

Funding and Financing



I-5 38th Street Interchange—Tacoma, WA

Funding Availability and Stability

A variety of sources have funded and continue to fund transportation systems in Washington State. The major sources of state transportation revenue are the gas tax, licenses, permits, and fees. The state budget is also funded from ferry fares and concessions, rental car taxes, a 0.3 percent sales tax on vehicles, and miscellaneous revenues, which include interest earnings. Funds also come from bond sales, federal funds, local funds, and remaining cash balances from previous years.

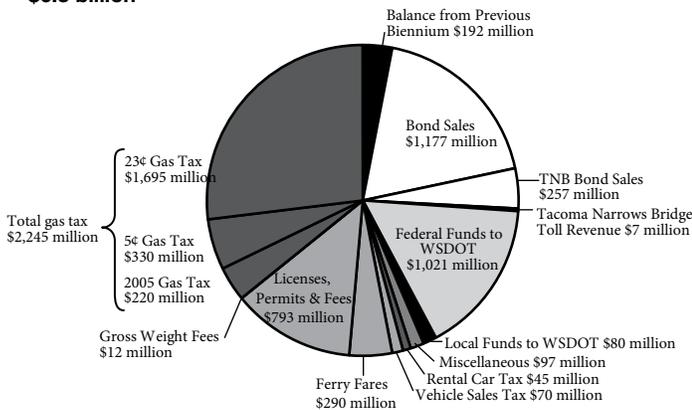
The state collects gas tax revenues, vehicle license fees, permits, and other fees. Portions of these funds are distributed (by statute) to cities, counties, and other state agencies. The chart below depicts projected transportation funds coming into the state for the 2005–2007 biennium. The next pie chart on the right shows

how these funds will be distributed to cities, counties, and other agencies. In general, the pattern of collection and expenditure is expected to continue into the future.

Washington Motor Vehicle Fuel Tax History 1920-2005

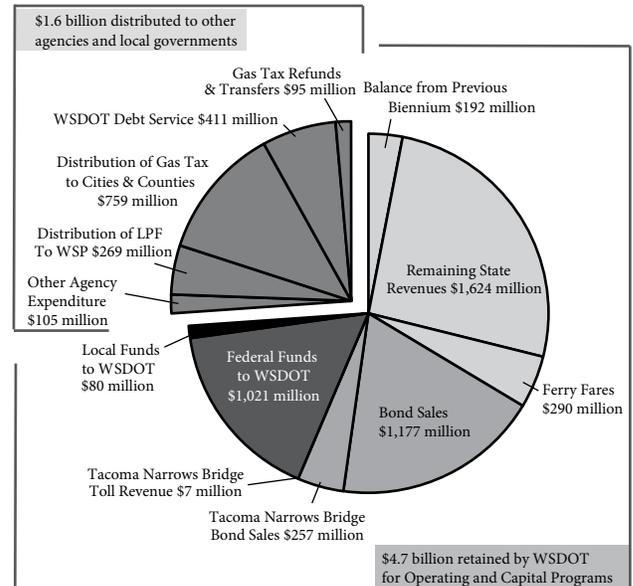
The Motor Vehicle Fuel Tax (gas tax) is the most significant source of revenue for Washington State’s transportation system. The state has had a gas tax in place since 1921. The 18th Amendment to the State Constitution, passed in 1944, dedicated revenue from the gas tax solely to “highway purposes,” clarified in statute and case law as state highways, state ferries, county roads, and city streets. This provision is still in effect.

Figure III-1
Total State Transportation Funds
 (Reflects 2006 Legislative Supplemental Budget)
 2005-2007
\$6.3 billion



Source: WSDOT Financial Planning and Economic Analysis Office

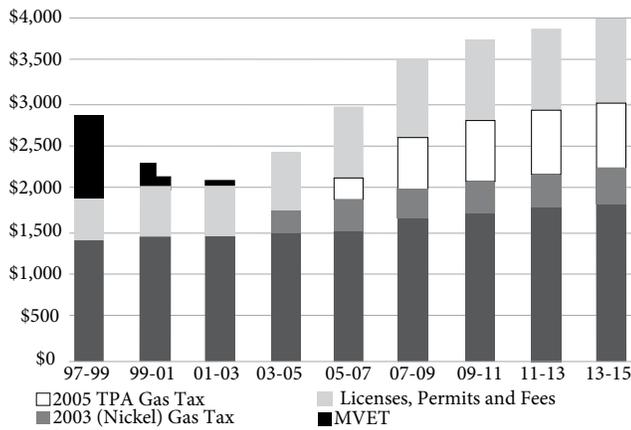
Figure III-2
Distribution of State Transportation Funds
 (Reflects 2006 Legislative Supplemental Budget)
 2005-2007



Source: WSDOT Financial Planning and Economic Analysis Office

As of July 1, 2006 the state gas tax is 34¢/gallon. The first tax on motor fuel in 1921 was 1¢/gallon, increasing every few years through 1949 when it reached 6.5¢/gallon. Less frequent increases brought the rate to 23¢/gallon by 1991. The rate then stayed constant for 12 years. In 2003, the legislature increased the gas tax by 5¢/gallon, bringing the rate to 28¢/gallon. The 2005 Legislature further increased the tax rate to ultimately reach 37.5¢/gallon by July 2008.

