

Regional Transportation Plan Financial Strategy

Transportation Policy Board
September 12, 2024



Puget Sound Regional Council



We are leaders in the region to realize equity for all. Diversity, racial equity and inclusion are integrated into how we carry out all our work.

psrc.org/equity

Background

- Previous presentations have covered the following related to the RTP Financial Strategy:
 - Federal and State requirements
 - How we estimate **current revenue sources** into the future
 - How we identify **new revenue sources** and their potential impact
 - Investments funded in the RTP
 - Current and future **revenue challenges**



Financial Strategy Requirements

As a reminder:

*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*

- Assumptions of new or increased revenues must include strategies for ensuring availability



Financial Strategy Building Blocks

Expenditures

System Improvements

- Includes programmatic and regional capacity investments

Maintenance, Preservation & Operation Needs

Current Law Revenue

New Revenue Sources

Revenues



Categories of Current 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

- The current RTP was informed by work of the **Transportation Futures Task Force** convened in 2015–2016 and the 2018 TPB Finance Working Group
- A variety of **parameters** were considered under 5 primary **policy goals**

Policy goals for new revenue sources:

- Sufficient
- Diverse and predictable
- Support population and economic growth
- Social and geographic equity
- Feasibility

Parameters considered:

- practical and legal constraints
- expected revenue yield
- tax burden on users
- system management
- emissions reduction potential
- implementation costs / challenges
- political viability



New Revenue Sources

Local Sources:

- Index fuel tax
- Carbon tax on fuel
- Parking surcharges
- Vehicle license fees
- Transportation impact fees
- County road levy lift
- Street utility tax
- MVET

Transit / Ferry Sources:

- Employee tax
- Local transit sales tax increase
- Transit / ferry fare increases
- License service fee increase
- MVET

State Fees:

- License & registration fee increase
- Weight fee increase

User Fees:

- Facility tolls
- Road usage charge



New Revenue Sources

Projected Revenue Generated by New Revenue Sources Current RTP, 2022 – 2050

New Local Sources	\$ 24 million
New Transit / Ferry Sources	\$ 9 million
New State Fees	\$ 2 million
User Fees	\$ 37 million
TOTAL	\$ 72 million

Figures are rounded; RTP Appendix J



Investment Levels

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



Discussion of New Potential Revenue Sources

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?



Discussion of New Potential Revenue Sources

Local Sources:

- Index fuel tax
- Carbon tax on fuel
- Parking surcharges
- Vehicle license fees
- Transportation impact fees
- Lifting county road levy cap
- Street utility tax
- MVET

- Indexing fuel tax to inflation –
 - Federal gas tax has not been increased since 1993
 - WA does not have a variable gas tax rate indexed to inflation, but increases occurred in 2015–2016
- Carbon tax on fuel –
 - Climate Commitment Act passed in 2021
 - Clean Fuel Standard passed in 2021
 - *Carbon pricing mechanisms*



Discussion of New Potential Revenue Sources

Local Sources:

- Index fuel tax
- Carbon tax on fuel
- Parking surcharges
- Vehicle license fees
- Transportation impact fees
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- MVET

- Parking, license and impact fees –
 - Local options, in various usage across the region
 - Flat license fees imposed by state, portion distributed to cities and counties
 - *Potential challenges with impact fees*
- Lifting county road level cap –
 - Capped at 1% annual growth per RCW
 - *Would require a change in state law*



Discussion of New Potential Revenue Sources

Local Sources:

- Index fuel tax
- Carbon tax on fuel
- Parking surcharges
- Vehicle license fees
- Transportation impact fees
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- Street utility tax
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- Street utility tax –
 - Local options
 - Treats transportation system like a utility
 - *Constitutionality issues depending on structure*
- Motor Vehicle Excise Tax –
 - Eliminated after I-695
 - Replaced with \$30 flat car tab fee
 - *Had been 2.2% of car value*
 - *Significant portion distributed to cities and counties*



Discussion of New Potential Revenue Sources

Transit / Ferry Sources:

- Employee tax
- Local transit sales tax increase
- Transit / ferry fare increases
- License service fee increase
- MVET

- Employee tax –
 - Local options
- Local transit sales tax increase –
 - Where there is unused authority remaining
 - *Or cap could be Legislatively lifted*
- Transit / ferry fare increases –
 - Based on historic fare increases over time
 - *Post-pandemic challenges*



Discussion of New Potential Revenue Sources

Transit / Ferry Sources:

- Employee tax
- Local transit sales tax increase
- Transit / ferry fare increases
- License service fee increase
- MVET

- License service fee increase –
 - Portion to local transit
- Motor Vehicle Excise Tax –
 - New tax would provide share to local transit



Discussion of New Potential Revenue Sources

State Fees:

- License & registration fee increase
- Weight fee increase

User Fees:

- Facility tolls
- Road usage charge

- License, registration and weight fee increases –
 - Current flat fees, not indexed to inflation
- Facility tolls –
 - New specific facility tolls assumed after 2022
- Road usage charge –
 - Need based on declining revenue potential from the gas tax and increasing miles per gallon of regional vehicle fleet
 - *Future sensitivity testing of rates, timeframes, alignment with state actions*



Discussion of New Potential Revenue Sources

- Other new sources to consider?
 - Hybrid and Electric Vehicle fees
 - Other??
- Other financial strategy parameters, policies to consider?
 - *Reminder, from Transportation Futures Task Force and TPB Finance Working Group:*
 - Sufficient
 - Diverse and predictable
 - Support population and economic growth
 - Social and geographic equity
 - Feasibility



Information in the Coming Months

- Sensitivity tests on different revenue options, including revenue generation potential and system performance outcomes
- Potential high-level impacts to levels of investment for the next RTP
- Discussion of overarching parameters to guide the next RTP financial strategy
 - *December 2024 RTP Scope approval*
 - *Plan development in 2025*
 - *Plan adoption in 2026*



Thank You!

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Puget Sound Regional Council