

The continued push for more mass transit and light rail funding in the face of a declining share of daily travel indicates that mass transit planning is based more on political ideology than on measurable results.

In transportation policy, public value should be measured by freedom of mobility and traffic relief for the public. Policymakers can keep the space between costs and benefits small by separating projects that provide these values from projects that do not.

**Policy Analysis**

European and U.S. transit systems provide good contrasting examples of how economic concepts apply in transportation.

Many people believe European countries have highly successful public transportation networks,and one of the most-cited systems is in Switzerland. Switzerland lies in the center of Europe and is an important transportation hub for both freight and passenger traffic throughout the continent. The Swiss system is successful, not because of the amount of service or infrastructure, but primarily because it has certain demographic and economic characteristics that induce market demand.

In other words, there is an existing market with a natural customer base, and Swiss policymakers respond with proportional public infrastructure spending. As a result, mode share, ridership and fare box recovery are high. In the United States, transit resources are distributed in just the opposite way.

Under the "build it, and they will come" theory, many policymakers think that increasing the supply of transit will somehow automatically create more public demand. This speculative model fails because most U.S. cities do not possess the economic or demographic characteristics that create enough voluntary consumers for public transit.

Using the economic principles of supply and demand shows that building excess transit capacity before there is an equal amount of willingness to use it leads to an underperforming system. As a result,

mode share, ridership and fare box recovery in U.S. mass transit systems are typically low.

**Recommendations**

1. **Use consumer demand to prioritize projects and spending, proportionally.** Until the 1970s, officials pursued a policy of increasing road capacity to meet the growing mobility needs of Washington's drivers. Over the last three decades, however, policymakers have divided transportation funding between subsidized mass transit and public roads. This approach has not worked. When prioritizing transportation projects, policymakers should use consumer demand to determine public spending, not the other way around. Applying these time-tested economic principles to transportation policy will improve people's mobility and reduce traffic congestion.

2. **Adopt a policy of fixing chokepoints and strategic increases in road capacity as the two most effective ways of ending traffic gridlock and allowing citizens more freedom of movement.** Focusing on roadway chokepoints and interchange bottlenecks is the most cost-effective way to get traffic moving.

## 3. Respect People's Freedom of Mobility

**Recommendations**

1. Respect people's choices and allow greater freedom of mobility by actively working to *reduce* traffic congestion.

2. Repeal the state's Vehicle Miles Traveled (VMT) reduction targets.

3. Increase general purpose lane capacity while focusing on fixing chokepoints.

**Background**

Government is supposed to serve society, not the other way around. Policies that force citizens to behave differently than they normally would disregard the natural marketplace and ultimately threaten to take away political freedom from citizens.

Similarly, government policies in transportation should be responsive to the market and improve the freedom of citizens to live, play and work where they choose.

Manipulating transportation policies to force a particular behavior coerces people into abandoning their individual liberties in favor of a socialistic benefit where, supposedly, a greater collective good is created.

These measures always fail because of what Milton Friedman called, "one of the strongest and most creative forces known to man," rational self interest, or people's desire to do what they believe is best for their own lives.

Proponents of social change should work in the marketplace of ideas to persuade others to share their vision and work toward it. They should not use the power of government to force through their own ideas, but should seek to change policy, if that is needed, once reform is broadly supported by the public.

The state has a monopoly on our road system. As such, government leaders have agreed to provide citizens with a certain level of service, or freedom of mobility. Using traffic congestion as an enforcement tool, rather than fixing it, is an attempt at social engineering that is sure to fail. Trying to force people out of their cars is not the proper role of government.

**Policy Analysis**

In a dual effort to manage congestion and reduce $CO_2$ emission, the state's Climate Advisory Team (CAT) proposed reduction targets on the amount of per capita Vehicle Miles Traveled (VMT). The targets include a VMT reduction of 18% by 2020, 30% by 2035, and 50% by 2050.[6]

On average, each licensed driver in Washington drives about 12,555 miles per year. Transportation department officials project that, in 2020, each driver will drive about 13,500 miles annually. According to the CAT, an 18% reduction in VMT by 2020 means a Washington driver would be limited to only 11,070 miles per year, or about the same level that person drove in 1985.[7]

House Bill 2815, passed in 2008, implemented these recommendations at the state level. This type of policy strategy seeks to force drivers out of their cars and into transportation modes operated by public agencies. But restricting mobility in one mode for the benefit of another will always fail because it does not respect the choices of people to do what is best for them.

Instead of forcing behavior changes by limiting mobility through top-down social engineering, a more realistic way to reduce congestion and $CO_2$ emissions is to remove barriers to better technology that will improve fuel efficiency. Also, as mentioned, policymakers should make congestion relief a top priority, since cars sitting in traffic emit more $CO_2$. Ultimately, cars are part of the solution, not the problem.

