

Washington State
Legislature
JOINT
TRANSPORTATION
COMMITTEE

Implementing Alternative Transportation Funding Methods



Connecting
Washington Task
Force



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Purpose

- Joint Transportation Committee (JTC) directed by 2009 Legislature to conduct a comprehensive analysis of mid-term and long-term transportation funding mechanisms and methods
- Principal objective – Identify specific steps to begin implementing viable mid-term and long-term transportation funding approaches
 - Analyze feasibility & practicality of implementing funding methods identified in JTC's 2007 Long-Term Transportation Financing Study
- Focus on state imposed and collected transportation taxes and fees
- Include review of local jurisdiction transportation taxes and fees

2007 Long-Term Financing Study

Alternative Funding Methods Recommended

Medium Term (5-15 years)	Long-Term (10-15 years)
<ul style="list-style-type: none"> • Sales tax on fuel 	<ul style="list-style-type: none"> • Replace fuel tax with VMT (vehicle miles traveled) fee
<ul style="list-style-type: none"> • Index fuel tax 	Local option VMT fee
<ul style="list-style-type: none"> • More tolling 	<ul style="list-style-type: none"> • Vehicle weight-mile tax
High occupancy tolling (HOT) Lanes	<ul style="list-style-type: none"> • Regional development impact fees
Extend bridge tolling	<p>Transition between medium- & long-term dependent on how quickly fuel tax erodes and development of technology to collect VMT fees</p>
Area tolling	
<ul style="list-style-type: none"> • Expand local sources 	
Local option tax (RTID) (voters rejected)	
<ul style="list-style-type: none"> • Container charges – 2009 JTC study - fee would have a large diversionary effect from state ports if the fee were greater than \$30/container 	

Staff Work Group

Joint Transportation Committee
House Transportation Committee
Senate Transportation Committee
Commerce Department
Department of Ecology
Department of Licensing
Department of Revenue
Office of Financial Management

Puget Sound Regional Council
Washington Association of Cities
Washington Association of Counties
Washington Public Ports Association
WA State Dept. of Transportation
WA State Transportation Comm.
Washington Transit Association

Trends Affecting Transportation Funding Methods

Energy

- Federal policies – particularly new 2009 CAFÉ standards – accelerate erosion of fuel tax
- State fuel consumption per capita declining
- For first time in FY 2009 total fuel consumption lower than previous year

Climate Change – Vehicle Miles Traveled (VMT)

- 2008 legislation created benchmarks to reduce per capita VMT
- Attainment of benchmarks not assumed in this funding method analysis
 - 2009 Governor's order to review benchmarks to assess if VMT is a good proxy for the transportation sector's contribution to GHG emissions with low or no emission vehicles
 - 2009 Governor's order directed WSDOT to develop a better estimate of VMT per capita

Trends Affecting Transportation Funding Methods

Congestion

- Issue in urban areas that state is addressing in part through congestion pricing
- Funding methods should include some that can be selectively applied

Federal

- Three federal commissions – all recommend move from fuel tax to user-based funding in the form of a national mode-neutral VMT fee
- Current administration – Opposed to VMT – anticipate transportation funding proposal within 18 months
- Cap and trade – Evaluation of a GHG cap and trade program's effect on VMT found little or no effect with most benefits of cap and trade outside the transportation sector

Existing State Funding Sources

Transportation 16-Year Financial Plan 2009-25

Fund Source	% 2009-25	% excluding bond sales, federal funds, interest
Motor Fuel Tax – 37.5 cpg	38%	52%
Licenses, Permits, Fees, Abstracts	21%	28%
Bond Sales	14%	
Federal Funds	12%	
Ferry Revenues	7%	10%
Tolling (TNB & SR 167)	3%	4%
Vehicle Sales Tax	3%	4%
Miscellaneous/Interest	2%	2%
Total Funds	\$46.7 billion	\$34.1 billion

Characteristics of State Revenue Sources

Dependent on flat rate revenues

- 80% of direct revenue from fuel tax and licenses, permits, fees
- None grow with inflation

Legislative action required to set rates

- Rates set by RCW
- Except tolls and fares set by Washington State Transportation Commission

18th Amendment restrictions

- Fuel tax and vehicle registration fees limited to highway purposes
- Motor vehicle fund – 18th amendment restricted
- Multimodal fund – State funds not subject to 18th amendment

Legislative restrictions

- Fees must be levied for a particular purpose and used for that purpose

State Funding Methods Reviewed

Fuel	Fuel	Vehicle
Motor fuel tax options	Barrel Fee	Retail Sales & Use Tax
<ul style="list-style-type: none"> • Index • Set increases • Vary by county* • Add gross receipts tax • Add petroleum company tax • Elim. sales tax exemption ** • Add special assessment fee 	<ul style="list-style-type: none"> • Exported Fuels Tax • Electric Vehicle Fuel 	<ul style="list-style-type: none"> • Change rate • Eliminate trade-in credit • Extend to parts & labor *
	Driver	* Infeasible due to SUTTA
	Driver Licenses	
	<ul style="list-style-type: none"> • Rates 2012 purchasing • Index • Increase license years 	Vehicle Fees
		<ul style="list-style-type: none"> • Rates 2012 purchasing • Index • Modify weight fees
*Infeasible - uniform rates	Vehicle	
**Must include local sales taxes	Motor Vehicle Excise Tax	<ul style="list-style-type: none"> • Extend in-lieu of fee
	Tax on Auto Premiums	Tire Fee Modifications