Figure III-3
Major Sources of Tax Revenue (millions of dollars)



Source: WSDOT Financial Planning and Economic Analysis

Vehicle Licenses, Permits, and Fees History 1915–2005

The state began collecting vehicle registration fees in 1915 to support state roads. Initially the fees were based on vehicle horsepower, but quickly shifted to vehicle weight. By 1957, some of the revenues began to be used by the State Patrol, with some of the funds distributed to a separate State Patrol account. Between 1971 and 1980 the State Patrol was funded directly through the Motor Vehicle account. Separate deposits for the State Patrol account resumed in 1981 and continue today. The current vehicle registration fee for new or used vehicles is \$30.

Legislation passed in 2005 created a new vehicle weight fee on passenger cars. In addition to the \$30 registration fee, vehicles weighing up to 4,000 pounds pay a \$10 fee, vehicles weighing up to 6,000 pounds pay \$20, and vehicles weighing up to 8,000 pounds pay \$30.

Gross weight fees that apply specifically to trucks were established in 1937. Up until 1987, two fees were levied separately, a registration fee and a fee based on the weight of the truck. In January 1987, a new law went into effect that brought the two fees together to form the Combined License Fee. In 1994 the weight

schedule was extended from 80,000 pounds to 105,500 pounds and fees increased for trucks over 40,000 pounds declared gross weight. The most recent fee increases for the combined license fee took place in 2003 and 2005.

From 1977 until December 1999 a portion of the proceeds from the Motor Vehicle Excise Tax (MVET) helped to fund transportation systems. Enactment of legislation initially proposed in Initiative 695 eliminated much of this taxing authority. Sound Transit (the Puget Sound Regional Transportation Authority) still collects an MVET tax in the Puget Sound Region.

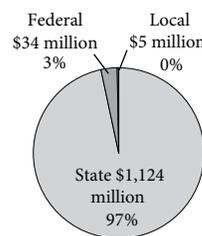
Current Financing Sources and Uses

WSDOT Sources of Funds

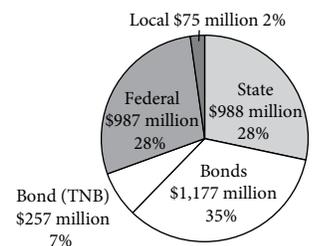
WSDOT projects are not appropriated by funding source. Revenues restricted by the 18th Amendment, such as the gas tax, are only available for “highway purposes.” Gas tax and non-gas tax revenues such as licenses, permits, and fees are commingled and combined with federal and local funds and bond proceeds to provide the basis from which funding for highways is achieved. Non-restricted funds (rental car tax, 0.3 percent vehicle sales tax, vehicle weight fees, and certain license fees) are also commingled with federal, local, and general obligation bond proceeds for use on non-highway transportation projects. WSDOT develops a budget designating an amount to be used for capital expenditures and an amount to be used for operating costs. WSDOT’s budget for operations and capital investment for 2005–2007 is expected to be \$4.65 billion.

Figure III-4

WSDOT Operating Budget
(Reflects 2006 Legislative Supplemental Budget)
2005 - 2007
\$1,163 million



WSDOT Capital Budget
(Reflects 2006 Legislative Supplemental Budget)
2005 - 2007
\$3,484 million



Source: WSDOT Financial Planning and Economic Analysis Office

Bond financing is an important component of the capital program. It is important to remember that

this instrument obligates a portion of the tax revenues collected, making them unavailable for cash financing of projects. State transportation bonds are referred to as “double barreled” bonds. Bonds do not create new funds, they just make them available for projects sooner. They are obligation bonds secured by the full faith and credit of the state as well as the gas tax. Debt service is paid directly from gas tax receipts.

The use of bond financing for transportation follows a rigorous legal process. The legislature must enact a statute authorizing the sale of bonds for a specific purpose, and the bond proceeds must be appropriated before they can be spent. Bonds are sold through the State Finance Committee.

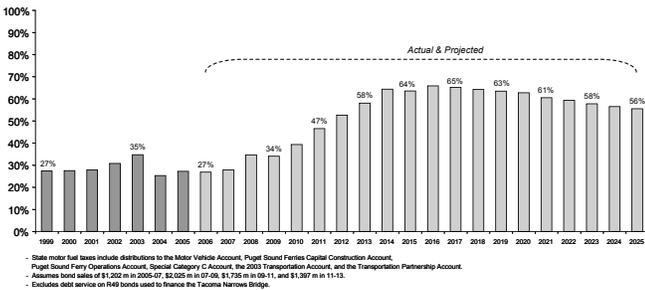
The 2003 and the 2005 transportation funding packages are dependent on bond financing. Ultimately the gas tax component for both of these packages will be completely leveraged to pay debt service.

The Tacoma Narrows Bridge project is nearly 100 percent bond financed, however, debt service (although backed by the gas tax and the full faith and credit of the state) is to be paid with toll revenues.

The chart below shows the amount of the gas tax leveraged against current debt service and planned debt service from future bond sales. Because the revenue stream to pay debt service on the Tacoma Narrows Bridge is from tolling, the debt service for this project is not included in the chart below.

Figure III-5

Debt Service as a Percent of the State's Overall Share of the Gas Tax



Source: WSDOT Financial Planning and Economic Analysis Office

Figure III-6

Comparing Prices: Then and Now



Coffee (lb)
1940 = \$0.21
1950 = \$0.79
2006 = \$3.16



Bread (lb)
1940 = \$0.08
1950 = \$0.14
2006 = \$1.07



Comparing Tolls—Tacoma Narrows Bridge to 1940 “Galloping Gertie”

1940s Bridge



Toll in 1940 = \$1.10
(Round trip, car and driver only)

Inflation adjusted to 2006 dollars = \$15.94

1950s Bridge



Toll on bridge built in 1950 = \$1.00

Inflation adjusted to 2006 dollars = \$8.42

Concept Image of Bridge



Proposed Toll on New Bridge = \$3.00

Inflation adjusted to 1940 dollars = \$0.21

Inflation adjusted to 1950 dollars = \$0.36

Source: WSDOT Planning Office

Tacoma Narrows Bridge

The Tacoma Narrows Bridge project is currently WSDOT’s single largest capital project, and is the world’s largest suspension bridge currently under construction. Planning and financing major transportation structures is an ongoing, complex endeavor that requires innovative solutions.