One of the cost impacts ignored by supporters of VMT reduction targets is the potential loss of state revenue that relies on how much people drive, like revenue from fuel taxes and tolls. A policy of reducing VMT for drivers, while simultaneously adopting revenue streams that

rely on driving, guarantees the state will fail at one or the other. These conflicting goals waste money.

Government policies in transportation should be responsive to the market and improve the freedom of citizens to live and work where they choose. Policymakers should respect people's choices and allow for greater freedom of mobility.

**Recommendations**

1. **Respect people's choices and allow greater freedom of mobility by actively working to reduce traffic congestion.** Officials should adopt a policy that places congestion relief ahead of other spending considerations. Restrictions on Vehicle Miles Traveled (VMT) and deliberately or passively increasing traffic congestion to force people out of their cars should be avoided.

2. **Repeal the state's VMT reduction targets.** VMT reduction targets limit people's freedom of mobility and revenue sources that rely on driving, like fuel taxes and tolls. These targets create conflicting policies that waste money and harm taxpayers.

3. **Increase general purpose lane capacity while focusing on fixing chokepoints.** Focusing transportation funding on key chokepoints by adding general purpose lane miles will help move the most people at the least cost and least impact on the environment.

## 4. Improve Freight Mobility

**Recommendations**

1. Complete the 5-9 Corridor (State Route 509, State Route 99, I-5 and I-90) and State Route 167.
2. Policymakers should adopt a policy of "do no harm."
3. Create a dedicated freight budget account for freight-specific projects.
4. Increase heavy rail capacity to allow medium and long range freight distribution companies greater ability to shift from roads to rail.
5. Create new freight-only lanes and corridors to enable rapid pass-through for long-range and local freight distribution.

**Background**

Freight mobility should play a significant role in transportation policy, since that mobility is the key to our state's economic strength. The transport of consumers and goods puts our economy in motion, creates jobs and improves our quality of life.

From trucking, freight rail, aviation and marine shipping, the value of goods that move through Washington state is expected to rise from $400 billion dollars a year in 2011 to $1.2 trillion in 25 years.[8] In just nine years, the freight industry will add two million more trucks to the national road system.

Our highways, which carry 70% of all commercial truck freight, are already badly congested, and that congestion is expected to double in the next twenty years.[9] The Washington Transportation Commission estimates Washington has up to $200 billion of unmet transportation infrastructure needs.[10] Yet, local and state leaders spend billions of our transportation tax dollars in areas that do not help.

Replacing the Seattle waterfront viaduct with two fewer lanes, replacing the Highway 520 floating bridge with no additional general purpose lanes, replacing the center lanes on the I-90 bridge with light rail, and ignoring the I-5 bottleneck through Seattle are not long-term solutions.

This means the number of general purpose highway lanes connecting the state to its largest employment hub will decrease in the next twenty years, despite regional population increases of more than one million new residents.

**Policy Analysis**

Policymakers must acknowledge that the freight industry is essential to Washington's economic health and fund projects that improve mobility, not make it worse.

Sound Transit's East Link proposal is a good example. Reconfiguring the center lanes across I-90 for light rail, as agency officials propose, would not only fail to reduce traffic congestion, it would, according to the state Department of Transportation, worsen traffic congestion by up to 25%.[11]

Drivers of freight vehicles would suffer the most from this policy. During the morning peak drive, the number of truck drivers able to cross into Seattle would drop by 24%. Leaving Seattle during the afternoon peak drive, truck drivers would see a 19% reduction in capacity.[12]

A policy of linking public demand and traffic relief to spending would require Sound Transit officials to think in a different direction. The agency should keep the two center lanes on I-90 as a reversible HOV and freight and transit corridor and continue restriping the outer roadway to create an additional lane in each direction, as already approved by the Federal Highway Administration. Because the center lanes are already a reversible HOV, freight and transit corridor, no light rail should be added to the bridge. Then the new lanes in the outer roadways would not need to be restricted.

Another example where officials are making traffic worse and hurting freight mobility is replacing vehicle lanes with bike-only restrictions, also known as "road diets." Seattle officials are quick to say

road diets maintain the car-carrying capacity on the roads where they are applied. However, Seattle officials are much slower to admit that road diets do not *improve* car-carrying capacity either.

This means road diets are essentially exchanging the future capacity needs of the roadway for other uses today—in this case, bicycle traffic.

Road diets generally do not create congestion on corridors that carry fewer than 20,000 vehicles per day. According to a report from the Federal Highway Administration on the effectiveness of road diets:

> Under most average daily traffic (ADT) conditions tested, road diets have minimal effects on vehicle capacity, because left-turning vehicles are moved into a common two-way left-turn lane. However, for road diets with ADTs above approximately 20,000 vehicles, there is a greater likelihood that traffic congestion will increase to the point of diverting traffic to alternate routes.[13]

In other words, as traffic volumes increase above 20,000 cars per day, throughput deteriorates. The traffic volumes on Seattle's Nickerson Street were already higher than 20,000 trips per day (20,300) in 2007.[14] So traffic congestion is likely already worse than it was before the road capacity was reduced.

