

Draft Principles for Funding the 2040 Transportation Plan

Developing a regional transportation plan and the corresponding funding strategy is a complex task that is both technical and political in nature. PSRC has developed the Transportation 2040 regional transportation plan (T2040) that includes \$111 billion of funding from current revenue sources and assumes \$62.4 billion in funding from increases to these current sources as well as through new funding sources. The Transportation Futures Task Force (“Task Force”) is reviewing the T2040 funding plan and sources, as well as considering all other options. It is important that the Task Force consider guiding principles to respond to the needs and desires of the residents and businesses of the Puget Sound region.

With guidance from Task Force members, information from other metropolitan areas, and findings from the resource papers that have been presented, the following draft principles and core concepts have been developed. They will be used to evaluate potential revenue sources and funding scenarios, and are intended to shape the Task Force’s recommendations. The principles and concepts are intended as a starting point for discussion, and should be molded by the Task Force.

1) Revenue Streams should be Sufficient to Fund Projects and Programs in Regional Transportation Plans

Forecasts make it clear that traditional transportation revenue sources will fall far short of the revenue needed to serve future accessibility and mobility needs. The economic well-being of the central Puget Sound region depends on a world-class, well-functioning transportation systems. Governments at all levels must be assured the adequacy of financial resources sufficient funding to create and support such a system.

Increased funding will be required for investment in all modes of transportation by local, county, and regional governments. State and federal resources will continue to be part of the picture, but can no longer be relied upon as the major funding source. User charges, taxes and fees, and responsible use of debt must all be considered. Different revenue sources may be more suited to fund specific types of projects; however all revenue sources should be considered collectively as a comprehensive strategy for funding the transportation needs of the region.

Core concepts:

- Funding sources should be sufficient to pay for unfunded needs of adopted regional and local transportation plans.
- Funding should be sufficient and flexible to address local and regional multi-modal needs.
- Funding should be sufficient to support regional and state economic growth.
- Funding sources should generate significant revenue and be cost effective to collect.
- Funding sources should support financial plans that anticipate project costs, construction timing, and the responsible use of debt.

2) Future Revenue Streams should be Diverse, Stable, and Predictable

Many transportation capital investments require long periods to plan, construct and finance. Significant financial commitments are also needed to continue their operations over many decades. Funding streams must be responsive to economic cycles and the evolution of the regional economy, both of which are often unpredictable and uncertain. Diverse funding sources are needed to assure resilience in times of economic change.

Core concepts:

- Funding sources should be diverse and not be overly dependent upon a limited number of major sources.
- Funding sources need to be as stable as possible over time and be viewed realistically in light of how future social and technological changes may affect the revenue sources.
- Funding sources need to be resilient to withstand inflation and economic cycles to the extent possible.
- Sources need to be predictable in order for project planning and investment to be reliably made over time.
- Funding sources should be consistently dedicated to transportation so they cannot be diverted to competing interests.

3) Revenue Sources must Support the Region's Vision for Growth, Land Use, and Environmental Sustainability

Transportation networks and strategies are complex, and travel is undertaken to meet a wide range of economic, social, and human needs. For this reason, the transportation system must be planned, designed, and financed to complement and integrate with population and economic growth, land use, and environmental planning so that the revenue sources support and are in alignment with the region's goals.

Core concepts:

- Funding sources should be flexible, and to the extent possible, support multi-modal uses, including freight.
- Funding sources must support the region's economic vitality, urban form, land use, and air and water quality goals as articulated in state, regional and local plans.
- Funding sources may serve as a transportation demand management incentive.
- Funding sources may be a mechanism to address state and regional goals for carbon reduction.

4) Transportation Revenue Sources should strive for Equity

The impacts of funding sources and costs of transportation investments should be planned and implemented to address equity principles that include social, health, economic, generational and geographic considerations.

Equity is evaluated according to many criteria. Central among them are fairness that people should bear costs proportional to the benefits they receive; and affordability, that people's ability to pay is a factor in implementing transportation related taxes, fees and user charges. Equity is also a consideration when determining who is impacted by the detrimental byproducts of the transportation

system. This often requires specific attention to the needs of particular groups, including the elderly, disabled, low-income, and minorities.

Core concepts:

- Funding sources should align with program delivery and services provided, particularly for user fees.
- Funding sources should, to the extent possible, be structured to account for the ability of people and businesses to pay, such that the financial burden is equitably distributed.
- The use of borrowing to fund the transportation improvements should not overly burden future generations.
- Funding allocation, distribution, and management policies and entities need to be transparent and accountable.
- A comprehensive funding plan should be equitably balanced between revenues generated from geographically sourced taxes, user fees, and vehicle based taxes and fees.

5) Funding Sources and Financial Strategies should be Feasible

While the state and the region have been able to raise transportation funding sources in recent years, there have been struggles to pass major packages for transportation improvements. Those that have passed have often required major efforts at the state legislative level, at the regional and local elected level, and at the ballot. Funding sources going forward should be politically feasible within the federal, state, and local context. For instance, it is unlikely the region could request a change in a state levied tax or fee for regional funding, since those fees must be applied statewide. The consideration of revenue sources must also examine any possible “limits” that might exist, such as legal restrictions, public acceptance of tax and fee levels for a particular revenue source, and taxing structures which might put the region at a competitive disadvantage.

Core concepts:

- Funding sources and financial plans should be politically and publicly acceptable.
- Legal or practical limitations on funding sources that unnecessarily limit their application and use should be identified, and amendments considered that improve their utility for local and regional transportation programs.
- Funding must account for all local or state limitations on taxing and debt authority.
- Additional revenue sources are needed at the federal, state, regional, and local levels.
- A regional authority must be designated to levy and allocate revenues in order to implement a regionally-based funding solution.
- Efficiencies in planning and construction of transportation projects should be recognized as a means of generating recovered revenue.