

Regional Transportation Plan Financial Strategy

Transportation Policy Board
November 14, 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.

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Today's Presentation

- Financial strategy background
 - Overview of feedback provided to date
 - Preliminary approach for new revenue sources
 - Preliminary financial sensitivity analyses
- *Optional 30 minutes at end of meeting for deeper dive / technical Q&A on financial assumptions*



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



Categories 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

User Fees:

- Facility tolls
- Road usage charge

Transit / Ferry Sources:

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

State Sources:

- License & registration fee increase
- Weight fee increase



Summary of Board Survey Feedback

- In general, broad support for existing identified sources of new revenue
- Interest in considering variations of certain sources, based on timing of implementation, differing rates
- Acknowledgment that some sources are less politically viable than others
- Concern about impacts to people with low incomes
- Concerns about disincentivizing transition to zero emission vehicles
- Interest in additional state solutions



Assessment of Potential Sources

Staff reviewed the current list of sources to evaluate:

1. What's new or changed since 2022
2. What would be a local decision and may vary from jurisdiction to jurisdiction
3. What would require a state action but would apply region or county-wide



Assessment of Potential Sources

Source	Scale	What's New / Changed Since 2022
Indexing fees and taxes	Regional	
Carbon tax on fuel	Regional	State climate / carbon pricing legislation
Parking surcharges	Local	
Vehicle license, registration fees	Regional	
Transportation impact fees	Local	
County road levy lift	County	
Street utility tax	Local	
Motor vehicle excise tax	Regional	
Employee tax	Local	
Local transit sales tax increase	County	
Transit / ferry fare increase	County	Youth ride free, pandemic recovery
Weight fee increase	Regional	
Facility tolls	Regional	Ongoing toll policy and implementation
Road usage charge	Regional	



Preliminary Proposed Approach

- Staff proposes to focus on those sources that could be implemented consistently across the region and that are more likely to generate greater potential revenue:
 - Indexing sources to inflation
 - Road usage charge
 - Vehicle License & Registration Fees
 - Sales Tax Increases for Local Transit
 - Lifting the county road levy cap



Preliminary Proposed Approach



- Rather than assuming a flat fee or tax into the future, **indexing** revenue sources accounts for inflation over time



- Recognizing the declining revenue potential of the gas tax, a **road usage charge** is a pay-per-mile fee that can be set at varied rates



Preliminary Proposed Approach



- **License & registration fees** could be raised for all, or some, vehicles; currently, electric vehicles are charged an additional \$150 in fees



- Unused authority up to the maximum **sales tax** rate could be used, or additional authority pursued



- Washington currently has a cap on the amount of property tax that can be collected for county road levy funds



Sensitivity Tests

- Preliminary sensitivity tests were run on these key sources:
 - Road usage charge at various rates, and indexed to inflation
 - Increased levels of electric vehicles at \$150 fee, and indexed to inflation
 - Increased sales tax rates for local transit
 - Return of motor vehicle excise tax

