

JOINT TRANSPORTATION COMMITTEE

Statewide Transportation Needs Assessment

November 2020 Phase II Report: Advisory Panel

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Statewide Transportation Needs Assessment

Joint Transportation Committee | Phase 2 Report Advisory Panel

Introduction

PHASE 1 STUDY CONTEXT

In 2019, the Washington State Legislature requested a study to assess statewide transportation needs and priorities from 2022-2031 and to identify existing and potential transportation funding mechanisms to address those needs and priorities. The study team, which consisted of BERK Consulting, Performance Plane LLC, and Perteet, relied on analysis of data, review of existing reports and studies, consultation with agency staff, and guidance from a Staff Workgroup. The study team produced three deliverables:

- Ten-Year Transportation Needs Assessment by Jurisdiction and by Mode.
- Menu of Funding Options.
- Economic Impacts of Transportation Investments: Case Studies.

This work was compiled in the [Phase I Report](#), which was submitted to the Joint Transportation Committee (JTC) in June 2020.

PHASE 2 WORK

Following the Phase I Report, an Advisory Panel appointed by the JTC Executive Committee was directed to review Phase I findings and provide directional guidance to the Legislature for consideration during the 2021 legislative session.

PHASE I GUIDING QUESTIONS:

The Phase I work sought to answer these questions:

- What **scale of investment** is needed across all jurisdiction types and transportation infrastructure?
- What **revenue options** could address those investment needs?
- What are the **economic and other impacts** of potential transportation investments?

Advisory Panel Selection Process

The JTC Executive Committee invited nominations from an identified list of organizations and stakeholder groups in Washington. The JTC Executive Committee reviewed nominations and selected 18 members for an Advisory Panel, including two co-chairs. The members represent a broad range of transportation interest groups and experiences. All participants serve in leadership roles and brought an understanding of transportation needs and revenue options. A full list of members is in [Appendix A](#).

Panel Objectives

The Panel's charge was to review the results of the needs assessment and provide guidance to the Legislature on priority investments and revenue options. The Panel was instructed to make directional recommendations and was not expected to produce a detailed proposal, funding package, or project list.

In the 2020 legislative session, the Supplemental Transportation Budget added a provision to this study, asking Panel members for "recommendations on whether a revision to the statewide transportation policy goals in RCW 47.04.280 is warranted."¹

Panel Format

The Panel was led by two co-chairs, former State Representative Judy Clibborn and CEO of Spokane Airports Lawrence Krauter. They were supported by BERK Consulting and JTC staff. The Panel met four times by video conference between August and October 2020. All meetings were available for viewing via TVW. BERK interviewed all members of the Advisory Panel ahead of the first meeting to answer questions about the panel's charge and the Phase 1 needs assessment work and hear perspectives on select topics. A summary of these interviews is in [Appendix C](#).

PHASE 2 GUIDING QUESTIONS:

We used the following guiding questions to inform the Advisory Panel discussions:

Revenue Principles and Options:

- What principles should guide the State's decisions on new or revised revenues sources to fund transportation?
- What new revenue options and/or revisions to existing revenue options should the State consider?

Priority Investment Needs:

- In what priority areas should the State invest revenues?
- What criteria should the State use to determine priority investment areas?

Transportation System Policy Goals:

- Is a revision to the statewide transportation policy goals warranted?

¹ [Engrossed Substitute House Bill 2322](#), page 9.

Summary of Advisory Panel Guidance

OVERALL THEMES: INFRASTRUCTURE AND SAFETY INVESTMENTS

The Panel's starting point was the Phase 1 findings:

Current funding for each jurisdiction type is less than half of what is needed, without considering the costs of catching up on deferred maintenance and preservation.

Jurisdictions across the state face some known transportation funding challenges. There is not enough money to adequately fund the current transportation system; preservation competes with other capital system improvements; there is often no clear path for major project funding; and there is no easy revenue solution.

Advisory Panel discussions reflected the following themes:

- Panel members agree that given the significant need, the Legislature needs to identify new sources of revenue and/or additional revenues from increases to existing sources to fund critical transportation needs.
- Our **economy is fragile**, and the impacts of the COVID-19 pandemic and recession are uneven, with disproportionate impacts experienced by low-income communities and communities of color. The world is changing rapidly, and the future is hard to predict. Accordingly, the group believes additional revenue is critical to supporting our economic recovery and meeting our significant infrastructure needs and will have both direct and indirect benefits. Transportation revenue must be a priority as it may help leverage other revenues, including potential federal funds, to keep our economy and society functioning at the highest levels.
- Policymakers will need to “**finish what we've started.**” Acknowledging the economic impacts of COVID-19, the Panel encourages the Legislature to prioritize funding for existing projects and commitments before taking on new projects.
- There is a need for both dedicated funding to solve critical infrastructure and safety problems as well as flexible funding to reflect changing needs of a multimodal transportation system to effectively and efficiently move people and goods.
- The state's networked transportation system of **interconnected** modes and related infrastructure greatly influences economic development, land use and housing, environmental and public health, and equity. Funding and policy should reflect this diversity and focus on new investment allocation strategies to achieve balance among these areas.

Greater outreach to the public regarding the source of revenues and the benefit of transportation investments could help increase support for these investments. Each project is an opportunity to emphasize the positive impacts of transportation investments.

FUNDING PRINCIPLES

What principles should guide the State's decisions on new or revised revenue sources to fund transportation?

All 18 members of the Advisory Panel support the following revenue principles. We developed these through multiple rounds of discussion, surveys, and polls. These principles guided how the group evaluated revenue options and investment priorities throughout the Panel discussions. These principles should be considered together and not in isolation. The points below are not in order of priority.

Funding Principles

- Funds raised should be dedicated to transportation and there should be transparency into how the funds are spent.
- Revenues and investments should advance the Transportation System Policy Goals.
- Any revenue packages with new projects should include funds dedicated to preservation and maintenance.
- Given the significant needs, the amount of revenue generated and the stability of the revenue stream should be considered when selecting new or revised sources.
- Efficiency of implementation and ease of collection should be a consideration for new sources.
- New tax proposals should be analyzed for disproportionate impact to underrepresented communities with respect to ability to pay and tax impact.
- The Legislature should clarify what it believes the State's role is with respect to funding transportation. The State has a responsibility for the state-owned system (spelled out in statute), and it also has an *interest* in supporting local transportation systems and ensuring that the whole system functions and serves the needs of the entire state. Clarity is lacking with regards to this second part – the state interest.
- The State has a responsibility to help fund multimodal transportation systems across the state, including for local jurisdictions. This could include expanding local revenue authorities and providing direct financial and technical assistance.
- Public private partnerships using financing, such as tolling, and alternative project delivery methods, should be given serious consideration. While this is not a tool the State has much history utilizing, we think the Legislature should have a robust and thoughtful conversation about testing these tools in targeted applications.
- The State has an obligation to fund removal of fish passage barriers (culverts) associated with state-owned highways under federal court order. A dedicated funding source that would sunset once those needs are funded and does not exclusively rely upon the transportation budget should be identified. In addition, the State should optimize salmon habitat and public benefits through a coordinated watershed approach that corrects state and non-state-owned fish passage barriers associated with roadways.

