

JTC Freight Investment Study

Second Stakeholder Group Meeting **UPDATED**

presented to

Freight Financing Study Stakeholder Committee

presented by

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Gill Hicks, Gill Hicks Associates, Inc.

September 26, 2007

Transportation leadership you can trust.

Agenda

Today's Discussion: Tasks 1-4

- Welcome and opening remarks (1:30-1:40)
- Self-introductions (1:40-1:50)
- Presentation on research tasks 1 through 4 (1:50-2:40)
- BREAK—15 minutes
- Generic approach to developing project list (2:55-3:45)
- Discussion of FMSIB Approach (3:45-4:20)
- Schedule (4:20-4:25)
- Next Steps (4:25-4:30)
- Adjournment

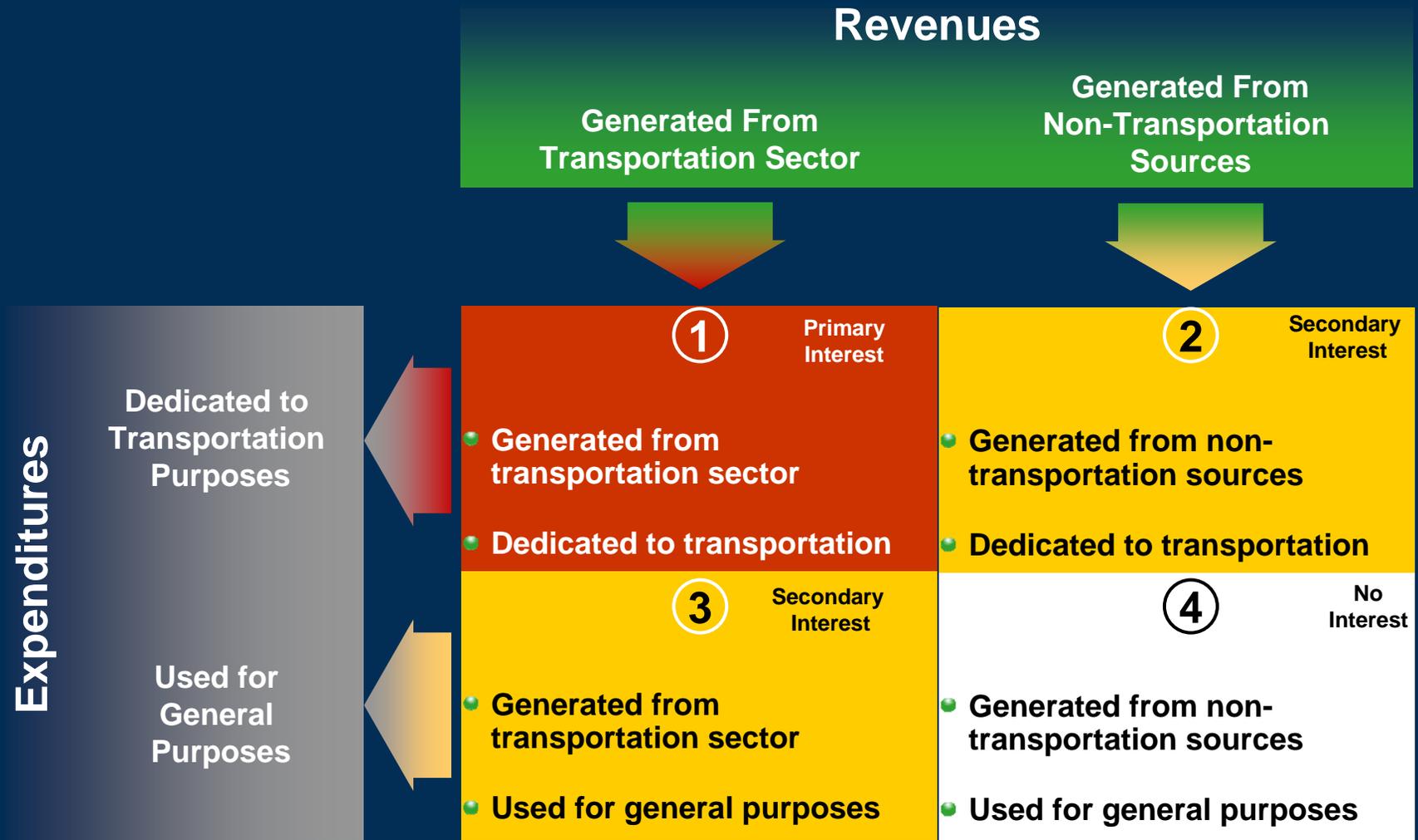
Agenda

Presentation on Research Tasks 1 through 4

1. Evaluate Existing & Potential Funding Incentives
2. Analyze Current Industry Taxes & Fees
3. National & International Comparison of Freight Funding
4. Assess Non-Freight Funding Sources
5. Measure Economic Impact of Funding
6. Assess Diversion of Marine Cargo
7. Measure ROI of Freight Infrastructure
8. Examine Other Potential Project Specific Fees
9. Recommend a Project Recommendation Body
10. Supplemental Work Tasks
11. Stakeholder/Legislator Groups

