

**TRANSPORTATION  
FUTURES**

*Let's Get Ahead*



## *Transportation Futures Task Force Final Report*

*Approved February 24, 2016*

# Transportation Futures Task Force Final Report

This report was prepared for the Transportation Futures Task Force, an independent advisory group of broadly representative civic leadership in the central Puget Sound region.

The Task Force was supported by staff from the Puget Sound Regional Council, King County, and the Washington State Department of Transportation.

Major contributions came from local and national transportation experts, and leading regional research, public affairs and communications consultants assembled by the planning and engineering firm **CDM Smith**, including:

**BDS Planning & Urban Design**

**Ceis Bayne East Strategic**

**Clary Consulting, LLC.**

**Cocker Fennessy**

**Community Attributes, Inc.**

**Martin Wachs, PhD**

**PRR**

**RSG**

**Washington State Transportation Center (TRAC), University of Washington**

Funded by the Value Pricing Pilot Program, Federal Highway Administration, U. S. Department of Transportation, under USDOT grant VPPP-2006(066).

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Puget Sound Regional Council  
Information Center  
1011 Western Avenue, Suite 500  
Seattle, Washington 98104-1035  
206-464-7532 • [info@psrc.org](mailto:info@psrc.org) • [psrc.org](http://psrc.org)



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## Dear residents of the central Puget Sound region,

We live in one of the most spectacular and innovative places in the world. Our region has grown a strong economy and sustained a healthy environment. We pride ourselves on keeping this place great with a vision for a healthy and prosperous future.

Yet we live with an inadequate transportation system that is behind our times, overburdened, and increasingly fragile.

Over one million additional people are expected to live in the central Puget Sound region by 2040, bringing along a dramatic increase in the demand for transportation. In addition, trends in technology and demographics point to disruption of the fiscal foundations that currently sustain transportation in the region. The region is over \$36 billion short of funds needed for transportation fixes to support the region's growth in future decades.

The pace and nature of the region's urbanization will also continue to place demands on transportation far out of scale with much of the rest of Washington state. It's clear that the region can't depend solely on the state or federal government to keep up with its growing transportation needs.

The Transportation Futures Task Force was created to recommend solutions for a better future in the central Puget Sound region — one that matches the beauty and bounty of the Pacific Northwest with transportation that works for all of us.

The next decades will require new methods for sustaining and improving transportation. Developing reliable new solutions will take time. That's why, even as major transportation improvements are underway, and more are on the way, it is necessary to start preparing for the future.



To better prepare the region, the Transportation Futures Task Force recommends:

- Expeditious use of existing funding authority by local and regional entities to sustain and improve local and regional road and transit systems.
- Establishing a regional transportation authority to plan, raise revenues, set priorities, and allocate funds for regional transportation investments that improve the performance of the system. Existing agencies should be used to implement those transportation investments.
- Achieving efficiencies through innovation in materials, technology and methods, as well as improved management and contracting practices.
- Over the longer term, creating new regional funding sources for transportation that are capable of addressing a diverse range of regional priorities.

The Task Force identified an additional critical hurdle to progress: Most people in the state are not aware of the fiscal challenges facing transportation in the future and are not inclined to support emerging new methods of funding that are untested and untrusted. We recognize that changes will take time and must be proven effective and workable prior to public support.

By making progress on the recommendations detailed in this report, the people of the region can begin to get ahead and develop a stable, predictable, and equitable transportation funding system to better ensure a higher quality of life and a more prosperous future.

We hope our work helps build a common understanding of the challenges ahead and actions that will better prepare the region to succeed. Getting there will require leadership at every level of government — and the active engagement of residents across the region.

We recommend thoughtful but deliberate action.

### **Let's get ahead.**

Sincerely,

*Dow Constantine — Executive, King County*

*Norm Dicks — Former Member of U.S. House of Representatives*

*Leonard Forsman — Chairman, Suquamish Tribe*

*Hilary Franz — Executive Director, Futurewise*

*Slade Gorton — Former United States Senator*

*Kimberly Harris — President and CEO, Puget Sound Energy*

*Jeff Johnson — President, Washington State Labor Council*

*Troy McClelland — Commissioner, Port of Everett*

*Ed Murray — Mayor, City of Seattle*

*Clare Petrich — Commissioner, Port of Tacoma*

*Shefali Ranganathan — Executive Director, Transportation Choices Coalition*

*Arthur Rubinfeld — Chief Creative Officer and President, Starbucks*

*Mike Sotelo — President, Consolidar LLC*

*Rich Stolz — Executive Director, One America*

*Marilyn Strickland — Mayor, City of Tacoma*

*Matt Yerbic — President and CEO, Aviation Technical Services*

## Recommendations and Early Action Steps

The Task Force's recommendations are for securing a better transportation funding system to invest in local, county, and state roads, bridges, and bus and rail transit systems to support regional economic growth, environmental stewardship, and equity.

### The Task Force Recommends:

**MAXIMIZE USE OF EXISTING REVENUE AUTHORITY.** Maximize use of existing revenue authority by local and regional entities to sustain and improve local and regional road and transit systems.

**ESTABLISH REGIONAL TRANSPORTATION AUTHORITY.** Establish a central Puget Sound regional transportation authority to plan, raise revenues, set priorities, and allocate funds for regional transportation investments and services that improve the performance of the system. Existing agencies should be used to implement those transportation investments.

**EARLY ACTION:** Convene regional leadership to develop a proposal for the structure, powers, and responsibilities of a regional transportation authority.