REVENUE OPTIONS

What new revenue options and/or revisions to existing revenue options should the State consider?

The Phase 1 work included a funding model of 67 potential new revenue sources or adjustments to existing revenue sources. This work was done in collaboration with a Technical Team, including representatives from legislative staff, the Office of Financial Management, the Transportation Revenue Forecast Council, and local government agencies.

We highlighted 10 potential new revenue sources and 13 adjustments to existing revenue sources that were either discussed in the Legislature previously or were of specific interest to a member of the JTC Executive Committee.

Panel members participated in multiple rounds of surveys, considering the revenue principles and Panel discussions. We asked Panel members to note whether they strongly supported an option, were open to it depending on details, or would take it off the table. We also asked the Panel to **rank their preferences** among these options, understanding that the Legislature would decide on details of structure and implementation. The objective was to gauge perspectives on these options regardless of specific rates, structure, or implementation details and as such should not be interpreted as precise results. These are first impressions where details are unknown in several cases. Results of the ranking are shown below. A summary of assumptions and estimated revenues for the new and existing sources reviewed is in [Appendix B](#).

Panel discussions focused on the new and adjusted revenue sources, and it was assumed that current revenue sources will continue to be used. Several members spoke out in favor of tolling anticipating it will need to play a continued role in large infrastructure investments.

Potential New State Revenue Sources

Because these are potential new sources, many members noted they were open to considering them depending on the details, whereas opinions were firmer for the existing sources where much more is known. As shown below, the four revenue sources that ranked in the top half of options for 10 or more members were the **carbon pollution fee**, the **road usage charge**, the electric vehicle (**EV**) **fuel economy rating**, and the **air quality surcharge**. Many supported these options in part due to the revenue generated and because they met other revenue criteria.

Please rank the 10 Potential New Revenue Options below (n=18):

Potential New Revenue Option	Members Ranking (1-5)	Members Ranking (6-10)
Carbon Pollution Fee A per ton carbon pollution fee on the sale or use of fossil fuels.	13 (6 ranked #1, 9 top 3)	5
Road Usage Charge A pay-by-the-mile system of collecting revenues for transportation, also known as vehicle miles traveled (VMT) fees.	13 (5 ranked #1, 10 top 3)	5
EV Fuel Economy Rating An annual fee on electric vehicles based on the vehicle's miles-per-gallon fuel economy rating, the gas tax that would otherwise apply, and the typical number of miles a car drives annually.	11 (3 ranked #1, 4 top 3)	7
Air Quality Surcharge A one-time charge on the sale of new vehicles, as well as a one-time charge on the remaining life of a vehicle being retitled in Washington for the first time. There would be no charge for the purchase of a used vehicle. The charge would vary based on a vehicle's estimated lifetime greenhouse gas pollution, which is calculated from average national driving habits and the car's EPA combined fuel economy rating.	10 (7 top 3)	8
Auto Parts Sales and Use Tax A 1% increase to the existing sales tax on auto parts in Washington State, with revenues dedicated to transportation.	9 (4 top 3)	9
Cap & Trade A program that caps statewide levels of greenhouse gas emissions at levels that decline over time. Businesses would be allowed to trade state-sold pollution allowances among themselves. Revenue from the sale of allowances would be dedicated for transportation purposes.	8 (6 top 3)	10 (2 ranked #10, 4 ranked #9)
Bicycle Sales Tax A 1% increase to the existing sales tax on bicycles in Washington State, with revenues dedicated to transportation.	7 (2 top 3)	11 (4 ranked #10)
For Hire and TNC Fees State-collected fees from for-hire companies and Transportation Network Companies (TNCs).	6 (4 top 3)	12
Employee Payroll Tax A tax on payroll wages. Employers would withhold the tax from employees' wages.	4 (1 ranked #1, 3 top 3)	14 (10 ranked #10)
Statewide Special Transportation Benefit Assessment* A new benefit charge assessment on new construction at varying rates for residential, commercial, and manufacturing projects.		

Note: * Details of this option were not fully understood at the time of the ranking exercise.

Additional comments on potential new state revenue options

Comments about the top options included a suggestion to have the **carbon pollution fee** apply to on-road transportation fuels, with revenues generated dedicated to transportation infrastructure. There was also a question raised as to whether increased prices resulting from the **air quality surcharge** would cause consumers to shift to the used car market, where cars are typically less fuel efficient.

The Panel was largely unsupportive of an **employee payroll tax** as it can be considered regressive, and many felt there was insufficient nexus between the source of the funding and transportation spending. However, as shown above, some listed this as one of their top choices.

The **bicycle sales and use tax** had both support and opposition. Some support it because it would help dispel the idea that cyclists do not pay into the system. Others oppose it because: it generates relatively little funding (around \$10 million over 10 years); sales tax goes into the General Fund and might not be dedicated to transportation; and/or use of bicycles should be encouraged.

Additional information on the **statewide special transportation benefit assessment** proposal was provided ahead of the last meeting, and members weighed in with their thoughts. The details do matter, and a few members noted they are open to it but would still need to know more. In general, concerns raised were related to increasing costs of construction and any impacts that the assessment could have on affordable housing production. Some noted that exemptions might be needed for affordable housing and/or transit-oriented development. The potential to negatively impact economic growth and investment opportunities was also raised. And, one member expressed concern about carve outs for industries that might provide a regulatory advantage. There were a few supporters including one who noted that the big picture is to pay for the state of good repair once you create the asset.

Adjustments to Existing State Revenue Sources

As shown below, at least half of the responding Panel members supported adjustments to four existing options: a **fuel tax increase**, **indexed fuel tax**, **electric vehicle hybrid fee**, and a **rental car tax increase**. The two fuel tax options had the greatest potential to generate revenue of the 13 options presented.