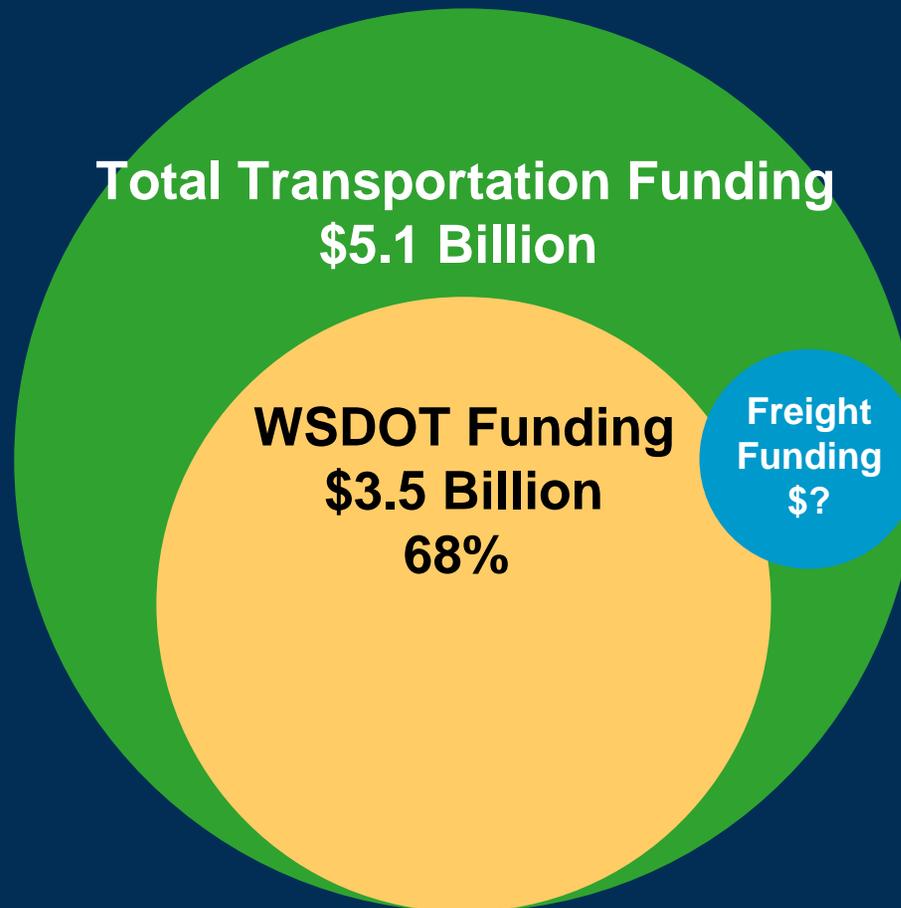
Overall Funding Picture

Revenues Generated vs. Type of Expenditures



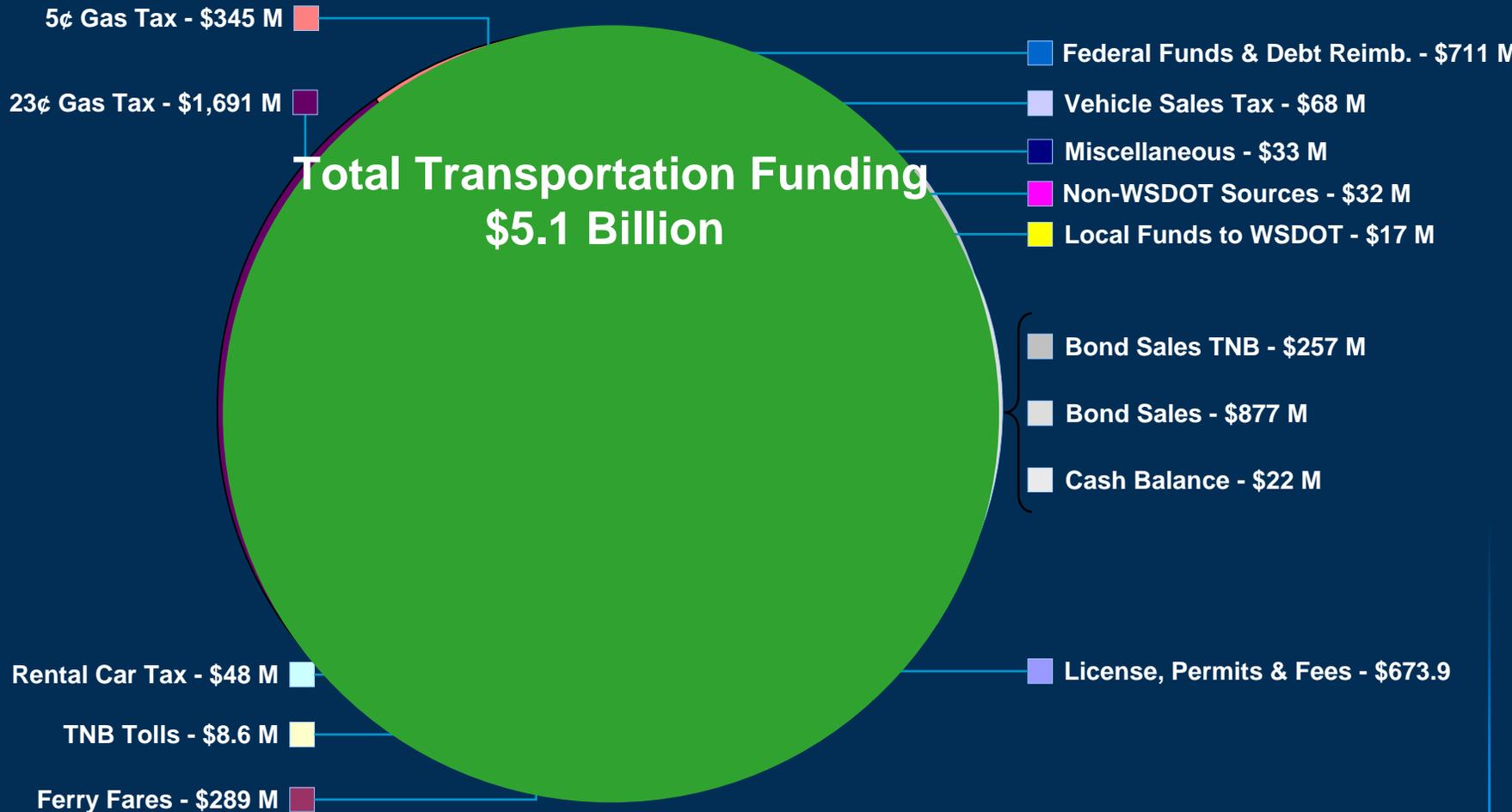
Overall Funding Picture

FY05-07 Total Transportation Revenue in Washington State



Overall Funding Picture

FY05-07 Total Transportation Revenue in Washington State



5 Source: 2005-2007 Current Law Budget, page 65; WSDOT. Excludes local revenues.
 Total Transportation Funding for budgetary purposes includes bond sales and cash balance, which are not forms of revenue and must be repaid.

