

Regional Transportation Plan Financial Strategy

Transportation Policy Board – June 13, 2024



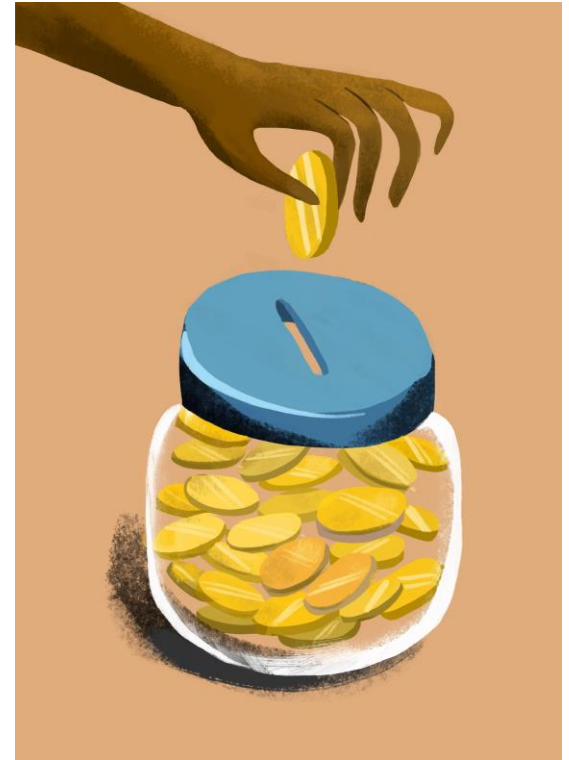
Puget Sound Regional Council



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Presentation Overview

- Federal and State requirements
- How do we –
 - Estimate **current revenue sources** into the future?
 - Identify **new revenue sources** and potential impact?
- Plan investments – what are we funding?
- Current and future **revenue challenges**
- *Preliminary board discussion on new financial strategy*



Financial Strategy Requirements

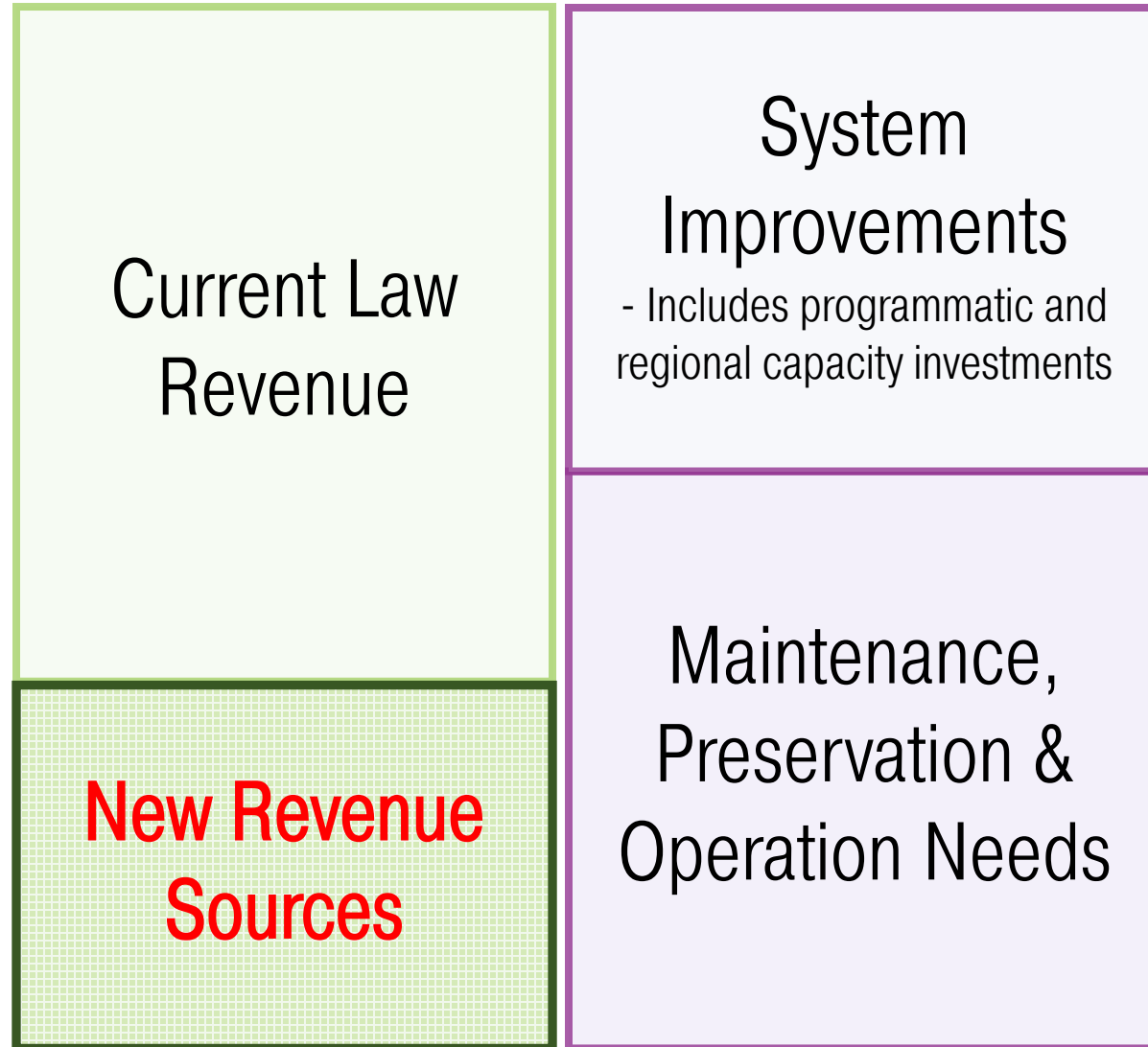
Federal and State requirements:

