

Background

In 1991, Congress created toll credits as part of the Intermodal Surface Transportation Efficiency Act (ISTEA). Toll Credits were established as a mechanism to assist states in meeting the matching requirements on federally funded projects. Toll credits are a matching tool available to any state that generates revenues from tolling facilities and satisfies established criteria. These credits allow federal funds to serve as match for the federal funds on a project.

Washington State has certified toll credits based on toll revenues dating back to 1992. For the purposes of the toll credit calculation, federal law includes ferry fare collections as toll revenue. Each year that WSDOT certifies toll credits, it must demonstrate that it has met criteria designated by FHWA, known as the Maintenance-of-Effort (MOE)¹. Each year that Washington passes the MOE, it is eligible to certify its toll credits based on its tolling revenues and capital expenditures. To date, Washington has certified \$3.25 billion in toll credits and has used approximately \$1.02 billion through federal fiscal year 2020.

Toll Credits earned may be applied toward the non-Federal matching share of programs authorized by Title 23, U.S.C, except the credit may not be applied to projects funded with FHWA's emergency relief funds. Additionally, the credit may be applied to transit programs authorized by Chapter 53 of Title 49, U.S.C.

How Toll Credits Work

Toll credits are not money. They do not bring any funds to a project. Toll credits provide a way to eliminate the need for non-federal matching funds on a project. Typically, projects funded with federal money require matching dollars from other non-federal sources. For each dollar of toll credit earned, a state may use a dollar of its federal funds to serve as match. For example, a project funded with 80 percent federal funds and requiring 20 percent matching funds can be 100 percent federally funded. With some exceptions, toll credits are eligible for most highway and transit capital projects.

Policy for Allocation and Use of Toll Credits

WSDOT's policy for allocating toll credits is to maximize the use of federal funds to deliver the highway and ferry capital programs in its 16-year budget. In addition, toll credits are utilized when federal grant programs allow to maximize the amount of federal funds requested and to minimize the match that is required. WSDOT makes available Toll Credits for use to local agencies and/or transit projects through its Local Programs and Public Transportation Divisions for any eligible priority projects identified.

The projects that utilize toll credits must align with WSDOT's Executive Management, the Governor's Office, and the Legislature transportation investment policy objectives.

¹ MOE determination required by 23 U.S.C. § 120(j)(2)

Use of Toll Credits

- **State Highway and Ferry Capital Investments** - WSDOT utilizes toll credits to match federally funded projects in the department's 16-year highway construction and ferry capital programs. Toll credits are not utilized on highway and ferry projects when:
 - The project has sufficient state or local match
 - For projects that receive discretionary grant funds which do not allow use of toll credits to meet match requirements (e.g., TIGER, INFRA, BUILD, ER (emergency relief, etc.).

Toll credits are a tool that offers greater flexibility to balance the use of state cash and meet the constraints that come with funding projects with bonds and federal funds.

- **Local Projects of Regional Significance** - WSDOT provides toll credits to local projects that aid in the completion of state mega-projects or projects that have significant regional importance from the department's perspective.
- **Local Roadway Projects** - Toll credits are allocated for local bridge, transportation alternatives, NHS asset management and safety projects as these programs align with the state's investment objectives. In addition, any local projects that receive federal earmarks or discretionary funds can utilize toll credits if matching funds are not already available on the project. Projects that utilize toll credits have delivery timelines that must be met for their use. If projects do not meet these timelines, local match is required in place of toll credits. This allows for more certainty in the amount of federal funds that can be distributed to Local Agencies statewide.
- **Legislatively Directed Toll Credits to Transit Projects** - WSDOT provides an allocation of toll credits to be used by local transit providers for the implementation of projects from programs authorized by Chapter 53 of Title 49, U.S.C.

Change from Previous Policy

Applying a practical solution approach in assisting local agencies delivery of the federal program – WSDOT is proposing providing toll credits to projects selected through the MPO/RTPO/County lead agencies regional competitive programs (STBG, CMAQ, TA). This would be available if the project/project phase was fully funded with FHWA funds. Selection agencies would need to review and modify their competitive criteria to allow maximizing FHWA funding on projects and requiring expected delivery timelines.

Previously, toll credits were made available to transit agencies as directed by the legislature, typically through a proviso in the Transportation Appropriation Bill. Under this policy document, the Public Transportation and Rail Division would be provided an allocation of toll credits to be used for transit programs authorized by Chapter 53 of Title 49, U.S.C.

The Public Transportation Division plans to use \$8.5 million in toll credits for rural, small urban, and large urban transit agency projects. It plans to use the other \$1.5 million to meet non-federal match requirements for efforts required by the Federal Transit Administration. This includes [statewide safety oversight](#) of public rail fixed guideways (i.e., Seattle Center Monorail, Seattle Streetcar, and Sound Transit's Tacoma Link and Central Light rail) and [Statewide Planning](#).