Program Structure

Existing WSDOT Program Structure

Capital Program Budget 2005-2007 ~ \$3.4 Billion

Local Programs, 2.19%

\$74,734,000

Rail, 2.58%

\$88,161,000

Washington State Ferries
Construction, 7.66%

\$261,413,000

Traffic Operations, 0.96%

\$32,695,000

Facility Maintenance,
Operations and
Construction, 0.07%

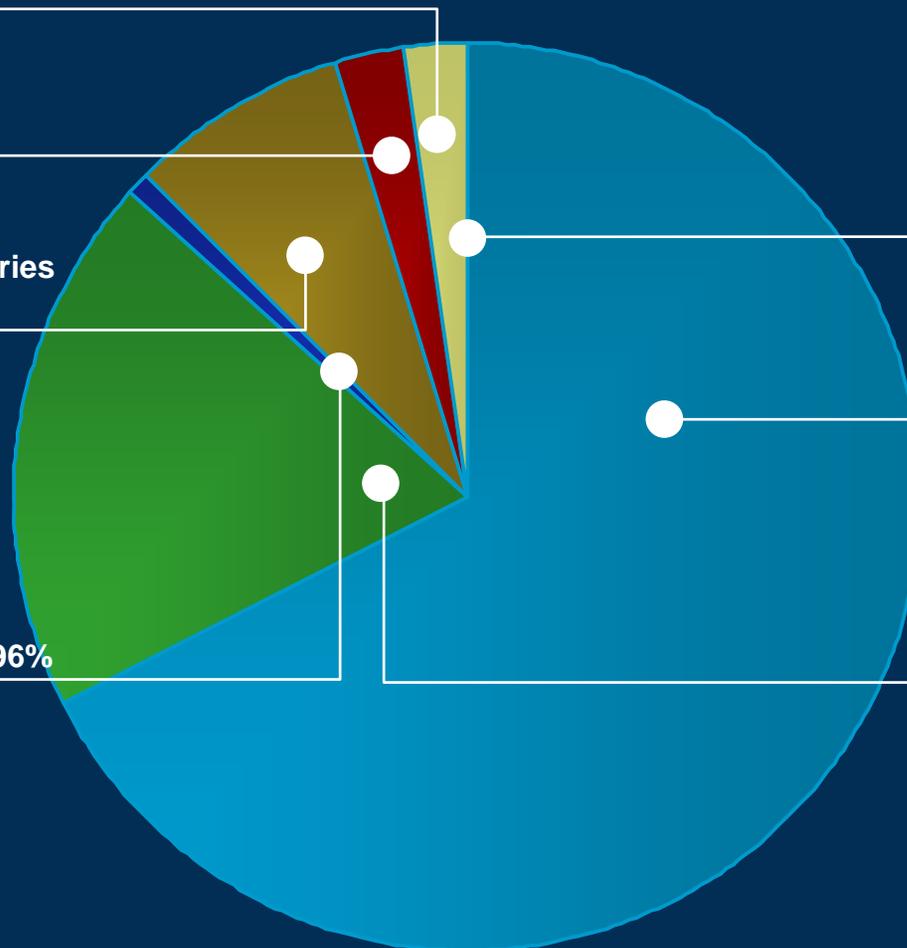
\$2,492,000

Improvements, 67.52%

\$2,303,826,000

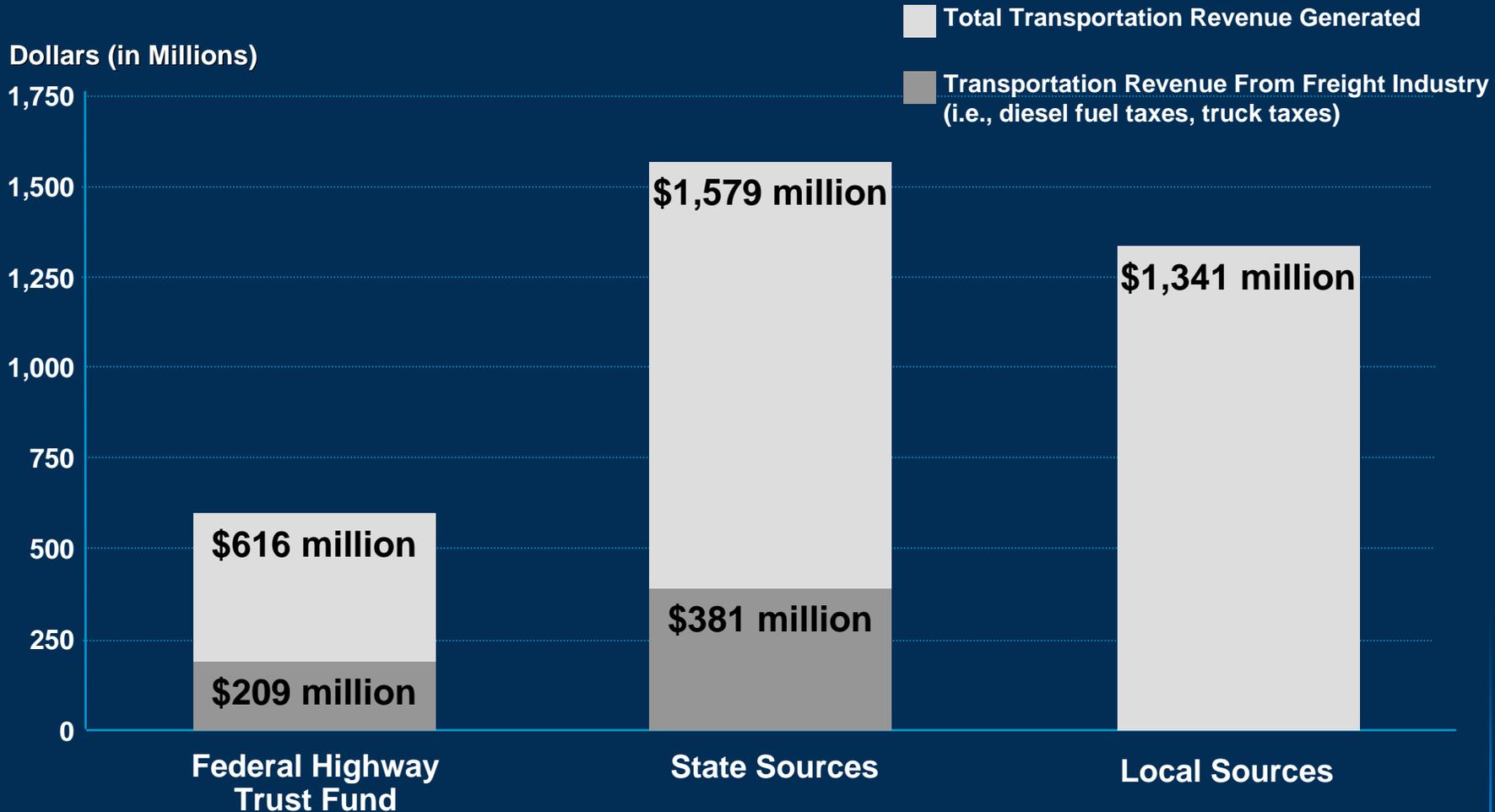
Preservation, 19.02%

\$648,995,000



Overall Funding Picture

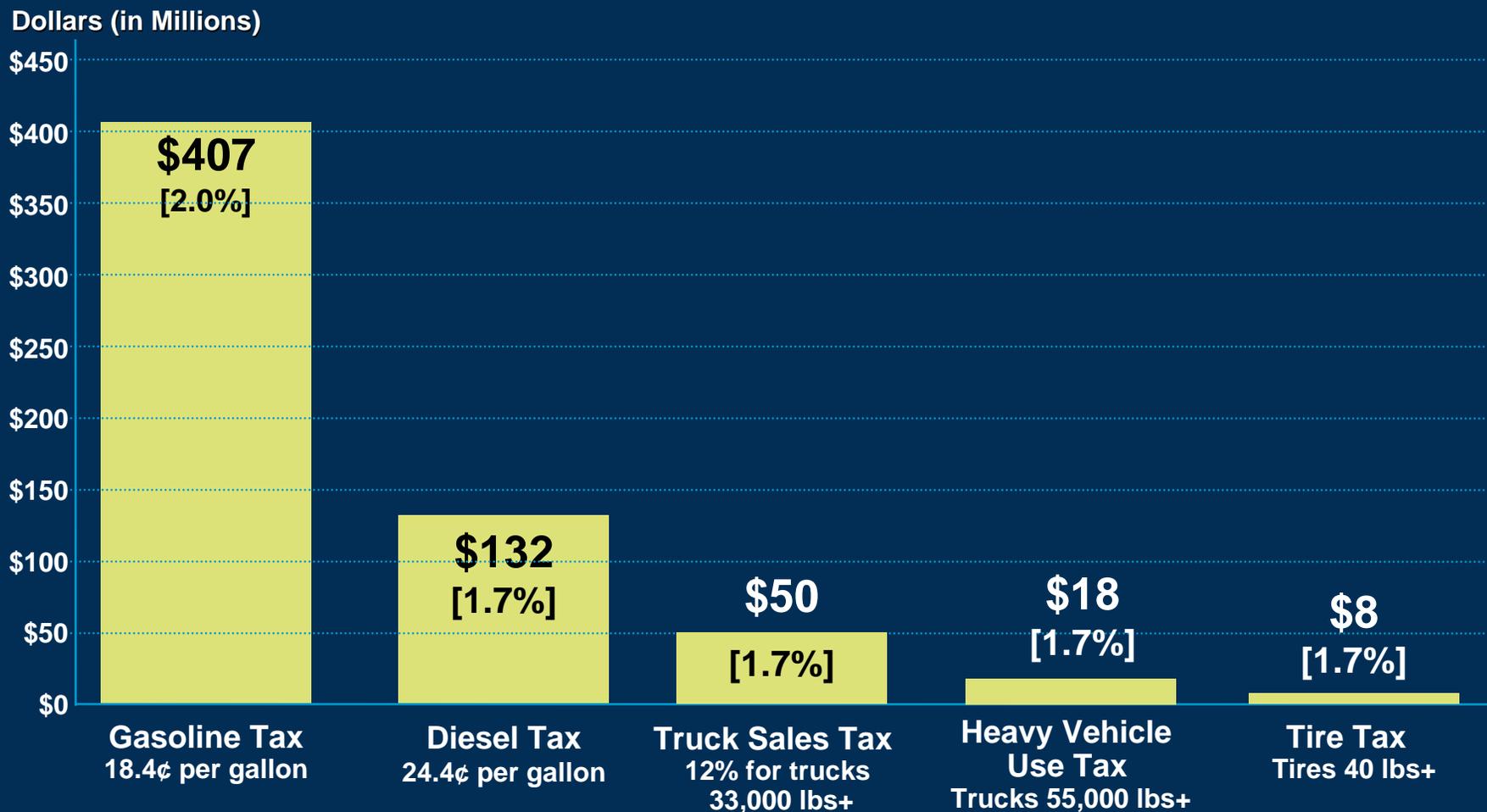
Washington State Transportation Revenue (FY2005)



Source: Federal Highway Administration; Washington State Department of Revenue; Transportation Resource Manual (Legislative Transportation Committee, February 2007 and January 2005).

For state sources, FY2005 data was used for this chart to be consistent with the latest available Federal and local data. For local sources, the portion of revenue derived from freight-related businesses could not be determined.

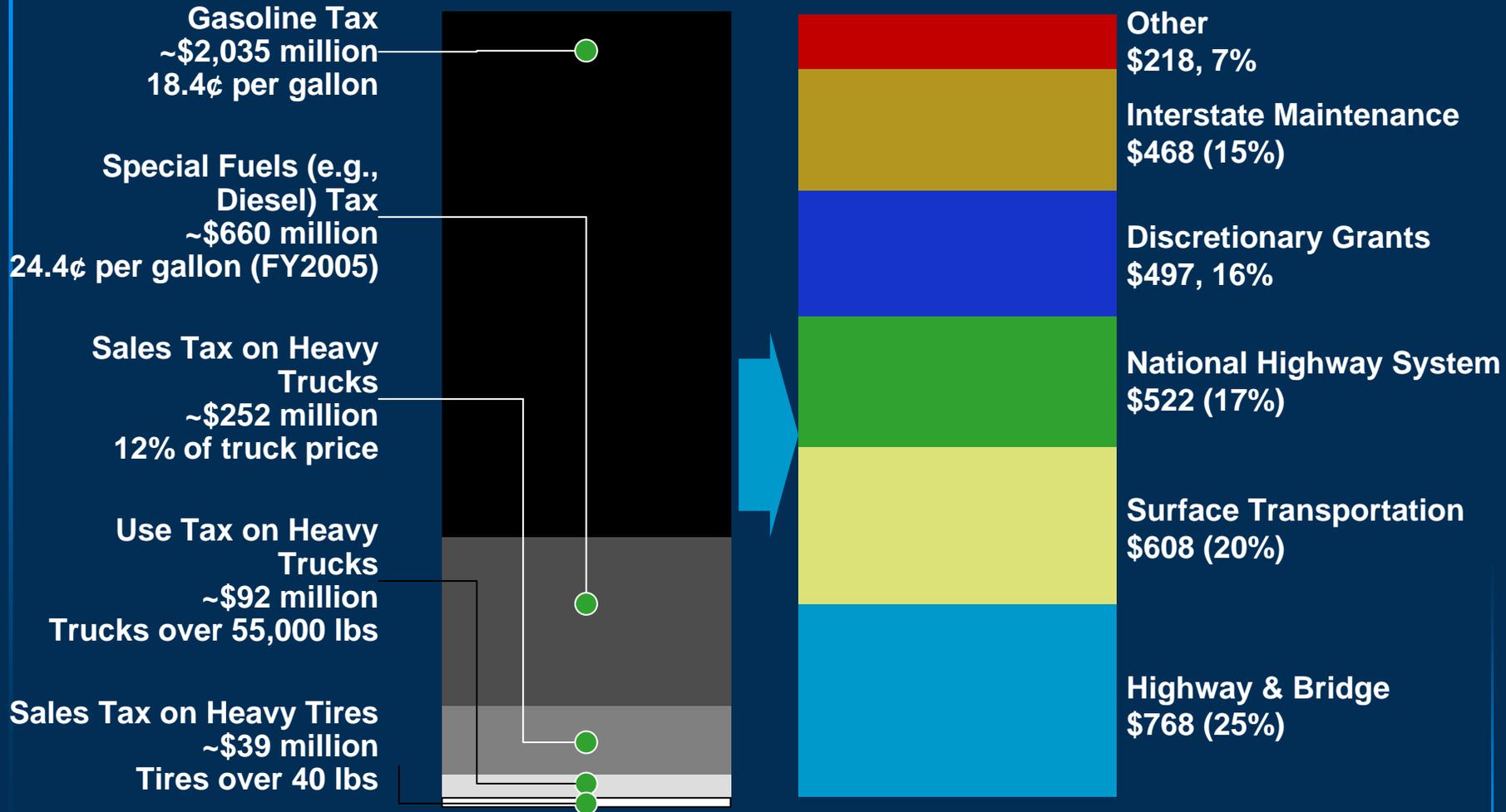
Federal Revenue from Washington State Users (FY2005)



Source: Federal Highway Administration. Percentages reflect % of national taxes/fees estimated to be paid by users in Washington State (Washington State has 2.1% of the nation's total population).

Federal Funding & Expenditures

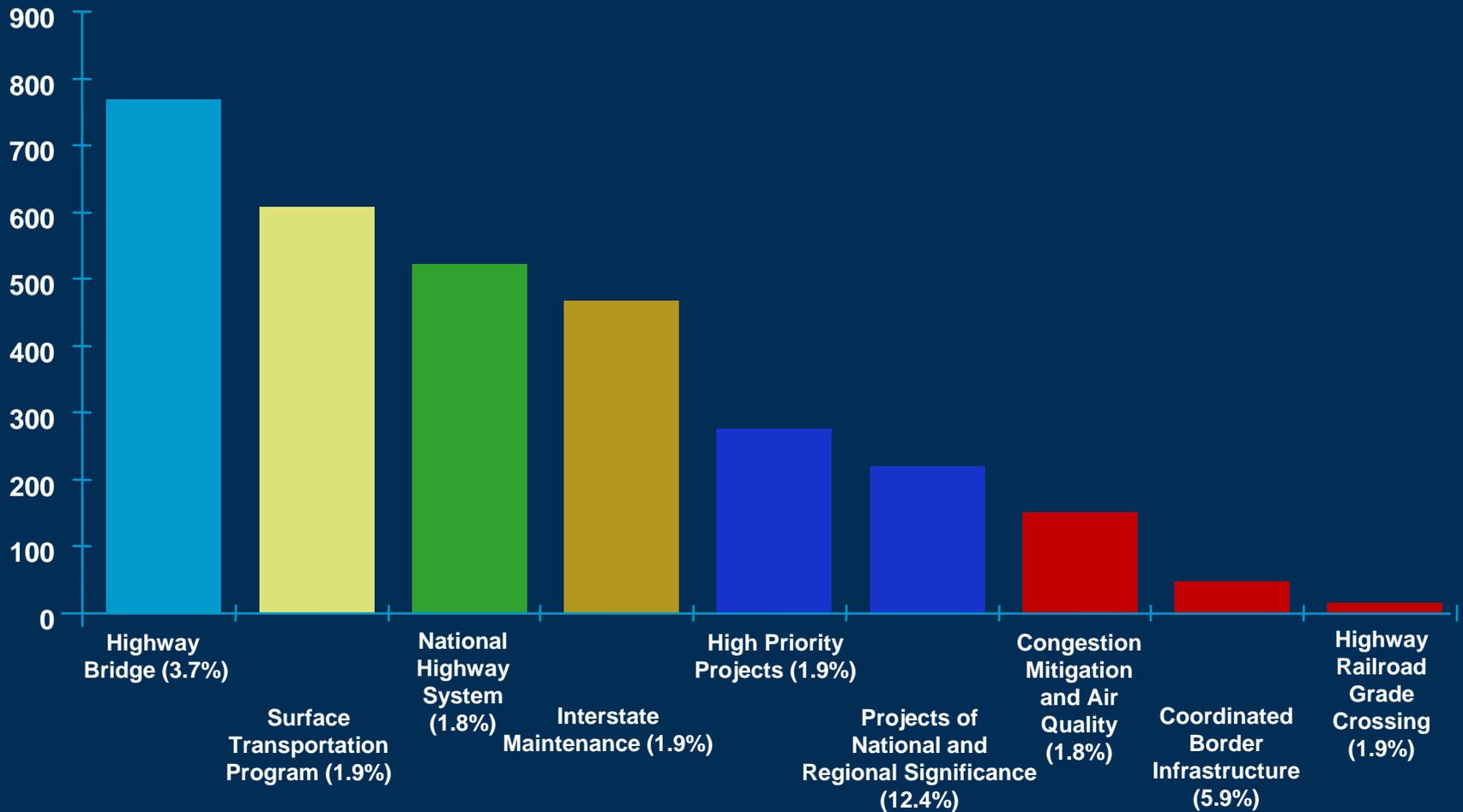
Very Rough Five Year Average of \$3 Billion