And the traffic outlook for the future does not get any better. According to Seattle's traffic analysis, Nickerson's traffic volumes will grow about one percent per year, with an additional 3,680 trips from a planned development.[15]

This means Nickerson Street will have about 29,456 daily trips by 2030, which is nearly 50% more than what the Federal Highway Administration says is the tipping point for the road diet to cause higher traffic congestion.

Because of the significant up-front financial costs, responsible public officials generally build transportation infrastructure to accommodate future growth. Seattle officials are doing precisely the opposite, reducing traffic lanes as the city grows.

**Recommendations**

1. **Complete the 5-9 Corridor and State Route 167.** The 5-9 Corridor refers to State Route 509, I-5, I-90, and State Route 99. Both State Route 509 and State Route 167 are unfinished. These roads are over capacity and serve a major role in moving freight to and from the ports of Seattle and Tacoma.

2. **Policymakers should adopt a policy of "do no harm."** Converting the center lanes on I-90 to light rail, restricting general purpose lanes to bicycles or transit only, failing to secure funding for vital road repairs like the Sound Park Bridge in Seattle, and reducing the number of unrestricted freeway lanes through the largest employment and population center in Washington are examples of policy decisions that make freight mobility worse in the Puget Sound region.

3. **Create a dedicated freight budget account for freight-specific projects.** In most cases this will not require new tax revenue because the freight industry already pays significant fees and taxes to fund transportation projects, but these funds are often spent on projects that do not improve freight mobility.

4. **Increase heavy rail capacity to allow medium- and long-range freight distribution companies greater ability to shift from roads to rail.** Improving the rail line through Stampede Pass and building more regional rail capacity will reduce shipping costs and allow shippers to efficiently shift freight from roads to rail, thus easing traffic congestion.

5. **Create new freight-only lanes and corridors to support rapid pass-through for long range and local freight distribution.** The new corridors could be tolled, and the trucking industry would likely experience lower overall shipping costs, because of the reduced traffic delay in getting goods to consumers.

## 5. Use Public/Private Partnerships to Fund Transportation Infrastructure

**Recommendations**

1. Remove barriers that prevent private companies from contributing resources and entering into public partnerships.

2. End inefficient public transit monopolies by allowing private companies to bid for services on existing and proposed transit routes.

3. Do not allow local transit agencies to use government subsidies to take business away from private citizens.

**Background**

By tapping private investment dollars, Public/Private Partnerships (PPP) allow lawmakers to fund new projects, reduce financial risk, maintain current transportation infrastructure and increase value to taxpayers.

There are many benefits associated with a PPP. They include leveraging private dollars for public use, shifting financial risk from taxpayers to the private sector, using competition to create incentives that lower capital and operating costs, and gaining more efficient distribution of scarce transportation resources.

Other factors, like public oversight, asset ownership, long-term maintenance, liability and labor costs, will dictate which PPP is a better fit. In some cases, these issues have been treated as obstacles and have prevented partnerships from forming. Yet, other states have solved these problems and have adopted several types of partnerships. Undoubtedly, these concerns are important, but they should not deter policymakers from taking advantage of Public/Private Partnerships. Joining with the private sector is one way transportation officials can increase the public's financial resources and get roads built.

Washington state's experience with PPPs has been limited to the design/build format, which is an extremely passive approach and underutilizes the potential of private investment.

Washington state does allow PPPs by statute, but the law contains provisions that effectively prevent PPPs from forming. Washington law requires that debt must be issued by the state treasurer, which eliminates financial incentives for private investment. Washington law also prohibits unsolicited proposals and requires a lengthy and inefficient approval and oversight process.

Public/Private Partnerships have a proven track record across the United States, and PPPs should be embraced by public officials in Washington. However, reform is required if lawmakers want to take full advantage of PPPs to fund transportation projects in Washington state.

**Policy Analysis**

There are many opportunities for PPPs to fund not only transportation infrastructure, but public transit services as well.

State leaders should allow private companies to bid for existing and proposed transit routes. Currently, there are more than 100 private companies licensed to offer various auto transportation services in Washington, but they are barred by law from entering the public transit market.[16] Many of these companies have the ability and desire to provide high-quality transit services to the public in urban and rural areas, if local governments would allow them to do so.

*Private Companies Available for Transit Services*

Private companies are capable of offering improved service to transit riders in the region. For example, the owners of Airporter Shuttle/ Bellair Charters, based in Ferndale, have expressed strong interest in providing bus service in a three-country area.