Please rank the 13 **Adjustments to Existing Revenue Sources** below: (n=17)

Option	Members Ranking (1-4)	Member Ranking (5-9)	Member Ranking (10-13)
Fuel Tax Increase	15 (6 ranked #1, 14 top 3)	1	1 (ranked #13)
Indexed Fuel Tax	9 (5 ranked #1)	3	5 (3 ranked #13)
Electric Vehicle Hybrid Fee	9 (7 top 3)	6	2
Rental Car Tax	9 (5 top 3)	4	5
Capital Vessel Surcharge	7 (1 ranked #1, 5 top 3)	7	3
Passenger Vehicle Weight Fees	6 (2 ranked #1, 4 top 3)	9	2
HOV Lane Violations	4 (2 ranked #1, 3 top 3)	9	4
Vehicle Registration Fees	2 (1 top 3)	10	5
Trip Permit Fees	3 (1 top 3)	7	7
Light Duty Truck License Fee: rate increase	0	11	6
Freight Project Fees: rate increase	0	10	7
Int'l Fuel Tax Agreement (IFTA) Decals: rate increase	2 (1 top 3)	5	10 (3 ranked #13)
Enhanced Driver ID	2 (1 ranked #1, 1 top 3)	3	12 (5 ranked #13)

Additional comments on adjustments

Panel discussions reflected a philosophical difference between those who prefer a fuel tax increase or an indexed fuel tax. Those who **prefer a gas tax increase** and do not support indexing note that it does not always lead to more revenues when compared to the existing system and are opposed to removing the public process on gas tax increases. Those who **prefer an indexed fuel tax** believe that pinning it to an indicator would allow fuel tax revenues to keep pace with inflation, though it was also noted that we

have been in a period of exceptionally low inflation in recent history. Some supported **both measures** – implementing a gas tax increase and pinning that increased rate to inflation.

Trip permit fees, enhanced driver's licenses, and the IFTA decals would all raise less than \$50 million over 10 years, which made them less appealing for some. Others are reluctant to raise vehicle registration fees and driver's license fees given economic conditions and the fact that these are up-front payments.

INVESTMENT PRIORITIES

In what priority areas should the State invest revenues? What criteria should the State use to determine priority investment areas?

As state policymakers consider how to prioritize transportation investments, priorities should consider:

- Where is the greatest risk of system failure?
- What modes and geographic areas have traditionally been underfunded?
- Which communities have been most impacted by transportation pollution?
- Which needs could be addressed primarily through user fees?
- Which investments advance statewide goals of the Growth Management Act (GMA)?

Advisory Panel Members were asked to select their top five investment priorities from a mix of mode and expenditure investment categories. Areas of agreement were clear. **Almost everyone listed maintenance and preservation as a top priority.** Highways and bridges were close behind at the top of this list. Bus, rail, active transportation, streets, and roads were prioritized by at least one-third of the group. Members also emphasized that transportation decisions need to be approached holistically, recognizing the multimodal and interconnectedness of the state's network.

Prioritize Maintenance and Preservation

Ultimately, insufficient investment in maintenance and preservation will cause greater financial liabilities by requiring funding of full replacement costs of facilities that could have been rehabilitated at much less expense. We have an underfunded system that is not meeting the needs of the users with respect to reliability, safety, or health, and we must invest wisely and boldly. We continue to experience the worsening consequences of deferred maintenance due to insufficient funding combined with increased costs of maintaining highways and bridges. Focusing here will address safety, resilience, and economic development (jobs preserved/created and the benefits of functioning infrastructure to private and public investment). This is an opportunity to make a strategic pivot before we end up with severe diminution of the transportation system's capacity, efficiency, and safety due to a failure to properly invest in maintenance and preservation.

Panel members emphasized the need to **build excitement** about investing in the communities where we live. In state funding, maintenance and preservation are often neglected or de-prioritized behind mega-projects because they are perceived to garner less community excitement. Panel members offered some frameworks to think about maintenance and preservation:

- Our state’s transportation system has a significant impact on the health and livability of our state – it impacts everything from the water quality of our rivers to the air quality around people’s homes and community areas, to our ability to attract and retain businesses and industries, and our ability to move around and meet fundamental needs.
- Investing in maintenance and preservation **supports jobs** and spreads money through the community. By supporting maintenance and preservation, legislators help their constituents by supporting job preservation and creation and maintaining a functioning transportation network that is critical for continued investment.
- Investing in maintenance and preservation **directly benefits local communities**. Members of the public see their investments at work when they travel around their community through patching pavement, filling potholes, and fresh paint.
- Panel members encouraged legislators to help make maintenance and preservation projects something that lawmakers can unveil and proudly take credit for, in partnership with local communities, businesses, residents, labor, and transportation agencies and providers.

Vision for the Future

Looking ahead, Panel members discussed their visions for the future of the statewide transportation system. Some considerations:

- **Equity**, including the perspectives of race and income, geography, and modes. Panel members acknowledged that equity may have different definitions and angles:
 - Prioritize investments based on need and how they affect how people live, including for people of color, low-income people, and people with disabilities.
 - Looking back historically and recognizing that some modal and geographic areas have received very little or no investment.
 - Investments across the whole state with projects that reach all corners and all areas.
 - A balance of west and east that is proportionate to infrastructure spending. Projects of regional significance that could benefit rural communities.
- **Economic growth:**
 - Moving people and goods efficiently helps reduce costs and can improve freight mobility.
 - Supporting growth of existing businesses, keeping the state competitive for future investment, and making sure people have jobs and products can get to the market.
- **Flexibility:** multimodal solutions require elimination of traditional stove-piped funding allocations for maximum efficiency.
- Acknowledge that there are **multiple sub-economies** within the state with differing and significant transportation system needs. There is no single solution that will address the significant need.
- Some expressed support for renewed emphasis on coordination between land use and transportation planning as called for in the GMA.

TRANSPORTATION POLICY GOALS

Is a revision to the statewide transportation policy goals warranted?

In response to the Supplemental Transportation Budget's added provision to this study,² we asked Panel members whether a revision to the statewide transportation policy goals was warranted. **The group was split evenly:** 9 said yes, 9 said no. We asked members to share their rationale for why they responded yes or no. Reasons below are a summary of themes and not direct quotes.

Reasons why a revision is warranted included:

- Greater emphasis is needed on equity.
- To promote and expand historically underfunded transportation modes necessary to solve the current and future mobility crises.
- To better tie transportation to land use and GMA goals.
- To guide investment decisions with a greater focus on environment and climate, health and climate, equity and environmental justice, and accessibility.
- Only in favor of small, incremental changes.

Reasons why a revision is not warranted included:

- Not the right group to rewrite; this is a time-consuming task that needs buy-in from legislators.
- Policy goals do not influence decision-making but are used as a tool to push agendas.
- When goals were last revised, care was taken to make them constructive, positive, broad, and multimodal. The goals still resonate and do not need a rewrite.

This Panel did not have the time nor the scope to discuss the purpose and content of the policy goals in detail, so given the even split we did not attempt to come to a consensus recommendation on whether the goals should be updated. Many in the group identified the need for further discussion on the policy goals and several have specific ideas on revisions. There is interest in engaging more and clarifying how the policy goals are used in decision-making. Members reminded the group that there are current discussions surrounding the policy goals, and this conversation could be taken up in those settings.