*The plan must identify reasonably available sources and revenues to fund **all** investments in the plan – capital, operations and maintenance – for a financially constrained plan*

- Not an adopted budget: general plan with reasonable assumptions
- Assumptions of new or increased revenues must include strategies for ensuring availability; can identify necessary legislative actions



Financial Strategy Building Blocks



Projecting Current Revenue Sources

Regional Transportation Revenue Model

PSRC forecasts

Inflation

Motor Fuel

Registrations

Retail Sales

Pop/Emp

Personal Income

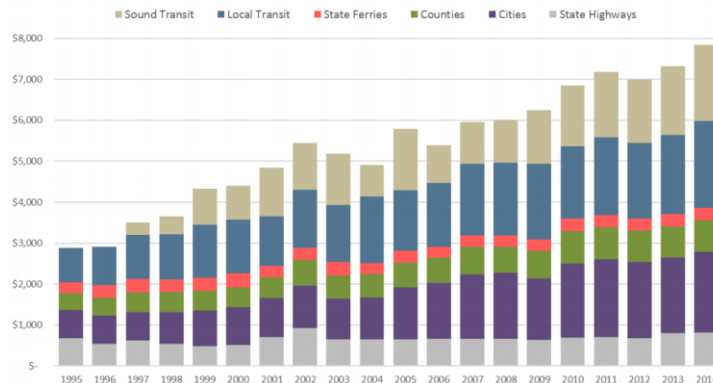
Other Parameters

Tax Rates

Transit/Ferry fares

Return Ratio

Historic revenues



- Peer reviewed process in 2020
- Spreadsheet tool that incorporates demographic and economic forecasts, historic revenue data, and other parameters to estimate Current Law Revenues



Projecting Current Revenue Sources

Categories of Current Law Revenue Sources:

Cities and Counties

- Levies
- General Fund
- Mitigation and Impact Fees
- Real Estate Excise Tax
- Vehicle License Fees
- Parking Tax
- Fuel Tax
- Property Tax
- State and Federal Funds

Transit

- Sales Tax
- Fares
- Property Tax
- Motor Vehicle Excise Tax
- State and Federal Funds

State Highways

- Fuel Tax
- Toll Revenue
- Registration/License Fees
- State and Federal Funds

State Ferries

- Fares
- Fuel Tax
- Registration/License Fees
- State and Federal Funds



New Revenue Sources

- New sources “reasonably expected to become available” over life of plan
- Current plan informed by work of the **Transportation Futures Task Force** convened in 2015–2016, which considered a variety of parameters:
 - practical and legal constraints
 - expected revenue yield
 - tax burden on users
 - system management
 - emissions reduction potential
 - implementation costs/challenges
 - political viability



