

Washington State
Legislature
**JOINT
TRANSPORTATION
COMMITTEE**

Implementing Alternative Transportation Funding Methods



Evaluation Criteria & Funding Method Implementation



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Purpose

- Joint Transportation Committee (JTC) directed to conduct a comprehensive analysis of mid-term and long-term transportation funding mechanisms and methods (Transportation Budget)
- Principal Objective – Identify specific steps to begin implementing viable mid-term and long-term transportation funding approaches
- Focus on state imposed and collected transportation taxes and fees
- Include review of local jurisdiction transportation taxes and fees

Schedule

July 30 JTC Meeting: Policy Initiatives and Data Collection

Sept. 9 JTC Meeting: Evaluation Criteria/Initial Screening

Sept. 30 JTC Meeting: Implementation Alternatives

- Taxpayer and revenue impacts
- Implementation alternatives for preferred funding methods
 - Fuel & Use

Nov. 18 JTC Meeting: Implementation Alternatives

- Implementation alternatives for preferred funding methods
 - Vehicle, Driver, & Other
- Funding scenarios

Dec. 2 JTC Meeting: Draft Report

Dec. 31: Draft Final Report

Evaluation Framework

Goal: Package of funding tools that the legislature could consider to meet transportation funding objectives

- **Revenue Stream:** Provide a stream of revenue commensurate with transportation system funding needs.
- **Public Benefits/Reflects Use:** Provide a clear purpose and policy rationale linked to transportation system use, economic development, and other state policies and goals.
- **Equitable:** Funding burden is geographically equitable and equitably allocates the costs to those who benefit.
- **Local:** Allows for viable local transportation funding options that recognize the distinct needs of different local systems.

Evaluation Criteria

- Two thresholds – Is the funding method an appropriate state level fee or tax and does it have a nexus with transportation?
- Eighteen criteria to meet the four objectives

State Fees and Taxes by Vehicle Type

GOAL: Measure implications of funding scenarios on both total revenues and individual tax payers

APPROACH: Estimate state fees and taxes by representative vehicle types at different levels of vehicle use

VEHICLE TYPE:	Compact	Mid-Size	Pick-up/ Light Truck	Hybrid	Electric	Motorcycle	Freight (Medium)	Freight (Heavy)
Weight (lbs)	< 4,000	4,001- 6,000	6,001- 8,000	< 4,000	< 4,000	< 4,000	22,001- 24,000	40,001- 42,000
Miles Per Year								
Low	8,000	8,000	8,000	8,000	8,000	8,000	13,500	13,000
Medium	11,500	11,500	11,500	11,500	11,500	11,500	27,000	32,500
High	15,000	15,000	15,000	15,000	15,000	15,000	45,000	65,000
Miles Per Gallon								
2009	32.5	23.1	14.8	48.8	230.0	55.6	7.8	5.7
2025	52.8	40.2	32.8	78.8	230.0	100.0	14.0	6.3

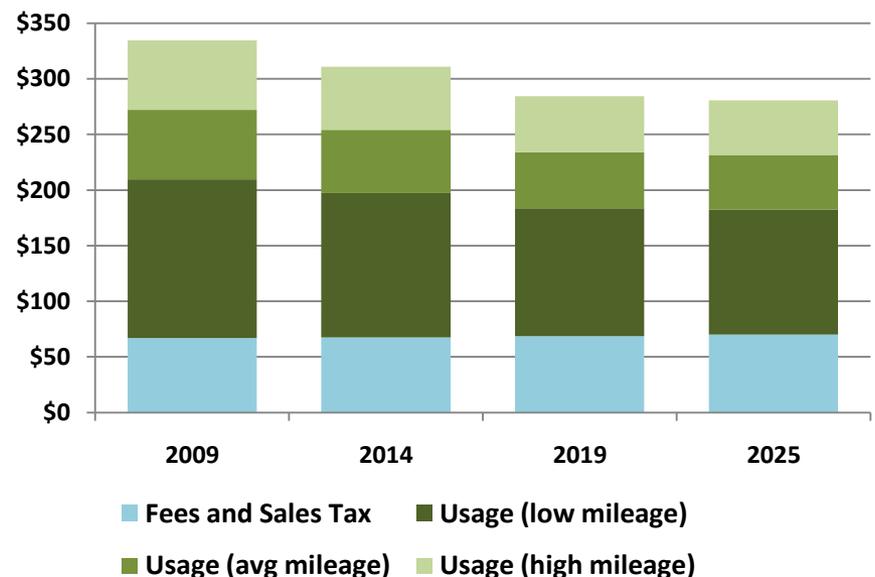
State Fees and Taxes by Vehicle Type - Example

