



# Alternative Transportation Funding Sources Memo

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Washington State Transportation Commission

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# Background

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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