Their fleet of buses already serves the entire geographic area, reflecting a tremendous amount of experience and knowledge about commuting patterns and travel needs. Yet county transit agencies, not wishing to face competition, support a ban on private contracting under the legislature's expanded service program.

Competitive contracting offers substantial service benefits to the public. A national study by the Transportation Research Board of the National Research Council found that:

> The main reasons transit systems contract for service, according to transit managers, are to reduce costs and increase flexibility to introduce new services ... . Half the general managers of transit systems that currently contract reported that reducing costs, increasing cost-efficiency, and introducing new services are the most important reasons for contracting. About one-third rated as important the desire to create a more competitive and flexible environment.[17]

A good example is the Federal Transit Administration's rule requiring that special shuttle bus services to public events be provided by private contractors if they are available. In 2007, the University of Washington paid King County Metro $500,000 to carry fans to Husky home games. County bus drivers like the arrangement because it means guaranteed overtime and high pay. If allowed, however, a private company which is not bound by costly unions rules, such as Seattle-based Starline Luxury Coaches, could provide the same service to football fans at much less cost to taxpayers.[18]

But in 2010, Washington Senator Patty Murray inserted an amendment into a federal spending bill that exempts King County Metro from the rule, thus preventing private operators from providing the service. Local leaders ignore national evidence and experience by blocking private contracting from being part of their plan.

Washingtonians would directly benefit from private companies competing for mass transit routes and services. Often the expansion of public transit agency budgets is more about empire building and creating more public sector jobs than providing good service to the public at lower cost.

**Recommendations**

1. **Remove barriers that prevent private companies from contributing resources and entering into public partnerships.** Through public/private partnerships, the state can leverage private sector resources to

build new infrastructure, reduce project costs and manage risk. These partnerships have a proven track record across the United States and should be embraced by public officials.

2. **End inefficient public transit monopolies by allowing private companies to bid for services on existing and proposed transit routes.** Expanding competition, price transparency and public-private partnerships in transit in Washington would reduce cost and improve service to the traveling public.

3. **Do not allow local transit agencies to use government subsidies to take business away from private citizens.** Public transit agencies work not only to preserve their own monopolies, they often seek to take business away from private carriers. Public transit should be about moving the most people for the least cost, and private operators should be allowed to compete fairly for that service.

## 6. Protect Toll Revenue for Highway Purposes

**Recommendation**

Protect toll revenue for highway purposes.

**Background**

In 1921, officials implemented Washington's first gas tax: One cent per gallon. With this new revenue stream, state leaders were able to build, maintain and expand Washington's highway network. And as the state's transportation infrastructure needs increased, so did the tax. Today, Washington's gas tax rate is 37.5 cents per gallon, the seventh highest in the nation.[19]

Nationally and in Washington state the highway system was constructed largely on the philosophy that users would pay. This user-fee theory successfully built 7,000 miles of roadway and allows Washingtonians to drive nearly 60 billion miles per year, producing industry, mobility, economic freedom and a higher quality of life for everyone.

Seventy years ago, as they often do today, politicians saw "opportunities" with a new and stable revenue stream, and they began to divert gas tax collections to programs and services not related to roads and highways.

According to the Washington State Good Roads Association (WSGRA), more than $10 million of gas taxes was diverted to other purposes in the ten years between 1933 and 1943.[20] This gave rise to a popular, statewide effort to protect motor vehicle fuel taxes for their intended purpose. In 1944, Washington voters passed the 18th Amendment to the state constitution, which limits the use of gas tax revenue exclusively to roads and highways.

To gather support for the constitutional amendment, the WSGRA stressed the natural attractiveness of a user-fee system, stating:

> Several hundred miles of good, paved, safe highway would have been built to save money in motor vehicle operation had this special motor tax money been used as it was intended. These were highways and streets we paid for, but didn't get![21]

The measure passed, and, since then, gas tax revenues have been restricted solely to "highway purposes."

Today and for a variety of reasons, the increase in gas tax revenues has not kept pace with the state's infrastructure needs. The Washington Transportation Commission estimates the state has up to $200 billion in unmet, unfunded transportation projects.[22] So state leaders are now looking to another type of road-user-fee to create a supplemental funding stream, tolls.

**Policy Analysis**

Washington motorists have plenty of modern-day experience with tolls, which have been recently implemented on the Tacoma Narrows Bridge and Highway 167 in south King County. Transportation officials are also implementing tolls on the Evergreen Point floating bridge across Lake Washington in 2011, and bills proposed in Olympia include imposing express toll lanes on Interstate 405.

People intuitively support public programs and services funded through user fees. Roadway tolls are no exception. When tolls are used to pay for a piece of infrastructure like a bridge or a length of highway, drivers naturally understand and generally support the added costs of performing the activity. Likewise, but to a lesser extent, when tolls are used to manage congestion and the revenue is spent on the highway where it was collected, users generally agree to pay.