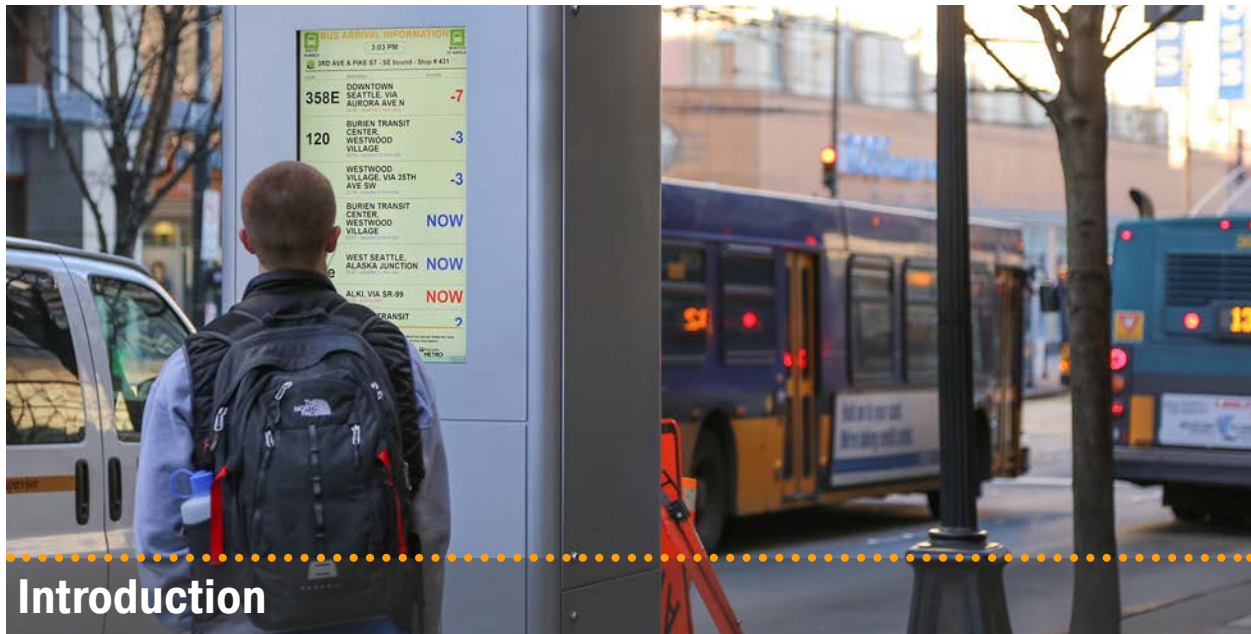
**ACHIEVE EFFICIENCIES.** The Task Force recognizes that transportation funds should also be maximized through efficient and effective expenditures. This will require review and adjustment of the region's transportation plans to ensure they meet evolving transportation needs, and ongoing work to efficiently deliver those transportation projects. Savings can be achieved through innovation in materials, technology, and methods, as well as through improved management and contracting practices.

**PAY FOR USE, AND FLEXIBILITY IN EXPENDITURES.** Over the longer term, create new regional funding sources for transportation with the following characteristics:

- Do not supplant existing revenues.
- Flexible and available for all transportation modes.
- Reflect use of the transportation system, such as pay-per-mile.
- Allow variance by time of day, traffic volumes, facility, and vehicle type to reduce congestion and harmful emissions.
- Recognize that allocation of funds should have a relationship to where they are generated.
- Ensure revenue options do not overburden lower income travelers.

**EARLY ACTION:** Work to develop a voluntary pay-per-mile pilot in the central Puget Sound region, which includes time of day and facility-specific pricing consistent with Task Force recommendations. Coordinate with the state of Washington.

Consistent with the principles developed by the Task Force, these recommendations reflect what the region should strive for in a transportation funding system. The approach provides an opportunity to raise sufficient revenues to meet increasing and changing needs in a manner that is stable and predictable. It supports the region's social and geographic equity goals and its ambitious vision for a prosperous and sustainable future.



King County METRO

## Introduction

### Transportation Conditions and Needs

Transportation is one of the most critical elements of a strong economy and a healthy community. We can take it for granted — until the transportation system breaks down and causes us to be late to work, miss a plane, arrive late for school or day care, miss an important delivery or lose business because of chronic traffic congestion and the lack of a reliable transportation system for moving freight or keeping and recruiting talent.

Transportation influences almost every facet of life in Washington state and within the central Puget Sound region. It affects how we spend our time, where we live and work, and the success of business. It impacts the affordability of housing, where we shop and how we get to work, school and play. It is our access to the spectacular natural environment of the Pacific Northwest. It is vital to trade and to our overall economy.

With a functioning and efficient transportation system we can continue to attract innovative businesses and manufacturing, as well as strengthen the diverse economy of our region.

### The Region's Challenge

Transportation infrastructure and transit services in the central Puget Sound region have not kept up with the demand. Even as major capital projects are underway — and more are on the way — our ability to make investments isn't keeping pace with an expected million more people and 50 percent more jobs.

#### THE TRANSPORTATION FUNDING TASK FORCE ADOPTED THE FOLLOWING AS THE PROBLEM STATEMENT FOR THEIR WORK:

*Investments in the transportation system are not keeping up with the need of the growing Puget Sound region and its environment. Traditional funding sources are no longer capable of maintaining or improving mobility in this growing region.*

The following limitations on current funding sources were presented to the Task Force:

- The state and federal gas tax does not grow with inflation, faces further erosion from increasingly fuel-efficient and alternative fuel vehicles, and cannot be increased without the approval of the state Legislature and the governor.
- Tolling, while historically accepted to pay for bridges or new facilities, raises issues of fairness and political feasibility.
- Property tax, used largely for local streets and roads, faces increased competition for local government general services.
- Sales tax revenues, a key source for transit, fluctuate with the economy and can be unpredictable. Increases in the sales tax impact low-income households disproportionately, raising equity concerns.

Transportation systems require additional broad-based, long-term strategic investments. Local, county, and state roads, bridges, and bus and rail transit systems are needed now and in the future. To meet the needs of a changing population, transportation funding policy must address income equality and affordability. To support our businesses and freight in the next two decades, the region must move forward with options that address its unique needs and circumstances.

The region's population and economy are growing faster than the rest of the state at a time when its transportation infrastructure is the most stressed in the state. Its voters have repeatedly demonstrated a willingness to address problems through additional funding measures. Area leaders have recognized the need for new tools without placing an additional burden on the rest of the state.

## Transportation Futures Task Force

The Transportation Futures Task Force convened in February 2015 to study the future of transportation funding within King, Pierce, Snohomish, and Kitsap counties, and recommend ways to invest in the region's transportation system.

Over a series of 10 meetings, the Task Force listened to state and national experts on funding options. They also conducted public opinion research and outreach to leaders in typically under-represented communities. Each meeting was professionally facilitated, and Task Force members candidly discussed their views and challenged one another about key issues.



**Dow Constantine**  
*Executive, King County*



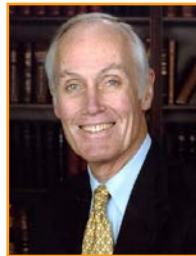
**Norm Dicks**  
*Former U.S. Congressman*



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**Matt Yerbic**  
*President & CEO,  
Aviation Technical Services*



At their first meeting, the Task Force agreed that traditional methods of funding have insufficient capacity to pay for regional transportation projects. Current approaches lack the ability to manage congestion and reliability, do not recognize different needs for freight and commuters, and do not help achieve regional environmental or social equity goals. In the face of this problem, the Task Force agreed upon a charge for their work.

