

Puget Sound Transportation Funding Options

Revenue Source	Variants or Innovations	Potential Revenue	Brief Overview
Currently Used Puget Sound Region			
Excise Fuel Tax	<ul style="list-style-type: none"> • Tax Rate Per Gallon • Could be Indexed to: <ul style="list-style-type: none"> ○ Cost of Inflation ○ Fleet Fuel Efficiency 	\$0.01 state fuel tax generates \$17 million per year in Puget Sound region. (1)	The state fuel tax is taxed at a fixed rate per gallon of fuel (gasoline and diesel) and the fuel tax is collected at the wholesale level (termed the “rack”). Consumers pay as part of the price shown at the pump. The current state fuel tax is 37.5 cents per gallon and generates about \$1.2 billion a year (about \$32 million per penny) with funds limited to use on highways by Washington State Constitution. Part of the state fuel tax is allocated to cities and counties (about 12 cents of the state fuel tax) and is limited to use on highways. The Federal fuel tax is 18.4 cents for gasoline and 24.4 cents for diesel and helps support Federal funding allocations to WSDOT (about \$1 billion per year) and public transit entities in the Puget Sound region (about \$264 million in 2013).
Motor Vehicle Title and Registration Fees	<ul style="list-style-type: none"> • License/title fees • Weight and commercial fees • Rental Car Fees 	\$1 increase in vehicle license fee generates \$2.5 million per year statewide. (1)	The state motor vehicle fees primarily include title fees paid when a vehicle is transferred from one owner to another, vehicle registration fees paid annually and fees paid at the time of vehicle rental. The fees vary by vehicle type such as autos or large trucks. These state fees generate about \$622 million per year.
Motor Vehicle Excise Tax	<ul style="list-style-type: none"> • Tax on depreciated value of the vehicle 	0.1% generates \$25 million per year in Sound Transit region. (2)	In select cases such as for Sound Transit there is a Motor Vehicle Excise Tax (MVET) that is a percentage applied to the depreciated value of the vehicle. Sound Transit has a .3% MVET applied to vehicles in the Sound Transit operating area generated \$75 million in 2014. This same concept could be applied to a select part of the vehicle such as the engine type or size to foster key goals such as the use of more fuel efficient vehicles.
Sales Tax	<ul style="list-style-type: none"> • Tax on sales of retail goods • Primarily local sales tax for transportation 	1% generates about \$760 million in Puget Sound region. (3)	There is a state sales tax and local/regional sales tax on retail goods and services as defined in state law with only a very small portion of the statewide sales tax (0.3% on the sale of motor vehicles or about \$42 million per year) dedicated to transportation. Various Local and regional sales tax have been dedicated primarily for public transit projects such as Metro and Sound Transit that collectively generated about \$1.3 billion in the Puget Sound region in 2013.
Tolled Express Lanes	<ul style="list-style-type: none"> • Single corridors • Convert HOV system • System-wide approach? 	New revenue would be project specific.	Tolled express lanes are special use lanes on expressways that allow free use for buses, vanpools, and high occupancy vehicles and all others pay a toll based on the level of congestion in the corridor. The tolled express lanes operate adjacent to non-tolled “general lanes”. These are in operation on SR-167 and soon to be on I-405 north and are estimated to generate about \$7 million per year in toll revenues. Express lanes are primarily designed to “provide choices and support a minimum level/ vehicle speed for the toll rate paid” as an alternative to congested corridors and not necessarily to generate excess revenues above the

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			cost of the express lanes.
Tolled New Capacity/Bridges	<ul style="list-style-type: none"> • Pre-construction tolls • Congestion-based pricing • Tolling for rehabilitation and replacement 	Assumed to fully or partially fund project being tolled.	The State of Washington has used tolls to help finance the Tacoma Narrows Bridge and SR-520 Bridge System. Tolls on these bridges generate about \$125 million a year. Other growth states have created toll systems such as Florida and Texas where tolls form a major source of transportation revenue. Tolls may be charged at fixed rates such as per mile or per bridge crossing or these can vary during the day based on the peak periods. Currently toll facilities must be authorized by the General Assembly, toll rates set by the Washington State Transportation Commission, and the facility implemented and operated by WSDOT.
General Property Taxes	<ul style="list-style-type: none"> • Rates set by local governments • Must choose to use part on transportation among many program choices 	TBD	Property taxes are a tax on real property owned as homes and businesses. The tax is set as a percentage (or “millage”) of the property value to be paid annually to the collecting agency. The millage is set by local governments such as counties, cities, schools and other groups authorized to assess property tax. The collecting agency distributes the tax collections to the assessing local government for uses authorized in law for that local government. Any uses for transportation generally occur through the annual budget process for the respective local government, normally being the county or city.
Project Specific Property Fees	<ul style="list-style-type: none"> • Limited use in region • With law changes could expand use • Not a major funding source • Can be effective on urban projects 	New revenue would be project specific.	While not widely used for transportation projects in the Puget Sound region, local governments in the U.S. enact a number of different fees on property that benefits from a key infrastructure project, which may include roads, public transit, water/sewer systems, schools, and related items. These fees may include a special assessments against the property, impact fees when permits are authorized for development, and/or the dedicated of future tax increments generated by the project and associated development. In large urban areas these tools may be enacted and implemented by a community redevelopment authority created by the local government through state authorization to focus on key areas of the city for development or redevelopment. These tools can be effective for specific projects such as adding a new transit station, extension or redevelopment of roads, new or improved interchanges or intersections, “livability” improvements such as sidewalks, bike lanes, trails, landscaping, traffic calming, signal system improvements and related items. These fees are not useful for major transportation program funding needs.

