Initial Screening of Funding Sources
Long-Term Ferry Funding Study

July 16, 2008

Washington State Transportation Commission
Ferry Finance Legislation

Work Program 2006-2009

- Ferry Financing Ph I (06)
- Legislative Direction (07)
  - Funding Study
  - JTC
  - WSDOT/WSF

Revised Long Range Plan & Budget

2009 Legislative Session

Adapted from WSDOT
Major Study Products

- **JULY 08**: Preliminary Screening Report
- **NOV 08**: Draft Funding Plan
- **JAN 09**: Final Funding Plan

Timeline:
- JULY 08
- NOV 08
- JAN 09
Ferry Funding Crisis: Symptoms

- Ad hoc transfers of funds
- Steel electrics pulled
- Aging fleet
- Terminal plans postponed
- “Black hole” in future funding
Ferry Funding Crisis: Major Causes

- MVET Revenues Lost
  - ~$150m biennium

- Fuel price increase
  - +17% year 98-07
Ferry Funding Crisis
WSF Fuel Costs FY 03-08

Avg cost per gallon

Source: WSDOT Budget Office
Impact of MVET Removal
Ferries Budget Pre-MVET Removal (95-97)

MVET was 20% of operating

Fares $158 Million, 60%

Funds for POF $3 Million, 1%

Other Revenue $7 Million, 3%

Other Dedicated Revenue $42 Million, 16%

Motor Vehicle Excise Tax $52 Million, 20%

Ref. 49 Bond Proceeds $125 Million, 46%

Federal Revenue $4 Million, 2%

Other Revenue $2 Million, 1%

Motor Vehicle Excise Tax $103 Million, 39%

Dedicated Revenue $31 Million, 12%

Other Dedicated Revenue $42 Million, 16%

From “WSF Ferries Budget: An Overview,” presented by legislative staff at the July 8th meeting of the JTC Ferries Policy Work Group.
Initial Screening Process: Sources of Funds

State Sources

Local Sources

Ferry System Sources
State Sources of Funds

- Fuel tax
- LPFs
- Rental car tax
- Vehicle sales tax
- MVET
- Tolls
- General sales tax

Ferry Operations
- Ferry Capital
- MV, Nickel, TPA

Multi Modal

Not used to support ferries
## Fuel tax

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<th>Yield</th>
<th>Reliability</th>
<th>Admin. Effectiveness</th>
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*Each 1 cent increase = $69 million / biennium*

- Scores high, but future reliability in question
- Political acceptability?
- Implementation options
  - Sales tax on gasoline
  - Index gas tax to inflation
  - Real increase (> inflation)
Licenses, Permits, and Fees

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<tr>
<th>LPFs</th>
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- Relatively small source unless fees raised substantially
- High reliability & effectiveness
- Washington’s registration fee ($30) lower than national average of ($56)
- Political acceptability ?

Varies by fee; $1 of registration fee: $9.9 million / biennium.
Rental Car Tax

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Add 0.5 percent to rental car tax: $4m / biennium

- Political acceptability
  - May be greater – targets non-residents

- Alternative: hotel tax
  - Primarily locally controlled; restrictions on use of funds
Sales Tax on New and Used Vehicles

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<th>Vehicle Sales</th>
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Add 0.1 percent to sales tax: $25 million / biennium

- Large tax base but current tax rate is low (0.3%)
- Less reliable source
### MVET

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* Every 0.1 of MVET yields $125 million / biennium

- Very high yield – large base, high rate (historically)
- High reliability
- Administratively effective
- Politically questionable due to history, fee amount
State Sales Tax

- Highest yield
- Not currently used for ferries
- Competes with non-transportation priorities (education, health)

Every 0.1 of sales tax: $232 million / biennium
### Tolls

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*Assumes $1.50 toll on Puget Sound HOT Lane Network and bridge*

- Expensive to implement
- Legal constraints on use of funds
- Competition with highway needs
- Implementation options – bridges, points of entry
Relative Yield of Funding Sources

Millions of dollars / biennium

*Figures are approximate and should not be used for financial planning purposes.
Initial Screening Process: Sources of Funds

- Major State Sources
- Local Sources
- Ferry System Sources
Local Sources of Funds

Any County can use – general application

Specific application

Fuel tax
Parking tax
Impact fees
License fees
MVET
Property tax
Sales tax
Employer tax
Utility tax
Real estate tax
What is appropriate role for local funding?

- Vessels
- Terminals
- Ferry Operations
Local Sources: Relative Yield

- Low: Parking tax, Impact fees, Utility tax
- Medium: MVET, Property tax, Sales tax, License fees, Employer tax, Real estate tax
- High: Fuel tax
Local Sources: Relative Yield

- Fuel tax
- License fees
- Property tax
- MVET
- Utility tax
- Employer tax
- Sales tax
- Parking tax
- Real estate tax
- Impact fees

Yield
- Low
- Medium
- High

Reliability
- Low
- Medium
- High
Initial Screening Process: Sources of Funds

- Major State Sources
- Local Sources
- Ferry System Sources
Ferry System Sources of Funds

Ferry System Sources

- **Fares**: Real increase, fuel surcharge, market group increase, etc.
- **Ancillary Revenues**: Food and drink sales, parking, advertising
- **Operational Strategies**: Reservation system, preferred loading lanes
### Fares

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*Every 1% increase in fares: $3.1 million / biennium.*

- Implementation options: across the board; index; real increase; market-based; space-based; time-based, etc.
- Additional ‘willingness to pay’ to be determined from customer survey
Ancillary Revenues

- Not a major money-maker under current system
  - $5.6 million or 1.4% of operating revenues in 05-07

- Counter example
  - BC Ferries: floating catering service >$140 million every two years in concessions revenue on major routes alone

- Merits further study for potential larger contribution
New Operational Strategies

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- Preferred Loading Lanes
- Reservation System
- Could reduce operating gap somewhat
- Counter example: major source of revenue for BC Ferries
Local Sources: Relative Yield

- Ancillary Revenues
- Operational Strategies

Low | Medium | High
---|---|---
Fares

Strategies
Matching Sources to Purpose

- Ferry Fares
- Local Benefit Areas
- Transportation Related Taxes and Fees
- General Taxes/Fees

Operating

Capital
Key Considerations

- Vessel acquisition requires major funding source(s)
  - Public/political feasibility
  - Revenue generation capacity
  - Longevity and reliability

- Finance and lease options to manage risk, cash flow

- Type of funding package
  - Ferries only, state highway system, or multi-modal

- Change in revenue allocation formulas may be necessary
Key Considerations, continued

- Is rationale for local option funding clear?

- Most effective mechanism for leveraging local funds?
  - Which source(s)?
  - Implementation mechanism
    - Multi County Ferry District?
    - Local funding of incremental service?

- Fare policy
  - Differential pricing by route
  - Farebox recovery ratio
Decisions Required to Move Ahead

Funding Sources

- Conduct detailed revenue analysis
- Retain for incremental funding
- Eliminate from further consideration

- Exploration of local funding implementation options
- Designation, for analysis purposes, of multi-county ferry district(s)