The Tacoma Narrows bridge in 1940

Construction started on the bridge that would be known as “Gallop Gertie” on November 25, 1938. The state had estimated it would cost \$11 million to build but Leon Moiseiff of New York said it could be done cheaper. Against protest from state engineers, the design went forward at \$5.59 million. The bridge opened to traffic on July 1, 1940. Governor Clarence D. Martin paid the first toll and drove across. The bridge collapsed on Nov. 7, 1940 and remained closed until completion of a new bridge in October of 1950.

The 2003 Transportation Funding Package also authorized the sale of general obligation (GO) bonds to be used for multimodal projects. These bond proceeds will be used for rail projects and for multimodal transportation terminals relating to ferries. Debt service on the GO bonds will be paid from non-18th Amendment revenues. Federal funding also leverages state revenues, however not in the same way as bond financing. Federal funds



The Tacoma Narrows bridge in 1940

require a certain percentage of state matching funds to use them. Federal gas tax and several other federal transportation-related taxes are the basis for federal transportation funds. The newest federal transportation act enacted in 2005 is called SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users).

In addition to highway construction, SAFETEA-LU will provide funding for interstate maintenance, border crossing initiatives, transportation community and system preservation, real-time management information, projects of national and regional significance, national corridor infrastructure projects, truck parking facilities, roadway and work zone safety improvements, and other transportation improvements such as Safe Routes to Schools.

Some benefits from prior transportation funding will be lost without WSDOT’s work to protect the state system from the potential impacts of land use and development. The department reviews proposed land use changes and developments and works through local governments to reduce and mitigate adverse impacts on state transportation assets. Mitigation funding obtained through local government, is extremely small in relation to other sources. However, WSDOT’s participation in development and land use reviews is critical to preserving the benefits of prior investments for the traveling public.



2006 Under Construction

When all the new revenues are in place, how will the state's total gas tax amounts be distributed?

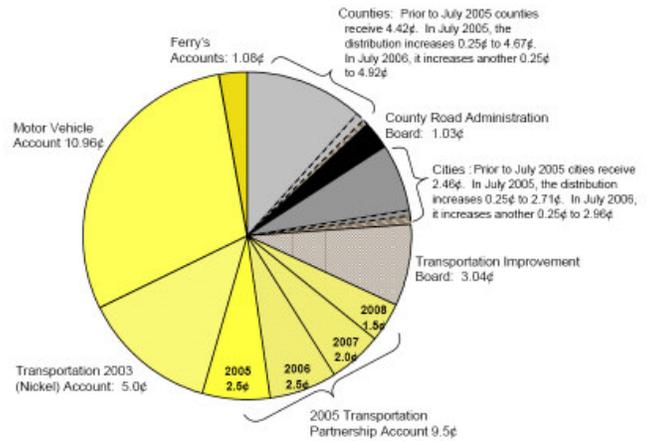
Collected at the state level, the gas tax is distributed by statutory formula. The gas tax is protected by the 18th Amendment of the State Constitution and can only be used for highway purposes (state ferries are considered highways).

Cities and counties receive a statutory distribution of the gas tax. The 2005 Funding Package provides an additional distribution to local governments. Cities and counties will each receive a quarter of a cent from the first 3¢ increase in 2005, and another quarter of a cent from the second increase in 2006 (totaling ½¢ for each). Like the state, cities and counties must use these funds for highway purposes.

WSDOT receives the remaining 2½¢ from the 2005 and 2006 increases, 2¢ from the 2007 increase, and 1½¢ from the 2008 increase (totaling 8½¢). The chart displays the new statutory distribution of the gas tax through 2008.

Figure III-7

Statutory Distribution of the 37.5¢ Gas Tax 2008 (31¢ in 2005, 34¢ in 2006, 36¢ in 2007 and 37.5¢ in 2008)

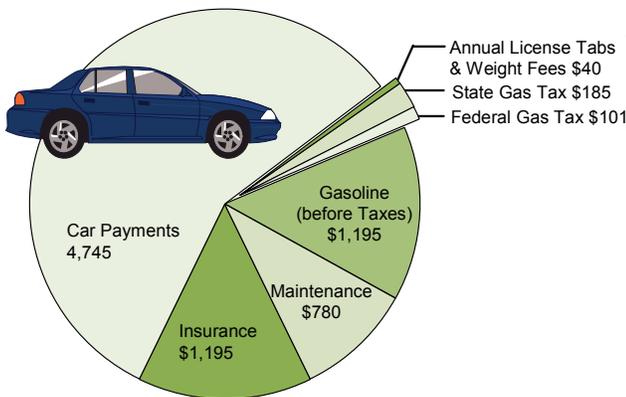


Source: WSDOT Financial Planning and Economic Analysis Office

Figure III-8

What does it typically cost for us to travel by car and where does the money go?

Average expenditures for traveling in a typical passenger car in Washington State by major category



Annual transportation tax and fee payments attributable to a car driven 12,000 miles per year in the last 12 months

State Gas Tax 34¢/gal	\$185.47
Federal Gas Tax 18.4¢/gal	100.92
State License Tabs Fee/year	40.00
Total	\$326.39*

* \$20 tab fee goes to the State Patrol and approximately 35% of the gas tax goes to local governments.