OTHER GUIDANCE

- **Connect to the Department of Commerce's 2021 State Energy Strategy.** The Department of Commerce is developing the 2021 State Energy Strategy collaboratively with stakeholders and members of the public. Given the stated focus on meeting the state's greenhouse gas reduction limits and increasing the use of clean energy for transportation there is a strong tie to transportation.
- **Connect to the Department of Revenue's Tax Structure Work Group.** Several members noted that approaches to revenue and investment policies should be holistic. As revenue proposals are introduced, they emphasize the importance of understanding changes to overall impacts to taxpayers, including consideration of who pays and who benefits.

² [Engrossed Substitute House Bill 2322](#), page 9.

- **Connect to the Governor’s Interagency Council on Health Disparities, Environmental Justice Task Force.** The Task Force is issuing a final report in 2020 that will include:
 - Guidance for using the Washington Environmental Health Disparity Map to identify communities that are highly impacted by environmental justice issues with current demographic data.
 - Best practices for increasing meaningful and inclusive community engagement that takes into account barriers to participation that may arise due to race, color, ethnicity, religion, income, or education level.
 - Measurable goals for reducing environmental health disparities for each community in Washington State and ways in which state agencies may focus their work towards meeting those goals.
 - Model policies that prioritize highly impacted communities and vulnerable populations for the purpose of reducing environmental health disparities and advancing a healthy environment for all residents.
- **18th Amendment:** Our panel had a spirited discussion on the importance and use of the 18th Amendment restriction on certain transportation revenues. Members are invested in this topic, and there are varying strong perspectives. We did not attempt to come to consensus in this group. Some perspectives for the Legislature to consider:
 - Some members emphasized the need to maintain the 18th Amendment restriction on use of certain new revenue sources, especially any revenues intended to replace the gas tax. They felt it is critical to ensure those revenues continue to be used for highway purposes.
 - Others were not concerned with the 18th Amendment restriction for the gas tax but would like to see any new revenues not be subject to the 18th Amendment restriction. Some were interested in directing funding to the Multimodal Account, or at a minimum restricting funds to transportation – not solely highway— purposes through other means in the transportation budget.

Final Thoughts

Over the course of four meetings, survey comments, and emails, the Panel shared their unique perspectives and considerable expertise on the revenue options and investment priorities generated in the Phase 1 Report which is presented here for consideration. The effort was professional, collegial, and collaborative, and points the way to possible funding mechanisms and scenarios that offer the most promise for the Legislature to consider. Some combination of incremental and innovative actions would maintain and shape a world-class transportation system that benefits the diverse needs of our state’s economy and its residents. Advisory Panel members and the organizations they represent stand ready to provide ongoing feedback and support as the Legislature faces the challenging task of passing a new revenue and transportation investment package.

Appendices

APPENDIX A: ADVISORY PANEL MEMBERS

Name	Representing
Judy Clibborn, Co-Chair	Former State Representative and House Transportation Committee Chair
Larry Krauter, Co-Chair	Spokane Airports
Genesee Adkins	American Council of Engineering Companies of Washington
Michael Cade	Washington Economic Development Association
Mike Ennis	The Association of Washington Business
Mayor Cassie Franklin	Association of Washington Cities
Johan Hellman	BNSF Railway
Alex Hudson	Transportation Choices Coalition
Rick Hughes	Washington State Association of Counties
Justin Leighton	Washington State Transit Association
Julianna Marler	Washington Public Ports Association
Luis Moscoso	All Aboard Washington
Rebecca Ponzio	Washington Environmental Council
Mark Riker	Washington State Building and Construction Trades Council
Neil Strege	Washington Roundtable
Andrew Thompson	Associated General Contractors of Washington
Brent Vander Pol	Washington Trucking Association
Kirk Vinish	The Affiliated Tribes of Northwest Indians (WA Delegation)

APPENDIX B: REVENUE OPTIONS SUMMARY

Potential New Revenue Sources	Adjustment Description Used for Estimate	10-year Estimate (2022-2031)	Ease of Implementation
New State Transportation Revenue Sources (new sources + sources not currently used for transportation)			
Carbon Pollution Fee	\$15 per metric ton	\$8.7B	●
Cap and Trade Revenues	Assumes 50% of estimate dedicated to transportation	\$3.5B	●
Road Usage Charge*	New charge per mile driven; Assumptions based on RUC WSTC study	\$2.5B	●
Air Quality Surcharge	Average new car surcharge (\$1,058)	\$1.0B	●
Statewide Special Transportation Benefit Assessment	New assessment on new construction	\$922M	●
Employee Payroll Tax	2017 estimate from JTC Transit Capital Needs Study ; growth rates from state population forecast	\$830M	●
Electric Vehicle Fuel Economy Rating Tax	Tax EVs as if drove on gasoline, based on federal fuel economy rating	\$760M	●
For Hire and TNC Fees	\$0.50 per trip	\$291M	●
Auto Parts Sales and Use Tax**	1% increase over state rate (6.5%) allocated to transportation	\$270M	●
Bicycle Sales and Use Tax**	1% increase over state rate (6.5%) allocated to transportation	\$10M	●
Existing Revenue Sources			
Existing State Transportation Revenue Sources (Rate Adjustments)			
Fuel Tax: rate increase	\$0.06 rate increase	\$2.3B	●
Indexed Fuel Tax	Index fuel taxes to inflation & fuel consumption. Inflation set to 1%.	\$1.3B	●
Passenger Vehicle Weight Fees: rate increase	\$10 rate increase	\$613M	●
Electric Hybrid Vehicle Fee: rate increase	\$200 rate increase	\$480M	●
Vehicle Registration Fees: rate increase	\$5 rate increase	\$325M	●
Light Duty Truck License Fee: rate increase	\$10 rate increase	\$142M	●
Capital Vessel Surcharge: rate increase	\$0.5 rate increase	\$88M	●
Rental Car Tax: rate increase	1% increase (from 5.9% to 6.9%)	\$70M	●
Trip Permit Fees (3-day): rate increase	\$25 rate increase	\$50M	●
Enhanced Driver's Licenses/Identicards: rate increase	\$6 rate increase	\$47M	●
Freight Project Fees: rate increase	10-22% increase, phased in over 5 biennia	\$47M	●
HOV Lane Violations: rate increase	\$64 increase to base fine	\$11M	●
Int'l Fuel Tax Agreement (IFTA) Decals: rate increase	\$22.5 rate increase (\$10 to \$32.5)	\$8M	●

*Assuming a road usage charge would replace the motor vehicle fuel tax and is not an additional charge. WSTC recommended that expenditures of RUC revenue should be subject to 18th Amendment.