Paying for the Plan

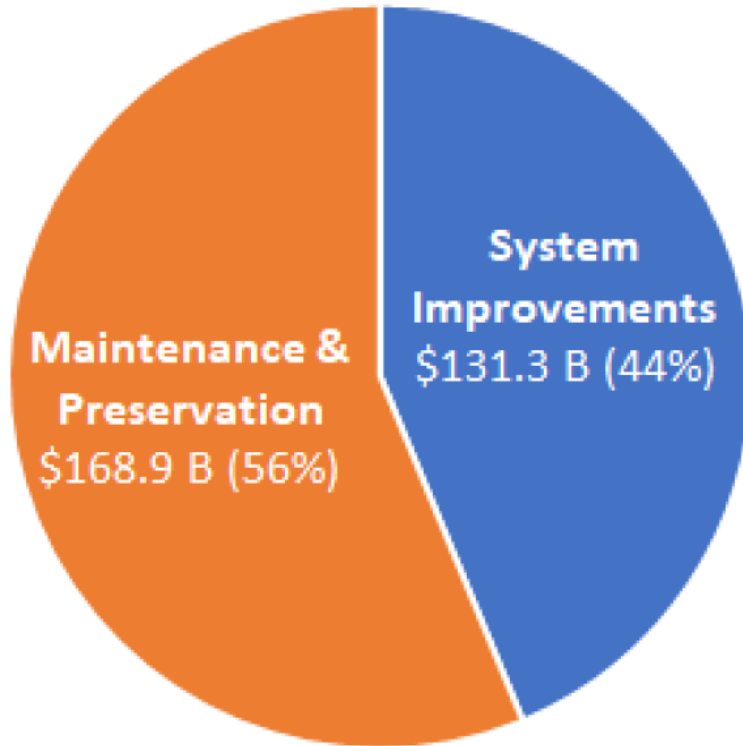
Menu of new revenue options developed:

- Fuel Tax Increases
- Title, Registration, and Service Fee Increases
- Weight Fee Increases
- Electric Vehicle Fee Increases
- Vehicle License Fee Increases
- New Motor Vehicle Excise Tax (MVET)
- New Employee Head/Payroll Tax
- Lifting County Road Levy Cap
- New Street Utility Fees
- New Sales Tax on Fuel
- New Carbon Tax on Fuel
- Transit and Ferry Fare Increases
- New Development Impact Fees
- Sales Tax Increases for Local Transit
- **User Fees – tolls, road usage charge**

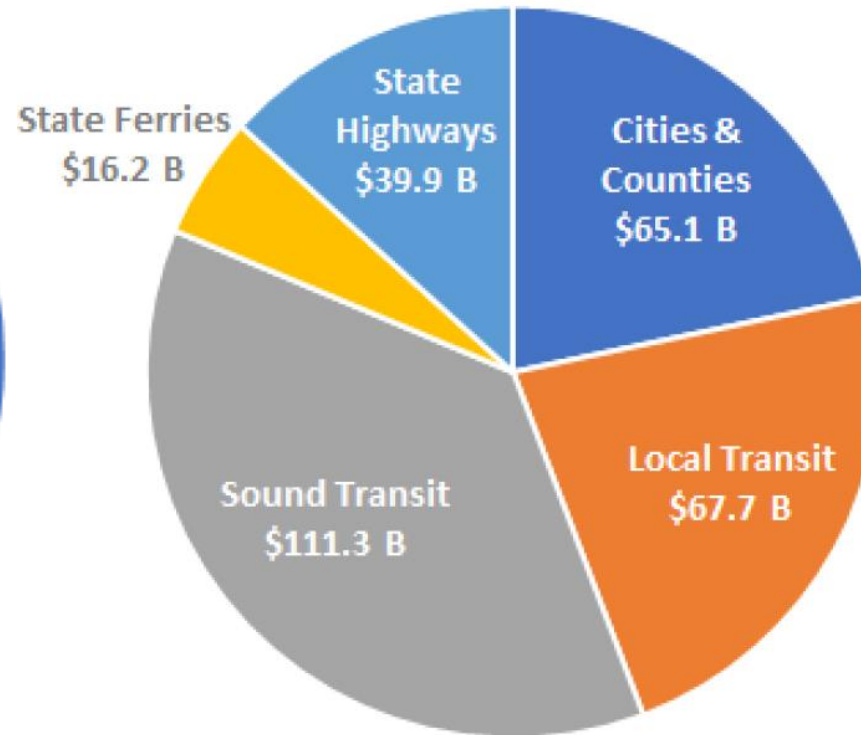


What Are We Funding?