Note: Local option taxes for local transportation projects may exist over and above those listed.

Distribution of the \$326 in taxes and fees for a typical car

State Gas Tax to Cities and Counties for Roads	\$66.06
State License Tab Fees to the Washington State Patrol	21.12
State Gas Tax and License Tab Fees to WSDOT*	133.23
Federal Gas Tax Returns to the State for Federal Highway Programs**	105.98
Total Funds Distributed	\$326.39

* The legislature appropriates some of these state funds to other agencies including; DOL, State Parks, etc

** Federal Highway Programs include monies for Local Governments as well as for the State.

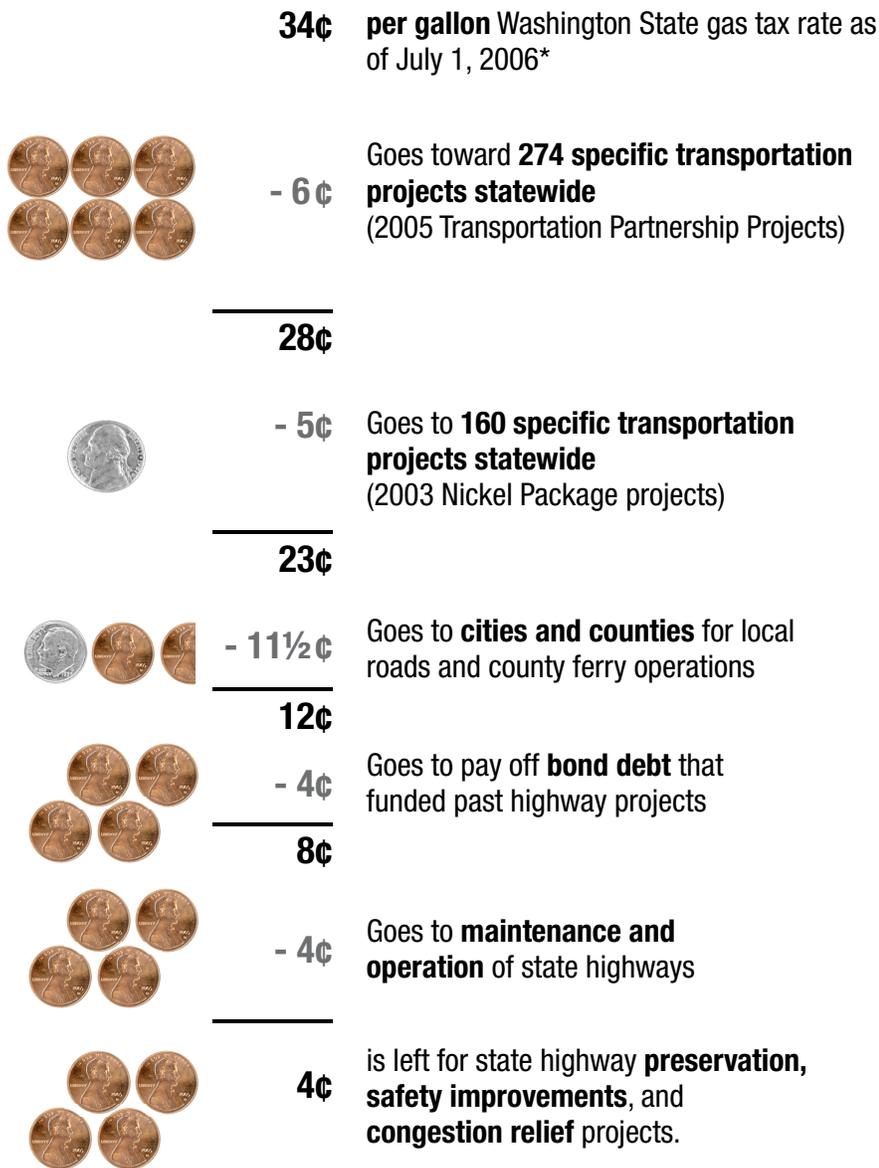
The **\$133** WSDOT retains of the state gas tax and license tab fees maintains the state highway system, pays bond debt service on current, past and future capital projects and more.

•Based on the average annual cost for fuel for Washington State in the last 12 months (\$2.19/gal + 28¢ + 3¢ + 3¢ = \$2.53/gal) Provided by the Energy Information Administration. www.eia.doe.gov

Source: WSDOT Financial Planning and Economic Analysis Office

Figure III-9

Where does the gas tax go today?



MAKING EVERY DOLLAR COUNT.

IT'S YOUR NICKEL. WATCH IT WORK.



How much will the new gas tax add-ons cost you?

Annual Cost of the 4 Year Phase-in of the New Gas Tax (12,000 miles/year)				
Miles per gallon	July 2005 3¢ Increase	July 2006 additional 3¢ increase (total 6¢)	July 2007 additional 2¢ increase (total 8¢)	July 2008 additional 1½¢ increase (total 9½¢)
10	\$36	\$72	\$96	\$114
20	\$18	\$36	\$48	\$57
30	\$12	\$24	\$32	\$38

Source: WSDOT

* As of WTP printing, \$0.34 is the current state gas tax.

WSDOT Uses of Funds

Highways and Ferries (18th Amendment Protected Funds)

Funding for all transportation systems is viewed as either a capital investment use or an operating use. Highways and ferries use funding for both purposes: capital uses include new projects or preservation of existing facilities and operations include maintenance, management and support, planning, data analysis, and research.