Mid-Size Sedan Owner

- Baseline assumes no changes in existing transportation tax structure
- Over time, increasing fuel efficiency results in decreasing taxes paid

Total Annual Transportation Related Taxes and Fees – Mid-Size Sedan

Miles Per Year:	8,000	11,500	15,000
2009	\$210	\$272	\$335
2014	\$197	\$254	\$311
2019	\$184	\$234	\$284
2025	\$182	\$231	\$281



State Fees and Taxes by Vehicle Type

Summary of Annual Baseline Transportation Taxes/Fees for All Vehicle Types (mid-level usage)

	2009	2014	2019	2025	% Change 2009-2025	% Change 2009 Purchasing Power
Compact Car	\$197	\$184	\$170	\$168	-15%	-47%
Mid-Size Sedan	\$272	\$254	\$234	\$231	-15%	-47%
Light Trucks (SUVs / Pick-ups)	\$437	\$404	\$369	\$363	-17%	-48%
Hybrid	\$151	\$143	\$134	\$133	-12%	-45%
Electric Car	\$77	\$76	\$75	\$76	-0.4%	-38%
Motorcycle	\$138	\$130	\$122	\$121	-13%	-45%
Freight (Medium)	\$1,694	\$1,562	\$1,416	\$1,391	-18%	-49%
Freight (Heavy)	\$2,865	\$2,674	\$2,460	\$2,427	-15%	-47%

State Taxes and Fees by Vehicle Type

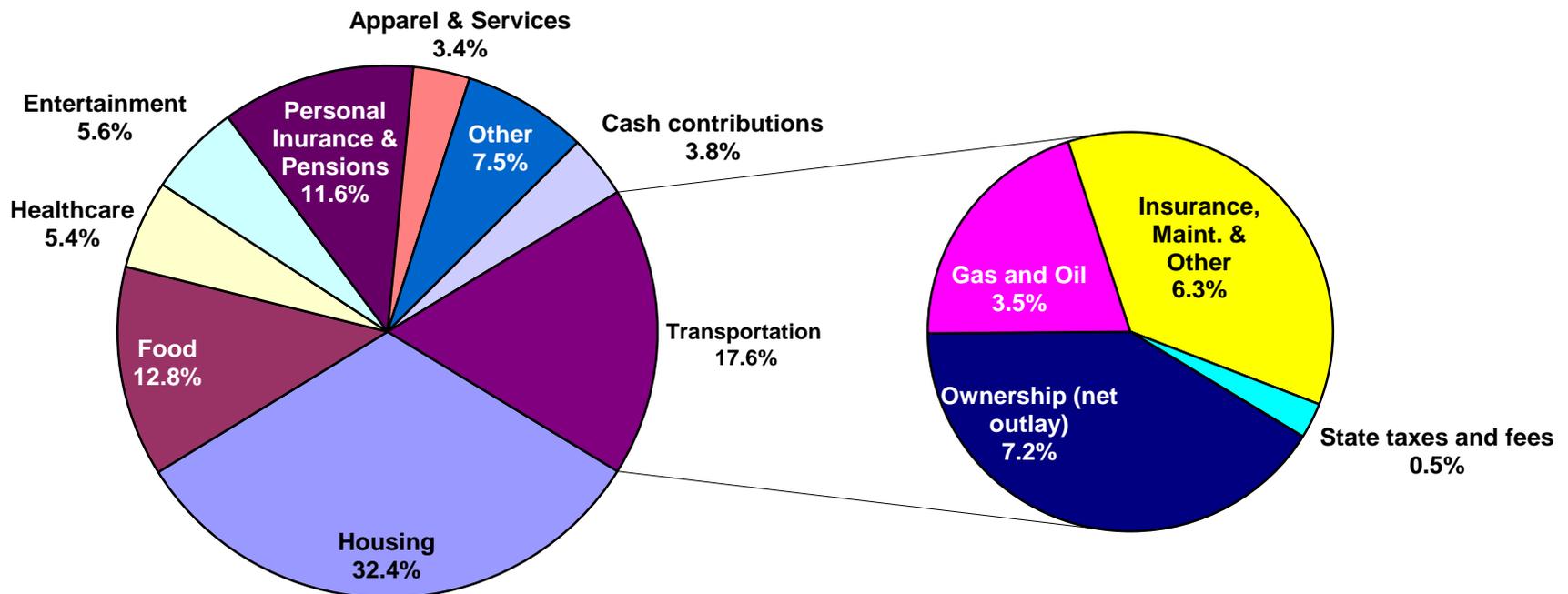
Passenger Vehicle State Taxes & Fees

- Policy Question: Should the percentage range between vehicle types in transportation funding remain?