State Funding Methods Reviewed

Use	Use	Transportation System
Tolling/Congestion Pricing	Cascade Amtrak	Access Management
<ul style="list-style-type: none"> • Expand tolling • Expand revenue uses • Zone-based/cordon tolls 	<ul style="list-style-type: none"> • Operations funding • Capital funding 	<ul style="list-style-type: none"> • Rates 2012 purchasing • Index • Modify
Vehicle Miles Traveled (VMT)		<ul style="list-style-type: none"> • Reflect impact • Extend to interstates
<ul style="list-style-type: none"> • State-wide • Truck mileage weight fee 		Transportation Business
Ferries		Business Licenses
<ul style="list-style-type: none"> • Operations funding • Capital funding 		<ul style="list-style-type: none"> • Rates 2012 purchasing • Index

State Funding Methods Recommended

Fuel	Use	Vehicle
Motor Fuel Tax Options	Tolling/Congestion Pricing	Retail Sales & Use Tax
<ul style="list-style-type: none"> • Index • Set increases • Add special assessment fee 	<ul style="list-style-type: none"> • Expand tolling • Expand revenue uses 	<ul style="list-style-type: none"> • Change rate
Driver	Ferries & Cascade Amtrak	Vehicle Fees
<ul style="list-style-type: none"> • Rates 2012 purchasing • Index 	<ul style="list-style-type: none"> • Operations funding • Capital funding 	<ul style="list-style-type: none"> • Rates 2012 purchasing • Index • Modify weight fee • Extend in-lieu of fee
Access Management Program		Tire Fee
<ul style="list-style-type: none"> • Modify • Rates 2012 purchasing • Index 		Business Licenses
		<ul style="list-style-type: none"> • Rates 2012 purchasing • Index

State Transportation Funding Cities & Counties

Fund Source	Counties	Cities
State Motor Fuel Tax		
4.92 cpg to counties/2.96 cpg to cities	X	X
Capron Refunds of License Fees/Motor Fuel Tax (on .23 cpg) San Juan & Island Counties	X	
Transportation Improvement Board		
Urban Arterial Trust Account	X	X
Transportation Improvement Program	X	X
Small Cities Account Programs		X
Freight Mobility Strategic Investment Board	X	X
Country Road Administration Board		
Country Arterial Preservation Program (0.45 cpg of state fuel tax)	X	
Rural Arterial Program (0.58 cpg of state fuel tax)	X	

Counties Transportation Funding

Counties

- 39
- 39,828 miles of road, 3,264 bridges, 4 ferry systems

Source of Funding (2007 \$887 million)	% of county revenue 2007
County Road Property Taxes	43%
County – Other Sources	13%
County – Other Taxes	2%
County – Operating Transfers	1%
<i>Sub-total County Sources</i>	<i>59%</i>
State Motor Fuel Tax	16%
State Other Programs	8%
<i>Sub-total State</i>	<i>24%</i>
<i>Federal & other</i>	<i>17%</i>

Transportation Funding Sources for Counties

Funding Method	Allowable Purpose	Rate	2009 Use
Property Taxes (RCW 36.82.040)	County roads & bridges in unincorporated areas	Up to \$2.25 per \$1,000 AV	All counties 96% of available capacity used
Motor Vehicle & Special Fuel Tax (RCW 82.80.010)	Highway purposes	10% of state fuel tax	Not enacted – requires voter approval Defeated in Snohomish
Commercial Parking Tax (RCW 82.80.030)	General transportation	No rate set	None
Local Option Taxes for HOV (RCW 81.100.030, 060)	HOV lane development	MVET up to 0.3% Employer tax up to \$2 per employee	King, Pierce, Snohomish eligible. Not enacted

Transportation Funding Sources for Counties

Funding Method	Allowable Purpose	Rate	2009 Use
Real Estate Excise Tax (RCW 82.46.10)	Public Works	Depends on size, GMA, and use: 0.1%, 0.3%, 0.5%	All base rates & most GMA counties have GMA rates
Impact Fees (RCW 82.02)	Facilities new development/capacity only	Varies by project	Varies by project
Transportation Benefit District (RCW 36.73)	Roadways, high capacity systems, public transit & other transportation management programs	<ul style="list-style-type: none"> • Up to \$100 license fee with voter approval • Or up to \$20 councilmanic • Sales tax • Tolls • Property tax 	Not enacted by any county (acting as the TBD legislative body)

Cities Transportation Funding

Cities

- 281
- 16,421 miles of streets, 676 bridges

Source of Funding (2007 \$1.3 billion)	% of city revenue 2007
City permits, fees	41%
City taxes other than property	13%
City property tax	7%
City – Operating Transfers	13%
<i>Sub-total City Sources</i>	74%
State Motor Fuel Tax	7%
State Other Programs	8%
<i>Sub-total State</i>	15%
<i>Federal & other</i>	11%

Transportation Funding Sources for Cities

Funding Method	Allowable Purpose	Rate	2009 Use
Commercial Parking (RCW 82.80.030)	General transportation	No rate set	6 cities
Border Area Motor Fuel Tax (RCW 82.74.020)	Street maintenance in cities & towns within 10 miles of Canadian border	Up to \$0.01 cpg	3 cities
Real Estate Excise Tax (RCW 82.46.10)	Same as counties		Several
Impact Fees (RCW 82.02)	Facilities new development	Varies by project	

Transportation Funding Sources for Cities

Funding Method	Allowable Purpose	Rate	2009 Use
Transportation Benefit District (RCW 36.73)	Same as counties		10 cities
BridgeTolls (RCW 35.74.05)	Build & maintain toll bridges		None

General purpose taxes that can be used for transportation include retail sales and use tax, real and personal property tax, and other licenses, fees & taxes. 2007 – cities spent 8% of operating and special funds budgets on transportation competing with other needs