Operating Uses

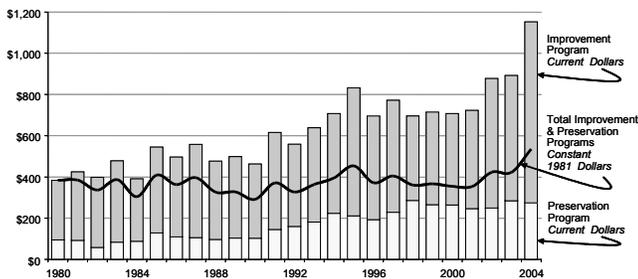
Maintenance is the largest component of the operating budget. For the 2005–2007 biennium, \$353 million is budgeted for highway maintenance and \$376 million for ferry maintenance. State tax revenues, federal funds, and local government funds pay for operating costs. Ferry fare revenue is used exclusively for ferry operations and maintenance and currently covers approximately 70 percent of the costs.

Capital Uses

Highway capital program funding is comprised of a mix of state tax revenues, federal funds, and local government funds and bond proceeds.

Bonding is a significant funding component of the capital program. Both the 2003 and the 2005 transportation packages specified specific highway and ferry capital projects to be paid for with a mix of cash and bond proceeds. With the passage of these two funding packages WSDOT’s construction program is now one of the largest in the country.

Figure III-10
Preservation and Improvements Investment
 Dollars in millions



Source: WSDOT Financial and Economic Analysis Office

The two primary components of the capital program are the improvement program and the preservation program. The chart above shows the investment ratio between the improvement and preservation programs over time. In 1980 preservation was approximately 25 percent of the improvement and preservation budget. By 1998 preservation of the existing system had increased to 41

percent of the budget. With the passage of the Nickel gas tax (2003) and the start of the capital construction projects associated with the tax increase, the ratio returned the preservation program to 25 percent of the budget in 2004.

Other Sources and Uses—Multimodal Projects (non-restricted funds)

Multimodal projects generally are non-highway transportation projects and can include rail, aviation, multimodal ferry terminals, and public transportation. (Because funds are non-restricted, use of these funds can include highways.) Funding for these types of projects comes from the rental car tax, the 0.3 percent sales tax on vehicle sales, vehicle weight fees, and certain license fees. These taxes and fees are combined with federal and local funds, as well as some bonding, to provide the base for multimodal project funding.

Operating Uses—Multimodal Projects

Grants to public transportation districts and for rail operations are the biggest portion of the multimodal operating budget. The grant program for public transportation is administered by WSDOT; hence it is an operating cost in WSDOT’s budget even though ultimately the funds are often used for capital expenditures by the individual public transportation districts.

Capital Uses—Multimodal Projects

Under the current budget, the major components of the capital program are Washington State Ferry terminal construction, rail capital construction, and funds to local programs. General obligation bonds will continue to be sold to support the construction of the Mukilteo Ferry Terminal and the rail capital program.

Aviation Division—Sources and Uses

Funding for pavement projects, signage, lighting and other facility maintenance and improvements at 139 public use, general aviation airports comes primarily from the tax on general aviation fuel. Funds are distributed in the form of grants (Airport Aid Grant Program) and leverage federal aviation dollars. Currently, the ratio of state funds to federal funds is about 1 to 10. The Federal Aviation Administration (FAA) has additional funding for airports listed in the National Plan of Integrated Airport Systems (NPIAS). Washington State currently has 67 NPIAS-listed airports, which receive \$150,000 per year under the current Vision 100 Non-Primary Entitlement Program.

Local Roads and Streets—Sources and Uses

Funding for local roads and streets, public transit districts, and ports plays a crucial role in Washington State’s transportation system. The following section describes the sources available and uses for these funds as they currently exist.

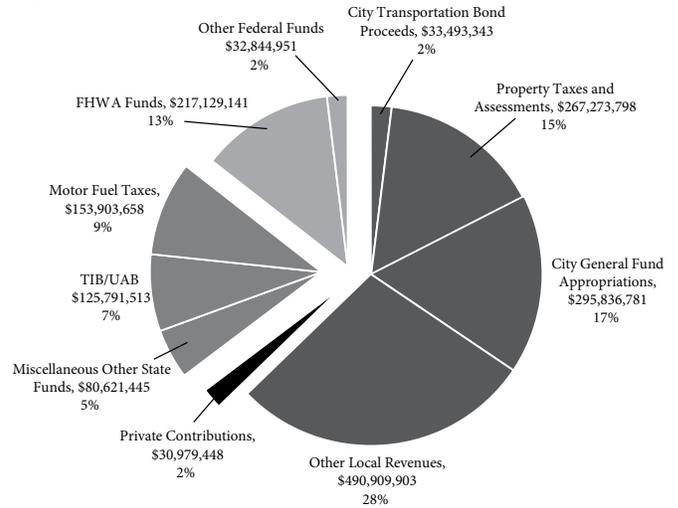
Revenues from local governments play an important role in transportation finance. General funds and property taxes have traditionally been the primary local revenues supporting transportation. However, since enactment of Initiative 747 in 2001, property tax revenue growth is limited to one percent annually without action by the county council or board of county commissioners. In cities, these funds are not reserved exclusively for transportation purposes and, therefore, must compete for other city priorities, such as public health and safety. In addition, increased pressure to produce revenue for transportation spending and for leveraging ever scarcer federal, state, and local funds has caused local governments to turn to such revenues as special assessments, development fees, and local highway user revenue. Local debt initiatives have also seen greater use.

When a state highway travels through a city it may serve as the main street of that community. State routes through counties serve an important role as regional arterials in most cases. Improvements to these state highway segments bring multiple benefits to cities and counties. Conversely, cities make transportation investments on state highways within city limits, benefiting the statewide system.