Passenger Vehicle Type	2009 State Taxes & Fees	% compared to highest	2025 State Taxes & Fees	% compared to highest
Light Trucks (SUVs/Pick-Ups)	\$437		\$363	
Mid-Size Sedan	\$272	-38%	\$231	-36%
Compact Car	\$197	-55%	\$168	-54%
Hybrid	\$151	-65%	\$133	-63%
Motorcycle	\$138	-68%	\$121	-67%
Electric Car	\$77	-82%	\$76	-79%

Household Transportation Budget

State Transportation Taxes & Fees as Percent of Household Budget
0.5% (Seattle SMSA 2004-5)



Retail Sales and Use Tax on Motor Vehicles

Sales & Use Tax

- Nickel package 2003: added 0.3% sales & use tax on retail sale, lease or transfer of a motor vehicle
- Hybrid vehicles (minimum rating of 40 mpg) exempt until 1-1-11
- 16 year projected revenues \$717 million.

Options

Option 1: Increase rate to 0.5%

Option 2: Apply to labor and parts &/or non-motorized vehicles

- Issue: Streamlined Sales & Use Tax Agreement (SSUTA)

Option 3: Eliminate the trade-in credit

- Would also affect 6.5% and local sales and use tax

Retail Sales and Use Tax on Motor Vehicles

Revenue implications of sales & use tax options – 16 Years

Additional Sales & Use Tax	16 Year Revenues (\$ million) March forecast
Existing – 0.3%	\$717
Option 1 – Increase to 0.5%	\$435
Option 2 – Extend to parts & labor &/or non-motorized vehicles (SSUTA conflict)	\$398
Option 3 - Eliminate trade-in credit	\$834

Rental Vehicle Sales Tax

Rental Vehicle Sales Tax

- Additional 5.9 percent sales tax imposed on retail rental of vehicles
- 16 year projected revenues \$515.5 million – Multimodal fund
- Local jurisdictions authorized:
 - High capacity transportation service – max 2.72%
 - Counties for sports facilities– 1%
 - King County Stadium Tax – 2.72%

Option: Increase amount counties allowed to levy to match King County & use for transportation

- Four counties currently imposing 1.0% sales tax for sports facilities
- Sound Transit at 0.8% high capacity transportation service

Motor Vehicle Excise Tax

State MVET

- Repealed 2000 legislative session
- Washington State Transportation Commission recommended a state MVET of 0.21% to fund Ferries capital
- Three other states have an MVET or personal property tax on vehicles

Sound Transit

- Voters approved 0.3% of value motor vehicle excise tax
- DOL administers
- Value is based on Manufacturer's Suggested Retail Price
- Trucks & trailers – based on latest purchase price & year
- Depreciation formula in RCW 82.44.041

Motor Vehicle Excise Tax

Option: State Motor Vehicle Excise Tax

- Per WSTC Ferry Funding Study recommendation – 0.21%
- Use same valuation method as Sound Transit

MVET	Revenue
State – 0.21%	Approximately \$5.5B over 22 year period (per WSTC Long-Term Ferry Funding Study)

Licenses, Fees, & Permits: General Findings

Significant Source of Revenue – 16 Year Plan

- \$8.3 billion licenses, permits & fees: 18% of all revenue /24% of direct
- \$1.4 billion DOL fees & abstracts: 3% of all revenue /4% of direct
(direct revenues exclude federal funds, interest, bond sales)

Flat Rates

- Most rates are set in statute
- Some rates were set in 2007
- Most were set longer ago
- California – indexed vehicle & driver fees starting in 2004
 - Adjust by rulemaking and public notice annually
 - Based on California CPI
 - Rounded to nearest dollar/if \$0.49 or less not changed
 - Average increase 20% 2004-09
 - 10% increase in license fee not subject to CPI adjustment.