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Used in Other States/Local Areas			
Street Maintenance Utility/Transportation Utility Fee	<ul style="list-style-type: none"> Calculated utility fee based on road network usage. 	TBD	Street Maintenance Utility (SMU) legislation is based upon the legal theory that users of the street system should pay according to the burden they place on the street system. Agencies forming SMU's would be required to set utility rates equitably based on the number and impacts of trips generated by various land use types. It is in the interest of all cities that choose to establish a SMU that rates be based upon the actual financial needs to achieve a community's desired level of service for the street system.
Sales Tax on Motor Fuels	<ul style="list-style-type: none"> A percentage rate applied to price of motor fuels 	At \$3.00 per gallon a 1% sales tax generates about \$102 million statewide. (3)	In recent years as the price of motor fuels have increased, a small group of states have implemented a sales tax on motor fuels that operates in the same manner as a general sales tax where the tax rate is a percentage of the price of motor fuels charged at the pump (retail level). In most cases the sales tax on motor fuels replaced an existing state excise tax on motor fuels.
Expressway Congestion Tolls	<ul style="list-style-type: none"> Flat toll for peak trip Variable price per segment and time of day 	\$.01 per mile generates an estimated \$140-\$160 million per year in Puget Sound region. (4)	In recent years there has been discussion of tolling the "Interstate" or "Expressway" system as an alternative to traditional funding sources such as the fuel tax. Studies have been or are being conducted in states such as Connecticut, North Carolina, and Virginia to consider tolling part or all of the Interstate or Expressway system in those states. To date no state has instituted a major system of tolling the existing Interstate or Expressway system. Tolls could be set as fixed rates or could vary based on the level of congestion.

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Road Usage Charges	<ul style="list-style-type: none"> • Pre-pay or post-pay • Options range from: <ul style="list-style-type: none"> • Based on odometer • Based on GPS, on public roads only 	<p>\$0.01 per mile generates an estimated \$275-\$350 million per year in Puget Sound region. (4)</p>	<p>Due to concerns the fuel tax is not sustainable a number of studies have been conducted on a new concept termed “Pricing or Road Usage Charges” for use of the transportation system. Concepts include a “per mile charge” that could be assessed and collected using a range of methods from very low-tech methods such as periodic reading of motor vehicle odometers to high tech GPS-based systems with pricing set to exact roadway and time of use. The discussion for this source normally includes a roll-back of the fuel tax and possibly other revenue sources so there is not the concern of “double taxation” for user fees. Oregon has the most developed research on Road Usage Charges including multiple pilot programs. The Washington State Transportation Commission has been studying Road Use Charges since 2012, at the direction of the state legislature. At this time the policy and approach to Road Usage Charges in Washington is in the study stage.</p>
General Carbon Tax	<ul style="list-style-type: none"> • Applies to many carbon emitters and industries • Use on transportation competes for available funds among many policy and program choices 	<p>TBD</p>	<p>Many other countries have implemented carbon “cap and trade systems” where major carbon emitters such as utilities, major industrial plants, and motor fuel wholesalers must meet the caps or purchase carbon credits from those that have credits available, many of which are owned by the government. The government credits being sold might be termed a “carbon tax”. The government that collects the carbon tax for carbon credits must decide how to use the collected funds. As an example, the State of California has implemented a carbon cap and trade system in phases over several years. State elected leaders (Governor and legislative members) have established policies for fund uses which support carbon reduction goals. This includes items like high speed rail and local carbon reduction initiatives with limited funds for transportation. California just added motor fuels in 2015 to the phase-in plan so it is unknown how much carbon tax revenue might be generated from the sale of state carbon credits related to motor fuels. Prior to the implementation of motor fuels in the carbon cap and trade system, California state carbon credits purchased totaled about \$970 million between November 2012 and November 2014.</p>
Carbon Tax on Motor Fuels	<ul style="list-style-type: none"> • Applies to carbon emission from motor fuels 	<p>Similar rate to state fuel tax of \$0.01 generates about \$17 million per year in Puget Sound region. (1)</p>	<p>The Province of British Columbia has implemented a “carbon tax” on motor fuels province-wide that is assessed as cents per liter and collected very similar to the fuel tax in the State of Washington. The amounts enacted are higher in urban areas such as Vancouver and Victoria. Funds are primarily allocated to highways and transit uses. The carbon tax rate on motor fuels in British Columbia is equivalent to a tax rate in excess of 50 cents per gallon.</p>

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Notes for Revenue Estimates

- (1) – Developed from the revenue estimates supporting the Puget Sound Regional Council 2040 Transportation Plan.
- (2) - Developed from actual revenues reported on the Sound Transit internet portal.
- (3) – Estimates developed by Clary Consulting from available data sources including State of Washington Department of Transportation, Puget Sound Regional Council, King County, Sound Transit, State of Washington Department of Revenue and other relevant sources.
- (4) – Estimates developed by CDM Smith from data sources including State of Washington Department of Transportation, Puget Sound Regional Council, and other relevant sources.