Cities—Sources of Funds

While gas tax receipts are a significant portion of state transportation funding, the gas tax accounts for only 16 percent of transportation funding for cities. Cities use a mix of taxes and fees, along with state and federal funds and bond proceeds to fund transportation.

Figure III-11
Total Transportation Funding - Cities, 2004-2005
\$1.730 billion



Source: WSDOT Financial Planning & Economic Analysis Office

The recent Transportation Partnership Act resulted in an increase in the distribution of the gas tax to cities of approximately \$16 million annually. This revenue is distributed among 281 cities. In addition, cities are eligible for grant funding. Combining the new gas tax distribution and grant programs is expected to result in a 2 to 5 percent increase in new transportation funds for cities.



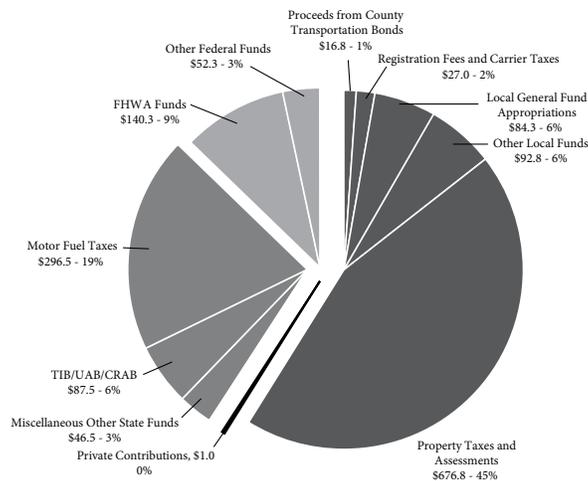


Counties—Sources of Funds

The gas tax is a more significant source of funds for counties than for cities. The gas tax provides approximately 25 percent of transportation funding for counties. Property taxes make up the largest contribution at 45 percent. Bonding is not a significant transportation funding component for most counties.

Figure III-12

Total Transportation Funding - Counties, 2004 - 2005
\$1.522 billion



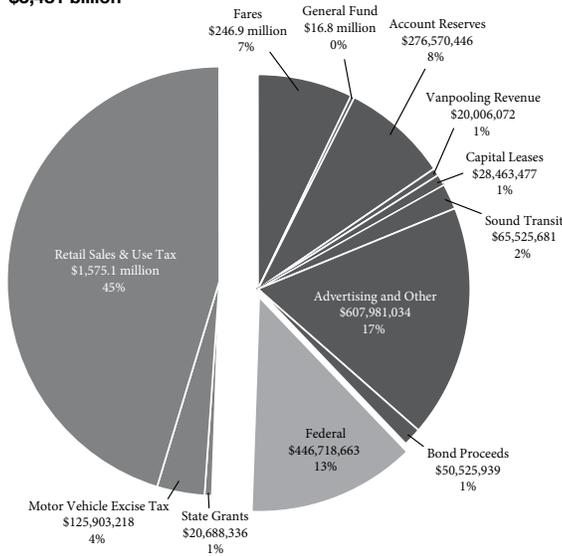
Source: WSDOT Financial & Economic Analysis Office

The recent Transportation Partnership Act resulted in an increase in the distribution of the gas tax to counties of approximately \$16 million annually. This revenue is distributed among 39 counties. In addition, counties are eligible for grant funding. Combining the new gas tax distribution and grant programs is expected to result in a 2 to 5 percent increase in new transportation funds for counties.

Public Transit—Sources of Funds

The 28 transit districts in the state each have the authority to impose (with voter approval) an additional local sales tax. This locally-imposed sales tax is the major revenue source for transit districts. These tax revenues are combined with fare box revenues, federal funds, state grants, and a mix of various local funds to form the basis for the operating and capital public transit budget. State grants are not a significant component for either the operating or capital budgets of transit districts.

Figure III-13
Total Public Transit District Funds, 2004-2005
\$3,481 billion

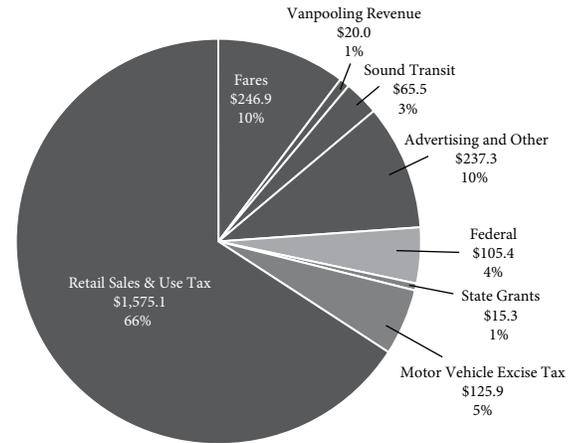


Source: WSDOT Public Transportation and Rail Division

Public Transit Operating Uses

Unlike the state and cities and counties, the operating budget for public transit is the more significant budget. sixty-six percent of the operating budget comes from the locally-imposed sales tax component. Sales tax for transit varies for each transit district and ranges from 0.1 percent–0.8 percent. Fares contribute another 10 percent and advertising and other fees make up an additional 14 percent. The operating budget balance is a mix of federal funds, grants, and distributions from other agencies.