Transit Special Purpose Districts 2007 Revenue

Transit Systems

- 28
- Seven governing structures

Source of Funding (2007 \$1.3 billion exclude Sound Transit)	% of transit revenue 2007
Sales or local tax	64%
Fares/Van Pool Revenue	11%
Federal	11%
State	2%
Other	12%

Transportation Funding Sources for Special Purpose Districts

Jurisdiction	Funding Methods
Ports (Title 53 RCW)	Property tax levy up to \$0.45 per \$1,000 AV User fees Tolls on bridges or tunnel
Ferry Districts	Property tax of up to \$0.75 per \$1,000 AV, counties > 1.5 million population Voter approved annual excess property tax
Transportation Benefit Districts	Border area motor vehicle fuel and special tax Local option taxes – property, levies, sales tax up 0.2% Motor vehicle license renewal fees Voter approved vehicle tolling Late-comer fees Commercial and industrial development fees

Transportation Funding Sources for Special Purpose Districts

Jurisdiction	Funding Methods
Public Transportation Systems	Local option taxes – sales & use tax up to 0.9%, utility tax for City of Pullman, motor vehicle excise tax for PBTAs High capacity transportation taxes – sales & use tax up to 0.9-1%/employer tax of \$2 per month per employees Fares and tolls
RTIDs RCW 36.120 (not in use)	Sales & use tax – up to 0.1% MVET up to 0.8% Local option fuel tax at 10% of state fuel tax rate Parking tax Employer tax up to \$2 per employee per month Vehicle registration fees up to \$100 per year Toll on facilities identified by Improvement Plan & approved by State

Characteristics of Local Option Revenue Sources

Maximizing main sources

- 96% of county property tax levy
- Largest transit agencies at maximum 0.9% sales tax rate

Competing with other needs

- Cities reliant on general purpose taxes and fees for most of their transportation funding

Why some funding mechanisms not used

- Political hurdles – voter approval sometimes required
- Restrictions – some just for certain jurisdictions, purpose restrictions
- Implementation may require high level of inter-jurisdictional cooperation
- TBDs new mechanism
- RTID did not pass

Local Funding Methods Reviewed

State Funding	Local Options
Cities & Counties	Cities & Counties
<ul style="list-style-type: none"> • Impact of changes in motor vehicle fuel tax & licenses 	<ul style="list-style-type: none"> • Cities - Street maintenance utility
<ul style="list-style-type: none"> • Increase cpg distribution of motor vehicle fuel tax to cities & counties 	<ul style="list-style-type: none"> • Counties - Transportation benefit district – allow councilmanic authority up to \$100 & expand eligible funding uses
<ul style="list-style-type: none"> • Distribute other state revenues 	<ul style="list-style-type: none"> • Counties – Motor vehicle tax – clarify tax rate, add councilmanic authority
<ul style="list-style-type: none"> • Increase grant programs 	<ul style="list-style-type: none"> • Counties – rental vehicle sales tax extension to transportation purposes
Transit Districts	Transit Districts
<ul style="list-style-type: none"> • Expand use of state toll revenue 	<ul style="list-style-type: none"> • Increase sales tax limit – RTID authority • Employer tax – RTID authority • MVET – RTID authority • Vehicle license fee – RTID authority

Local Funding Methods Recommended

State Funding	Local Options
Cities & Counties	Cities & Counties
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Evaluation Framework

Goal: *Package of funding tools* that the legislature could consider to meet transportation funding objectives

- **Revenue Stream:** Provide a stream of revenue commensurate with transportation system funding needs.
- **Public Benefits/Reflects Use:** Provide a clear purpose and policy rationale linked to transportation system use, economic development, and other state policies and goals.
- **Equitable:** Funding burden is geographically equitable and equitably allocates the costs to those who benefit.
- **Local:** Allows for viable local transportation funding options that recognize the distinct needs of different local systems.

Evaluation Criteria

- Two thresholds – Is the funding method an appropriate state level fee or tax and does it have a nexus with transportation?
- Eighteen criteria to meet the four objectives

EVALUATION FRAMEWORK

Revenue Stream Criteria

- Revenue potential
- Responsive to inflation and growth
- Stable and predictable, including effects from fleet, VMT, & energy price changes
- Administration is easy for the public to understand and comply with
- Collection is cost-efficient
- Compatible with current or potential federal funding sources (federal direction unclear)

Equity Criteria

- Costs reflect user benefits
- Costs reflect user impact
- Costs reflect geographic variations in: access to multi-modal transportation choices, needs, highway types, and level of use
- Costs on low tax base communities