### TRANSPORTATION FUTURES TASK FORCE CHARGE:

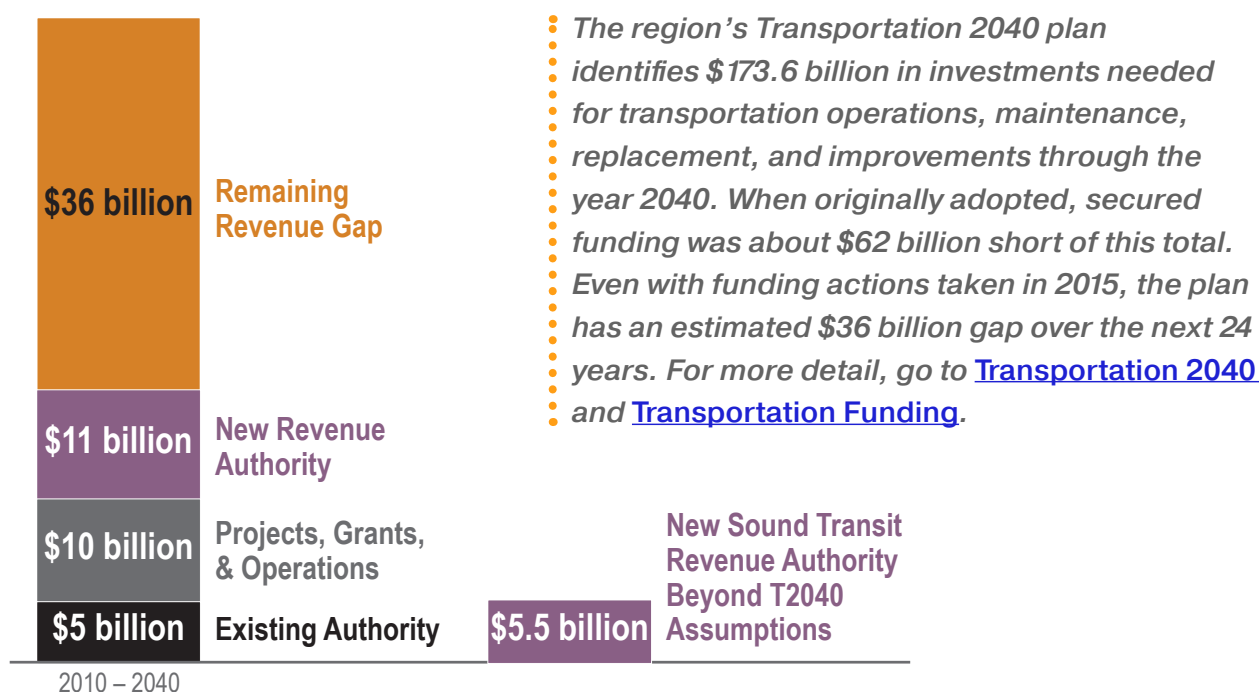
*Recommend a funding strategy to provide an equitable, financially sustainable and environmentally responsible regional transportation system that works for people and business in the central Puget Sound region.*

## The Funding Gap

The region has an adopted long-range transportation plan and funding strategy called Transportation 2040. It identifies \$174 billion in investments over the next 25 years to support expected growth and improve the transportation service provided to people and businesses. Transportation 2040 lays out a financing plan that suggests a long-term shift in how transportation investments are funded, with more reliance on users paying for transportation improvements. The plan was designed around a strategy for reducing transportation's contribution to climate change and its impact on regional concerns such as air pollution and the health of Puget Sound.

While many of the investments envisioned in Transportation 2040 have secured revenue sources, when it was updated in 2014 there was a gap between those revenues and what it would take to fund all of the identified needs.

## Funding Gap (Source: Puget Sound Regional Council)



The 2015 *Connecting Washington* transportation revenue package — the largest in state history — will fund a significant amount of planned state highway improvements. New revenue authority for Sound Transit will potentially support high-capacity transit service well beyond what was anticipated in the plan. Successful 2015 local ballot measures like *Let's Move Seattle*, service increases for Community Transit, and Tacoma's street repair and improvements levy, will support much-needed transportation improvements and provide significant new revenues toward Transportation 2040's funding gap.

*Unfortunately, even with these new revenues, the shortfall is still an estimated \$36 billion to pay for planned investments outlined for future decades. This isn't just for expensive new infrastructure, but also for critical maintenance, preservation and operational priorities — particularly on the region's arterials and transit systems.*

## Task Force Process

The Task Force took a deliberate approach to develop its recommendations. After considering 10 critical factors that will affect the transportation system and potential future revenues, it conducted a review of the challenges associated with current funding sources, including those assumed to support the transportation investments outlined in the region's Transportation 2040 plan.

With that background, the Task Force then developed a set of five principles to evaluate existing and potential new funding options:

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

After a review of a wide variety of existing and potential revenue sources and options, five funding scenarios relying on different types of revenue sources were created. The scenarios were modeled for their effect on transportation performance and ability to generate revenue. The scenarios were then analyzed through the lens of the Task Force's principles. Lessons learned about the potential to meet the region's transportation needs were drawn from these scenarios, and synthesized into the Task Force's recommendations.

With a desire to understand how other regions in North America have approached transportation funding and investments, the Task Force looked at governance and revenue models from several metropolitan areas in the U.S. and Canada, developing principles that should guide the establishment of a regional transportation authority that raises new regional revenues and sets priorities for regional transportation investments.

Through this process, the Task Force developed the recommendations documented in this report.



WSDOT

## Regional Transportation Challenges

*“There are a host of factors that are colliding, that are changing the ground underneath us. But yet our policies, not to mention our funding, aren’t keeping up. Lots of forces are converging to create a very disruptive set of conditions.”* — United States Transportation Secretary Anthony Foxx

The challenge described by Secretary Foxx is easy to describe, but exceedingly difficult to overcome. The central Puget Sound region has a huge backlog of transportation maintenance and replacement projects, an ambitious project list to improve mobility and reduce congestion, and an antiquated, inadequate system for raising money to fund projects. Even with existing sources and the new state funding package, there is an urgent need for additional revenue to preserve and improve local roads, bridges and transit.

Cities and counties in the central Puget Sound region play a critical role in the preservation, operation and expansion of the region’s multimodal transportation system. Local jurisdictions are responsible for more than 30,000 lane miles of roadways and 800 bridges. The cost of maintenance and preservation of those roads and bridges through 2040 is estimated at \$26 billion. Another \$23 billion is needed to expand the system — and an additional \$19 billion is needed for local transit. Traditional revenue sources cannot meet this need.