**Existing state revenue that is not currently used for transportation

Legend	
Ease of Implementation	How operationally/administratively feasible is the option? To what extent are revenues reduced by collection/administrative costs?
Green highlights	Was not off the table for anyone
Grey highlights	Off the table for at least half

APPENDIX C: INTERVIEW SUMMARY

Ahead of the first meeting, BERK interviewed 15 of the 18 Advisory Panel Members. The following is a summary of the key themes that came up in those conversations.

What is the Panel uniquely suited to address?

- Revenue options and principles. Only then can we begin to address the needs
- Vision and desired outcomes for the statewide transportation system
- State transportation policy goals and criteria for how investments are selected
- More definition around equity

What are the tensions? (simplified)

- **Local versus state obligation** – locals know their needs, so provide authority to jurisdictions and districts to raise revenue versus transportation infrastructure is essential and cross-jurisdictional and as such should not depend on voter approval
 - Some locals will not be able to raise sufficient funds even with voter approval
- **18th Amendment** – some support the restrictions, others do not
- **Federal stimulus funds** could create pressure to fund “shovel ready” which might not produce an intentional response or address greatest need

Work in the time of COVID-19

- Always something external in play and one point in time; Don't focus on short-term to detriment of long-term
- Opportunity (imperative) to do things differently
- Transportation investment should be part of our economic recovery; respond to the inequities the pandemic laid bare
- Raising revenue in what could be a terrible recession
- Unanswered questions about future of transit, work from home, commute patterns; some changes will stick – so much we can't know right now
- Industrial lands proved critical as manufacturing has responded to current needs

PARTICIPATING MEMBERS

- Judy Clibborn, Co-Chair
- Larry Krauter, Co-Chair
- Genesee Adkins
- Mayor Cassie Franklin
- Johan Hellman
- Alex Hudson
- Rick Hughes
- Justin Leighton
- Julianna Marler
- Luis Moscoso
- Rebecca Ponzio
- Mark Riker
- Neil Strege
- Andrew Thompson
- Brent Vander Pol

Trends

- Awareness of how critical supply chains are, and that freight mobility matters to households
 - Supply chains are adaptable – cargo always finds its way to the end user
 - Trucking is faster and more fuel efficient right now.
 - More and smaller vehicles with e-commerce deliveries. Non-drivers may tax the infrastructure through the packages they have delivered – different ways to think about users
- Large companies can move to alternative fuels but not seeing widespread adoption
- Ferries are too expensive and as a result the system is in terrible shape
- Public transit is an essential service – transit dependent riders versus commuters
- Traffic is coming back; peak commuter hours may look different
- We can eliminate pollution and still have a traffic jam – unsure that cars are over

Revenue principles

- Require any package with new projects to include funds for maintenance
- Revenue needs protection so it is not swept for other needs
- Consider revenue frequency and amount. Large, one-time payments (vehicle licensing) versus small, ongoing payments (gas tax) change people's perceptions
- Prioritize the amount any source can generate as the needs are substantial
- Consider who pays and who benefits

Investment priorities

- **Maintenance and Preservation** – paying later adds costs; puts people to work immediately; good jobs follow the investment – not only about construction jobs; can't afford to lose anything we have
 - Economy moves on ships, trains, and trucks; all need an efficient network. Reinvest in basic trade infrastructure – Washington State has a bridge problem (Columbia River Crossing)
 - Advocate for the system overall and not specific projects
- **Preservation and safety** need to be priorities, they often get short shrift in packages
- What failure would create the greatest impact?
- What do we have now and how do we want it to work? Let's get creative
- **Electrification** of public vehicles and ferries – lead from within
- Growing support **for non-motorized** investments
- **Transit service network** is key and so is the workforce
- **More transit**, no more roads (additional capacity)
- Interdisciplinary projects like **fish passage**

Revenue options

- Continued support for gas tax, weight fees – administratively simple
- Support for a road usage charge, especially EVs to start and concern about administrative costs
- High-occupancy toll (HOT) lanes – user pays concept that works well
- Carbon surcharge on new cars
- Carbon tax of some sort and concerns around nexus
- Auto parts sales and use tax, bicycle sales tax/license, etc.
- Luxury vehicles tax (cars, planes, yachts)
- Flexible funds for transit
- Public private partnerships to catalyze and increase investment
- Local options for cities
 - Improve Transportation Benefit District legislation (longer duration, remove renewal cap, councilmanic versus council approved)
 - Local options tolls – there is an option not to pay
 - Address broader, regional needs by making local tools regional

General Guidance or Ideas

- Education needed – keep it simple, show cause and effect (what's in it for me?). We haven't communicated clear need statements which leads to conclusions that money is wasted
- Transportation infrastructure critical to state competitiveness. Good movement is a component of economic vitality
- Must be a bi-partisan strategy – feds are likely to put money into infrastructure investments
- Legislators need to be ready to stand in the fire
- Strive towards carbon neutral, update goals to include climate considerations
- Divide state into four to five regions with different visions/goals. Add social equity and environmental goals – e.g., use money from carbon fees generated on the West side to fund renewable energy platform in Lincoln County.

Work to Connect To/Be Aware of

- Department of Commerce, 2021 State Energy Strategy
- Department of Health, Environmental Public Health Data
- Legislator listening sessions, engagement efforts

APPENDIX D. EVALUATION OF POTENTIAL FUNDING OPTIONS

Note: This appendix was included in the Phase 1 report and available for reference during Phase 2.

New Revenues from State Sources

Jump to section:

- [Air Quality Surcharge](#)
- [Auto Parts Sales and Use Tax](#)
- [Bicycle Sales and Use Tax](#)
- [Cap and Trade Revenues](#)
- [Carbon Pollution Fee](#)
- [Electric Vehicle Fuel Economy Rating Tax](#)
- [Employee Payroll Tax for Transit](#)
- [For Hire and Transportation Network Company Fees](#)
- [Road Usage Charge](#)
- [Statewide Special Transportation Benefit Assessment](#)

Air Quality Surcharge

Description: A one-time charge on the sale of new vehicles, as well as a one-time charge on the remaining life of a vehicle being retitled in Washington for the first time. There would be no charge for the purchase of a used vehicle. The charge would vary based on a vehicle's estimated lifetime greenhouse gas pollution, which is calculated from average national driving habits and the car's EPA combined fuel economy rating.³

Legislative history: This option has not been proposed in the Legislature. The nonprofit organization Climate Solutions has supported this idea as a strategy to fill the funding gap left by Initiative 976.⁴

Burden: Purchasers of new vehicles; purchasers of used vehicles (indirectly).

Potential Benefits:

- A surcharge incentivizes purchasing more efficient, less polluting vehicles. Since the fee would be based on average national driving habits, the surcharge would not adversely impact rural or suburban drivers who typically must drive longer distances.
- Because the surcharge would be collected only at the point of first sale and would not require emissions monitoring, it would be relatively easy to implement and administer as compared to other emissions-based fees and taxes.