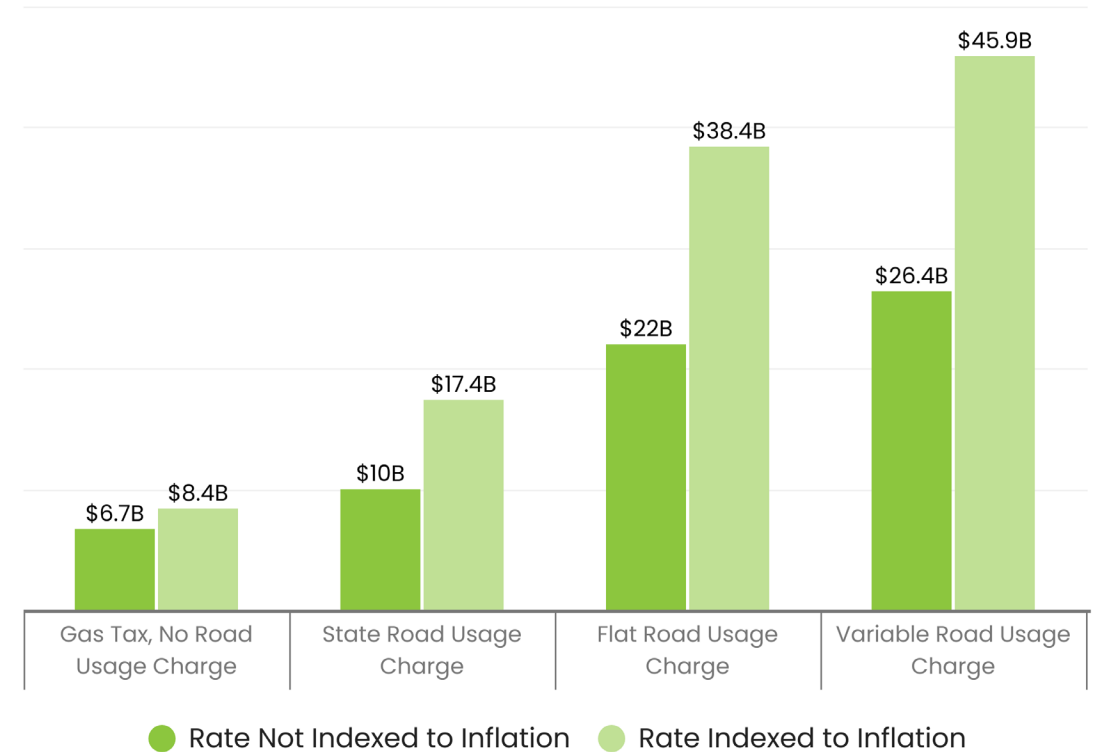


Road Usage Charge: Sensitivity Tests

Scenarios tested:

- No Road Usage Charge
 - Gas tax only through 2050
- State Road Usage Charge
 - \$0.027 per mile all day
- Flat Road Usage Charge
 - \$0.060 per mile all day
- Variable Road Usage Charge
 - \$0.10 per mile Peak / \$0.05 per mile Off-Peak