For the payer, tolls fund a visible product that results directly in a tangible benefit. However, as Washington's early experience with gas taxes illustrates, the public become less supportive when the tolling fees are diverted to benefit other user groups. People naturally see the diversion of toll revenue as unfair.

To their credit, in 2008 legislative leaders in Olympia tried to address the public's concern about fairness by implementing a statewide tolling policy. Among other provisions, the policy defines in law how

toll revenue can be used. According to the law, toll revenue is limited to operating costs, debt, and any other project or improvement on the tolled facility.

However, the policy also allows toll revenue to be used for "the operations of conveyances of people or goods." This clause allows tolls, which are paid by motorists, to be used to fund an activity of a different user group, public transportation, and for the financial benefit of private transportation unions.

Public transportation is important, especially in dense urban areas, but it is not a highway purpose and, therefore, should not be funded with vehicle-related taxes and fees, like tolls, which are paid by drivers.

In 1969, the Washington State Supreme Court ruled in O'Connell v. Slavin that public transportation did not fall under the provision of "highway purposes" as defined in the 18th Amendment. The court said:

> But all of the purposes which are listed pertain to highways, roads and streets, all of which are by nature adapted and dedicated to use by operators of motor vehicles, both public and private, and none of them pertain to other modes of transportation, such as railways, waterways, or airways.[23]

The court also reaffirmed the definition of a highway and ruled that public transportation is:

> not a "way" at all, but is a number of buses, trains, or other carriers each holding a number of passengers, which may travel upon the highways or may travel upon rails or water, or through the air, and which are owned and operated, either publicly or privately, for the transportation of the public. The mere fact that these vehicles may travel over the highways, or that, as the appellant points out, may relieve the highways of vehicular traffic, does not make their construction, ownership, operation, or planning a highway purpose, within the meaning of the constitutional provision.[24]

Like gas taxes, tolls are paid by drivers and, in fairness, should be limited to highway purposes, as required by the 18th Amendment.

The state already cannot keep pace with funding its current and future transportation needs. Public transit is a local function with its own public tax base. Any new transportation revenue source created by the state should be used to pay for existing obligations or to expand highway capacity; it should not be diverted to creating new commitments at the local level, such as public transit.

**Recommendation**

**Protect toll revenue for highway purposes.** Constitutionally protecting toll revenue for highway purposes ensures fair and equitable treatment for toll payers, guarantees a sensible connection between the fee charged and what it is used to pay for, and contributes financially to the state's unmet transportation obligations.

## 7. Sound Transit

**Recommendations**

1. The Washington state legislature should make Sound Transit's governing board of directors a directly elected body.

2. Hold a public vote on whether Sound Transit should continue collecting taxes based on the agency's poor performance in fulfilling promises made to voters since 1996.

3. Adopt Bus Rapid Transit (BRT) as a more cost-effective alternative to expensive light rail.

**Background**

In 1996, voters in parts of King, Pierce and Snohomish counties created a new transit agency, Sound Transit, and entrusted it with new tax revenues based on a detailed ten-year plan of what the agency would provide to the public in that timeframe. A comparison between what was proposed and the reality ten years later shows Sound Transit has failed to build the system it promised to voters.

Follow-up reports find that promoters of the ballot measure used planning assumptions that were overly optimistic, which made the project appear more acceptable to voters.[25] The ridership figures given to the public were inaccurate and were based on unrealistic predictions that have not been realized.

The cost figures given to voters also turned out to be wrong. Today, the agency keeps its spending within its tax revenues only by drastically cutting back on promised services. In addition, operating costs for the system are much higher than voters were told they would be and are higher than many transit services in other parts of the country.[26]

In 2007, the state auditor's found that Sound Transit has substantially failed to deliver what voters authorized with the passage of Sound Move.[27]

Most importantly, Sound Transit leaders show little regard for what people think when they say they will not hold a vote on whether they should collect taxes beyond the ten-year limit of the original plan. Sound Transit lawyers assert that the agency's claim on tax revenue is not limited to ten years, as the 1996 ballot measure implied, but is permanent. According to their interpretation, Sound Transit can collect taxes forever.

**Policy Analysis**

Sound Transit officials say light rail is an unqualified success. Yet, a closer look at the actual performance shows citizens are not getting what they are paying for.

In 1996, Sound Transit officials promised voters they would build 25 miles of light rail for a total cost of about $1.8 billion, and they would be finished by 2006. In fact, officials were so confident in their "conservative" projections they called it "Sound Move, The 10-Year Regional Transit System Plan."

Fifteen years later, Sound Transit officials have unilaterally reduced the planned line to 21 miles, and have only delivered about 17 miles for about $2.6 billion. The rest will not be finished until around 2020, for a total cost approaching $15 billion. In other words, Sound Transit's system is smaller, billions of dollars over budget and more than a dozen years late when compared to what officials originally promised voters.

