



JAMES L. McINTIRE  
State Treasurer

State of Washington  
Office of the Treasurer

March 30, 2009

Paula Hammond, Secretary  
Washington State Department of Transportation  
Transportation Building  
310 Maple Park Ave  
PO Box 47300  
Olympia, WA 98504

Dear Ms. Hammond,

Washington is developing the design and finance plans for major transportation projects in at least three significant state corridors. They include East and West routes across Lake Washington, North and South routes through Central Seattle and a new Interstate bridge across the Columbia River in Clark County.

Federal and state transportation policy experts agree that the fuel taxes are no longer a sustainable or sufficient revenue source for funding new transportation infrastructure. Few major transportation projects are being funded without tolls in this country. Tolling has become a fundamental and inevitable element of transportation financing.

As the elected official charged with ensuring that the state's debt financing achieves the lowest possible costs for the long-term needs of the taxpayers, I am writing to recommend that any tolling legislation incorporate the following principles. These market-based principles are forward looking goals for the state's economic vitality. They reflect bond market realities and national trends for financing transportation improvements. These principles will deliver the best bond ratings and the lowest financing costs.

- Tolling is most effective when used to finance the transportation system within a corridor, not individual projects or facilities. For example, in the cross-lake corridor, it would be important to have the capacity to toll both the 520 and I-90 bridges to finance improvements on either bridge.
- Early tolling saves interest costs, yields better revenue estimates, and ultimately helps lower financing costs.
- Measures that enhance the predictability of toll revenues and reduce their volatility will result in lower financing costs and will better protect the state's credit rating. A key consideration is broadening the sources of toll revenue



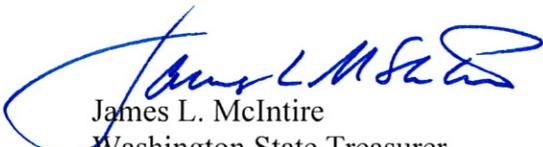
credit rating. A key consideration is broadening the sources of toll revenue beyond individual projects and facilities to incorporate a transportation corridor. A broader, blended revenue stream helps create a more stable, predictable basis for financing.

- It is critical to delegate toll-setting authority to an independent government body, so that future political and regulatory decisions do not compromise the financing mechanism.
- If toll revenues are to serve as the basis for financing, the toll-setting policy of this body is most effective when it includes a requirement to set tolls sufficient to pay for debt service and a reserve account. This means that bond documents must include a contractual commitment to meet a specified coverage ratio with a cushion of reserves.
- It may be most efficient to delegate the specific form of financing to the State Finance Committee so that financing decisions can take into account market conditions at the time of sale.
- Effective corridor tolling can help mitigate congestion, prevent traffic diversion, and avoid piecemeal tolling that can result in higher tolls, construction costs, administrative costs, and traffic delays due to a poorly coordinated transportation system.

The state is developing finance plans for several multi-billion dollar projects. By establishing and applying these guidelines, we can create a consistent and rational system for transportation funding, achieve the maximum value for the public's tax dollars, and avoid impairing our capacity for financing future improvements in schools and other public infrastructure projects.

I appreciate that there are several difficult decisions to be made in financing these major projects. My office will make every effort to work constructively with the Legislature and Executive agencies to find a way to integrate these principles with the political realities of the decision making process.

Sincerely,



James L. McIntire  
Washington State Treasurer

Cc: Gov. Christine Gregoire,  
Frank Chopp, Speaker of the House  
Lisa Brown, Senate Majority Leader  
Mary Margaret Haugen, Chairwoman Senate Transportation Committee  
Judy Clibborn, Chairwoman House Transportation Committee