Plan Expenditures, by Investment Type and Agency Type



56% Maintenance & Preservation



- Transit
- Freight
- Pedestrians & Bicyclists
- Transportation Demand Management
- Specialized transportation services
- Highways
- Local and regional roadways
- Signals and operational efficiencies



What Are We Funding?

70% of system improvements are transit; assumes **66%** increase in service

Current Plan Revenues and Expenditures: 2022 – 2050

(millions of \$2022 dollars)

	NEEDS			REVENUES		
	Maintenance, Preservation and Operations	System Improvements	Total	Current Law	New Revenue	Total
Counties	\$ 14,100	\$ 2,700	\$ 16,800	\$ 12,100	\$ 4,700	\$ 16,800
Cities	\$ 30,200	\$ 18,100	\$ 48,300	\$ 44,900	\$ 3,400	\$ 48,300
Local Transit	\$ 46,900	\$ 20,800	\$ 67,700	\$ 45,800	\$ 21,900	\$ 67,700
Sound Transit	\$ 40,200	\$ 71,000	\$ 111,300	\$ 111,300	\$ -	\$ 111,300
State Ferries	\$ 16,100	\$ 100	\$ 16,200	\$ 9,900	\$ 6,400	\$ 16,200
State Highways	\$ 21,300	\$ 18,600	\$ 39,900	\$ 33,600	\$ 6,300	\$ 39,900
TOTAL	\$ 168,900	\$ 131,300	\$ 300,200	\$ 257,400	\$ 42,800	\$ 300,200