Licenses, Fees, & Permits: General Findings

Payment Options

- Taxpayers are required to pay annually
- Consider quarterly or monthly payments
- Issues
 - Lending of credit – periodic tabs may be required
 - Increased handling cost for DOL and agents
 - DOL computer system adjustments

Fund Distribution

- 18th amendment: All fees collected by the State of Washington as **license fees for motor vehicles** & all other state revenue intended for highway purposes restricted to highway uses.
- Fees deposited in the motor vehicle fund are subject to the 18th amendment.
- Non-motor vehicle license fees can go to the multi-modal fund

Licenses, Fees, & Permits: General Findings

DOL Computer System

- In need of replacement
 - Converted from mainframe
 - Not flexible
 - Fee distribution complex
 - Systems do not interact
- New vehicle system: \$16 – 23 million
- New pro-rate fuel tax system: \$7.5 million
- Fundamental changes to the tax structure would increase costs
- Options:
 - Build cost into fee structure
 - Some vendors will provide financing – recoup from fee attached to transaction

Vehicle Fees: Passenger Vehicles

Passenger Vehicle Fee	Rate	Account Distribution	Last Year Modified
Vehicle License Tab	\$30.00	\$20.35 – State Patrol Highway \$ 2.02 – Ferry Operations \$ 7.63 – Motor Vehicle	2000
Filing & licensing	\$3.75	\$3.00 – County agent or DOL \$0.50 – DOL (agent support) \$0.25 - License plate technology	2000
Weight fee	\$10.00 \$20.00 \$30.00	\$6 million per biennium – Freight Multimodal account Remainder – Multimodal account	2005
Propane/natural gas fee (in-lieu of special gas tax)	\$140.63- \$781.25	Motor vehicle account Rate indexed to gas tax	2005
Plate replacement	\$10.00/plate	Motor vehicle account	2005
Number retention	\$20.00	Multimodal	2003

Vehicle Fees: Passenger Vehicles

Option 1: Increase Fees

- Increase fees to reflect inflation
- Eliminate deduction for license tab fee for passenger vehicle weight fee

Option 2: Index Fees

Option 3: Extend In-Lieu of Fee to Electric/High Mileage Vehicles

Passenger Vehicle Fees	16 Year (\$ millions) March forecast
16-Year Projection	\$3,575
Option 1A: Increase rates for inflation	\$1,095
Option 1B: Increase weight fees	\$3,776
Option 2: Index fees	\$1,074
Option 3: Extend in-lieu of fee	\$1

Vehicle Fees: Trucks

Truck Vehicle Fee	Rate	Account Distribution	Last Year Modified
Combined licensing fee (CLF) Trailer Weight fee – farm Farm Vehicle Trip	\$40 to \$3,402 by weight \$36.00 Reduced rate \$6.25	\$2.00 – Registering auditor 22.360% - State Patrol Highway 3.375% - Ferry Operations 5.237% - Nickel 11.533% - TPA 59.495% - Motor Vehicle	2005 2003 (> 10,000 lbs)
Farm license fee Monthly CLF Proportional fees WSDOT fees	\$5.00 (once) \$2.00 month Varies Varies	Motor Vehicle Account	1953 1985 1987 1995
Tow trucks – capacity fee	\$25.00 (no CLF)	State Patrol	1963
Proportional registration plates & fees	\$2.00 tab fee \$4.50 DOL fee	Motor vehicle account Rate indexed to gas tax	2005

Vehicle Fees: Trucks

Option 1: Increase Fees

- Increase fees to reflect inflation

Option 2: Index Fees

Truck Fees	16 Year (\$ millions) March forecast
16-Year Projection	\$3,114
Option 1: Increase rates for inflation	\$ 720
Option 2: Index fees	\$ 273

Vehicle Fees: Recreational Vehicles/Motor Homes

Passenger Vehicle Fee	Rate	Account Distribution	Last Year Modified
Single axle trailer	\$15.00	\$2.00 – Registering auditor 22.360% - State Patrol Highway 3.375% - Ferry Operations 5.237% - Nickel 11.533% - TPA 59.495% - Motor Vehicle	2005
Camper fee	\$4.90 original \$3.50 renewal	Motor Vehicle Account	1975
Motor home weight fee	\$75.00	Multimodal	2005
Proportional registration plates & fees	\$2.00 tab fee \$4.50 DOL fee	Motor vehicle account Rate indexed to gas tax	2005

Tire Fee

Current Fee

- \$1.00 per new replacement tire – for clean-up of tire dumps
- 2009 – allow road wear related maintenance on highways
- 39 states have tire fee/3 states use to fund transportation.
- 14 states apply on a new vehicle - 4 states higher for large/studded