EVALUATION FRAMEWORK

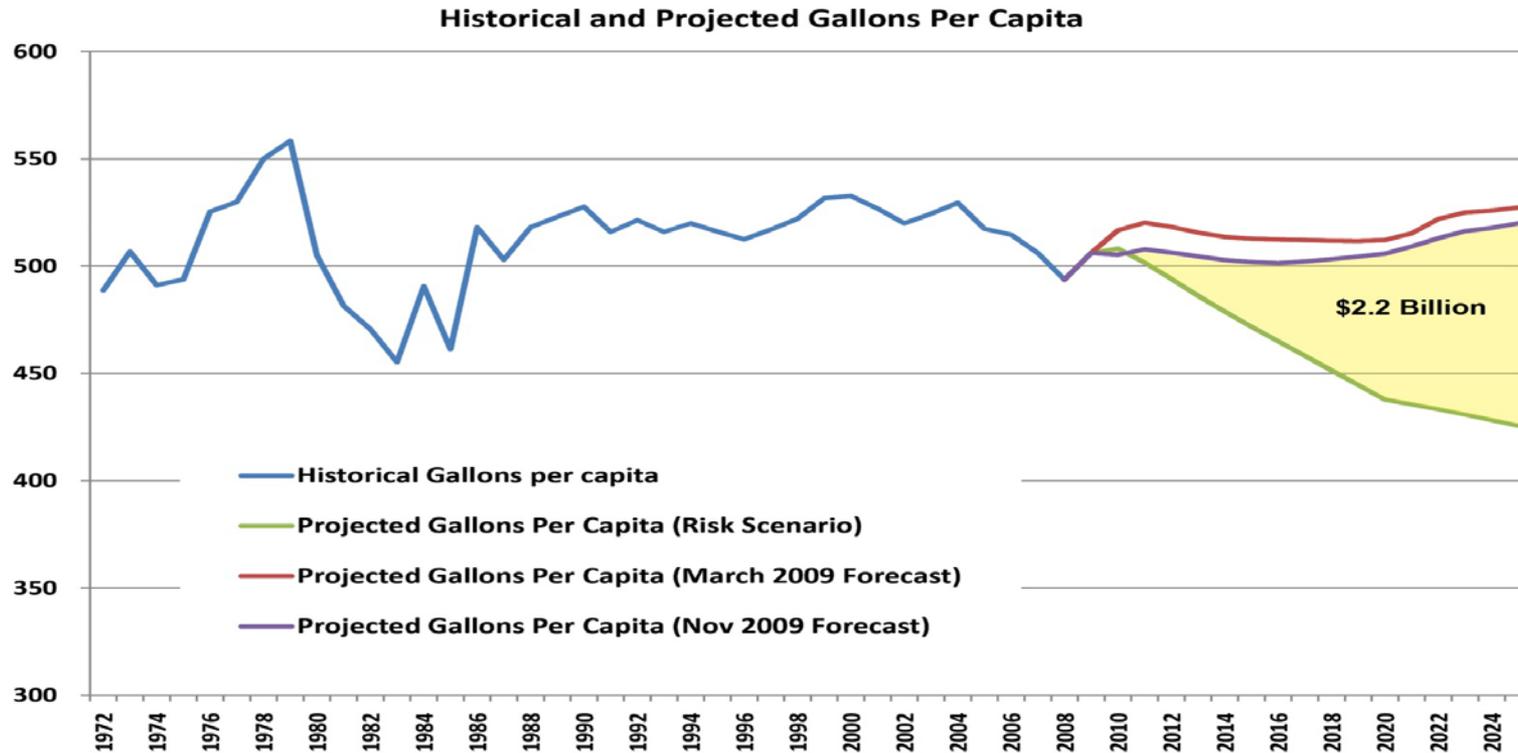
Benefits/Reflects Use Criteria

- Links to a clearly identified transportation service or facility
- Reflects use
- Available to fund a full range of transportation choices
- Positively affects transportation system performance and other state policies/goals
- Creates and grows system connections

Local Criteria

- Provides revenue stream that could support local systems
- Provides an opportunity for viable local options
- Provides continuity of transportation system

Consultants' Revenue Risk Scenario



More rapid fuel economy improvements
More fleet turnover into electric/hybrid vehicles
Flat VMT per vehicle
No additional sensitivity on fuel prices

State Fees and Taxes by Vehicle Type

GOAL: Measure implications of funding scenarios on both total revenues and individual tax payers

VEHICLE TYPE:	Compact	Mid-Size	Pick-up/ Light Truck	Hybrid	Electric	Motorcycle	Freight (Medium)	Freight (Heavy)
Weight (lbs)	< 4,000	4,001-6,000	6,001-8,000	< 4,000	< 4,000	< 4,000	22,001-24,000	40,001-42,000
Miles Per Year								
Low	8,000	8,000	8,000	8,000	8,000	8,000	13,500	13,000
Medium	11,500	11,500	11,500	11,500	11,500	11,500	27,000	32,500
High	15,000	15,000	15,000	15,000	15,000	15,000	45,000	65,000
Miles Per Gallon								
2009	32.5	23.1	14.8	48.8	230.0	55.6	7.8	5.7
2025	52.8	40.2	32.8	78.8	230.0	100.0	14.0	6.3

State Fees and Taxes by Vehicle Type

Summary of Annual Baseline Transportation Taxes/Fees for All Vehicle Types (mid-level usage)

	2009	2014	2019	2025	% Change 2009-2025	% Change 2009 Purchasing Power
Compact Car	\$197	\$189	\$179	\$175	-11%	-45%
Mid-Size Sedan	\$272	\$260	\$246	\$241	-12%	-45%
Light Trucks (SUVs / Pick-ups)	\$437	\$414	\$390	\$379	-13%	-46%
Hybrid	\$151	\$146	\$140	\$137	- 9%	-43%
Electric Car	\$77	\$76	\$76	\$76	-0.4%	-37%
Motorcycle	\$138	\$133	\$127	\$124	-10%	-44%
Freight (Medium)	\$1,694	\$1,605	\$1,503	\$1,456	-14%	-46%
Freight (Heavy)	\$2,865	\$2,737	\$2,589	\$2,523	-12%	-45%