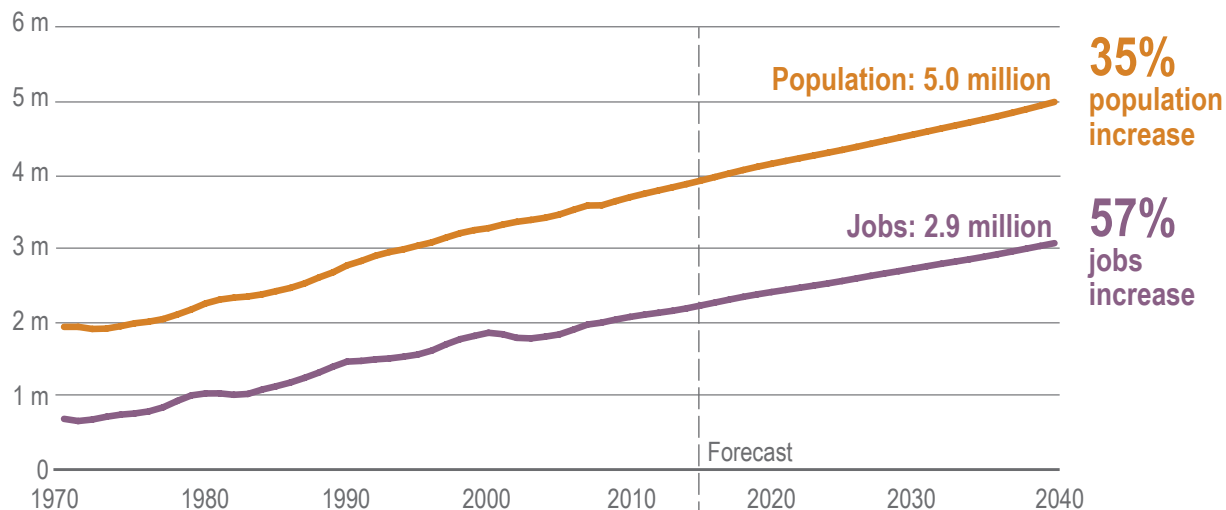
Collaborating with state and federal partners, regionally and locally based funding is needed immediately to start addressing local preservation projects. And most importantly, positioning the region to address its long-range transportation funding challenges must happen within the next five years to make sure that the region has sufficient resources in the future when current resources begin to fail.

## Factors Affecting Regional Transportation Demand and Funding

Current transportation systems are failing to provide for the region's population and businesses and the situation is expected to get worse over time. An appropriately funded and efficient regional transportation system is needed.

National transportation experts presented research and data to help the Task Force understand the issues driving future transportation demand and funding. They examined game-changing factors that contribute to the situation and helped shape the Task Force's recommendations.

## Regional Growth Estimates (Source: Puget Sound Regional Council)



- The region expects continued robust population and employment growth.
- For more detail, go to [Central Puget Sound Regional Demographics](#).

**THE REGION IS GROWING AND WILL CONTINUE TO GROW:** The central Puget Sound region's population grew by 1.6 percent over the past year to reach 3,899,000, the fourth consecutive year of increased annual growth. Over the next 25 years the region's population is projected to reach 5 million — over a million more than today.

**GROWTH PATTERNS ARE CHANGING:** Land use policies encourage increased density in already urbanized areas; the design of many new developments make them friendlier for transit, walking and bicycling. Improvements to transit and roadways have the potential to make home affordability better as they make commutes more predictable and less time-consuming.

**JOB CENTERS DRIVE TRANSPORTATION DEMAND:** A 57 percent increase in jobs is projected over the next 25 years; the largest concentration of new jobs will be in service industry clusters that are located primarily in urbanized areas. Manufacturing and freight movement are key elements in the regional economy.



**DEMOGRAPHIC CHANGES AFFECT TRANSPORTATION:** Demographics will affect transportation needs as the proportion of the population 65 and over is expected to double by 2040 to 21 percent. Older residents will have different travel needs and preferences. Many younger people are less car-dependent and value housing locations near transit or within walking and biking distance to work, shopping and other activities.

**ENVIRONMENTAL GOALS WILL DRIVE CHANGE:** Transportation system use is the largest source of harmful air emissions in the central Puget Sound region. The current focused effort on the availability of travel choices such as express lanes and public transit, as well as continued movement to alternative-fueled vehicles, help reduce vehicle air emissions. Roadways also produce significant volumes of contaminated surface water runoff that is a major source of pollution to waterways and Puget Sound. Increased investment in reduction and treatment of transportation related surface water will improve water quality and fish habitat.

**THE TRANSPORTATION SYSTEM IS FRAGILE:** The freeway and arterial system work relatively well when traffic volumes are below capacity. But small increases in traffic volume, or even a moderate incident, can result in a highly congested roadway that affects drivers on other corridors, bus transit, and freight movement.

**KEY INVESTMENTS ARE BEING MADE, BUT MORE ARE NEEDED:** The *Connecting Washington* transportation package, new Sound Transit authority and other local measures are a strong start. Indeed, they provide over \$26 billion in new funding authority over the next 25 years. However, even with this, the region falls \$36 billion short of the funding the long-range 2040 transportation plan.

**TRAVEL BEHAVIOR IS CHANGING:** The number of miles driven per capita has declined because of better information about options, changing lifestyle choices and because transportation by private automobile is becoming more expensive. But travel overall is increasing because of increased population growth and expanding economic activity.

**INFORMATION TECHNOLOGY IS TRANSFORMATIONAL:** The integration of transportation and telecommunication technology has changed the performance and use of transportation networks even more than alterations to physical facilities. Information technology — mobile phone apps, in-vehicle displays, social media and electronic billing — have made possible the creation of new services such as Zipcar, Uber, Lyft, Pronto Bike and car2go. The rise of smart transportation systems has presented travelers with new choices and has improved network performance. Taking full advantage of the telecommunications revolution will require major investments in a wide variety of transportation infrastructure.

**VEHICLE TECHNOLOGY IS CHANGING:** Vehicle technology continues to advance at an accelerating pace, especially in terms of progressively more automated vehicles. Cars are also dramatically more fuel-efficient and increasingly using alternative fuels. This has the potential to be highly disruptive by diminishing motor vehicle fuel tax revenues. It may affect transportation choices by providing options for travel, such as self-driving cars.