Figure III-14
Total Public Transit Operating Budget, 2004 - 2005
\$2,391 Billion

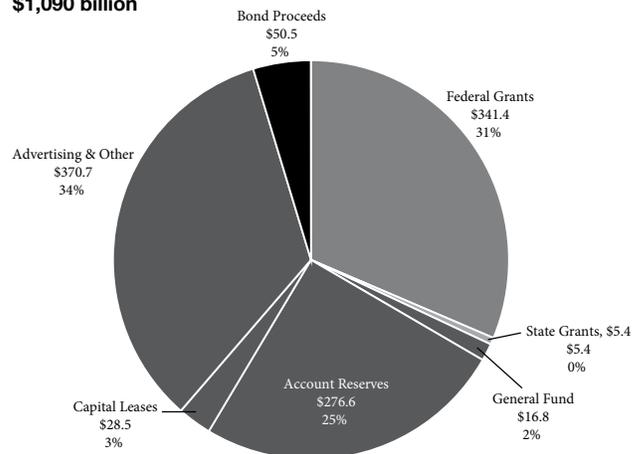


Source: WSDOT Public Transportation and Rail Division

Public Transit Capital Uses

The capital budget is the smaller component of the public transit budget. Federal funds make up 31 percent of the funds, while advertising, interest, and other miscellaneous fees and taxes make up 64 percent of the capital budget. Bond proceeds are not a significant component of the capital budget.

Figure III-15
Total Public Transit Capital Budget 2004 - 2005
\$1,090 billion



Source: WSDOT Public Transportation and Rail Division

Options for the Future

Assessing the Current Situation

Traditional funding sources have not kept up with the ever-increasing demands placed on publicly-financed transportation systems. These traditional revenue streams cannot substantially improve or expand transportation systems. For example, the tax on gas has been increased from one cent per gallon in 1921 to 34 cents per gallon in 2006. Gas tax increases were necessitated by many factors, most prominently, the effects of inflation diminishing the purchasing power of revenues collected, increases in vehicle fuel efficiency, increases in the size, scope, complexity, and diversity of transportation systems, and ever-increasing infrastructure costs from such things as stricter environmental regulations and increasing materials and land acquisition costs. Since these historical pressures are not likely to diminish in future years, traditional funding sources intended to address transportation system obligations will either need to continue increasing or new sources of revenue will be needed.

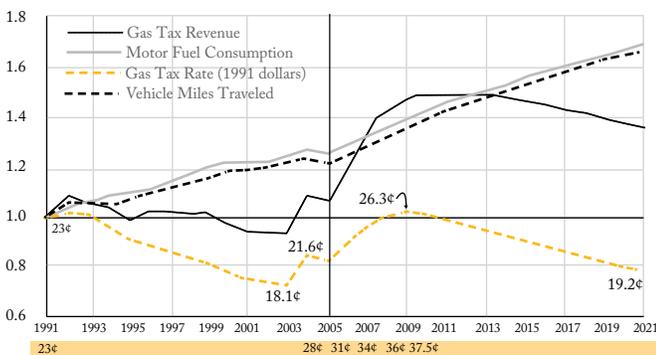
Because the fuel tax is levied on a volume basis rather than on value, changes in consumption patterns can affect receipts regardless of the price of the gasoline. If price increases reduce demand for fuel, tax receipts fall even if the total value of the gas sold goes up. The opposite may also occur.

The Growth Rates Compared chart shows how inflation affects the ability to fund transportation systems. For example, looking at the gas tax rate from 1991 (when the gas tax was raised to 23 cents per gallon) out to 2021, the effect of inflation is clearly evident. The value (in 1991 dollars) of 23 cents dips to a low of 18.1 cents in 2003, rises to 21.6 cents when the Nickel tax is added in 2004, then starts to decline again until 2005 when the new tax is implemented. The value of this revenue is projected to continue to rise through 2009 when it will reach a high of 26.3 cents in constant 1991 dollars. The value will then start to decline again, reaching a projected 1991 purchasing power value of 19.2 cents in 2021. Revenues from the gas tax (expressed in 1991 purchasing power) follow the same trend line. However, motor vehicle fuel consumption and travel are projected to grow with population in the state.

It is evident that this approach to funding transportation systems has not kept pace with overall transportation needs. Specifically, non-highway transportation system needs (such as transit, rail, bike, pedestrian, marine shipping, and pipelines), which have the potential to increase system efficiencies and thus benefit the economy of the state and quality of life for citizens, cannot receive funding from 18th Amendment funding sources unless it can be demonstrated that doing so would benefit highways. As highway transportation systems become more and more congested, many of the most affordable and cost-effective gains in system efficiencies will need to come from new funding sources.

A further problem facing the transportation system is that of stability, or lack of stability in funding sources. Unpredictability in funding and delays in projects and programs translate into highly inefficient system management. Instability also frustrates citizens, tax payers, and users of the system who expect it to keep up with demand and support their businesses and communities.

Figure III-16
Growth Rates Compared: Vehicle Miles Traveled, Gas Tax and Gas Tax Rates



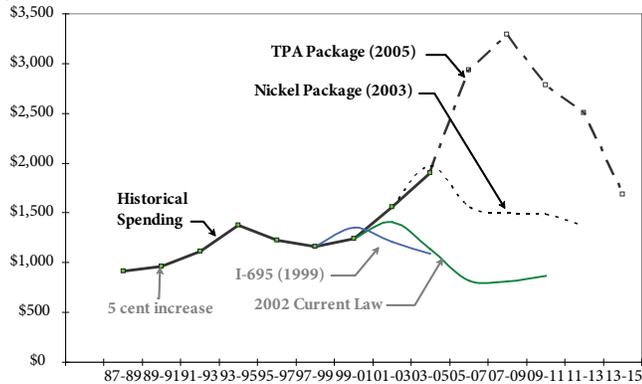
Historical, Current and Future Look at Gas Tax Revenue Components (in millions)

	1991	2005(Estimated)	2021(Projected)
Vehicle Miles Traveled	45,500	55,100	75,500
Fuel Gallons of Consumption	2,600	3,200	4,400
Gas Tax Revenue (1991 dollars)	\$574	\$681	\$836

Sources: WSDOT Financial Planning and Economic Analysis

The chart below illustrates the funding variability over time for just highway capital investments.