Options

Option 1: Increase fee & use for transportation

Option 2: Add fee to the sale of vehicles with new tires

Option 3: Charge higher fees for studded or large tires

Tire Fee Options	16 year revenue
Increase \$1.00 for transportation	\$85M
Add to sale of new vehicles	\$21M
Charge higher fee for studded/large (\$5.00)	\$41M

Driver Licenses & Abstracts

Driver Fee	Rate	Account Distribution	Last Year Modified
Original License	\$45.00 – 5 years	Highway Safety	2000
Renewal	\$25.00 – 5 years		2000
Commercial	\$30.00 extra		2005
Original/Renewal	\$20.00/\$15 renew		2005
Agricultural Permit <18 yrs Driver Permit	\$20.00		2005
Motorcycle Endorsement	\$25.00	Motorcycle Safety Education	2007
Abstracts	\$25.00 (no CLF)	50% Highway Safety 50% State Patrol Highway	2007

Driver Licenses Fees & Abstracts

Option 1: Increase Fees

- 16 states issue licenses for 5 years
- Rates \$8.00 - \$50.00/ 3 states charge more than \$25.00 for renewal

Option 2: Index Fees

Option 3: Increase Number of Years of License

- 18 states issue for longer than 5 years (6 to 10 years)
- Of these 18, 11 vary the length by age, with senior and young drivers having shorter terms

Driver licenses	16 year revenue (March forecast) (\$ millions)
Current fees	\$1,057
Increase - inflation	\$ 255
Index	\$ 282
Increase years	Reduce expense – revenue neutral

Tax on Auto Insurance Premiums

State Insurance Tax

- 2% tax on premiums in lieu of business & occupation tax
- General fund revenue

Option

- Additional tax on auto insurance premiums to fund transportation
- At 3% could generate \$225 million over 16 years
- Problem – retaliatory provision in insurance licensing laws
- Washington State currently at mid-point in state insurance premiums

Tax on Transportation Related Businesses

Fee	Rate	Account Distribution	Last Year Modified
Group IV Vehicle Dealer Fees	\$25.00 to \$750.00	Motor Vehicle	2002 (some 1990)
Tow Truck Operator	\$100.00 + \$50/truck		1985
Hulk Haulers etc	\$25.00 plates		1971
Transporter	\$25.00 plates		1947
For Hire Business Permit & Certificate	\$20.00 annual certificate/vehicle	Highway Safety Fund	1993
Driver Training Instructor	\$150.00/\$100.00 renewal	Highway Safety Fund	2006
School	\$500.00 /\$250.00 renewal		
Branch	\$250.00/\$125.00 renewal		
Background check	\$35.25		

State Impact Fee/Access Permits

Local Jurisdictions

- State has authorized local jurisdictions to impose impact fees for public streets and roads
- 14 jurisdictions in Washington have assessed road impact fees

State of Washington

- No state imposes impact fees
- WSDOT issues access permits
 - State highways
 - Traffic analysis required for some permits to determine need for off site mitigation
 - Fees – 1999

State Impact Fee/Access Permits

Pennsylvania Highway Occupancy Permits

- Required for developments that affect interstate highways, US routes or state highways (coordinate with FHA)
- Require Transportation Impact Study or Transportation Impact Assessment for developments that generate 1,500 vehicles per day, 100 or more vehicle trips in an hour, or are expected to have a significant impact on highway safety or traffic flow
- May require off-site improvements
- Issue to utility companies, municipal authorities, developers & builders & private citizens

Option: Revise and Expand WSDOT Access Management Program

- Requirements for traffic impact analysis and mitigation
- Seek to coordinate access and impacts that affect interstates

Potential Elements of a Funding Package

Funding Options Considered

- Options based on fuel consumption (motor fuel tax increases, indexing, sales tax on fuel)
- Changes to fees (licenses, registrations, weight fees, sales and use tax on vehicles)