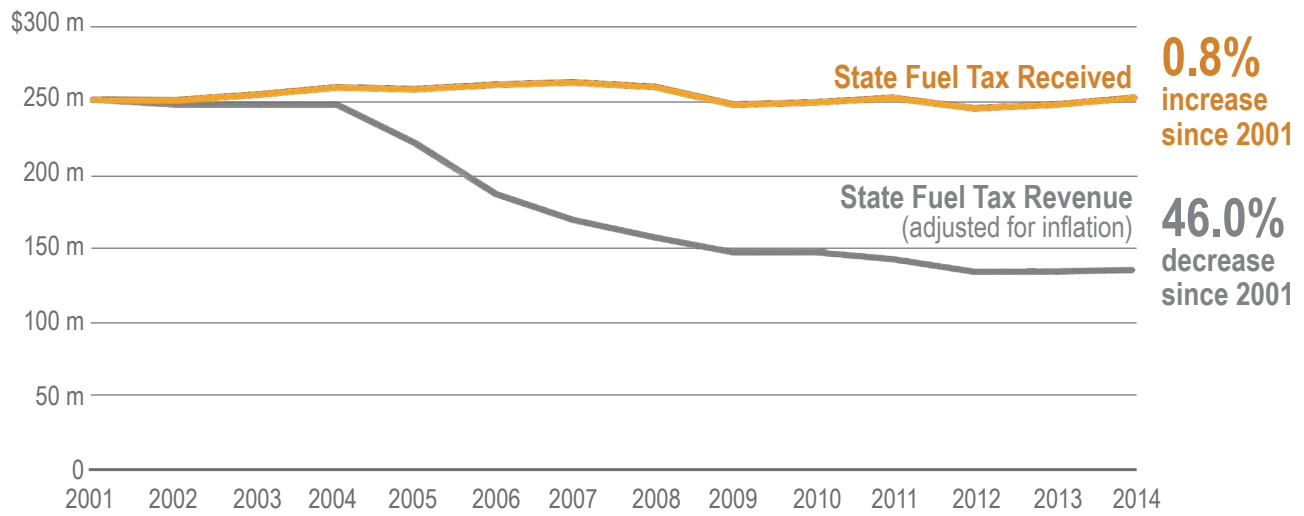
Funding in Transportation 2040 comes mainly from motor vehicle fuel taxes, sales taxes, property taxes, vehicle excise fees, and registration and licenses fees. In the Transportation 2040 financial strategy, these traditional funding sources would be used in the earlier decades of the plan, with the assumption that new tolls increasingly be used post-2030 to provide a more flexible source of funding to improve the transportation system, including local roadways and transit.

The primary federal and state funding sources for transportation are the motor vehicle fuel tax, and vehicle license and registration fees. There are also direct user fees for ferry fares and a limited number of tolled facilities.

**FUEL TAX:** Today, three factors result in a declining reliability of the fuel tax:

- Both federal and the state motor vehicle fuel taxes are at a set amount per gallon and thus are not indexed for inflation. The federal rate has not been increased since 1993 and has lost more than 30 percent of its purchasing power simply due to inflation. While the state has raised the state motor vehicle fuel tax over the last two decades, a sizable portion of the increase has been pledged to make payments on bonds for 25 to 30 years to fund large state projects. This leaves little ongoing funding for maintenance and operations of other state facilities or for distributing to cities and counties for local road and bridge needs.
- On average people are driving less per capita. If these trends continue, motor fuel use will also decline. Generational trends show that many young people are also opting for transportation alternatives that require less driving.
- Today's vehicles are more fuel-efficient. As more fuel-efficient cars and alternative-fueled vehicles are produced, fuel consumption will continue to decline.

## Decreased Buying Power (Source: Washington State Department of Transportation)



- The buying power of the fuel tax has eroded due to a variety of factors, including
- inflation, changing travel behavior, and fuel efficiency.
- For more detail, go to [Transportation Funding](#).

While there is some debate about the effect of electric vehicles and fuel efficiency on future fuel tax receipts, it is clear that this source will not keep up with population growth and the cost of doing business over the long term. The Task Force research shows the public is not aware fuel tax resources are declining and insufficient to cover needed transportation preservation and expansion.

**TOLLING:** The state has authorized tolling on the SR-520 bridge, the Tacoma Narrows bridge, SR-167 HOT lanes and I-405 express toll lanes. All revenues from these tolls must be used to cover improvements to these facilities and for the annual cost of administration, operations, maintenance, and for certain facilities, debt payments.

**VEHICLE FEES:** Vehicle fees are used to support transportation projects. Currently these include vehicle registration fees, weight fees, rental surcharges, and, in some areas, local motor vehicle excise taxes. These fees are considered “flexible” and can be used for any type of transportation project or programs. A portion of state fees are distributed to local cities and counties.

The primary funding sources for transportation at the local level are sales taxes, property taxes, federal grants and fare box revenues.

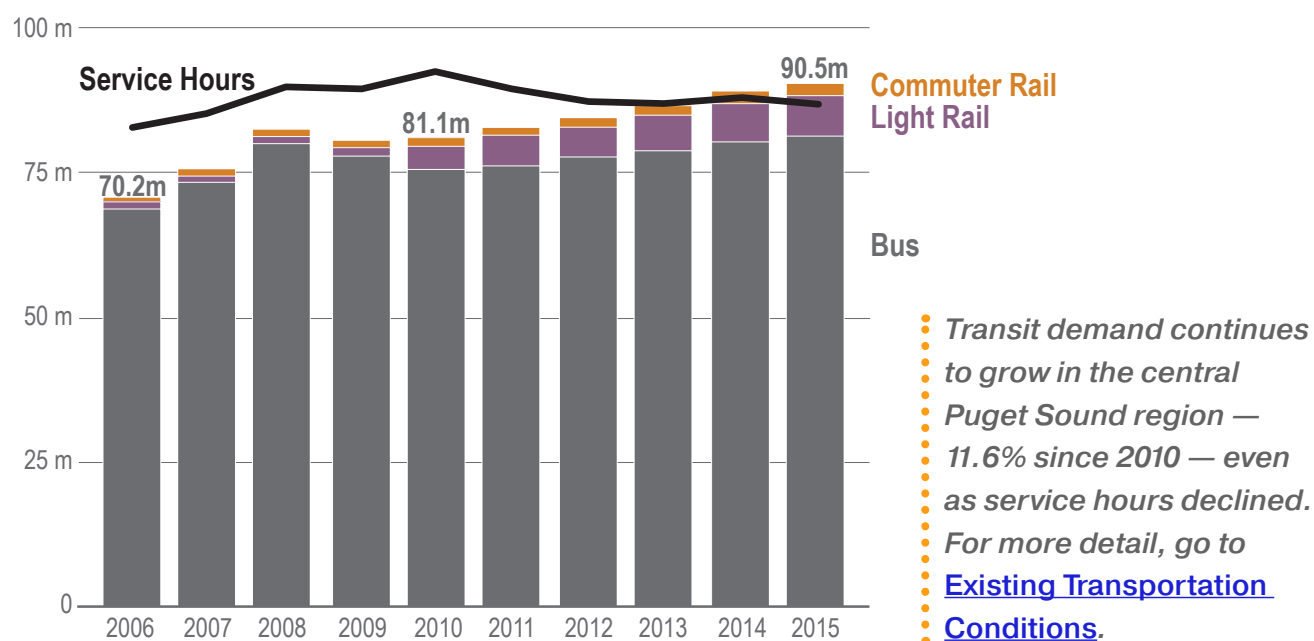
**SALES TAX:** In the central Puget Sound region, the local sales tax contributes a critical amount for funding public transportation programs and projects.