Estimated Revenue: 2022 to 2050

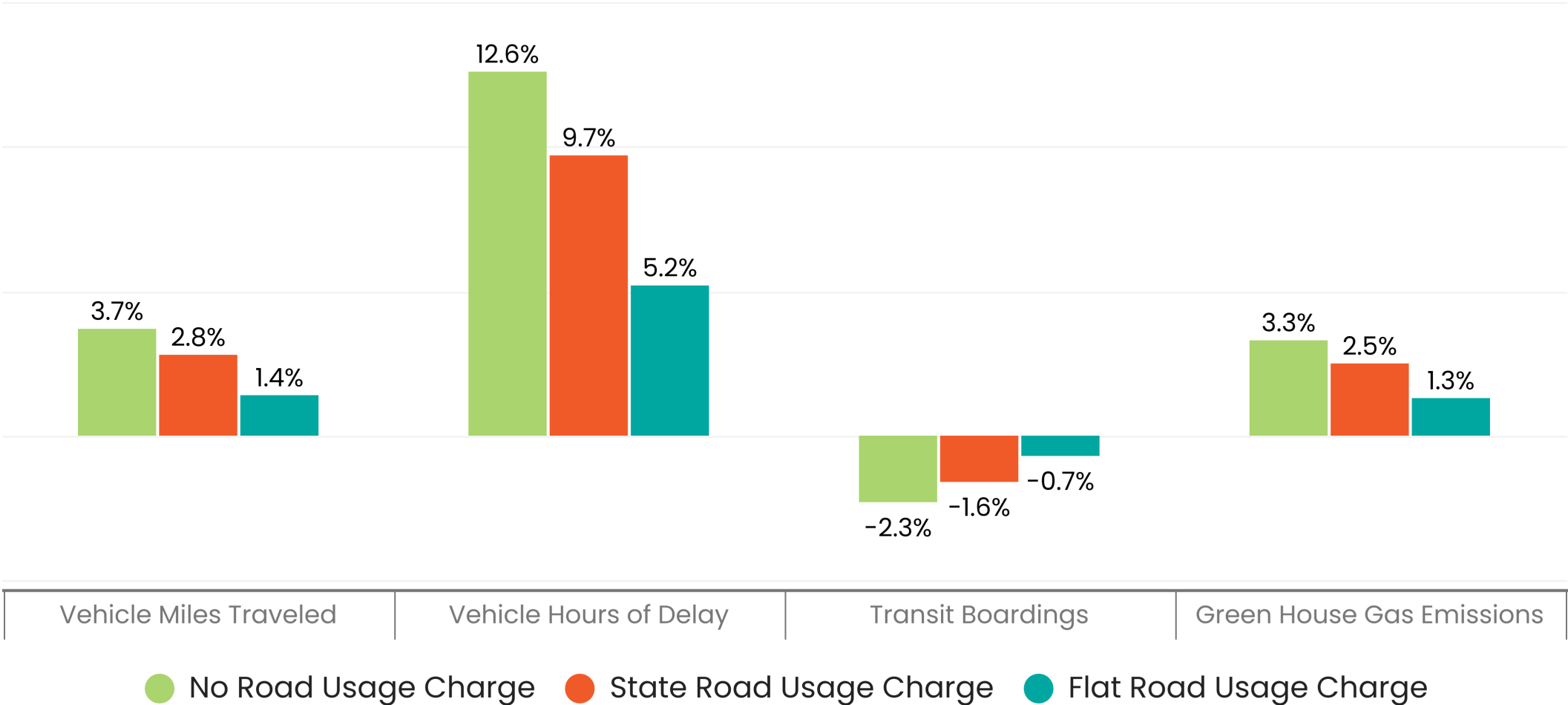


Source: PSRC SoundCast Model Outputs



Road Usage Charge: Performance Differences

Transportation Metrics: Comparison to Variable Rate RUC in 2050



Source: PSRC SoundCast Model Outputs



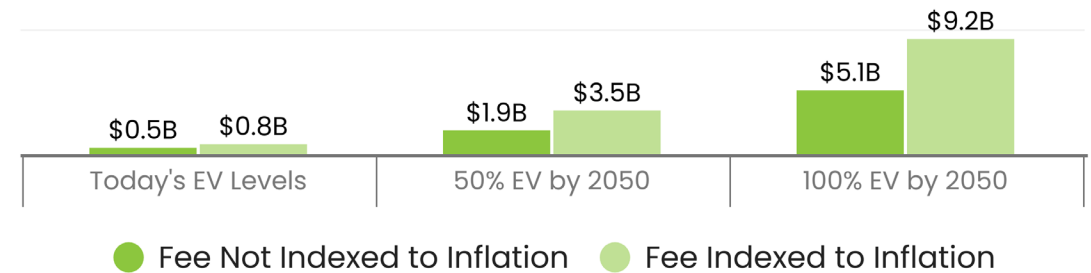
EV Registration Fees: Sensitivity Tests

Electric Vehicle owners currently pay a **\$150 fee** annually as a gas tax replacement on top of other license fees.

Scenarios tested kept the \$150 fee with:

- EV ownership at 5% (2024 levels)
- 50% EV ownership in 2050
- 100% EV ownership in 2050

Estimated Revenue: 2022 to 2050



Source: PSRC SoundCast Model Outputs & Electric Vehicle Assumptions



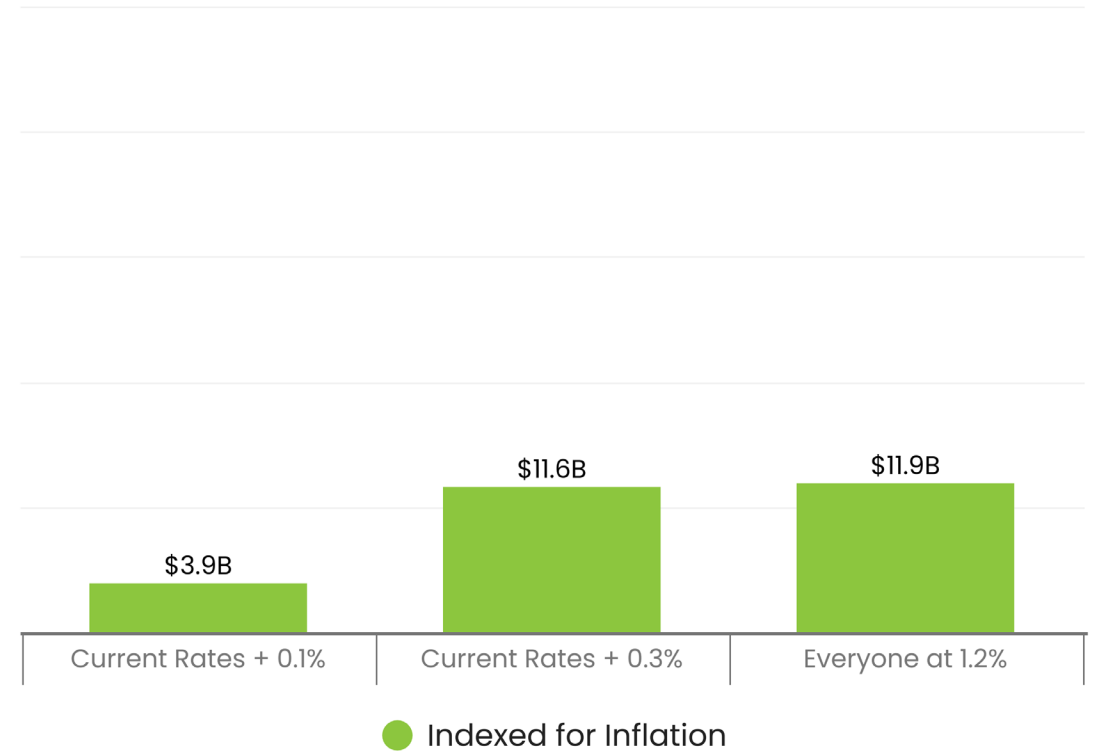
Sales Tax for Local Transit: Sensitivity Tests

Sales tax rates for local transit ranges by county from 0.6% in Pierce County to 1.2% in Snohomish County.