³ Climate Solutions, Air Quality Surcharge 2020.

https://www.climatesolutions.org/sites/default/files/uploads/pdf/air_quality_surcharge_2020_v3_feb_17.pdf

⁴ In October 2020, the State Supreme Court ruled that Initiative 976 was unconstitutional.

Potential Drawbacks:

- While the surcharge would only apply to new vehicles, some of the burden would be passed through to purchasers of used cars via increased down-the-line prices.
- Because the surcharge is based on the vehicle's estimated lifetime pollution and not vehicle price, lower-income buyers could pay a greater proportion of their income than higher-income individuals.

Note: The revenue estimate has been updated in the revenue model following the Phase 1 Report submission in June 2020.

Auto Parts Sales and Use Tax

Description: A 1% increase to the existing sales tax on auto parts in Washington State. Under the Forward Washington proposal, this revenue would be dedicated for transportation expenditures.

Legislative history: This was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: Purchasers of auto parts.

Potential Benefits:

- This tax would be simple to implement, as it would take advantage of existing systems for collecting retail sales and use taxes.
- The tax would be levied upon purchasers of auto parts, who are likely to be users of the public roadway system.
- By increasing the costs of owning a personal vehicle, the tax increase could encourage use of public transportation and other congestion-reducing transportation modes.

Potential Drawbacks:

- This revenue would be collected as a sales tax, meaning that lower-income individuals would pay a greater proportion of their income towards transportation funding than higher-income individuals.

Bicycle Sales and Use Tax

Description: A 1% increase to the existing sales tax on bicycles in Washington State. Under the Forward Washington proposal, this revenue would be dedicated for transportation expenditures.

Legislative history: This was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: Purchasers of bicycles.

Potential Benefits:

- This tax would be simple to implement, as it would take advantage of existing systems for collecting retail sales and use taxes.
- This would introduce a mechanism for bicycle riders, who do not currently pay fuel taxes or registration fees (in their capacity as cyclists), to contribute to State transportation funds.

Potential Drawbacks:

- This revenue would be collected as a sales tax, meaning that lower-income individuals would pay a greater proportion of their income towards transportation funding than higher-income individuals.
- Because the revenues would not be dedicated towards bicycle facilities, cyclists would be contributing to infrastructure used by motor vehicle owners (for example, highways or interchanges).
- By raising the cost of purchasing a bicycle, this tax could disincentivize the use of cycling as a mode of transportation. Cycling creates zero emissions, reduces traffic congestion, and can promote physical fitness for riders.

Cap and Trade Revenues

Description: A program that could cap statewide levels of greenhouse gas emissions at levels that decline over time. Businesses would be allowed to trade state-sold pollution allowances among themselves. Revenue from the sale of allowances would be dedicated for transportation purposes.

Legislative history: A cap and trade program was introduced to the State Legislature as SB 5981 in March 2019.

In a January 2020 State Supreme Court ruling, the court upheld a 2017 lower court decision that the State Department of Ecology had exceeded its legal authority in trying to apply Clean Air Act standards to “indirect emitters”—namely, petroleum and natural gas distributors. While this ruling does not preclude the State from implementing a cap and trade program, it does dictate the level at which the exchange could operate. Based on the ruling, the State could issue a cap on businesses that emit greenhouse gases, but not on businesses that distribute carbon-based fuels. Administering a cap and trade program is more costly the further “downline” it is applied because more businesses are involved, requiring more State management. However, this ruling is based on existing State law (the Clean Air Act) and the State Legislature could alter the Act to remove this provision.

Burden: Businesses; customers (indirectly).

Potential Benefits:

- Cap and trade revenues could incentivize reductions in greenhouse gas emissions.
- Revenues would be stable and predictable.

Potential Drawbacks:

- A cap and trade initiative failed in the past and could be challenging to implement.
- Implementing this option would require emissions monitoring to ensure that businesses do not exceed their allotted levels, which would increase the administrative costs of the program.
- Given the level of management and monitoring involved, and the interlocal nature of carbon pollution, a cap and trade program might not make sense for local governments and might only be effective at the state level.
- Cap and trade revenues would not be directly levied upon road users because it would be administered at the firm level. Still, the costs might be passed on to consumers.

Carbon Pollution Fee

Description: This was proposed in the 2019 legislative session as a \$15 or \$20 per ton carbon pollution fee on the sale or use of fossil fuels.

Legislative history: This was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019. A similar idea was previously proposed as Initiative 1631 in November 2018; that initiative failed in 36 of 39 counties and did not pass.

Burden: Businesses and individuals using fossil fuels.

Potential Benefits:

- A carbon pollution fee would discourage the use of fossil fuels and encourage fuel efficiency.
- The burden of collecting and remitting revenue would fall onto businesses—and could tie into their existing tracking systems for sales taxes—which would reduce the costs of administering the fee.

Potential Drawbacks:

- If oil refineries were to pass the costs on to consumers, consumers could face higher costs.
- A carbon fee could disproportionately affect lower-income consumers—particularly in the short-term—who are more likely to use older vehicles and older home heating systems, which utilize more carbon-based fuels.
- Carbon pollution fee initiatives have failed in the past and could be challenging to implement.
- In the long-term, carbon-emitting businesses could leave the state in favor of other states without a carbon fee. This could lead to lost jobs and reductions in other sources of State revenue, such as the B&O tax.
- Not all road users have vehicles that emit carbon—road users with electric or hybrid vehicles would pay less, which may not reflect their actual usage of roadways.

Electric Vehicle Fuel Economy Rating Tax

Description: An annual fee on electric vehicles based on the vehicle’s miles-per-gallon fuel economy rating, the gas tax that would otherwise apply, and the typical number of miles a car drives annually.⁵ This process includes two steps:

State and local gas taxes would be indexed to inflation and total fuel consumption.

The State would collect an annual EV fee based on what those vehicles would pay if they drove on gasoline.

Legislative history: The EV fuel economy rating tax is not currently proposed in the Legislature, but it has been supported by the National Resource Defense Council.

Burden: Owners of electric vehicles.

⁵ National Resource Defense Council, “A Simple Way to Fix the Gas Tax Forever,” 2019. <https://www.nrdc.org/experts/max-baumhefner/simple-way-fix-gas-tax-forever>

Potential Benefits:

- An EV fuel economy rating tax incentivizes reduced fuel consumption and more efficient vehicles. Currently, EVs pay an annual \$150 registration fee plus \$75 electrification charge in lieu of the gas tax, which can erode fuel cost savings that motivate consumers to buy EVs. Some believe the EV fuel economy rating tax would be a more equitable approach by incorporating fuel efficiency into the EV tax rate. An EV fuel economy tax would be relatively simple to implement, as it is based on available data and could be levied through the existing annual vehicle registration process.