Sound Transit and local transit agencies depend on the sales tax to fund capital projects, ongoing operations and maintenance. The sales tax is dependent on the overall health of the local economy. During recessions when retail sales fall, sales tax receipts can be dramatically reduced. This leads many experts to consider sales taxes as volatile and unpredictable. Many also consider sales taxes to be regressive for low-income households. Combined, these characteristics make the sales tax a challenging source to rely upon for the long term.

**PROPERTY TAX:** Counties use property tax revenues to fund basic county services. Cities rely on a broad mix of sources, but with the exception of Transportation Benefit Districts and specific use levies, such as the 2015 *Let's Move Seattle* measure, transportation investments compete against public safety, parks, libraries, schools, human services, and other local needs. Any transportation investment from a city or county general fund can be easily changed each budget cycle as local priorities change. For some local governments, revenue sources are shrinking due to other reasons. Counties, for example, have lost road levy funds as cities annex properties around their borders, leaving county road and bridge maintenance dramatically underfunded.

Compounding the challenges of these sources is escalating demand and increasing congestion on the region's limited transportation system.

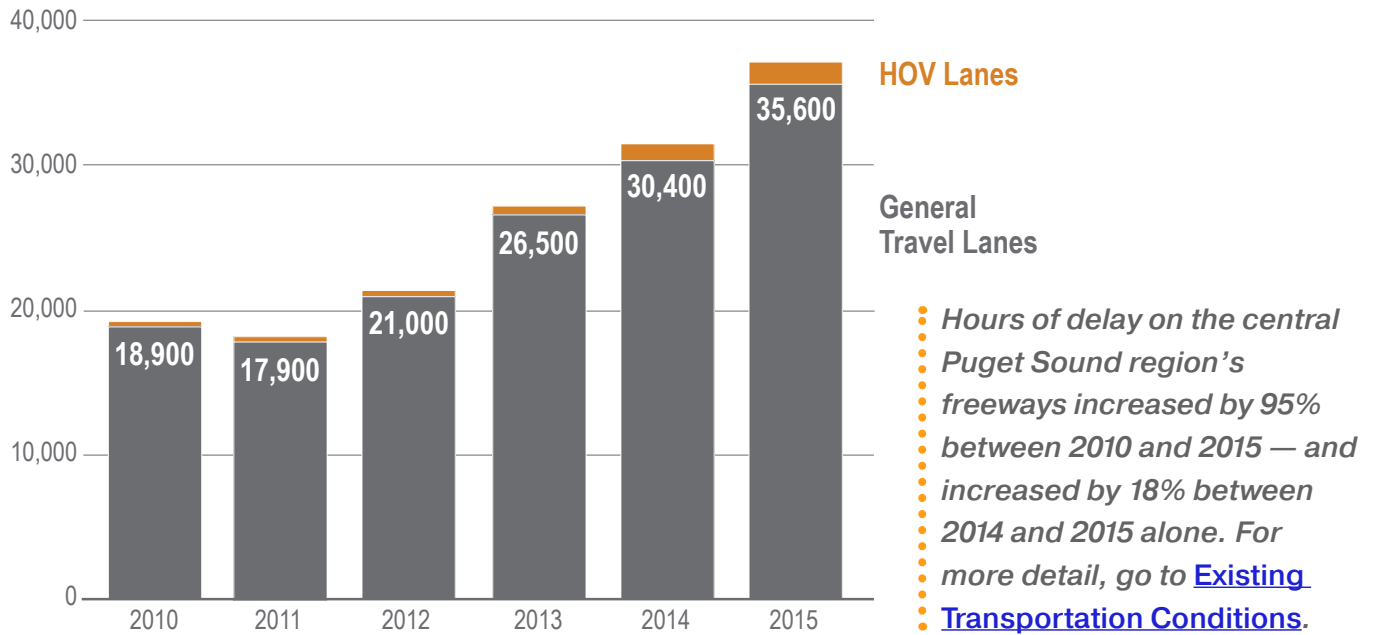
## Transit Demand (Source: National Transit Database, Transit Agencies)





## Freeway Delay

(Source: Washington State Department of Transportation)



Major freeway commute times have grown between 15 and 40 percent over the last five years. Transit boardings on those corridors exceeded capacity between 33 and 70 percent of the time during the peak commute hours between 2010 and 2014. This growth in demand shows that the region cannot wait another 15 years to make necessary regional and local improvements. But creating new methods for sustaining transportation investment will take time. Therefore it is necessary to start preparing now for future decades.

### Local Revenue Options for Transportation

The Legislature has provided options for local governments to raise revenues through transportation benefit districts and other approaches, including:

- Local option fuel taxes
- Motor vehicle fees
- Motor vehicle excise fees
- Sales tax
- Property taxes
- Parking Taxes
- License fees
- Impact fees
- Employee taxes
- Transit fares

All jurisdictions have used a portion of these local options to raise funds for transportation projects. Some options require voter approval.

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## Principles for Reviewing Revenue Options

The Task Force developed a set of principles to use in evaluating revenue options. They deliberated about criteria to be used, and how those criteria could identify funding sources that were more equitable, sustainable and predictable than today's revenue sources. They also wanted those principles to reflect the region's values regarding climate change, social justice and fairness. And they wanted the principles to be practical as well as visionary — to allow for changes in how transportation will be used in the future. The following principles helped the Task Force to consider fundamental policy considerations that led to the Task Force recommendations on future transportation revenue options.

### SUFFICIENT TO FUND PROJECTS AND PROGRAMS IN REGIONAL TRANSPORTATION PLANS

- Pay for unfunded needs
- Support regional and state economic growth
- Generate significant revenue and be cost-effective to collect
- Anticipate project costs, construction timing and responsible use of debt

### DIVERSE, STABLE AND PREDICTABLE

- Not overly dependent on a limited number of sources
- Stable over time
- Resilient to withstand inflation and economic cycles
- Predictable over time
- Consistently dedicated to transportation

## **SUPPORT THE REGION'S VISION FOR GROWTH, LAND USE AND ENVIRONMENTAL SUSTAINABILITY**

- Flexible and support multimodal uses
- Support the region's land use and environmental goals
- Serve as a transportation demand management incentive
- Address state and regional carbon reduction goals

## **STRIVE FOR GEOGRAPHIC AND SOCIAL EQUITY**

- Align with program delivery and services provided
- Structured to account for ability to pay
- Debt should not overly burden future generations
- Ensure that allocation, distribution, and management policies and entities are transparent and accountable
- Revenues balanced between geographies and users

## **BE FEASIBLE**

- Politically and publicly acceptable
- Legal or practical limitations should be identified and addressed
- Account for limitations on taxing and debt authority
- New revenues needed at all levels (state, regional, local)
- Regional authority to implement a regionally based solution
- Efficiency recognized as a potential revenue source





## Options Considered

### Revenue Sources

The Task Force was presented with a review of revenue options, including current sources used in comparable states and regions. Each source was evaluated using the Task Force's adopted principles.

