

MEMO TO TRANSPORTATION FUTURES TASK FORCE

Follow-up Information from June 24, 2015 Transportation Futures Task Force Meeting

At the June 24 Transportation Futures Task Force meeting, members asked for an evaluation of the current Transportation 2040 Financial Strategy relative to the Transportation Funding Principles that have been a focus of Task Force discussion. This memo provides an overview of the Financial Strategy, and compares it to the Funding Principles in the format that funding sources were evaluated at the June 24 meeting.

Transportation 2040 Financial Strategy Overview

Transportation funding comes mainly from motor fuel and retail sales taxes, property taxes, and vehicle value taxes, registrations, and licenses. It is assumed that these traditional sources will still play a central role, especially in the early years of the plan. In later years, there will be an increased reliance on roadway tolls that are phased in as new highway capacity projects are implemented, and as toll system technology and user acceptance evolves. Roadway tolling would be implemented in a manner to improve travel benefits to all users (people and freight) of the transportation system, and manage transportation system demand. Use of toll revenues would also include modes other than highways – and be available for local roads and transit. Eventually, in the later years of the plan, the highway network would be managed and financed as a system of fully tolled facilities. Toll revenues would ultimately replace existing gas taxes and other fees currently collected to support the transportation system. The table below identifies the revenues identified in the Transportation 2040 Financial Strategy. Many of these sources would be available for a variety of state, city, county, and transit programs. Those in *italics* are not currently used in the region, but are assumed as future revenue sources:

Local Sources

Road Levies
Other Local Sources (Parking, License, Impact Fees)
Street Maintenance Utility Fee
Employee taxes

Fuel Taxes, State Fees, and Fuel Tax Replacements

State Fuel Tax and Bonding Net Proceeds
Fuel Tax Replacement (road usage charges)

Transit Specific Sources

MVET (Transit)
Sales tax increases for local transit
Sales tax increases for Sound Transit
Increases in Transit and Ferry Fares

High Occupancy Toll (HOT) Lanes and Facility Toll Revenues

HOT and Facility toll proceeds
Highway System tolls
Offsetting fuel tax (in later years of plan)

Things the Current Financial Strategy Does Well

- Provides funding for construction of mega-projects (freeways, bridges, new high capacity transit)
- Additional revenues in later years of the plan would support a variety of modes
- Shifts to a “user pays” system, with benefits of the system distributed more equitably, both geographically and by user
- Manages system demand and reduces congestion
- Demand and system management components reduce greenhouse gas (GHG) emissions

Limitations in the Strategy

- The plan is back-loaded; assumed revenues are not available in the short term for many needs, particularly for maintenance and operations, city and county roadways
- There are no detailed actions describing the transition between current and future sources, such as for phasing out the fuel tax and beginning roadway tolling
- Major sources are in decline (gas tax) or volatile (sales tax)
- Some sources are restricted to particular modes (gas tax, toll proceeds, sales tax)

Transportation 2040 Financial Strategy

Revenue Source	Transportation Futures Funding Principles: Sufficiency Diverse, Stable, Predictable Vision Timing
Fuel Tax	Upper level for tax rate, declining base (useful short term), historically limited to highways
Motor Vehicle Fees	Medium to low rates, stable and predictable, flexible uses
Motor Vehicle Excise Tax	Limited use today, stable and predictable, flexible
Sales Tax	Upper level for tax rate, hard to predict, local uses primarily transit
Tolled Express Lanes	Low Funding Source (good option for congested corridors)
Tolled New Capacity / Bridges	Limited to Highways / Specific Projects
General Property Taxes	Tax rate challenges, hard to predict as competes with other needs
Project Specific Property Fees	Low Funding Source (useful for localized application)
Other Local Sources (Parking Taxes, License Fees, Impact Fees, Employee Taxes)	Low Funding Source (useful for localized application)
Transit Fares and Ferry Tariffs	Upper level for fares and tariffs
Street Maintenance Utility	New, similar to property assessment, could help meet local needs
Highway System Tolling	Revenue generation can be substantial, useful 5 years or later
Road Usage Charge	Revenue generation can be substantial, useful 10 years or later

Note: sources in blue in left column are currently authorized and used in the central Puget Sound region; those colored green are anticipated for future application. In the right hand column, sources colored green perform well against the Task Force Funding Principles. Those colored yellow and red have limitations.