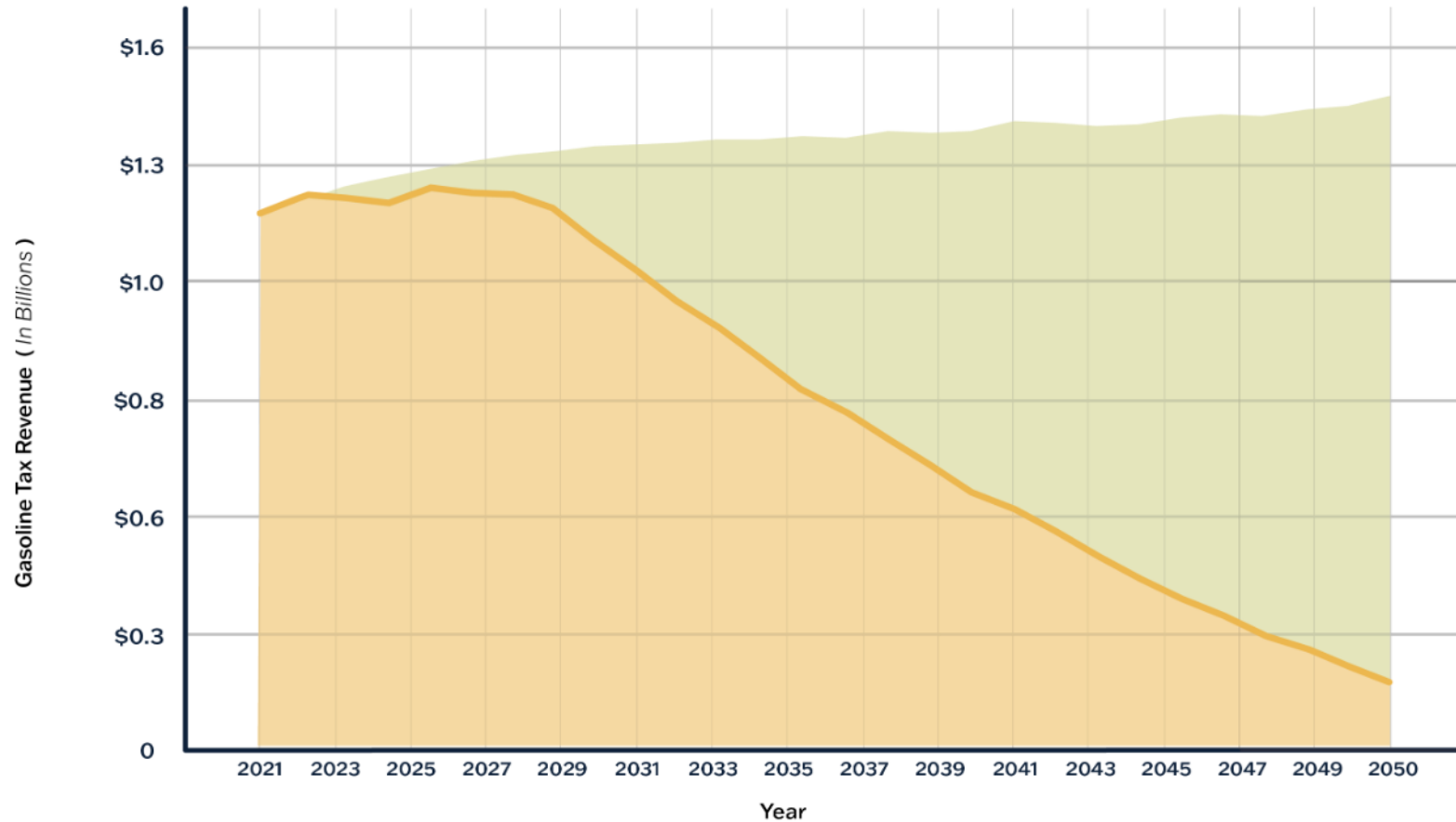
Revenue Challenges

- Significant needs over the next 25 years, e.g.:
 - ferry vessel replacements
 - seismic retrofit of aging highways and bridges
 - maintenance and preservation backlog
 - increasing construction, right of way, and labor costs
 - local transit needs