Promises Sound Transit made in 1996 but failed to deliver include the following (quotes are from the Sound Move plan adopted in May 1996 and passed by voters in November 1996):

**Promise:** "[Sound Transit] is committed to building and operating a ten-year system plan that can be confidently funded and completed as promised to the region's citizens."
**Reality:** Today, the initial segment is already four miles shorter, billions over budget and more than a dozen years late from what was promised in 1996.

**Promise:** "If voters decide to not extend the system, [Sound Transit] will roll back the tax rate."

**Reality:** Voters rejected an extension in 2007, but Sound Transit officials did not roll back taxes. Instead, officials pushed for a second measure the following year, which voters ultimately approved.

**Promise:** Light rail will carry 32.6 million riders per year, or 107,000 per weekday, by 2010.
**Reality:** Today, light rail carries 23,000 riders per weekday at best, and will likely carry only about six or seven million riders for the year.

**Promise:** "Sound Move is based on extremely conservative cost and ridership assumptions."
**Reality:** Despite claiming seventeen times that Sound Move's cost and ridership projections are based on "conservative" estimates, Sound Transit officials are spending billions more and carrying fewer riders than what they told voters.

**Promise:** Riders will pay more than half (53%) of their annual operating costs of light rail.
**Reality:** Today, Sound Transit officials say riders will cover only 40%, but Sound Transit is actually on track to recover far less than that.

**Promise:** Sound Transit's initial light rail facility can carry 22,000 passengers per hour, per direction.
**Reality:** Today, the facility carries less than 1,000 passengers per hour, per direction.

The region's light rail system is not living up to its expectations because Sound Transit officials deliberately overestimated benefits and underestimated costs to make the project appear attractive to voters. Once the agency secured higher taxing authority from voters, its promises fell apart.

More recently, Sound Transit asked voters to expand its regional public transportation system (ST2). During the election, Sound Transit officials told voters the expanded rail portion (137 miles of light rail and commuter rail) would carry 310,000 passenger trips per day by 2030.[28]

Yet, officials at the Puget Sound Regional Council (PSRC) say passenger rail will carry about half of the riders Sound Transit told voters it would. In its Transportation 2040 plan, PSRC officials estimate the

region will build about 164 miles of passenger rail by 2040.[29] Yet, this larger rail system will only carry about 164,400 passenger trips.[30]

According to the PSRC, this means regional passenger rail will be 20% larger but carry 47% fewer people than what Sound Transit officials told voters. To look at it another way, Sound Transit claims its rail system will provide 2,263 trips per mile, while the PSRC says it will only provide 1,002 trips per mile.

Even if Sound Transit's ridership projections somehow come true, light rail will still only carry about one percent of all daily trips. Worse, Sound Transit says two-thirds of these riders will come from the existing bus system.

The average cost for King County to operate a Metro bus is about $4 per passenger trip.[31] The average cost for Sound Transit to operate light rail is $7.45 per passenger trip.[32] So we are building a redundant system for billions in capital expenses that costs nearly twice as much to operate.

City and county officials recently closed the aging South Park Bridge, saying they did not have the $130 million needed to replace it. The bridge carried as many daily travelers as the entire $3 billion light rail system. Many regional transportation projects go unfunded while Sound Transit officials spend billions on a train few people will ever ride.

Light rail has proven to be a massive waste of taxpayer's money. The data show that Sound Transit officials have consistently failed to fulfill their commitments to the people of the region. The agency regularly and unilaterally changes its definition of success, usually by cutting services, while continuing to collect full taxes from the public.

**Recommendations**

1. **The Washington state legislature should make Sound Transit's governing board of directors a directly elected body.** Currently, Sound Transit's board includes 18 local elected officials who are appointed by various other elected officials. This insulates the board from any direct accountability to the public for decisions regarding Sound Transit operations. State legislators should change the governing structure of Sound Transit to allow voters to directly select who sits on the board.

2. **Hold a public vote on whether Sound Transit should continue collecting taxes based on the agency's poor performance in fulfilling promises made to voters in 1996.** Voters have not received what Sound Transit promised under the original ten-year plan. Instead, services have been cut back and costs have soared. Sound Transit officials should allow voters to have a say about whether the agency should continue collecting full taxes and ratify or reject the changes made to the original Sound Move plan.

3. **Adopt Bus Rapid Transit (BRT) as a more effective alternative to light rail.** A true bus rapid transit system could be built faster, more cheaply and would carry more passengers than light rail. Sound Transit should admit its bias against BRT and give taxpayers what they want: cheap, efficient, high-capacity transit. Policymakers and transportation officials should adopt BRT services as the most cost-effective way of meeting Washington's mass transit needs.

## 8. Reduce Artificial Cost Drivers

**Recommendations**

1. End the practice of the state charging itself sales tax for transportation projects.

2. Save 15% on transportation projects by using market-based labor pricing, rather than the artificially inflated prevailing wage system.