Source: Federal Highway Administration. Dollars in millions.
Taxes and Fees are FY2005, Grants are FY2005-2009 total

Federal Funding for Washington State Estimated Apportionments Five Year Total (FY2005-09)

Nominal Dollars (in Millions)



Source: Federal Highway Administration. Percentages reflect % of total program funding apportioned to Washington State (Washington State has 2.1% of the nation's total population). Washington State received no Federal funding from programs that include Transportation Improvement and National Corridor Infrastructure Improvement.

Federal Funds

Existing Programs

- **Formula Grant Programs:**

- **Formula-based; freight one of multiple objectives**
- **Typical local match requirement of 20%**
- **Major programs: Highway Bridge Program, Surface Transportation Program, National Highway System Program, Interstate Maintenance Program**

- **Discretionary Grant Programs:**

- **Mostly earmarked projects specified in SAFETEA-LU**
- **Those from which Washington received funds:**
 - **Projects of National and Regional Significance Program (Alaska Way Viaduct and Seawall)**
 - **High Priority Projects Program (129 projects statewide)**

Federal Funds

Existing Programs (continued)

- **Federal Programs with High Freight Focus:**
 - **Coordinated Border Infrastructure Program:**
 - Improve cross border motor vehicle and cargo movements. Formula-based to 15 states; \$831.5 million total for FY05-09
 - **National Corridor Infrastructure Improvement Program:**
 - Construction of highway projects to promote growth and trade. Discretionary; \$1.95 billion total for FY05-09
 - **Truck Parking Facilities:**
 - New pilot project to improve truck parking. Applications under review; \$25.0 million total for FY05-09
 - **Freight Intermodal Distribution Pilot Grant Program:**
 - Supports intermodal freight transportation initiatives. Discretionary; \$30.0 million total for FY05-09
- **Of these, Washington State receives funding only through the Coordinated Border program (\$49.3 million)**

Federal Funds

Existing Federal Financing Tools

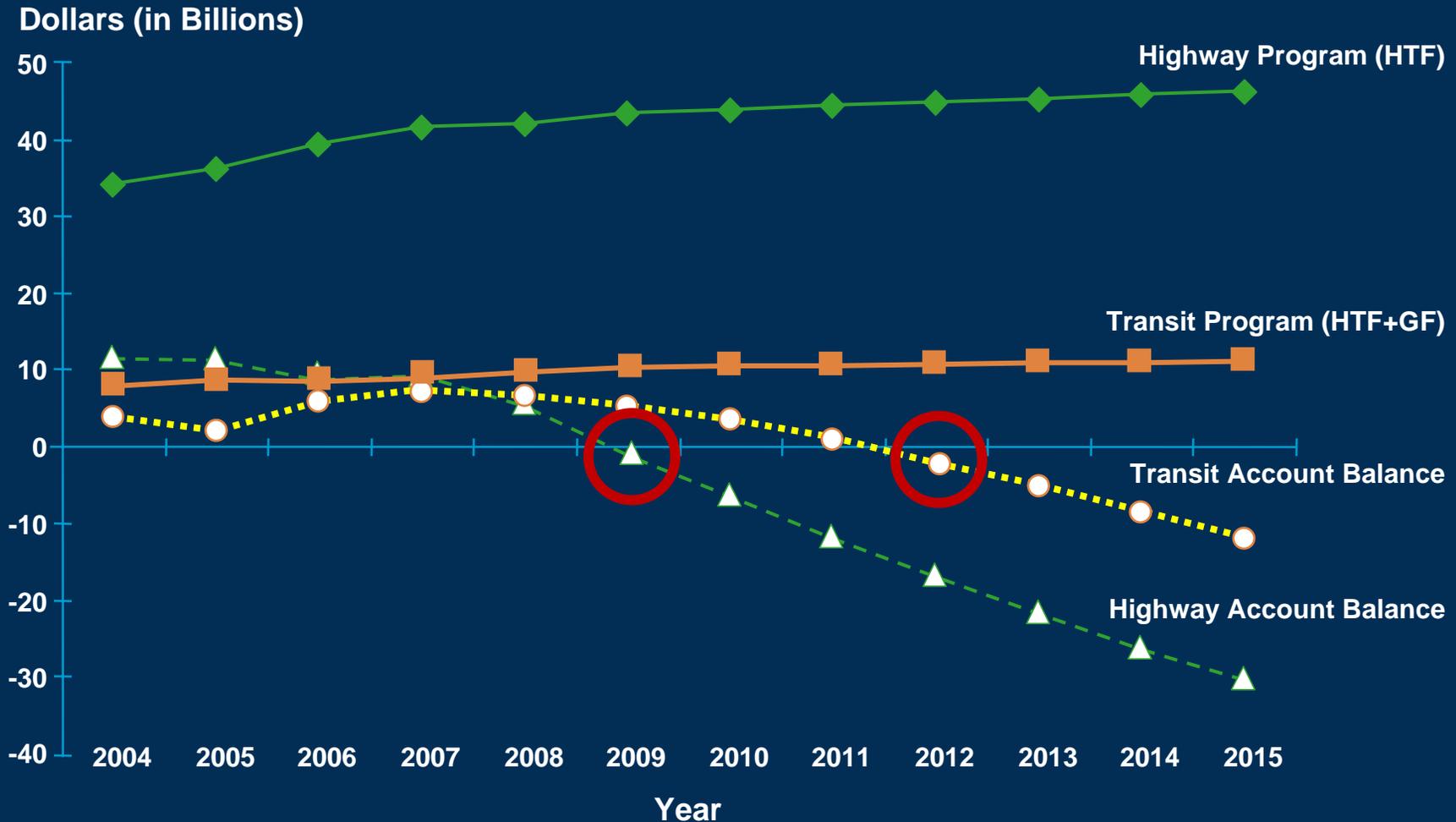
- **Loans and credit enhancement allow for upfront funding and faster project completion:**
 - **Transportation Infrastructure Finance and Innovation Act (TIFIA)**
 - **State Infrastructure Banks (SIBs)**
 - **Rail Rehabilitation and Improvement Financing Program**
 - **Tax-Exempt Financing of Highway Projects and Rail Truck Transfer Facilities (Private Activity Bonds)**
 - **GARVEE Bonds**
- **Washington State has established a State Infrastructure Bank; has financed three highway projects to date (cumulative loans of \$2.4 million)**

Federal Taxes and Fees

- **Gasoline Fuel Tax: \$0.184/gallon (mostly private vehicles)**
- **Diesel Fuel Tax: \$0.244/gallon**
- **Heavy Vehicle Fees:**
 - Use tax for trucks over 55,000 pounds
 - 12% Sales tax on new trucks over 33,000 pounds
 - Tire tax on tires over 40 pounds
- **Most revenues go to Federal Highway Trust Fund. Rest go to Transit Account and Leaking Underground Storage Tank Trust Fund**
- **Freight companies also pay Federal income taxes**