Revenue Challenges – Improved Fuel Economy

EXHIBIT 1.8 Impact of Fuel Economy on Gasoline Tax Receipts



Declining revenues as fuel economy improves, transition to electric vehicles

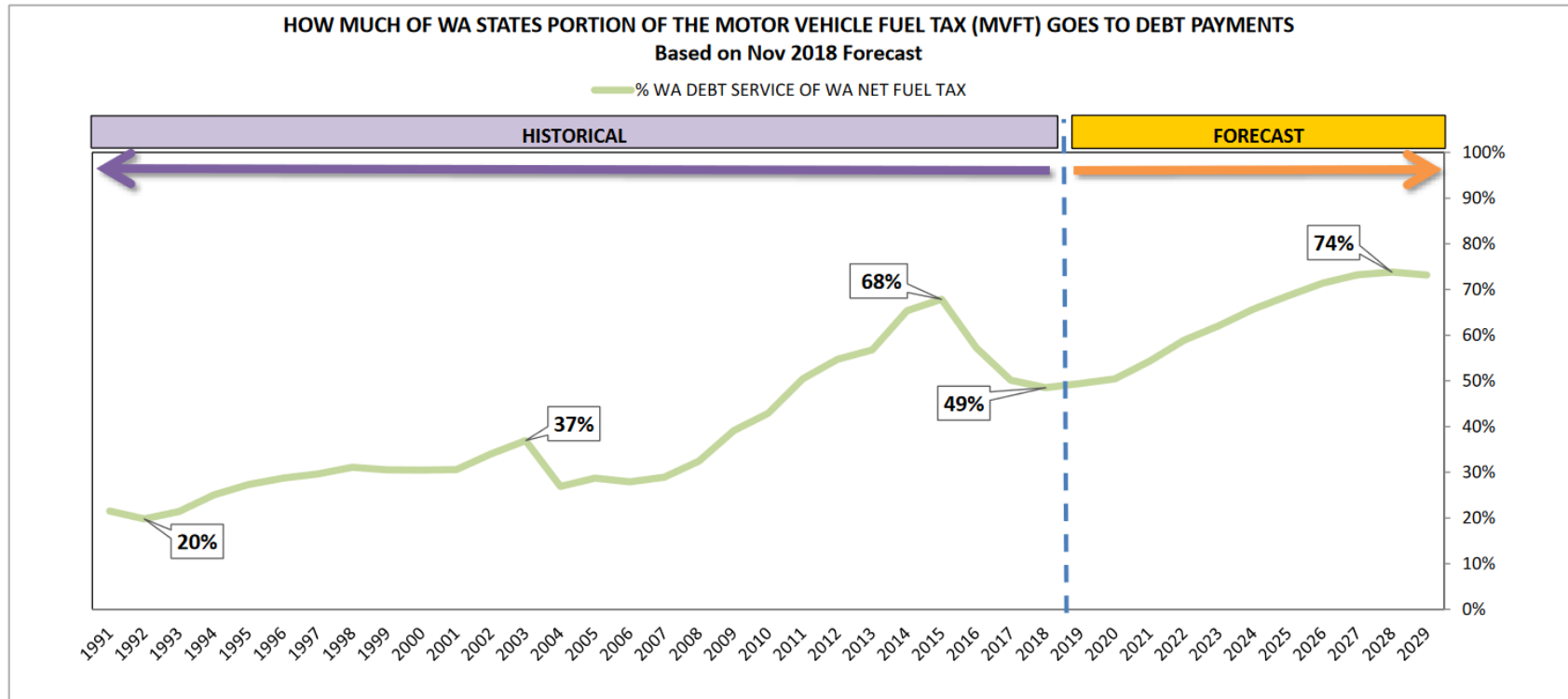
- Net Gasoline Tax Receipts If No Change In Fuel Economy
- Net Gasoline Tax Receipts Under 2035 100% ZEV Sales Scenario