Vehicle Owner Costs - Conclusions

Owners will pay less in 2025 than in 2009

- Result of improving fleet fuel efficiency

Owners will pay even less in purchasing power

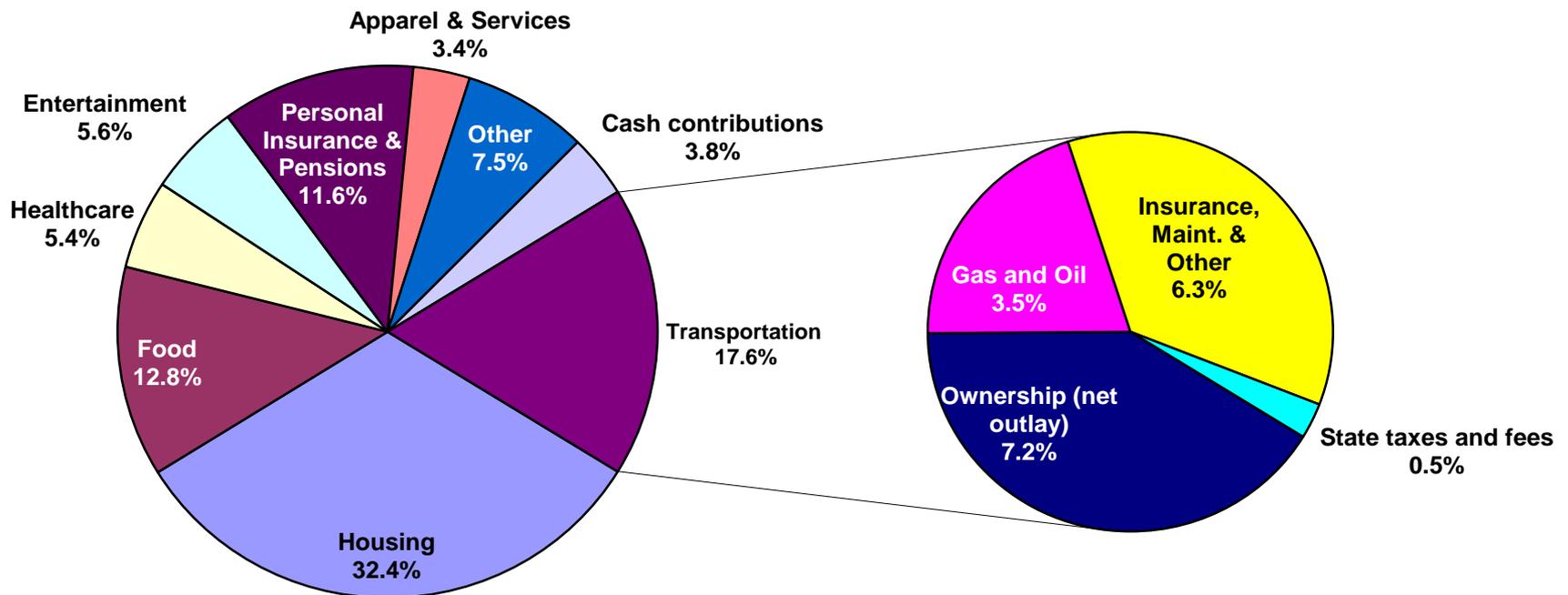
- Rates are flat

Revenue if owners paid same purchasing power in 2025

- \$10 billion

Household Transportation Budget

State Transportation Taxes & Fees as Percent of Household Budget
0.5% (Seattle SMSA 2004-5)



Motor Vehicle Fuel Tax

Motor vehicle fuel taxes

- 37.5 cpg
- 38% of all state transportation funding/52% of direct state revenue
- 16% of county transportation funding/7% of cities

Allowable Options for Restructuring

- Index the motor vehicle fuel tax rate (done by 10 other states)
- Eliminate sales tax exemption (done by 11 other states)
- Infrastructure assessment – (1 state – 2% of the retail price)
- Gross receipts tax as a percentage of the wholesale price (1 state – 7.53%)
- Add a petroleum company tax as a flat rate to the wholesale price (1state 16.4 cpg)
- Set annual increases on the cpg

Implementation

- Most practical – index, set annual increases, infrastructure assessment
- Infrastructure assessment – multi-modal fund use possible
- Sales tax benefit General Fund, wholesale taxes would be new taxes

Retail Sales and Use Tax on Motor Vehicles

State Sales & Use Tax

- Nickel package 2003: added 0.3% sales & use tax on retail sale, lease or transfer of a motor vehicle

Allowable Options

- Increase state sales & use tax rate to 0.5%
- Eliminate trade-in credit

Most Practical

- Increase state sales & use tax rate

Tire Fee

Current Fee

- \$1.00 per new replacement tire – for clean-up of tire dumps
- 2009 – allow road wear related maintenance on highways
- 39 states have tire fee/3 states use to fund transportation.
- 14 states apply on a new vehicle - 4 states higher for large/studded

Options

- 1: Increase fee & use for transportation
- 2: Add fee to the sale of vehicles with new tires
- 3: Charge higher fees for studded or large tires

Licenses, Fees, & Permits

Significant Source of Revenue

- \$8.3 billion licenses, permits & fees: 18% of all revenue /24% of direct
- \$1.4 billion DOL fees & abstracts: 3% of all revenue /4% of direct

Rates

- Most rates are set in statute – some in 2007/most earlier

Options

- Increase to 2012 purchasing power
- Index
- Modify weight fees – Not subject to 18th amendment
- Extend in-lieu of fee to electric vehicles
- Increase drivers license years (not recommended)

Vehicle Fees: Passenger Vehicles

Passenger Vehicle Fee	Rate	Account Distribution	Last Year Modified
Vehicle License Tab	\$30.00	\$20.35 – State Patrol Highway \$ 2.02 – Ferry Operations \$ 7.63 – Motor Vehicle	2000
Filing & licensing	\$3.75	\$3.00 – County agent or DOL \$0.50 – DOL (agent support) \$0.25 - License plate technology	2000
Weight fee	\$10.00 \$20.00 \$30.00	\$6 million per biennium – Freight Multimodal account Remainder – Multimodal account	2005
Propane/natural gas fee (in-lieu of special gas tax)	\$140.63- \$781.25	Motor vehicle account Rate indexed to gas tax	2005
Plate replacement	\$10.00/plate	Motor vehicle account	2005
Number retention	\$20.00	Multimodal	2003