Potential Drawbacks:

- Some argue that this approach is less equitable and suggest instead that all users should pay the same cost per mile rate (known as a VMT or road usage charge). EVs contribute to wear-and-tear on transportation infrastructure, and an EV rating tax would not account for the deterioration that an individual vehicle can cause based on the number of miles it travels.
- While an EV rating tax would be simpler to implement than an emissions-based or per-mile tax, it would be significantly more complex than the existing gas tax and vehicle registration systems, which would require no calculations related to vehicle efficiency.

Employee Payroll Tax for Transit

Description: A tax on payroll wages. Employers would withhold the tax from employees' wages.

Legislative history: Washington does not currently have a payroll tax. Oregon has a statewide payroll tax dedicated to transit funding. The *2019 JTC Transit Capital Needs Study* recommended this as an option because it is relatively easy to administer and can generate a lot of revenue.⁶

Burden: Employees.

Potential Benefits:

- An employee payroll tax would have a broad base applying to all wages and salaries.
- This would be relatively simple to administer since payroll taxes typically do not include deductions, exemptions, and credits. The program could function similarly to the Paid Family and Medical Leave Program and use administrative structures that are already set up.

Potential Drawbacks:

- An employee payroll tax could be regressive, meaning that lower-income individuals would pay a greater proportion of their income towards transportation funding than higher-income individuals.

⁶ JTC Transit Capital Needs Study, 2019.

http://leg.wa.gov/JTC/Documents/Studies/Transit%20Study_PaulNeal/Final_JTCTransitCapitalNeedsTechnicalReportandExecSum.pdf

For Hire and Transportation Network Company (TNC) Fees

Description: The State would collect fees from for-hire companies and TNCs. Currently, Washington's statewide regulations of for-hire companies and TNCs are limited to insurance requirements and driver's licensing requirements; cities and counties may individually regulate or collect driver, vehicle, and/or company licensing fees.

Legislative history: This was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: For-hire companies and TNCs; customers (indirectly).

Potential Benefits:

- A statewide for-hire/TNC fee would reduce the complexity associated with local versions of the fee. For-hire companies, TNCs, and local governments might invest significant resources in determining who receives local fee revenue, as many rides cross jurisdictional boundaries.
- The fee would account for the difference in road usage between a personal passenger vehicle and a passenger vehicle used on a for-hire basis or by a TNC.

Potential Drawbacks:

- Customers would most likely pay higher rates for rides. This could lead some customers to switch to driving their own vehicles, which increases congestion, emissions, and demand for parking spaces.
- A per-ride fee would function as an excise tax, which would place a proportionately larger tax burden on lower-income individuals than higher-income individuals.
- A single statewide rate could place a higher burden as a proportion of income on riders in Eastern Washington than Western Washington.

Road Usage Charge

Description: A pay-by-the-mile system of collecting revenues for transportation, also known as vehicle miles traveled (VMT) fees. If implemented, a road usage charge (RUC) would replace the current statewide motor vehicle fuel tax (gas tax). A RUC is a direct user fee where users of the road would pay based on how much they use the road, measured in distance driven.

Legislative history: In January 2020, the Washington State Transportation Commission (WSTC) submitted their final report recommending a phased transition to a RUC. This report followed a pilot from 2018-2019 that included 2000 participants who tried out a RUC system with four mileage reporting options and shared feedback through surveys and focus groups.

In the 2020 legislative session, three Senate Democrats introduced SB 6586 to create an initial RUC program for electric and hybrid vehicles to begin in 2024. Under SB 6586, the WSTC and DOL would develop an RUC plan by December 2021 with different mileage reporting options and recommended fee rates to minimize administrative costs.

Burden: All road users.

Potential Benefits:

- All users would pay the same for use of the roads, regardless of fuel efficiency. Some believe this would be a more equitable approach than the gas tax.
- Revenues could be used for maintaining and operating the entire roadway network, rather than being restricted to reinvestment in that same facility (as with tolling).

As vehicles become more fuel efficient and gas consumption decreases, state revenues from the gas tax will decline. The RUC could potentially generate a more stable source of transportation funding. Since revenue rises and falls with road usage, revenue follows more closely with system costs.⁷

Potential Drawbacks:

- Since all users pay the same for use of the roads, a RUC would eliminate the fee-based incentive to purchase fuel-efficient vehicles.
- Some are concerned that a RUC could disproportionately affect lower-income individuals who tend to live further away from work due to housing prices.
- A RUC would be more complex to administer than the gas tax because it would require tracking vehicle miles traveled. Such tracking would also raise some privacy concerns.

Given that the current gas tax has been pledged for debt repayment in the form of highway construction bonds, a potential transition to a RUC would require careful consideration of debt refinancing structures. The Steering Committee explored several options during the pilot.⁸

An alternative or additional option to a RUC is a **truck weight mile tax**, which would provide a more graduated tax system for trucks. A truck weight mile tax would assess larger trucks at a higher rate and would be based on the number of miles driven in Washington. Oregon uses a weight mile tax, where vehicles in commercial operations on public roads with a registered weight over 26,000 pounds pay a higher rate per mile.⁹ This option would be costly to administer and would not likely be supported by the trucking industry.

Statewide Special Transportation Benefit Assessment

Description: A new benefit charge assessment on new construction at varying rates for residential, commercial, and manufacturing projects.

Legislative history: This was proposed as part of Forward Washington, SB 5971 a transportation funding package proposed in 2019.

Burden: New construction: residential, commercial, manufacturing.

Potential Benefits:

- This option would generate dedicated property-based transportation revenue at the state level.

⁷ Washington State Transportation Commission, Road Usage Charge Assessment Final Report, 2020.

<https://waroadusagecharge.org/final-report/>

⁸ Washington Road Usage Charge Final Report, Volume 2. https://waroadusagecharge.org/wp-content/uploads/2020/01/WSTC-Final-Report-Vol-2-SC-Report-WEB-2020_01.pdf

⁹ Oregon DOT, <https://www.oregon.gov/odot/MCT/Pages/ReportYourTaxes.aspx>

- Benefit charges could be more equitable than property taxes, because they would account for the benefit that the property owner/developer receives from public services.

Potential Drawbacks:

- This option could increase housing costs, as charges are passed through to purchasers and renters by developers.
- This option would require additional administration beyond existing property tax structures. The State would need to calculate the benefit of state transportation services and facilities to new construction projects.