Federal Taxes and Fees

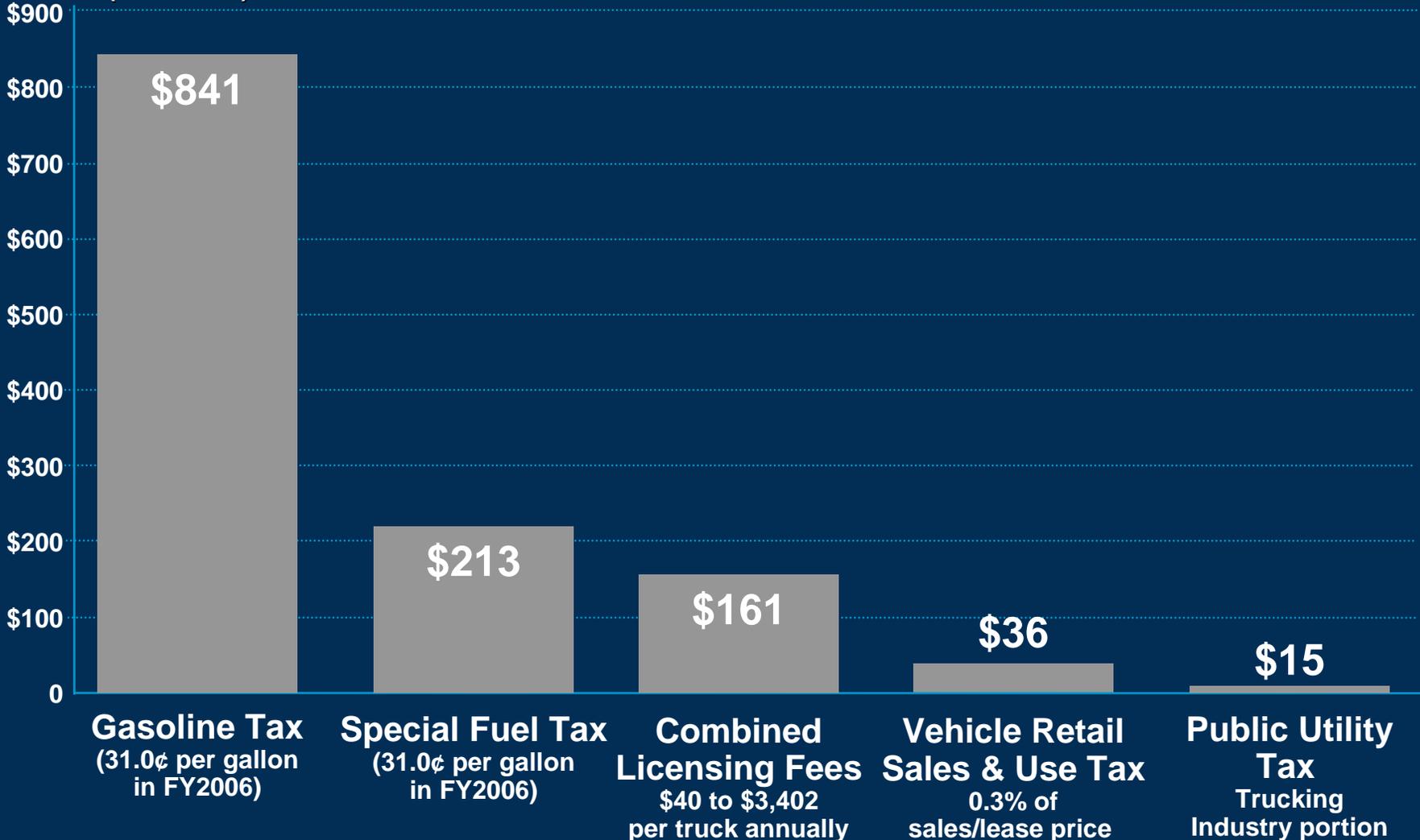
Status of Federal Highway Trust Fund



* Based on 2008 Treasury revenue estimates; Projected spending for 2010-2015 based on current services baseline for discretionary / "other" (non-defense and non-security) outlays assumed to grow 1.15% annually after 2009

State Freight-Related Revenue Major Sources (FY2006)

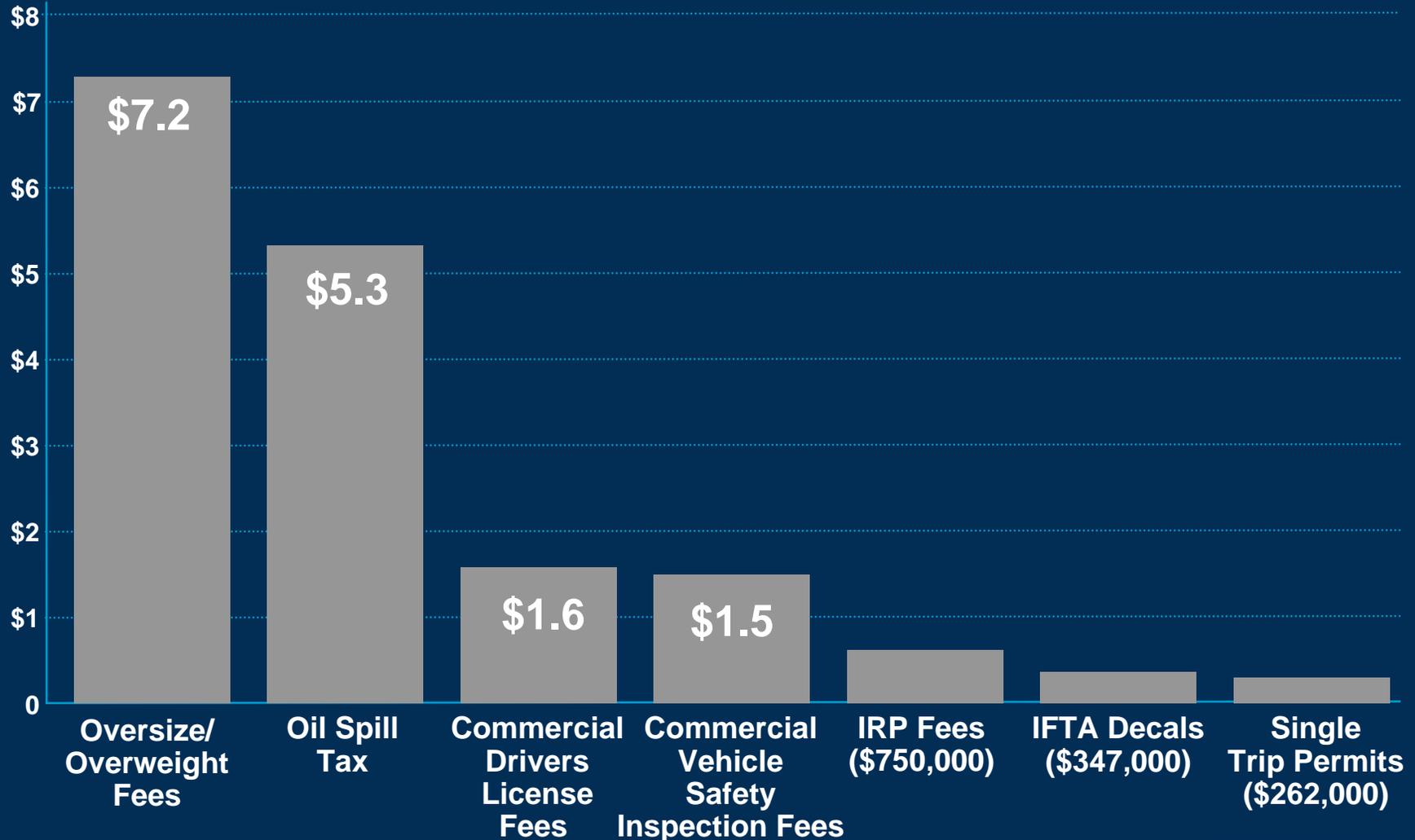
Dollars (in Millions)



Source: Washington State Department of Revenue; 2007 Transportation Resource Manual (Legislative 16 Transportation Committee, February 2007). Subset of motor vehicle fuel tax revenue is freight-related.

State Freight-Related Revenue Small Sources (FY2006)

Dollars (in Millions)



Source: Washington State Department of Revenue; 2007 Transportation Resource Manual (Legislative 17 Transportation Committee, February 2007).

State Taxes and Fees

Estimated Revenue by State Tax/Fee (FY02-FY06)

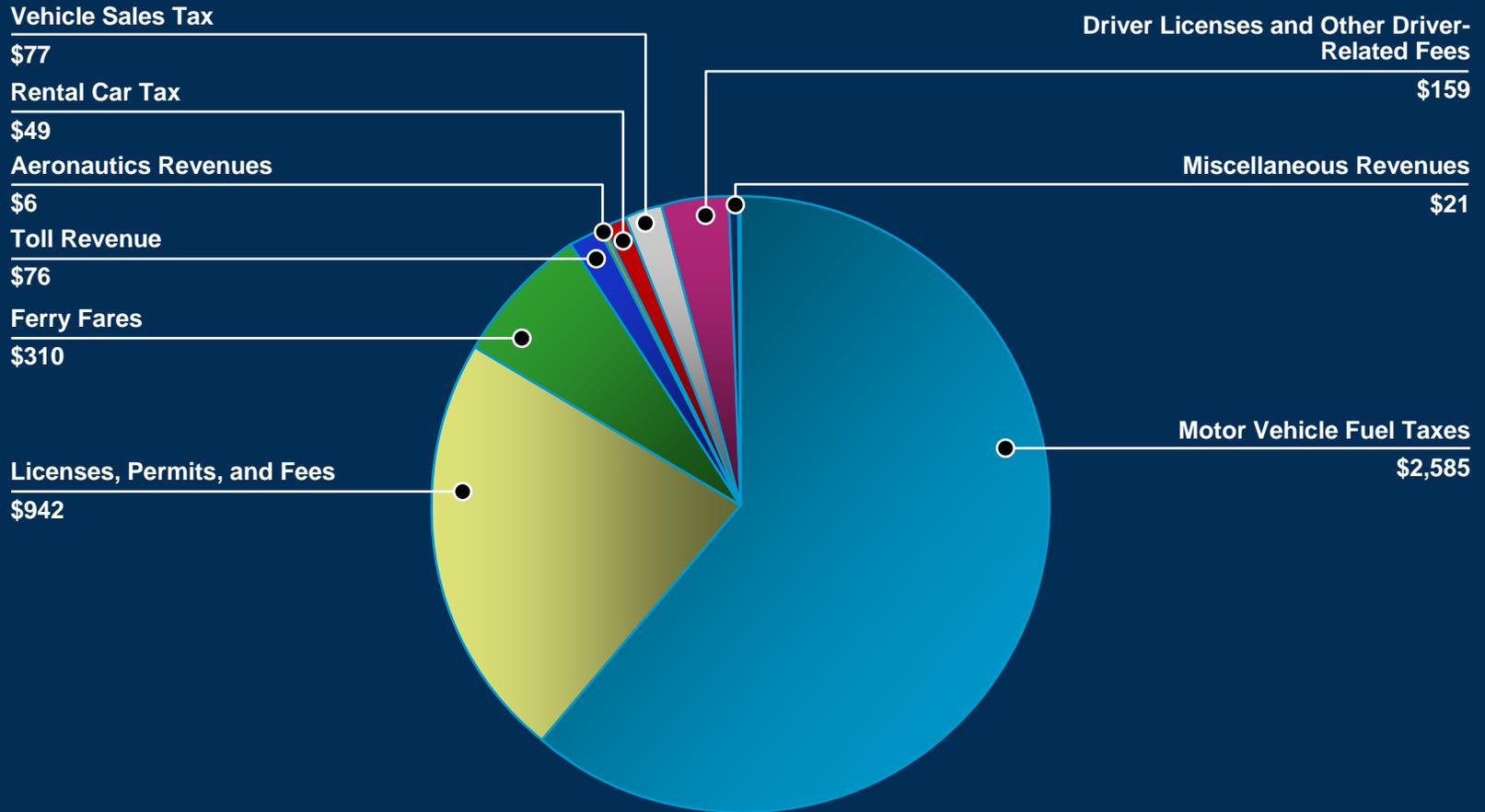
State Tax/Fee	FY02	FY03	FY04	FY05	FY06
Motor Vehicle Fuel Tax	\$606.5	\$614.5	\$734.1	\$753.1	\$841.0
Special Fuel Tax	\$119.0	\$124.1	\$154.1	\$203.1	\$212.9
Combined Licensing Fees	n/a	n/a	\$135.5	\$135.5	\$161.0
Vehicle Retail Sales/Use Tax	n/a	n/a	\$32.6	\$32.6	\$36.0
Public Utility Tax (trucking industry portion)	\$10.1	\$10.4	\$11.9	\$13.9	\$15.0
Oversize/Overweight Fees	n/a	n/a	\$6.1	\$6.1	\$7.2
Oil Spill Tax	\$5.6	\$5.5	\$5.8	\$6.2	\$5.3

Nominal dollars in millions.