Source: Washington State
Transportation Commission, 2020



Revenue Challenges – State Gas Tax

BY 2028, UP TO 74% OF WA. STATE GAS TAX REVENUES WILL GO TO DEBT SERVICE PAYMENTS*



Future
commitments
of gas tax
revenues

*Based on Net Fuel Tax Revenue and Debt Service projections per the Nov 2018 Forecast.
- Debt service only includes debt first payable by the fuel tax. This excludes SR 520 corridor debt service (first payable by tolls). It includes debt service paid first with fuel tax revenues, then reimbursed by tolls or federal funds.
- WA state's portion of fuel tax revenue does not include all fuel tax revenue pledged for debt service. For example, fuel tax revenue distributed to cities and counties is also pledged for debt service.
- Beginning in FY 2020, revenue from select vehicle related fees (VRF) are also projected to be pledged to debt service for selected state projects, as approved in 2015.

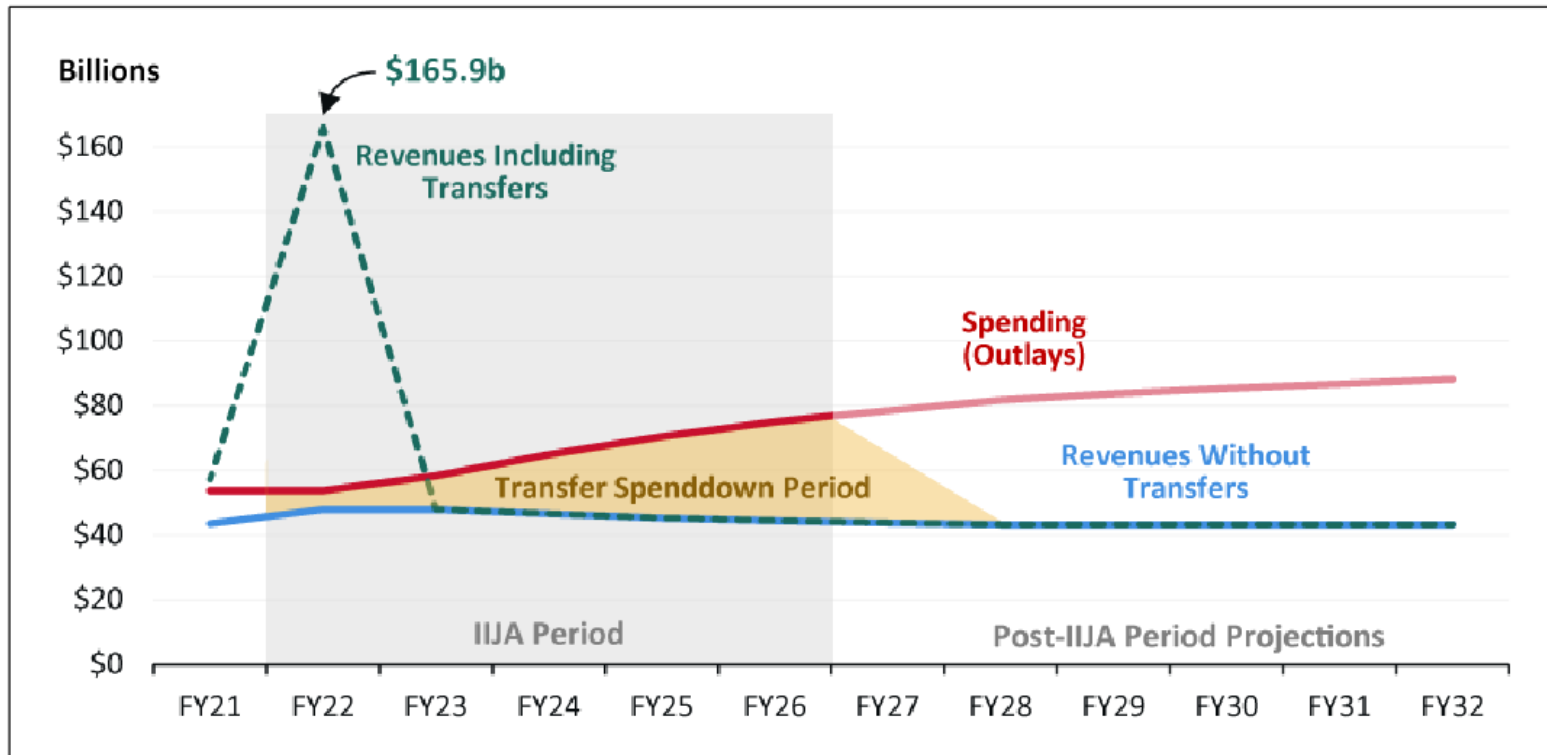


Source: Washington State Transportation Commission, 2020

Revenue Challenges – Federal Highway Trust Fund

Figure 1. Projected Highway Trust Fund Funding Gap

(in billions of dollars)



Highway trust fund balances are exhausted by 2028 without additional transfers

Source: Figure created by CRS based on CBO, *Highway Trust Fund Projections: May 2023 HTF Baseline 2022-2033*. Data for FY2021 and FY2022 are actual revenues and outlays.

Notes: Shows highway and mass transit accounts combined. Revenues include interest on Highway Trust Fund (HTF) balances. The shading between spending and revenues indicates the period that the HTF balance is maintained by Infrastructure Investment and Jobs Act (IIJA) transfers from the Treasury general fund.



Preliminary Discussion of New Financial Strategy

Current law revenues – 86% of current financial strategy

New revenue sources – 14% of current financial strategy

Updates to revenue forecasts for new plan may change these percentages

- Discussions underway with State Legislators and others on future of a Road Usage Charge, including timing, rates, feasibility, etc.
- More information at future board meetings
- Reminder: pricing strategies a key component of the **Four-Part Greenhouse Gas Strategy** to reduce emissions



Preliminary Discussion of New Financial Strategy

Questions for Board:

- Are there any potential new revenue sources that should **no longer** be considered?
- Are there **new sources** that should be considered?
- What factors should be addressed when evaluating any new revenue source?



New Revenue Options

- Fuel Tax Increases
 - Title, Registration, and Service Fee Increases
 - Weight Fee Increases
 - Electric Vehicle Fee Increases
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 - New Motor Vehicle Excise Tax (MVET)
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Preliminary Discussion of New Financial Strategy

Sensitivity tests of different revenue levels will be conducted, producing outcomes informing:

- System performance
- Emissions
- Levels of investment
- Investment potential by different uses and operators

Question for Board:

- What other scenarios or outcomes would the board like to see?



Thank You!

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