3. Officials at all levels of government should review permitting and regulatory mandates on transportation projects in order to reduce costs and shorten planning and construction time.

4. Remove the requirement that light rail be included in a new Columbia River bridge.

**Background**

One of the more significant obstacles to building transportation infrastructure in the U.S. is the ever-rising costs of projects.

In debating a new six-year surface transportation reauthorization bill, Congress considered whether to expand funding beyond projected revenues and, if so, how to pay for the new spending. Current revenues in the Highway Trust Fund can only pay for $236 billion worth of projects over the next six years. Some people claim there is a need for much higher spending levels, which would require new taxes and fees.

There is another side to the funding equation that lawmakers must address before they obligate taxpayers to another six-year federal transportation bill: How to reduce costs.

In the broadest sense, there are two drivers of costs in transportation projects: natural and unnatural. Natural cost drivers occur as a result of normal economics. They include inflation, material expenses, and higher costs for new technologies.

Unnatural costs are from policies created by government officials that artificially inflate expenses on public works projects. These policies

are implemented for reasons that are unrelated to actually building a project. Unnatural cost drivers include prevailing wage rules, imposing state sales taxes on state projects, apprenticeship requirements, inefficient permitting, environmental compliance, setting aside money for public art, and requiring that mass transit be included in highway projects.

**Policy Analysis**

The existing Washington State Route 520 floating bridge spans Lake Washington and connects the cities of Seattle and Bellevue. It was built in 1963 and cost about $245 million in today's dollars. The cost of the proposed replacement will be about 19 times more. Officials have already spent more money ($400 million in 2011) on planning and design than the total cost of building the first bridge, adjusted for inflation.

The Federal Highway Administration (FHWA) estimates that a typical Environmental Impact Statement took an average of 2.5 years to complete in the 1970s. Today it takes 6.5 years. According to the FHWA, complex highway projects now take an average of 13 years to complete. Only a fraction of that time is spent on construction.

Then there are the costs created by requiring mass transit to be included in highway projects. One of the most significant cost-contributors of the Columbia River bridge project between Vancouver, Washington, and Portland, Oregon, is the requirement to add light rail. Building light rail across the Columbia River would cost about a billion dollars, which represents 30% of the project's total costs, not to mention the millions in additional operating expenses that will burden local taxpayers indefinitely. Yet, light rail would serve only between three and nine percent of all trips that cross the bridge.

Deliberately increasing costs by 30% to serve less than 10% of bridge crossings, most of which are already served by inexpensive buses, creates unnecessary risk and establishes a very large gap between public costs and public benefits.

Another example of an unnatural cost driver is the state's use of the expensive and antiquated prevailing wage system to pay for public construction. Studies show that imposing prevailing wage rules on transportation projects unnecessarily increases labor costs by 22% and boosts total project costs by about 10%.

Prevailing wage is supposed to be the wage paid to the majority of workers in the applicable trade. In practice though, the rate used is not the true market wage but is the going union rate for the largest city in the region, usually Seattle. The effect of this interpretation is to reverse the meaning of the term "prevailing wage."

Currently the federal government and 33 states, including Washington, impose prevailing wage requirements on public construction projects. Ten states have abolished their prevailing wage laws and reaped significant public benefits as a result.[33] To cite just one example, Florida lawmakers found they saved 15% on public projects once their state's inflationary prevailing wage law was repealed.[34]

Open market forces and transparent pricing determine the true prevailing price of labor, not a predetermined, government-fixed price. By interfering in the natural function of the labor market, the government artificially drives up how much it must pay to build and maintain the public road network.

Most people recognize and agree that mobility, and the infrastructure that it requires, is the key to economic strength and security as the country moves deeper into the 21st century. But to do more with less, officials must recognize the artificial nature of these particular policies and work to contain them in any new federal funding package.

On August 1, 2007, the Interstate 35 bridge in Minneapolis collapsed, tragically killing 13 people and injuring 145 others. Investigators concluded the bridge failed from a design flaw. Within hours of the collapse, Minneapolis officials pledged to rebuild the bridge.

Remarkably, a new, state of the art, ten-lane bridge opened on September 18, 2008, just 414 days after the old one fell. The new bridge cost under $300 million. Officials were able to rebuild the I-35 bridge quickly and cheaply because they controlled risk.

Funding was secured up front. Permitting and environmental reviews were streamlined. Officials used a design/build public/private partnership, which allowed design and construction to occur simultaneously. Instead of bogging down in a debate over adding

expensive light rail, which transit supporters strongly lobbied for, officials included two additional general purpose lanes and suggested they could be replaced by a transit system at some point in the future. This allowed the project to move forward without costly delays. Officials also provided $27 million in financial incentives if the contractor completed the project early, and they imposed penalties for delays.