Source: Washington State Department of Revenue; 2007 Transportation Resource Manual (Legislative Transportation Committee, February 2007).

State Transportation Revenue Forecast 2007-2009

NEW



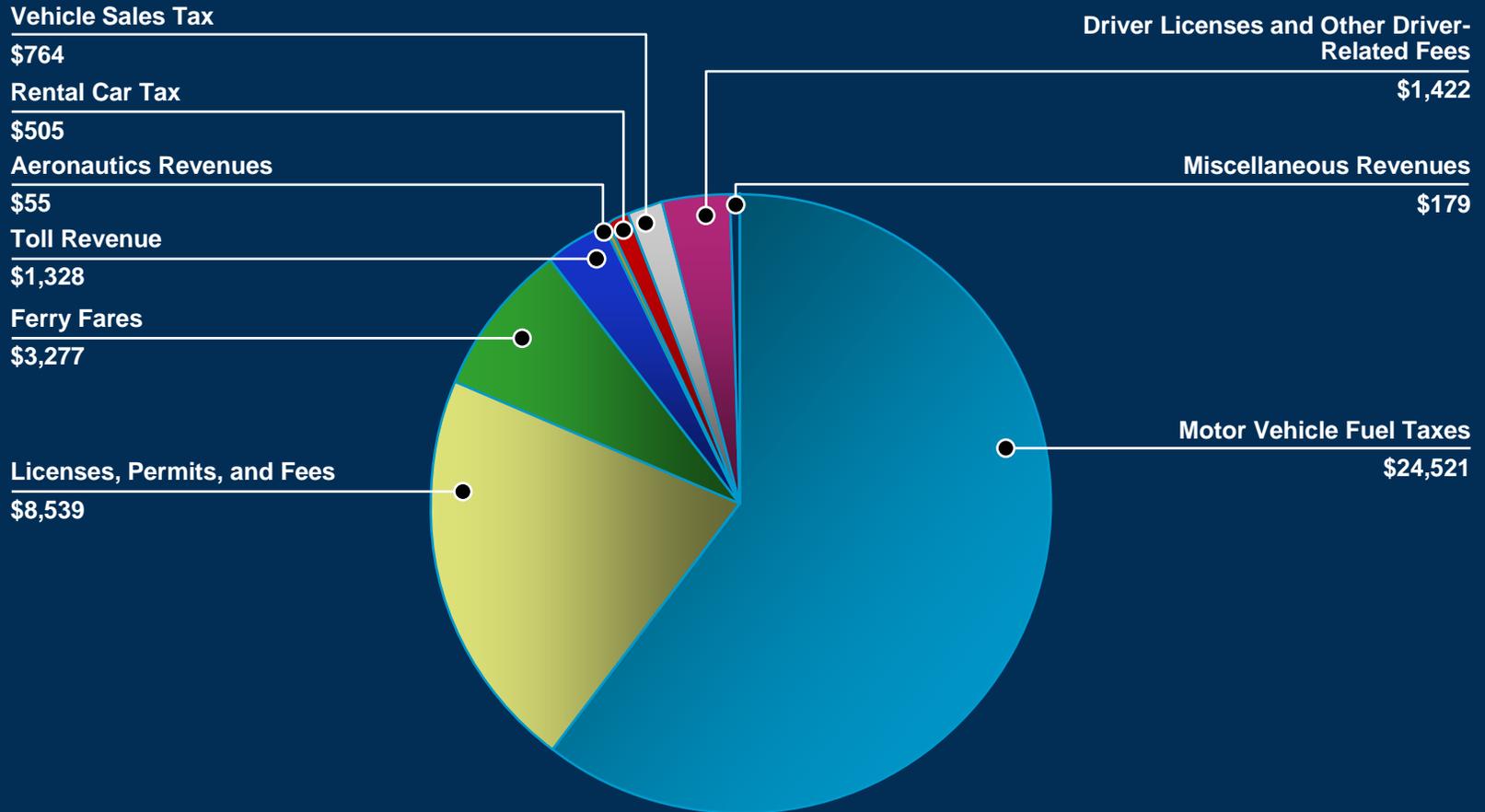
Two-Year Total: \$4,225 Million (61% from motor vehicle fuel taxes; 22% from licenses, permits, and fees)

Source: Washington State Office of Financial Management
September 2007 Transportation Revenue Forecasts.

Note: Revenues are in Millions of Dollars.

State Transportation Revenue Forecast 2007-2023

NEW



Sixteen-Year Total: \$40,589 Million (60% from motor vehicle fuel taxes; 21% from licenses, permits, and fees)

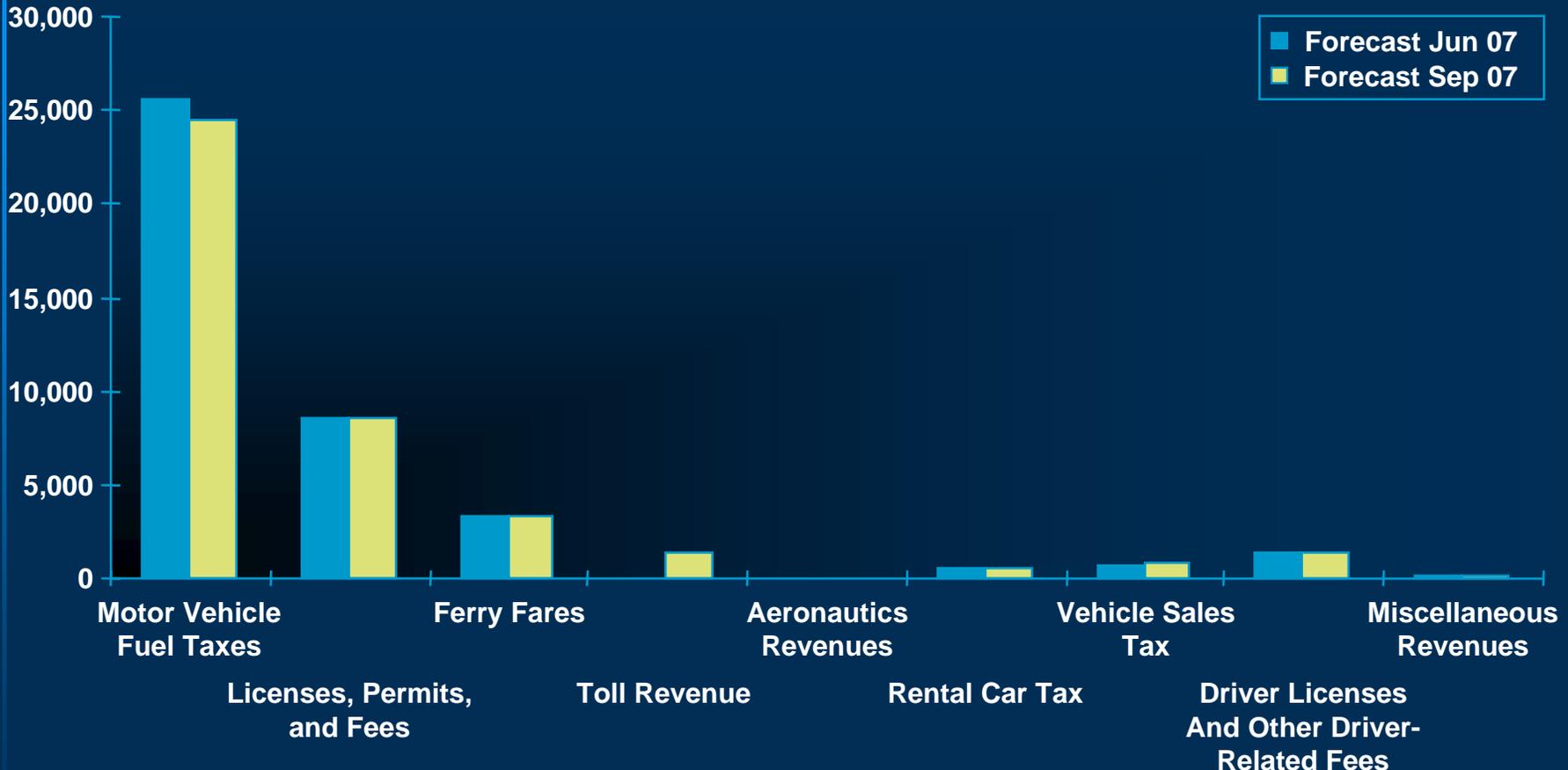
Source: Washington State Office of Financial Management
September 2007 Transportation Revenue Forecasts.

Note: Revenues are in Millions of Dollars.

Change in State 16-Year Revenue Forecast Sep 2007 Forecast vs. Jun 2007 Forecast

NEW

Revenues (in Millions of Dollars)



Motor vehicle fuel tax revenue forecast revised downward by \$994 million. Both the TPA and Nickel Accounts from fuel tax revenues are nearly 100% leveraged for construction projects.