Vehicle Fees: Trucks

Truck Vehicle Fee	Rate	Account Distribution	Last Year Modified
Combined licensing fee (CLF) Trailer Weight fee – farm Farm Vehicle Trip	\$40 to \$3,402 by weight \$36.00 Reduced rate \$6.25	\$2.00 – Registering auditor 22.360% - State Patrol Highway 3.375% - Ferry Operations 5.237% - Nickel 11.533% - TPA 59.495% - Motor Vehicle	2005 2003 (> 10,000 lbs)
Farm license fee Monthly CLF Proportional fees WSDOT fees	\$5.00 (once) \$2.00 month Varies Varies	Motor Vehicle Account	1953 1985 1987 1995
Tow trucks – capacity fee	\$25.00 (no CLF)	State Patrol	1963
Proportional registration plates & fees	\$2.00 tab fee \$4.50 DOL fee	Motor vehicle account Rate indexed to gas tax	2005

Vehicle Fees: Recreational Vehicles/Motor Homes

Passenger Vehicle Fee	Rate	Account Distribution	Last Year Modified
Single axle trailer	\$15.00	\$2.00 – Registering auditor 22.360% - State Patrol Highway 3.375% - Ferry Operations 5.237% - Nickel 11.533% - TPA 59.495% - Motor Vehicle	2005
Camper fee	\$4.90 original \$3.50 renewal	Motor Vehicle Account	1975
Motor home weight fee	\$75.00	Multimodal	2005
Proportional registration plates & fees	\$2.00 tab fee \$4.50 DOL fee	Motor vehicle account Rate indexed to gas tax	2005

Driver Licenses & Abstracts

Driver Fee	Rate	Account Distribution	Last Year Modified
Original License	\$45.00 – 5 years	Highway Safety	2000
Renewal	\$25.00 – 5 years		2000
Commercial Original/Renewal	\$30.00 extra		2005
Agricultural Permit <18 yrs	\$20.00/\$15 renew		2005
Driver Permit	\$20.00		2005
Motorcycle Endorsement	\$25.00	Motorcycle Safety Education	2007
Abstracts	\$25.00 (no CLF)	50% Highway Safety 50% State Patrol Highway	2007

Tax on Transportation Related Businesses

Fee	Rate	Account Distribution	Last Year Modified
Group IV Vehicle Dealer Fees	\$25.00 to \$750.00	Motor Vehicle	2002 (some 1990)
Tow Truck Operator	\$100.00 + \$50/truck		1985
Hulk Haulers etc	\$25.00 plates		1971
Transporter	\$25.00 plates		1947
For Hire Business Permit & Certificate	\$20.00 annual certificate/vehicle	Highway Safety Fund	1993
Driver Training Instructor	\$150.00/\$100.00 renewal	Highway Safety Fund	2006
School	\$500.00 /\$250.00 renewal		
Branch	\$250.00/\$125.00 renewal		
Background check	\$35.25		

State Impact Fee/Access Permits

Local Jurisdictions

- State has authorized local jurisdictions to impose impact fees for public streets and roads
- 14 jurisdictions in Washington have assessed road impact fees

State of Washington

- No state imposed impact fees
- WSDOT issues access permits – state highways/fees set in 1999

Pennsylvania Highway Occupancy Permits

- Required for developments that affect interstate highways, US routes or state highways (coordinate with FHA)/allowed to require developers to make off-site improvements

Option: Revise and Expand WSDOT Access Management Program

- Requirements for traffic impact analysis and mitigation
- Seek to coordinate access and impacts that affect interstates

Use Fees

Use Fees Examined

- Highway tolling/congestion pricing
- VMT Fee
- Washington State Ferries
- Amtrak Cascades

Highway Facility Tolls

Toll Policies

RCW 47.56.830 restricts the use of toll revenues to the tolled facility

Toll Options

1. Expand allowed use of tolls

- Federal government allows use of tolls for transit if a state certifies annually that the highway is being fully maintained
- Pennsylvania Turnpike Act 44 revenues used for rural and urban transit
- London – imposition of cordon tolling tied to increase in transit
- Legislature could consider allowing toll revenues to be used for transit that serves a state highway, facility or ferry terminal within the tolled facility's core service area

2. Expand facility tolling

3. Segment tolls

- Toll portions of extended systems, such as I-5 as segments
- 24 states have toll facility agreements for portions of the interstate

Highway Congestion Pricing

Current Congestion Pricing

SR 167

Three Options

1. Expand HOT lanes in congested areas
 - HOT lane studies underway for the I-405 corridor/Legislature provided preliminary authorization for express toll lanes on the north end of the I-405 corridor
 - Seven states have HOT lanes and studies are underway in 6 more states
2. Variable tolls on tolled roads/bridges
 - Being done on SR 167
 - Planned on the 520 bridge
3. Zone or cordon tolls
 - London, Singapore and Stockholm

VMT Fee

VMT Fee Background

- Recommended as primary long-term funding method in 2007 JTC study
- Recommended in three federal commission studies
- Subject of pilot study in Oregon & a six state study by University of Iowa

Options

1. Impose State VMT fee for passenger vehicles
 - Vary VMT fee by congestion and/or vehicle characteristics
 - Vary VMT fee by road type/location
2. Impose truck weight/VMT fee
 - Oregon VMT weight fee rather than diesel tax
 - Illinois optional for trucks that drive low miles & are only operated in the state
 - Three states have a mileage fee, plus fuel tax