The major options reviewed included:

- Increasing the state fuel tax.
- Indexing the state fuel tax so it rises with inflation.
- Indexing the state fuel tax to the average fleet fuel efficiency.
- Extending the sales tax to motor fuels.
- Increasing motor vehicle fees.
- Implementing tolling: express toll lanes, tolling existing and/or new highways and bridges.
- Imposing a carbon tax; either general carbon tax or a carbon tax on motor fuels.
- Assessing a flat-rate, per-mile charge for all travel.
- Assessing a peak/off peak per mile charge (surcharge).
- Creating a local street maintenance utility fee.
- Assigning special property taxes/fees driven by development.

The Task Force staff developed five scenarios of revenue options and sources, and evaluated them against the funding principles to see how each scenario performed, summarizing the results in the following matrix. The Task Force recommendations were developed through discussion of the results.



# Funding Options Compared to Funding Principles (Source: Transportation Futures Task Force)

	Revenue Source	Sufficient	Diverse, Stable, and Predictable	Support the Region's Vision	Equity	Feasible
EXISTING	Fuel Tax	Medium – short-term Low – long-term	Limited to highways, stability a concern, fairly predictable	Positive for highway needs; not available for other modes	Close to user fee; rate per user is medium level	?
	Motor Vehicle Fees	Medium	Flexible uses, stable and predictable source	Positive for all modes	Close to the user fee; rate per user is medium level	?
	Motor Vehicle Excise Tax	Medium	Not widely used, somewhat stable and predictable	Limited uses today, so uncertain about impact	Reflects ownership and age of vehicle, not use.	?
	Sales Tax	High	Uses set by law, revenues tied to economic cycles creating uncertainty	Positive for all modes, used locally for transportation	Tax on needed items; rate per user high level	?
	Tolled Express Lanes	Low, generates limited funds	Toll spent on corridor; depends on the congestion – can be hard to predict	Market based choices – maximizes existing corridors	Users pay – choice of “free lanes or tolled express lanes”	?
	Tolled New Capacity/Bridges	Funds projects; law change create toll system	Limits to highway corridors; stable and fairly predictable source	Limited to highways Law change needed for toll system	Users of the roadway pay	?
	General Property Taxes	Low, due to competing needs	Flexible but must compete for funds, fairly stable and predictable	Use varies for transportation by local government	General tax, property owners pay	?
	Project Specific Property Fees	Low generates limited funds for specific projects	Limited to specific projects, not stable	Use tied to specific projects that are growth oriented	Rate tied to benefiting property owners	?
POTENTIAL	Street Maintenance Utility	Depends on the rates should this be considered	Flexible uses; Based on established rate schedule	Limited to use in areas where utility fee is assessed	Rate tied to usage	?
	Motor Fuel Sales Tax	Medium – short-term Low – long-term	Tied to change in price of motor fuels – unstable – hard to predict	Close to user fee but impact would depend on enacted policies	Close to user fee; rate per user most likely medium level	?
	Tolled Expressway System	High	Current law limits to use on the corridor – stable and fairly predictable source	Limited to highway corridor Law change needed for toll system	Users pay, toll existing “free lanes”	?
	Road Usage Charge	High	Price per mile, stable and predictable source	Supports all modes if design is flexible and can meet use goals	Could be regressive or progressive – user fee	?
	General Carbon Tax	Medium, for transportation, compete for funds	Cap and Trade System – unstable and hard to predict	Ties to the need for carbon reduction in the Puget Sound Region	Carbon emitters pay for capacity under limit – may pass on	?
	Carbon Tax on Motor Fuels	Depends on the tax rate, but could be significant	Stability a concern, fairly predictable source	Ties to the need for carbon reduction in the Puget Sound Region	Motor fuel emitters pay for capacity under limits	?

- **Task Force members compared existing and potential funding sources to policy-based evaluation principles and criteria. For more detail, go to [Task Force Funding Principles](#), [Revenue Source Glossary](#), and [Revenue Options Matrix](#).**

## Public Awareness

The Transportation Futures Task Force sought to better understand public awareness and opinion while considering the factors and challenges that face transportation. In a [December 2015 public opinion poll](#), Washington residents were asked about their views on transportation and different funding approaches. Respondents said transportation is a serious problem, that it needs to be upgraded and expanded, and that they are willing to pay for it. However, respondents did not see the gas tax as a diminishing source nor did they understand the restrictions on its use. The survey results showed preference for letting regions raise their own revenue and having control on where and how it is spent, including for multimodal services. More than half of central Puget Sound respondents felt that highway system tolling and pay-per-mile fees were a bad or very bad idea. Indexing the gas tax, increasing the gas tax, and vehicle emissions fees were all seen as preferable to pay-per-mile fees and tolling.

Public outreach with underserved [minority and low-income communities](#) showed that decision-makers should consider how revenue sources may affect quality of life for these communities, and consider subsidies and discounts for qualified low-income users. This research also concluded that transportation funding is more likely to be perceived as fair and equitable if it is very clear how revenues are used and how the resulting improvements benefit travelers.

## What Is a Pay-Per-Mile Funding System?

A pay-per-mile (PPM) funding system is based on charging for all miles a vehicle has been driven. Unlike flat tolls on roadways or bridges, pay-per-mile fees are based on the actual distance driven, which can be assessed through GPS devices, periodic odometer checks, or other methods. These types of fees are seen by many as fairer, as the price of transportation is based on the amount that is “consumed” – like public utility fees. Discussion of creating new pay-per mile systems often includes a roll-back of existing fuel taxes and possibly other revenue sources to avoid “double taxation” for user fees. Pay-per-mile systems are currently used on facilities like U.S. turnpikes, and in Germany for trucks. Also called a Road Usage Charge (RUC), it is being studied in several states, including Oregon, where a volunteer program is underway. For a more detailed discussion, go to [Pay-Per-Mile Overview](#).



## Other Regional Approaches

The increasing transportation needs of the central Puget Sound region demand more investments than can be provided by the current funding structure. The challenge calls for a bold and innovative approach. It was clear in the Task Force discussions that regionalized approaches for new revenues were of great interest. The Task Force also understood that there is currently no single point of responsibility or accountability for funding and managing the regional transportation systems.

*The Task Force recognized that a regional approach for planning and funding must be part of the long-term solution to meet the transportation needs for the central Puget Sound region.*

There continues to be an expectation of state and federal transportation funding, but also recognition that significant revenues raised within the region and project prioritization will be needed.