Source: Washington State Office of Financial Management
September 2007 Transportation Revenue Forecasts.

State Taxes and Fees

● State Taxes Allocated to Transportation:

- **Motor Vehicle Fuel Tax:** \$0.36/gallon, \$0.375 starting 7/08. Mostly applies to private vehicles
- **Special Fuel Tax:** \$0.36/gallon, \$0.375 starting 7/08
- **Vehicle Retail Sales and Use Tax:** 0.3% of sale/lease price; 5.9% of rental contract amount

● State Taxes Allocated to Other Purposes:

- **Public Utility Tax:** applies to companies hauling for hire: 0.642% urban transportation, 1.926% motor transportation
- **Business and Occupation Tax:** state tax on gross receipts
- **Others:** Retail Sales and Use Taxes (6.5%); Property Tax (varies); Leasehold Excise Tax (12.84%); Oil Spill Tax (4-5¢ per barrel of petroleum/crude oil)

State Taxes and Fees (continued)

- **State Fees Allocated to Transportation:**
 - **Combined Licensing Fees: \$40 to \$3,402 for trucks annually based on gross weight**
 - **Oversize/Overweight Fees: rates vary**
 - **Commercial Drivers License Fees: \$30 every five years**
 - **Commercial Vehicle Safety Inspection Fees: \$10 per vehicle annually**
 - **Single Trip Permits: \$25 for special fuel users who temporarily enter state**
 - **IFTA Decals: \$10 annually per set of decals**
 - **IRP Fees: \$2 to \$5 each for plate, cab card, validation tab, vehicle transaction**
- **IFTA: International Fuel Tax Agreement**
- **IRP: International Registration Program**

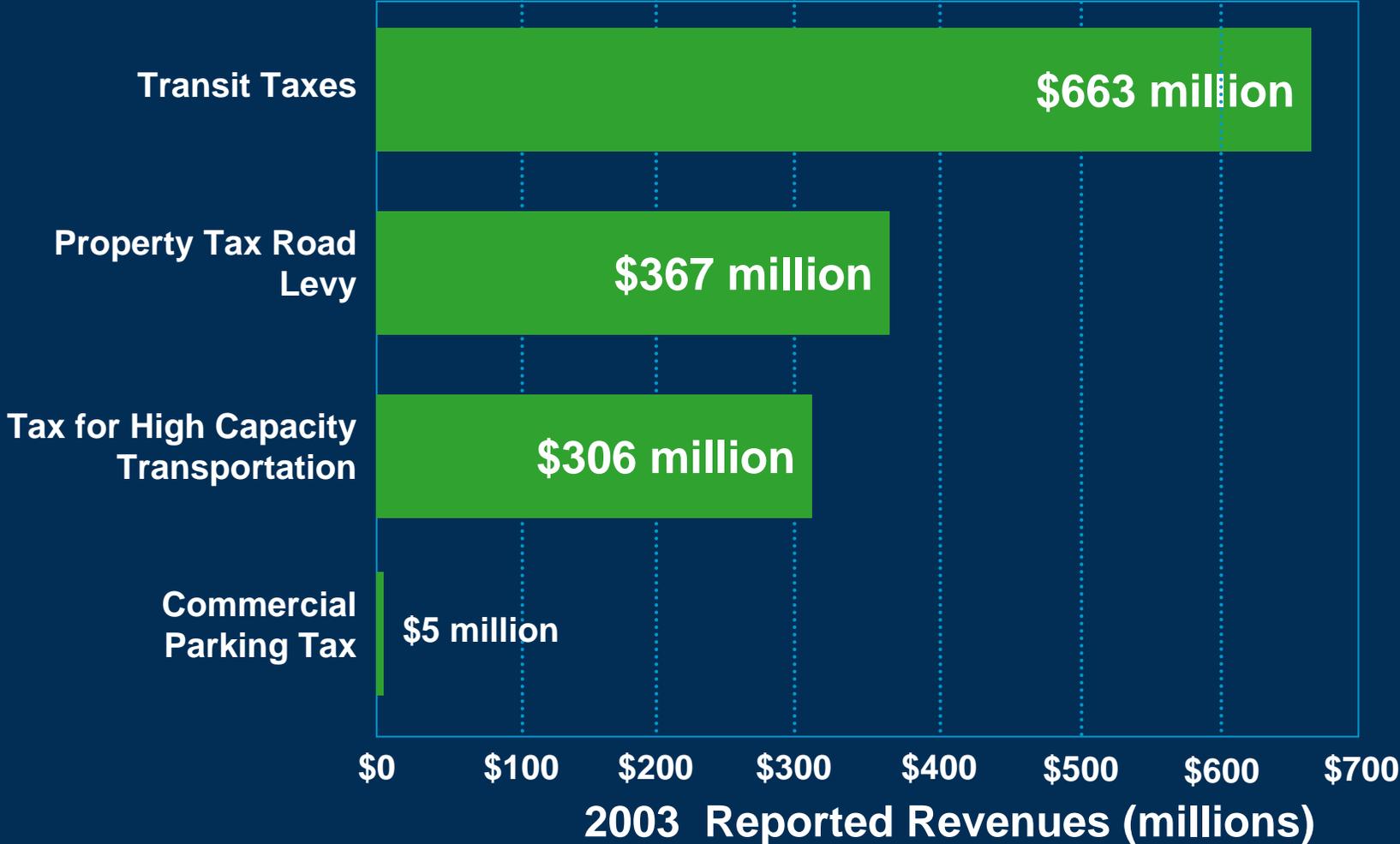
State and Local Funds

Existing Programs

- **Freight Mobility Strategic Investment Board (FMSIB):**
 - Established to provide matching funds for freight improvement projects of regional or statewide significance
 - Potential projects must meet three criteria:
 - Must be in established regional or statewide plan
 - Must fall on one of the state's Strategic Freight Corridors or emerging corridors
 - Must have a minimum 35 percent local match
- **No other dedicated freight funding sources identified at the state and local levels**

Local Transportation Revenue

Millions of Nominal Dollars (FY2005)



Source: 2007 Transportation Resource Manual (Legislative Transportation Committee, Feb 2007).
Not shown: Border Area Fuel Tax (\$138,000).

Local Taxes and Fees

- **Local Option Fuel Tax:** Up to 10% of state rate authorized for counties and RTIDs. None enacted yet
- **Property Taxes:** Includes Property Tax Road Levy. Port districts use to fund operations and capital needs
- **Sales and Use Taxes:** 0.5%-2.4% for general purposes
- **Others:** Commercial parking tax, motor vehicle excise tax, employer tax, business and occupation tax, household/utility excise tax, motor vehicle license fees

Case Studies & Examples

Dedicated Revenue Streams

Case Study Findings

- **Many States: Small (<\$20 million) freight grant / loan programs**
 - Fill the gap where traditional sources are not available
 - Example: Virginia Rail Enhancement Fund (\$20 million/year from rental tax)
- **Few States: Large (>\$20 million) freight investment programs**
 - U.S. Examples: Oregon, California, Florida
 - International Example: Germany
 - Most not exclusively for freight

Case Studies

Large Funding Programs

- **Oregon Transportation Investment Acts (OTIA I, II, III):**
 - \$2.46 billion in bonds
 - Backed by fee increases (title, registration, weight-distance)
 - Funds for freight & non-freight projects
 - OTC-based project selection process
- **California Trade Corridor Improvement Fund:**
 - \$2 billion in General Obligation bonds (proposition 1B)
 - No new revenue sources, covered by State bonding capacity
 - Freight projects only
 - Project selection process under development

Case Studies

Large Funding Programs (continued)

- **Florida's Strategic Intermodal System (SIS):**
 - \$100 million in 2004, \$2 billion by 2015
 - Not a dedicated revenue stream
 - Reprioritization / reprogramming of existing revenues
 - More focus on freight than in the past
 - Stakeholder Committee Selection Process
- **Germany's Toll Collect:**
 - Distance-based fees for all trucks
 - Collected electronically
 - Generates ~\$6 billion per year
 - Revenues shared among modes

Case Studies

Large Funding Programs – Summary

Project Name	Type of Fee/Fund	Funds Raised	Fee Structure	Positives	Potential Problems
Oregon Transport Investment Act (I, II, III)	Vehicle Title and Registration Fee Increase	\$2.46 billion in bonds	Fee increases across most title and registrations	Clear link between fees and benefits	Not dedicated to freight
California Trade Corridor Improvement Fund	General Obligation Bonds	\$2 billion in bonds	Backed by 30-years general fund payments	No tax increases required	No additional revenue
Florida's Strategic Intermodal System	Not a new funding source, but a prioritizing method	~\$100 mil to \$2 bil/ year to SIS projects	From general funding sources: motor fuel tax, vehicle registration	Puts emphasis on strategic freight projects	No additional revenue
Germany Toll Collect	Truck Distance-Based User Fee	~\$6 billion/ year	Varies by axles/ emissions, Average = \$0.26/mile	Recoup wear and tear, foreign carrier costs	Division of funds between modes, EU approval

Case Studies

Freight Projects with Innovative Funding Sources

- Alameda Corridor, Ports of LA/LB: Container & rail car fees to repay bonds
- Reno, Nevada ReTRAC: Federal grants, UP cash and in kind contributions, local sales/hotel tax, assessment district, leasing income, TIFIA loan, bonds
- Port of Miami Tunnel: General state revenue, county/port funds, community redevelopment funds, possibly tolling
- Trans Texas Corridor: Developer equity, tolling
- Shellpot Bridge Replacement, Delaware: Rail car fees to repay loans
- Chicago CREATE: Federal funds, city funds, railroad equity

