Alternative Transportation Funding Sources Memo

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Washington State Transportation Commission
December 15, 2021
The 2021/23 Legislatively approved Transportation Budget (SSB 5165) contained a proviso (Section 205(5)) that, in part, directed exploration of potential changes to funding sources for the transportation system.

This proviso was vetoed by the Governor, indicating that no funding was provided to support the work.

Upon request and direction from legislators, it was agreed that we would address a portion of the proviso’s directive, specifically focusing on possible alternative funding approaches for addressing maintenance and preservation needs of the state highway system.
Studies Reviewed

• The Joint Transportation Committee’s *Statewide Transportation Needs Assessment*

• WSTC’s *2015 Revenue Proposal*
Revenue Options

- Establishing a **Carbon Pollution Fee**
  - A carbon pollution fee of $15 could generate $8.7 billion between 2022-2031.
  - A carbon pollution fee of $25 could generate $16.7 billion between 2022-2031.

- Establishing a **Road Usage Charge (RUC)** to Replace the Gas Tax
  - A wholesale switch from the gas tax to a RUC is forecasted to exceed gas tax revenues by $2 billion through 2040.
  - Latest projections from WSTC’s ongoing RUC assessment estimates that RUC could generate about $1.4 billion in gross revenue per year, through 2040.
Revenue Options

• Establishing a **Value-Based Vehicle Tax**
  • A value-based vehicle tax, or “Transportation Improvement Fee”, at a rate of 1.5% of a vehicle’s value, could generate more than $500 million per year.

• Redirecting and/or Increasing **Vehicle Sales Tax Proceeds** for Transportation Investment
  • During the 2021 Legislative Session, SB 5223 proposed a redirection of all proceeds from the 6.8% tax rate on new and used vehicle sales to the Motor Vehicle Fund. It was estimated doing so could generate up to $1.2 billion per fiscal year.
Additional Revenue Options

• An **Employee Payroll Tax for Transit**
  • A statewide payroll tax on all fulltime equivalent employees dedicated to transit, as proposed in JTC’s Transit Capital Needs Study.
  • An average excise tax of $24 per fulltime equivalent employee is estimated to generate $830 million between 2022-2031.

• A **Statewide Special Transportation Benefit Assessment**
  • A new benefit assessment on new construction at varying rates for residential, commercial, and manufacturing projects, as proposed in SB 5971.
  • Estimated to generate $922 million over 2022-2031.

• An **Increase to the Vehicle Gross Weight Fee**
  • A gross weight fee increase of 15% on all trucks weighing more than 10,000 pounds would generate roughly $11-$12 million per fiscal year.
Policy Recommendations

• Phasing out the use of studded tires
  • Estimated to cause $23 - $33 million per year in damage to state highways.

• Authorize limited public private partnerships (PPP) that leverage private sector investments for non-highway purposes
  • Examples include expanding park and ride lot capacity/locations/uses, highway lighting, snow removal, etc.

• Allow consideration of out-of-state proposals for the construction of new ferries
  • Would help level the playing field by requiring taxes unique to Washington State be incorporated in proposals from companies outside of Washington.
Questions and/or Recommendations?
Contact

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