VMT Fee Implementation

Major issue with VMT fee

- **Absent federal action or structure**
 - Hard to charge out-of-state users
 - Could consider inter-state compact
- **Two collection choices**
 - Self-reporting
 - On Board Technology/GPS System
- **Truck weight/VMT fee**
 - Easier to collect/require intrastate trucks to report mileage
- **Issues**

Privacy

Impact on rural areas

Collection costs

Interstate use

Failure to report miles

Ability to collect from out-of-state users

VMT Recommendation

Recommend await federal action

- Recent federal study of states showed:
 - States waiting for federal action
 - Implementation of simple systems (i.e. self-reporting or odometer reading) easy to have fraud
 - Better & consistent collection requires federal leadership

Truck VMT – Difficult in this economy

Ferry Fares

Ferry Accounts

- 16 year plan - \$1.06 billion dollar deficit by 2023-25 biennium
- 88% from capital account – due to vessel replacement
- 12% from operations account

Options

Operations Funding	Capital Funding
Increase rates to increase farebox recovery	Capital surcharge on fares
Fuel surcharge	Naming rights vessel
Adaptive management options from Long-Range Plan	Special purpose lottery
	Non-resident pricing
	Reservations charge

Passenger Rail – Amtrak Cascades

Current

- One of 14 states to support Amtrak service
- Washington uses multi-modal fund for rail
- Other states
 - California - Amtrak subsidy through sales tax on motor vehicle fuel, voter approved bonds, motor vehicle fuel taxes use for rail projects in state transportation plan
 - New York - Amtrak subsidy through general fund, voter approved bonds for rail improvements, multi-modal program – bond sales from Thruway Authority & Dormitory Authority
 - General fund – provide Amtrak subsidy in 4 states
 - Multi-modal funds – provide Amtrak subsidy in other states

Operations	Capital
Increase fares to increase farebox recovery	Capital surcharge on fares

Implementation Recommendations

Recommendation 1: Provide funding for DOL to begin upgrading its computer systems, consider building costs into fee structure.

Recommendation 2: Consider costs & benefits of allowing vehicle owners to make periodic rather than lump sum payments.

Recommendation 3: If index fees and/or fuel tax the legislature should

- Set base fees
- Use the CPI as the basis for an annual change
- Round driver and vehicle fees to nearest whole dollar

Recommendation 4: Review fees to determine:

- When rates were last adjusted
- What an inflation adjusted 2012 rate would be
- Any discretionary restrictions

Medium Term (5 Year Action Recommendations)

Action 1. Maintain viability of licensing & permit fee revenues by adopting legislation to increase fees to 2012 purchasing power & indexing in CPI. **Revenue: \$3.8 billion 2009-25**

Action 2. Maintain short- and medium-term viability of fuel tax by indexing the tax to the CPI and *choose one of the two options to set declines in per capita fuel consumption:* a) increase the tax rate annually or add a transportation assessment fee to the retail price of fuel.

Revenue: Index: \$4.4 – \$6.6 billion 2009-25

Increase 1 cpg annually: \$3.4 – \$3.9 billion 2009-25

Assessment fee: \$4.1 - \$4.6 billion 2009-25

Action 3. Adopt in lieu of fees for electric & other high mileage vehicles.

Revenue: \$1.0 to \$271 million 2009-25

Medium Term (5 Year Action Recommendations)

Action 4. Extend tolling applications. *Revenue: TBD*

Action 5. Secure WSF capital through: 1) capital surcharge on fares; 2) directing additional Capron refunds to Ferries capital; 3) directing additional licensing fee revenue to capital; and/or 4) rebalancing fuel tax distribution between capital and operations.

Revenue: Capital surcharge: \$200 million 2009 -25

Capron refunds: \$ 50 million 2009-25

Fees/fuel tax to capital: TBD

Action 6. Review Amtrak Cascades Service funding & increase fares and/or add capital surcharge. *Revenue: \$30 million 2009-25*

Action 7. Expand WSDOT Access Management Program to require entities that impact state or interstate highways to mitigate the impact.

Revenue: From developer mitigation actions

Medium Term (5 Year Recommendations)

Action 1. Maintain viability of licensing & permit fee revenues

- Comprehensive legislation
- Change fees to 2012 purchasing power
- Index to CPI
- Provide agencies authority to revise annually
- Direct resulting Capron refunds to WSF

Revenue 2009-25 (\$ billions)	State Funds	Local	Vehicle Owner Mid-Size
\$3.8	\$1.0 – Motor Vehicle Fund \$0.5 - Multimodal Fund \$0.2 – Nickel & TPA \$1.3 – State Patrol \$0.7 – Ferry Operations \$0.1 – Ferry Capital	\$18 million - Capron	2009 - \$272 Purchasing Power - \$437 Change - \$297

Medium Term (5 Year Recommendations)

Action 2. Maintain short-medium term viability of fuel tax

- To maintain purchasing power : index
- To off-set declines in consumption per capita *either*
 - Increase flat rate annually (or) add special assessment fee
- Direct resulting Capron refunds to WSF

Medium Term (5 Year Recommendations)

Revenue 2009-25 (\$ billions)	State Funds	Local	Vehicle Owner ^{Mid-Size}
Index \$4.4 Risk \$6.6 Nov.	\$1.1-1.7 Motor Vehicle Fund \$1.6-2.4 Nickel & TPA \$0.1-0.1 Ferry Operations \$0.1-0.1 Ferry Capital \$0.1-0.1 Other	\$1.4-2.2 distribute \$ 27-41 million Capron	2009 - \$272 Purchasing Power - \$437 Change - \$329
1cpg \$3.4 Risk \$3.9 Nov	\$0.9-1.0 Motor Vehicle Fund \$1.2-1.4 Nickel & TPA \$0.1-0.1 Ferry Operations \$0.1-0.1 Ferry Capital \$0.1-0.1 Other	\$1.0-1.3 distribute \$ 21-24 million Capron	Change - \$304
2% assess. \$4.1 Risk \$4.6 Nov	Fund allocation TBD		Change - \$295

Medium Term (5 Year Recommendations)

Action 3. Adopt in-lieu of vehicle fuel tax fees for electric & other high mileage vehicles.