The I-35 bridge is a successful model of how to build transportation infrastructure. By controlling risk and using the private sector, officials kept costs low and completed the project on budget and ahead of schedule.

State and federal officials can learn a lot from officials in Minnesota. Instead of a system based on politics, process and red tape, we need a system focused on project delivery, results and performance—one that leverages public funds by using all financial tools available and limits artificial cost drivers.

**Recommendations**

1. **End the practice of the state charging itself sales tax for transportation projects.** The state's current practice of charging sales tax on transportation design and construction is simply a device for cycling money out of the transportation budget and into the General Fund budget. Ending this practice would increase the funding available for road improvements and traffic relief. The state's own projects should be tax exempt, so that all funds raised through dedicated transportation taxes can be used in the way they were intended: improving mobility for citizens.

2. **Save 15% on transportation projects by using market-based labor pricing, rather than the artificially inflated prevailing wage system.** Built-in waste like the prevailing wage system makes it difficult for elected leaders to ask the public to pay more in taxes for needed transportation projects. Using competitive market wages would stretch limited transportation dollars and show respect for the financial sacrifice people make when they pay for public roads.

3. **Officials at all levels of government should review permitting and regulatory mandates on transportation projects in order to reduce cost, planning and construction time.** Artificial cost-drivers drive

up budgets without improving service to the public. Officials should eliminate policies that may result in benefits to certain interest groups but do not contribute to getting road projects built.

4. **Remove the light rail requirement across the Columbia River bridge.** Light rail represents about a third of the cost of the project yet will provide less than 10% of all crossings, most of which are already provided by inexpensive buses. Adding light rail across the Columbia River bridge would be redundant, expensive and wasteful.

## 9. Competitive Contracting

**Recommendations**

1. Establish clear oversight guidelines for managing any new competitive contracting system.

2. Encourage an atmosphere of healthy competition in which private companies compete with state employees and other contractors to perform public work like highway maintenance.

3. End state funding for research designed simply to derail the competitive contracting process.

**Background**

In 2002, the Washington legislature passed the Personnel System Reform Act that, among other things, allows state agencies to competitively contract for services historically provided by state employees.

The competitive contracting provision of the act took effect in July 2005 and offers new flexibility to state transportation managers facing tight budgets and the urgent need to maintain service levels while reducing overall cost. In other states, competitive contracting is used routinely to boost the quality of services, while gaining the best value for taxpayers.

In Washington, highway maintenance is one area of government service that would benefit greatly from competitive contracting.[35] An independent audit commissioned by the legislature in 1998 estimated that competitive contracting for highway maintenance would save state taxpayers up to $250 million a year without reducing the high level of service expected by motorists.[36]

The state highway maintenance program covers nearly 18,000 lane miles of state highways, ten major mountain passes, 45 rest areas and dozens of other transportation-related systems. Basic maintenance

operations include road repair, roadside and landscape maintenance, snow and ice control, rest area operations and many others.

**Policy Analysis**

The findings of the legislature's audit reflect the generally positive experiences other states have had with contracting out. These states use highway maintenance contracting to increase flexibility, ensure high quality and reduce cost in keeping up vital highway infrastructure. Similarly, competitive bidding would allow Washington policymakers to serve the public while getting the most out of scarce transportation dollars.

Competitive bidding does not mean privatization. In other states, public employees enter into, and often win, competitions to perform government work. It is competition, not privatization, that achieves higher efficiency by allowing managers to choose the most cost-effective option while delivering improved services. Even when government workers provide a given public service, the very possibility of competition drives down costs and encourages excellence.

In a government agency the size of the Department of Transportation—it is larger than most businesses in the state—one would reasonably expect there to be areas where its work could be done more efficiently.

Long-standing programs in states like Massachusetts, Texas, Florida and Virginia demonstrate that competition for highway maintenance can be effectively implemented with minimal impact on state workers and result in significant improvement in cost savings and work quality.[37]

**Recommendations**

1. **Establish clear oversight guidelines for managing any new competitive contracting system.** Key to the success of any competitive contracting program is strong oversight and a transparent contract award process. State managers can enhance public support by building on the practical experiences of other states in designing oversight and accountability into any contracting program.

2. **Encourage an atmosphere of healthy competition in which private companies compete with state employees and other contractors to perform public work like highway maintenance.** By rewarding state employees for good work and incorporating the best innovations of the private sector, competitive contracting would build morale and enhance the culture of excellence within the Department of Transportation. Based on the successful experiences of other states, highway maintenance is a good place for the department to start a vigorous contracting program.

3. **End state funding for research designed simply to derail the competitive contracting process.** The Department of Transportation staff have cast a negative light on the competitive contracting process. Considering the proven success of competition and contracting out across the nation, state managers should avoid wasting resources on research that has already been done elsewhere.

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