Scenarios tested :

- Increase all rates by 0.1%*
- Increase all rates by 0.3%*
- Increase all rates to 1.2%

Estimated Additional Revenue: 2022 to 2050



Source: PSRC Macroforecast Assumptions

* This would require legislative action for Snohomish County to go above 1.2%



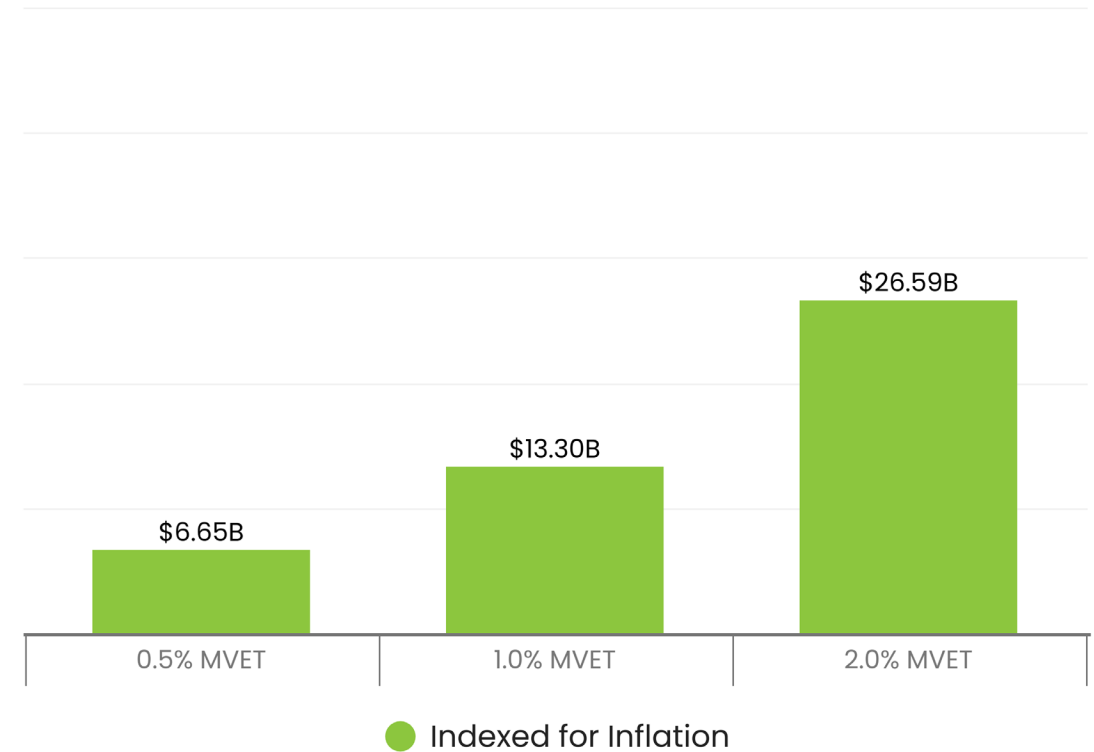
Motor Vehicle Excise Tax (MVET): Sensitivity Tests

The statewide **MVET** was 2.2% before its removal in the early 2000's. The Sound Transit District MVET is currently 1.1%.

Scenarios tested :

- MVET 0.5% of vehicle values
- MVET 1.0% of vehicle values
- MVET 2.0% of vehicle values

Estimated Additional Revenue: 2022 to 2050



Source: Vehicle Registration's from WA DOL & SoundCast Model



Next Steps

- Continued board discussions on financial strategy assumptions in the coming months
- Information gathered on proposed investments in the Spring
 - Proposed investments will inform revenue needs
 - Revenue assumptions will inform investment decisions
- Depending on policy deliberations and assumed financial strategy, different investment portfolios may be analyzed



Board Feedback

Feedback on proposed, focused approach regarding new revenue sources?

Possible additional sensitivity tests:

- Different road usage charge rates, perhaps to begin in 2040?
- Different EV fees, or other license / registration fees?
- Increase to authorized sales tax rates for local transit?
- Any other sources, or combination of sources, to be tested?

Other feedback?



Thank You!

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