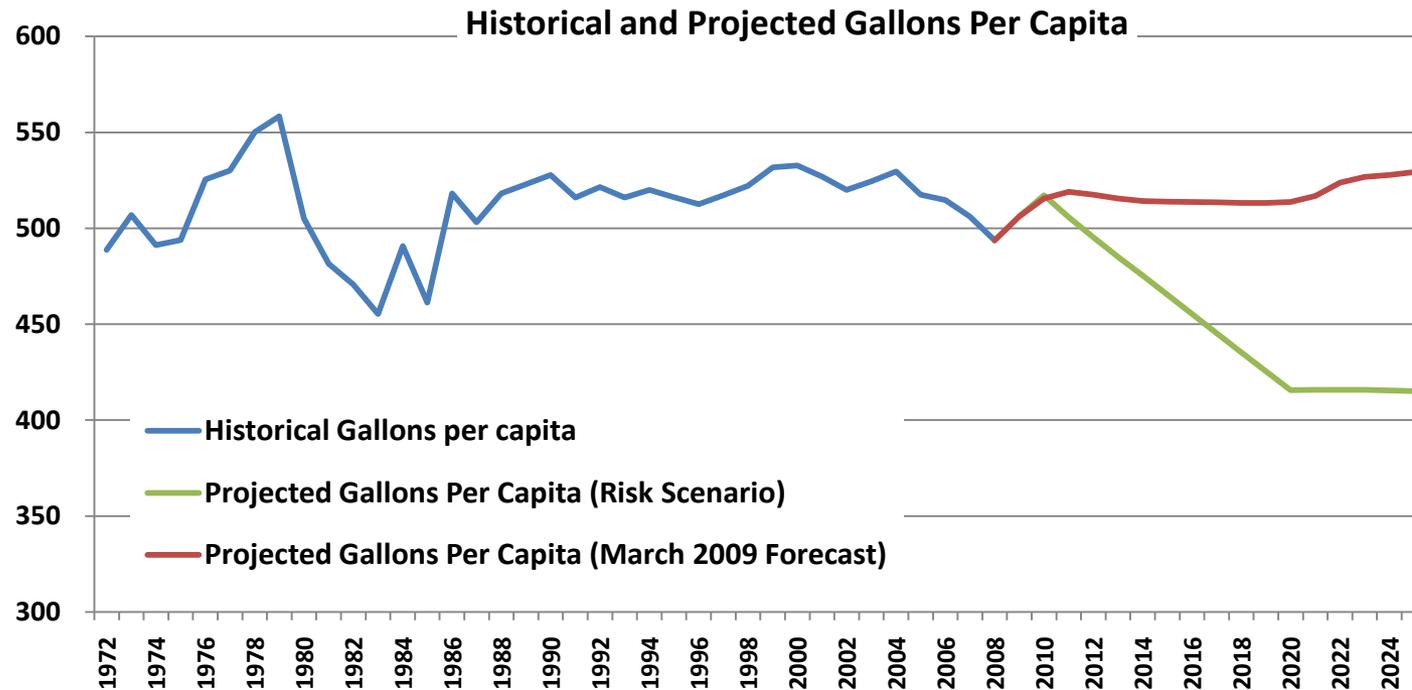
Analytical Considerations

- Yield: Incremental revenues generated over 16 year period
- Revenue distribution: Track distributions to specific state funds and local jurisdictions based on current distribution formulas
- Impacts on the estimated tax and fee contributions by vehicle type

Revenue Risk Scenarios

- Yield estimates based on March 2009 forecast assumptions
- Yield estimates based on lower fuel consumption assumptions

Revenue Risk



- More rapid fuel economy improvements
- More fleet turnover into electric/hybrid vehicles
- Flat VMT per vehicle
- No additional sensitivity on fuel prices

Contributions by Vehicle Type

No Action Scenario

Estimated Impacts by Vehicle Type				
Total Annual Transportation Taxes and Fees Paid in Revenue Categories Shown Here *				
	Current	No Action	No Action Purchasing Power Adj.	Proposed Scenario
	2009	2025	2025	2025
Compact	\$197	\$168	\$316	\$168
Mid Size	\$272	\$231	\$437	\$231
SUV/Pick-up	\$437	\$363	\$701	\$363
Hybrid	\$151	\$133	\$242	\$133
Electric	\$77	\$76	\$123	\$76
Motorcycle	\$138	\$121	\$221	\$121
Freight: Medium	\$1,694	\$1,391	\$2,718	\$1,391
Freight: Heavy	\$2,865	\$2,427	\$4,598	\$2,427

State taxes & fees only, ex. local options, tolls and ferry fares

Contributions by Vehicle Type

- Current 2009: Total annual amount paid in motor fuel taxes and state fees
- No Action 2025: Est. amount paid in 2025 (assuming fuel economy gains)
- Purchasing Power Adjusted: Current contribution adjusted for inflation to 2025
- Proposed Scenario: Estimated amount paid for a given funding option in 2025

If taxes and fees were adjusted to maintain purchasing power of contribution by vehicle type, revenues would increase by approximately \$10.0 billion over the 16-year plan