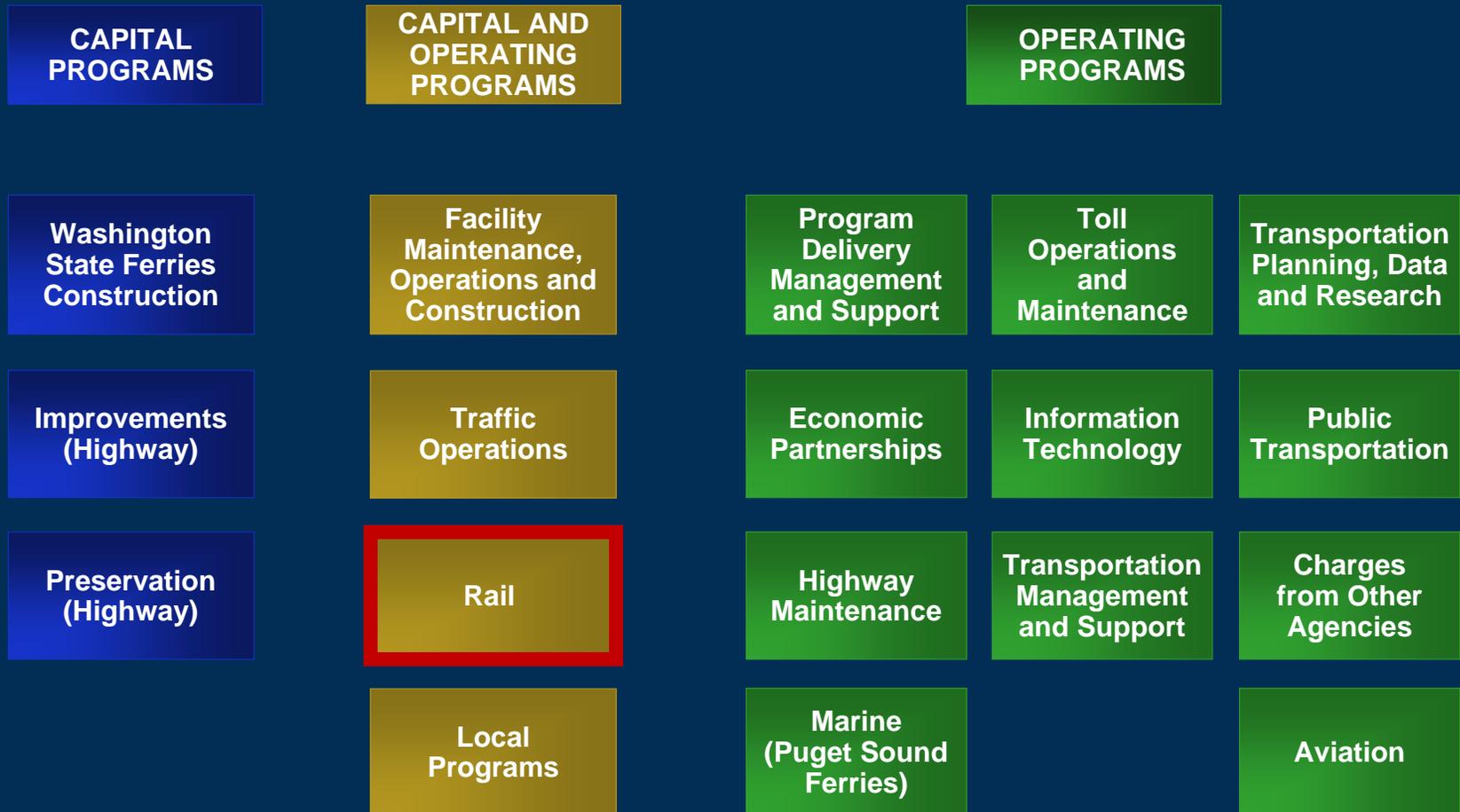
Case Studies

Freight Projects with Innovative Funding Sources

Project Name	Innovative Financing Tool	Amount	Total Cost	Structure/Rationale/Other
Alameda Corridor, So. California	Port User Fees to repay bonds	\$1.5 billion	\$2.4 billion	\$18.04 per loaded TEU, plus other fees. Shippers benefit, Wide base
Reno, Nevada Transportation Rail Access Corridor	Sales Tax (0.125%), Special Assessment Railroad Equity	\$50.5 million \$58 million	\$280 million	
Port of Miami, FL Tunnel	Developer Equity, Possibly Tolling	Private sector carries	> \$1 billion	DBOM Contract, FDOT payment for maintenance and operations
Trans Texas Corridor I-35	Developer Equity, Tolling	Private sector risk	\$1.3 billion	TxDOT one-time \$25 million concession, share toll
Shellpot Bridge Replacement	Rail Car Fees to repay loan	\$8.9 million	\$13.5 million	Minimum annual payments; sliding scale fee structure based on volume revenues
Chicago Region Environ & Transp Efficiency Program	Railroad Equity	Phase 1: \$100 million	Phase 1: \$330 million	Based on private sector economic benefit

Options to Re-Direct or Leverage Taxes/Fees

WSDOT Program Structure



Source: *Engrossed Substitute Senate Bill 6091*, Washington State Legislature, approved May 2005

Options to Re-Direct or Leverage Taxes/Fees

Existing Process and Options to Consider

- **Existing Process:**

- Most state transportation revenue goes to WSDOT, agency most responsible for statewide freight project delivery
- No dedicated freight program. Closest match: Rail Capital and Rail Operations (which include freight & passenger rail)

- **Options for Redirection:**

- Direct tax and fee revenue from freight industry directly into freight-focused projects
 - \$360 million generated annually from diesel fuel tax and combined licensing fees
- Conduct assessment of project needs vs. revenue available

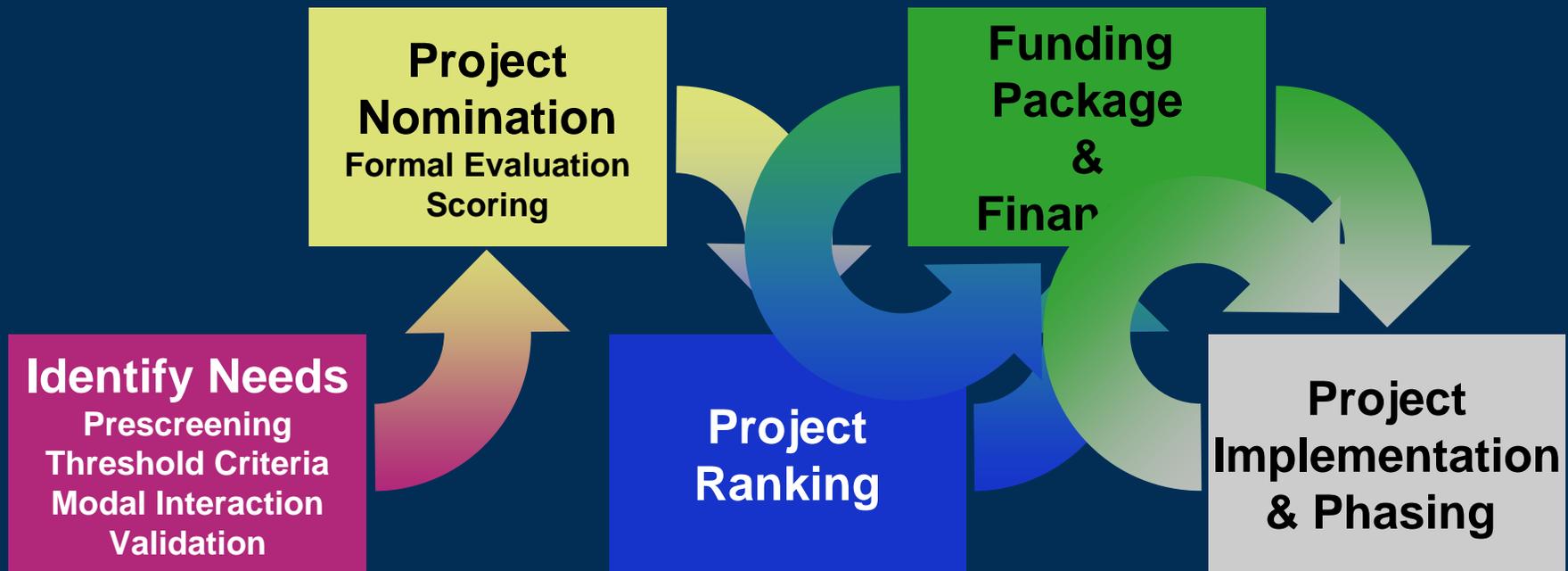
Options to Re-Direct or Leverage Taxes/Fees Measures for Additional Funding

- **Container Fees:**
 - Ports of LA/Long Beach: Alameda Corridor, PierPASS
 - If done nationwide at \$30/TEU = ~\$2 billion/year
- **Diesel Fuel Tax, Combined Licensing Fees: Index with inflation**
- **Redirect Freight Portion of Public Utility Taxes and B&O Taxes to Transportation Purposes**
- **Others: Motor Vehicle Excise Tax, Weight Distance Tax, Customs Fees, Investment Tax Credits**
- **Encourage investment from the private sector:**
 - WSDOT Transportation Economic Partnerships Program

Break

Process for Identifying & Ranking Priorities

Objectives, Existing Concepts, and Issues



Objectives

Private Sector

- Direct participation
- Limit participation
- Close nexus
- Short-term Implementation
- Competitively neutral

Local Jurisdiction

- Limited control
- Connected to development goals
- Community outreach
- Environmental & safety mitigation

State Government

- New private money
- Funding liabilities
- Private & federal leverage
- Targeted economic benefits

Discussion of FMSIB Approach

Jim Toomey, Port of Pasco

Stakeholder Candidate Projects

Northwest Container Project Priorities

1. Stampede Pass tunnel expansion \$25mm
2. Spokane Street Viaduct, Seattle \$25mm
3. SR 509 Port of Seattle to I-5 \$94mm
4. SR 167/Port of Tacoma new freeway extension \$188mm
5. Port of Tacoma Road interchange \$8mm
6. Green Valley BNSF & UPRR Industrial \$3.5mm

Schedule of Stakeholder & Policy Group Meetings



Next Steps

Results that May Be Available for Next Stakeholder Meeting

1. Evaluate Existing & Potential Funding Incentives
2. Analyze Current Industry Taxes & Fees
3. National & International Comparison of Freight Funding
4. Assess Non-Freight Funding Sources
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