Figure III-17
Highway Capital Program Trends
 Historical and Projected dollars and FTEs for 1987 - 2015
 \$ in millions



Source: WSDOT Systems Analysis and Program Development

Similar charts could also be drawn for other components of the statewide transportation system, such as the variability of funding for transit services. Local jurisdictions, transit agencies, and others have difficulty managing and planning for their facilities when funding is unpredictable and buying power diminishes.

Innovative Funding

New Funding Sources

The 2005 Legislature gave the Transportation Commission the task of conducting a statewide tolling study to consider how tolling could be used in the future, both to manage traffic on the highway system and to understand revenue-generating potential. The results of the study include:

- Potential tolling opportunities in the near-, mid-, and long-term
- Traffic analysis—how tolls will affect roadway use
- Fiscal analysis—assessing fiscal opportunities and strategies
- Technology analysis—technologies for facilities, vehicles, and financial systems
- Assessment of social and environmental impacts
- Legal and regulatory constraints
- Public attitudes—including current experiences elsewhere in the country
- Administrative arrangements—implementing and managing tolled facilities
- Project evaluation and selection—a screening process for how and where to apply tolls

WSDOT’s Transportation Innovative Partnerships Program, currently being developed with Transportation Commission oversight, may result in new ways to make needed investments in the transportation system with

both government and private partners. Regional funding of projects and programs may also be more of an option in the future. The Regional Transportation Investment District (RTID) is a joint effort of King, Pierce, and Snohomish counties to identify specific road, transit, and light rail improvement projects of regional significance in the three counties. RTID also has the authority to propose ways to fund transportation projects in the region through local taxes and fees (as approved by voters). Recent (2006) legislation on transportation governance in the region will affect how RTID and Sound Transit together can pursue needed transportation improvements together.

Other revenue sources that the legislature and others should consider include:

- Implementing user fees based on a vehicle’s miles of travel on the highway (sometimes referred to as an odometer fee)
- Connecting some existing taxes (such as the gas tax) to an inflation rate
- Advertising, such as transit agencies use in and on buses, bus shelters, transit stations, and other transfer points. However, revenues generated from such a source may be insufficient to cover the cost of administering or regulating an advertising program
- Special sales tax on vehicle parts, accessories, and services
- Sales tax on fuels
- Tolls and pricing strategies
- General sales tax increase
- Regional funding options
- Special assessments or taxes as part of a community facilities district
- Development impact fees
- Tax increment revenues
- Private sector contributions

These kinds of options, while few in number, could be expanded. They will all need further in-depth analysis to determine their usefulness and viability. Any funding source for the future must contribute to the significant needs of the transportation system and must assist in maintaining a level of stability in funding.

In 2005, the legislature provided funding for the Joint Transportation Committee to conduct an analysis of the long-term viability of the state's transportation financing methods and sources. Washington State currently levies a 31 cents per gallon tax on motor vehicle fuel, including gasoline and diesel. The fuel tax and related bonding provide approximately 57 percent of the revenues available for the 2005-2007 State Transportation Budget and varying percentages of local government transportation budgets.

The state motor fuel tax is not indexed to inflation, thus requiring periodic increases in the tax rate by the legislature to maintain real revenues. Resistance to increasing the tax rate resulted in the tax rate staying the same for 13 years, from 1991 to 2003, thus causing revenues in real dollars to decline significantly. Further, technological advances in vehicles are increasing fuel mileage and new vehicles are being developed to operate on alternative energy sources that do not require motor fuel. Additionally, future supplies of oil are uncertain, both from a supply and cost standpoint. All of these factors bring into question the viability of the fuel tax to provide sufficient revenues needed to improve, maintain, and operate the transportation system in the future.

- It should be recognized that projected transportation funds have not yet been collected and that actual collections may not meet current expectations.
- Actual receipts of transportation taxes (such as gas taxes, licenses, permits, and fees) may be lower than current projections.
- Federal receipts could fall short of projections.
- Ferry riders may be more sensitive to an increase in ferry fares than is currently predicted, causing a reduction in fare box collections.
- Revenues can be impacted by changes in the law, either through legislative action or through the initiative process.
- Project costs will increase due to cost escalation of petroleum based products.
- Higher than expected interest rates for bond sales may cause increases to debt service obligations.

The Joint Transportation Committee's study findings and recommendations will be used to inform decision makers of the viability of the motor fuel tax and alternative approaches for financing and operating transportation systems in the future.

The study will also propose an approach for the transition to those alternatives. The principle objective

of this study is to provide steps that Washington State should take in the short- and intermediate- term to maintain a stable finance system and to develop and utilize alternative transportation finance tools for the long-term. This should include steps to position itself to take best advantage of federal transportation financing opportunities and private initiatives. The goal is to have tangible, specific options and recommendations for the legislature to consider and implement for future transportation funding. The final report is due to the legislature by January 1, 2007.

Challenges to Addressing Emerging Opportunities

During the public outreach process the topic of partnerships and the flexibility of funding for new projects was raised. As unique partnership opportunities between the state, communities, and businesses arise, many challenges present themselves in the form of funding limitations. As the current budget is structured, funding is required to be expended according to defined criteria and specific projects. This leaves minimal flexibility for discretionary use when a partnership opportunity emerges that has not been budgeted.