The Task Force asked for information on other regional structures in North America that might serve as potential models for a regional entity to set transportation priorities, raise revenues and direct resources for investments.

The following regional approaches were reviewed by the Task Force:

- Atlanta, Georgia
- New York City, New York

- Northern Virginia
- Phoenix, Arizona
- San Diego, California
- San Francisco Bay area, California
- Vancouver, British Columbia

Each example revealed that cooperative relationships with state and federal agencies are needed to help direct funds to regional and local needs. Regionally generated funds are, in all these cases, dedicated to expenditure within the regions in which they were collected. Charged across a wide variety of residents, vehicles, and travelers, in aggregate these funds are significantly large and comprise a major proportion of transportation funding. Regional entities have the authority to sub-allocate funds to local jurisdictions and agencies. Many of them have voter-approved measures that specify project lists. Some include strict formulas to guide spending on different transportation modes.

#### **THE TASK FORCE ADOPTED THE FOLLOWING PRINCIPLES FOR DEVELOPING A REGIONAL TRANSPORTATION AUTHORITY:**

- *A regional structure should not duplicate existing structures and should promote effectiveness and efficiencies in raising revenues and delivering transportation programs and projects.*
- *New regionally raised funds (and to the extent possible, current funds) should be available for a full range of transportation projects and programs.*
- *There should be flexibility in structuring regional transportation districts, including boundaries, rates and use of regional funding.*
- *Any funds raised in the region should be in addition to state and federal funding.*
- *New revenue options should be capable of gaining public support and enable financing options — such as bonding — where appropriate.*
- *New financing structures should be based on sound financial principles.*
- *Any regional transportation structure should have lines of accountability to the region's voters.*



PSRC

## Summary and Recommendations

The central Puget Sound region benefits from a great natural environment, a growing economy and an optimistic populace. The region is envied as a global center of innovation in health care, retail, technology, and aerospace.

A major challenge to sustaining our strengths is overcoming our transportation inadequacies. The transportation system is aging and congestion is increasing — placing a drag on our quality of life and economy.

The region has shown a willingness to tackle these challenges and has made significant progress, with significant new revenues approved in 2015 in the *Connecting Washington* package, Community Transit service increase, *Let's Move Seattle*, and Tacoma's street repair and improvements levy.

But much more needs to be done to sustain and expand transportation investment through 2040. The effort must address population and growth, changing living and travel patterns, new information and vehicle technology, and a currently inadequate funding system.

Creating new methods for sustaining transportation will take time. That's why it is necessary to start preparing now for future decades.

### The Task Force Recommends:

**MAXIMIZE USE OF EXISTING REVENUE AUTHORITY.** Maximize use of existing revenue authority by local and regional entities to sustain and improve local and regional road and transit systems.

**ESTABLISH REGIONAL TRANSPORTATION AUTHORITY.** Establish a central Puget Sound regional transportation authority to plan, raise revenues, set priorities, and allocate funds for regional transportation investments and services that improve the performance of the system. Existing agencies should be used to implement those transportation investments.

**EARLY ACTION:** Convene regional leadership to develop a proposal for the structure, powers, and responsibilities of a regional transportation authority.



**ACHIEVE EFFICIENCIES.** The Task Force recognizes that transportation funds should also be maximized through efficient and effective expenditures. This will require review and adjustment of the region's transportation plans to ensure they meet evolving transportation needs, and ongoing work to efficiently deliver those transportation projects. Savings can be achieved through innovation in materials, technology, and methods, as well as through improved management and contracting practices.

**PAY FOR USE, AND FLEXIBILITY IN EXPENDITURES.** Over the longer term, create new regional funding sources for transportation with the following characteristics:

- Do not supplant existing revenues.
- Flexible and available for all transportation modes.
- Reflect use of the transportation system, such as pay-per-mile.
- Allow variance by time of day, traffic volumes, facility, and vehicle type to reduce congestion and harmful emissions.
- Recognize that allocation of funds should have a relationship to where they are generated.
- Ensure revenue options do not overburden lower income travelers.

**EARLY ACTION:** Work to develop a voluntary pay-per-mile pilot in the central Puget Sound region, which includes time of day and facility-specific pricing consistent with Task Force recommendations. Coordinate with the state of Washington.

Consistent with the principles developed by the Task Force, these recommendations reflect what the region should strive for in a transportation funding system. The approach provides an opportunity to raise sufficient revenues to meet increasing and changing needs in a manner that is stable and predictable. It supports the region's social and geographic equity goals and its ambitious vision for a prosperous and sustainable future.

A well-functioning transportation system means more than getting to work, school and activities. It is a requirement for sustaining the region's overall quality of life, the region's economic competitiveness, equal access to opportunity, and for making the most of limited financial resources.

## Resources

The following supporting materials are available on the Transportation Futures Task Force website at [www.thefuturestaskforce.org/resources/](http://www.thefuturestaskforce.org/resources/)

### Research and Briefing Papers

- Existing Transportation Conditions
- Central Puget Sound Regional Demographics
- Transportation Funding Options
- Technical Advances and Transportation
- Task Force Funding Principles
- Revenue Source Glossary
- Revenue Options Matrix
- Equity Dimensions of Transportation Funding
- 2015 Legislative Package and Transportation 2040
- May 27, 2015 Information Requests
- Revised Funding Principles
- Transportation 2040 Financial Strategy Summary
- Straw Scenario
- Revenue Source Considerations
- Scenario Descriptions
- Pay-Per-Mile
- Transportation Utility Districts
- Vehicle Emissions Fees
- Regional Decision Making
- Draft Funding Recommendations

### Presentations

- Converging Forces Influencing Transportation
- Transportation Funding
- Equity Dimensions of Transportation Funding, Draft Funding Principles
- Transportation Funding Package, Funding Principles, Revenue Options
- 2015 Revenue Package, Revenue Options & Guidance on Scenarios
- Public Opinion on Equity and Transportation Research, Funding Scenario Analysis, Prioritizing Revenue Options
- Funding Scenario Analysis Follow-Up, The Oregon Road User Charge Program, Policy and Implementation Choices
- Regional Decision Making Structures, Draft Recommendations

### Additional Resources

- PSRC 2014 Regional Travel Study
- Urban Runoff and Salmon — Videos
- Puget Sound Regional Transportation Commission Report 2006
- Oregon Road User Fee and Pilot Program 2007 Final Report
- Oregon Road User Charge Pilot Program Final Report — May 2014

### Public Input and Outreach

- Regional Public Opinion and Equity Research
- PSRC 2014 Public Opinion Poll
- Transportation Futures 2015 survey
- Equity and Transportation Funding: Outreach Survey