- Similar to approach for natural gas & propane vehicles
- Could be applied on a graduated basis

Revenue 2009-25 (millions)	Vehicle Owner Mid-Size	Vehicle Owner - Electric
\$271.0– Risk \$ 1.0 - Nov	2009 - \$272 Purchasing Power - \$437 Change - \$297	2009 - \$ 77 Purchasing Power - \$123 Change - \$188

Medium Term (5 Year Recommendations)

Action 4. Extend Tolling Applications

- Authorized 5 studies for presentation in the 2010 session
- Consider others from WSTC study

Medium Term (5 Year Recommendations)

Action 5. Secure WSF Capital Funding

–Operations

- 16 year short fall \$128.1 million
- Actions on fuel tax &/or fees would close gap

–Capital

- 16 year short fall \$ 936.3 million
- Actions on fuel tax &/or fees close approx. \$100 million

Other Capital Funding Option	\$ millions 2009-25
Capital surcharge – 10%	\$200
Direct added (if registration fees/fuel tax changed) Capron refunds to capital	\$ 50
Distribute some fees to capital	n/a
Change fuel tax distribution between operations & capital	n/a

Medium Term (5 Year Recommendations)

Action 6. Review Amtrak Cascades Service Funding

–Operations

- Review fares/farebox recovery in light of improved service
- Currently 54%; projected 75%

–Capital

- Consider capital surcharge for each \$1.00 = \$30 million

Action 7. Revise WSDOT Access Management Program

–Increase & index fee

– Broaden program to:

- Require entities that impact state highways to mitigate the impact
- Extend to interstates with Federal Highway Administration cooperation

Longer Term Issue: Faster Fuel Tax Erosion

Medium term recommendations continue reliance on fuel tax

Key factors that could lead to faster erosion of fuel tax:

- **Fleet composition**
 - Could change faster than even risk scenario
- **Fuel prices**
 - Risk scenario uses November forecast
- **Climate change**
 - Governor & legislature adoption of aggressive VMT reduction goals
- **VMT forecast**
 - Revised forecast could show accelerating decline

Longer Term Recommendations

If fuel tax erosion accelerates increase reliance on vehicle fees.

Action 8. Modify weight fees (\$30) by eliminating registration deduction on passenger vehicles & adjust truck weight fees

Revenue \$3.8 billion 2009-25

Action 9. Add tire fee for transportation that extends to new vehicles with a higher fee for studded and larger tires. **Revenue \$133 million 2009-25**

Action 10. Increase transportation sales and use tax rate from 0.3% to 0.5% on the vehicle sales. **Revenue \$400 million 2009-25**

To improve mobility in urban congested areas

Action 11. Allow the use of toll revenues and/or ferry fares to provide corridor specific transit service improvements.

Revenue: TBD

Longer-Term Action Revenues

Longer-Term Action	Revenue 2009-05 (\$ billions)	State Funds	Vehicle Owner (mid-size)
Modify Weight Fee	\$3.8	\$3.8 – Multi-modal Fund	2009 - \$272 Purchasing Power - \$437 Change - \$332
Tire Fee	\$133 million	TBD	2009 - \$272 Purchasing Power - \$437 Change - \$242
Increase sales tax on motor vehicle sales	\$400 million	\$400 million – Multi-modal fund	2009 - \$272 Purchasing Power - \$437 Change - \$248

State Funding Actions Affect Cities and Counties Summary

Action	Motor Fuel Tax Distribution Cities & Counties 2009-25	Capron Distribution to Island and San Juan Counties 2009-25
Motor vehicle fuel index	\$1.4 - \$2.2 billion	\$27-\$41 million
Increase 1 cpg annually	\$1.0- \$1.3 billion	\$21 -\$24 million
Licenses Rates to 2012 & Index		\$18 million
Transit – Allow us of state tolls or ferry fares for transit – Revenue TBD		

Local Funding Actions

Action 1. Increase, when funding permits, state funding for grant programs

Action 2. Authorize cities to create street maintenance utilities

Action 3. Allow TBDs to impose license fees up to \$100 by councilmanic vote and provide flexibility in the use of the funds

Action 4. Amend authority for counties to impose fuel tax to allow a set rate and to provide councilmanic authority

Action 5. Transfer the increased sales tax limit and employer taxes authorized for RTID to transit

Action 6. Authorize a local MVET in addition to or in lieu of transit systems' current local option sales tax authority.

Action 7. Provide transit systems a local option vehicle license fee similar to TBDs.

Summary Impact of Actions On Mid-Size Vehicle Owner

Mid-size vehicle owner pays in 2009: \$272 per year
Inflation adjusted value of \$272 in 2025: \$437 per year

Action	Total Annual Fees 2025 Mid-Size Vehicle	Action	Total Annual Fees 2025 Mid-Size Vehicle
Action 1. Fees increase to 2012 purchasing power & index	\$297	Action 8. Weight fee increase \$30	\$332
Action 2.		Action 9. Tire fee	\$242
a. Index fuel tax	\$329		
b. 1 cpg annual increase	\$304		
c. Special assessment on fuel (2%)	\$295		
Action 3. Adopt in-lieu of fees	Electric \$77 to \$188	Action 10. Sales & use tax increase to 0.5%	\$248