New Revenues from Existing State Sources (Rate Adjustments)

Jump to section:

- [Capital Vessel Surcharge](#)
- [Electric Hybrid Vehicle Fee](#)
- [Enhanced Driver's Licenses and Identical Cards](#)
- [Fuel Tax](#)
- [HOV Lane and Toll Violations](#)
- [Indexed Fuel Tax](#)
- [International Fuel Tax Agreement \(IFTA\) Decals](#)
- [Rental Car Tax](#)
- [Trip Permit Fees \(3-Day\)](#)
- [Vehicle Registration Fees](#)
- Weight Fees
 - [Freight Project Fees](#)
 - [Light Duty Truck License Fee](#)
 - [Passenger Vehicle Weight Fees](#)

Capital Vessel Surcharge: Rate Increase

Description: A per-fare surcharge imposed on tickets on Washington State Ferries. Revenues are currently restricted for the construction and purchase of new ferry vessels. The current total charge is \$0.50 per fare.

Legislative history: In 2011, the State first imposed a \$0.25 vessel replacement surcharge on one-way and roundtrip ferry tickets. In 2019, the Legislature approved an additional \$0.25 surcharge, to be collected beginning May 2020.

A rate increase to \$0.75 was proposed as part of Forward Washington, SB 5971 a transportation funding package proposed in 2019.

Burden: Ferry riders.

Potential Benefits:

- Costs for vessel replacement are paid by those who use the ferries.
- The fare is easy to administer and collect, as it is incorporated into the ticketing process for ferries.

Potential Drawbacks:

- This is a highly restricted revenue source that may only be used for replacing ferry vessels.
- All riders pay the same fee, regardless of their impact on the ferry vessel. Walk-on passengers and cyclists, who take up less space and cause less wear-and-tear on vessels, pay the same amount per trip as drivers of vehicles do.

Electric Hybrid Vehicle Fee: Rate Increase

Description: Owners of electric and hybrid vehicles pay an annual \$150 registration fee plus \$75 electrification charge as part of their vehicle registration bill. Because owners of these vehicle types do not pay the gas tax—or pay less in gas tax per mile-driven—this fee replaces lost gas tax revenue.

Legislative history: In 2012, the State Legislature implemented a \$100 annual registration fee for hybrid and electric vehicles. In 2015, the legislature increased the annual fee to \$150. In 2019, the legislature added a \$75 annual electrification fee to fund a statewide network of electric vehicle charging stations. Revenues are dedicated to the multimodal transportation account, the motor vehicle fund, and—for the \$75 fee—the electric vehicle account.

Burden: Owners of electric and hybrid vehicles.

Potential Benefits:

- Because owners of hybrid and electric vehicles currently pay no gas tax or a reduced gas tax, this fee ensures they contribute to public road funds. Some see this fee as introducing equity between owners of different vehicle types. Electric vehicle owners also fund the state electrification project, which they would benefit most from.
- This fee is simple to administer and collect because it is charged as part of an existing annual fee.

Potential Drawbacks:

- Increasing this fee could discourage consumers from purchasing more fuel-efficient vehicles. Electric vehicles are marketed for both the fuel efficiency benefits but also lower operating costs. As fuel prices steadily decrease, diminishing the operating cost savings incentive of purchasing a fuel-efficient vehicle, an increase in EV fees would further increase the relative cost of operating an EV.
- Unlike the gas tax, an annual fee is not affected by how many miles a vehicle owner drives. This means that electric and hybrid vehicle owners have less incentive to reduce their miles driven. It also means that vehicle owners who contribute more to road deterioration pay the same as those who contribute less.
- Hybrid vehicles owners pay for the state electrification project, which they are unable to use.

Enhanced Driver's Licenses and Identical Cards: Rate Increase

Description: Currently, a \$24 fee is collected from individuals who apply for an enhanced state driver's license or identification card. Revenues are dedicated to the State Highway Safety Fund.

Legislative history: The Legislature first imposed a \$15 fee on driver's license/identification card renewals in 2007. The \$24 rate was implemented in 2017 and represented a reduction from the \$54 rate established in 2016.

A rate increase to \$39 was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: State residents who apply for a driver's license/identification card and are US citizens, as only those with US citizenship are eligible for enhanced identification.

Potential Benefits:

- Revenues will increase in the 2019-2021 biennium as the federal government implements a new rule requiring enhanced identification for domestic air travel.¹⁰
- Revenues will remain predictable over time, as individuals renew identification and driver's license on a regular schedule.
- The fee is simple to collect, as it makes use of the State's current system for driver's license and identification renewals.

Potential Drawbacks:

- The fee is imposed on users of identification cards in addition to users of driver's licenses. Identification card users may not drive, and thus they may subsidize road users through this fee.

Fuel Tax Rate Increase

Description: The State currently collects a motor vehicle fuel tax (MVFT) of \$0.494 per gallon. Revenues are distributed to a variety of State transportation accounts and to cities and counties. It currently generates over \$3 billion in revenue per biennium.

Legislative history: The state gas tax was first imposed in 1921. The Legislature last authorized a fuel tax increase in 2015. The current rate was achieved with step increases in 2015 and 2016. Under the Forward Washington, SB 5971 funding proposal, the State proposed an additional \$0.06 beginning in July 2019.

Burden: Consumers.

Potential Benefits:

- The tax incentivizes using fuel efficient vehicles and reducing vehicle trips.
- The tax is straightforward to collect. Retailers impose the tax at the point of sale and transmit the revenue to the state.

¹⁰ The federal government's original implementation date of October 1, 2020 for the enhanced identification requirement was been postponed due to the COVID-19 pandemic. As of May 2020, the Transportation Security Administration has extended the deadline to October 1, 2021.

Potential Drawbacks:

- Revenues are declining over time as vehicles become more fuel efficient.
- The fuel tax burden does not necessarily correlate to a vehicle's contribution to road deterioration. For example, electric vehicles pay no fuel tax, but contribute to roadway wear-and-tear.
- The tax may disproportionately burden lower-income individuals who tend to live further away from work due to housing prices.

HOV Lane & Toll Violations: Rate Increase

Description: Fines imposed on individuals who violate laws restricting access to high occupancy vehicle (HOV) lanes, high occupancy toll (HOT) lanes, or express toll lane (ETL). Fines range from \$186 to \$536 and are issued to violators by the Washington State Patrol or local law enforcement.

Legislative history: The State approved the creation of HOV lanes in 1974. The current fine schedules were set in 2019.

A rate increase of \$114 was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: Individuals who violate HOV lane, laws.

Potential Benefits:

- The fines discourage HOV lane, HOT lane, and ETL violations, preserving the incentive to carpool.
- Fines accrue to single-occupancy drivers, who have a higher impact on roadway deterioration as compared to carpool or transit vehicles.

Potential Drawbacks:

- Fines are not tied to a violator's income, reducing the burden on higher-income individuals, as well as their incentive to abide by the law.
- It can be costly and difficult to enforce HOV lane, HOT lane, and ETL violations.

Indexed Fuel Tax

Description: Adjustable fuel tax rate based on inflation or oil prices. This contrasts with Washington State's existing flat per-gallon fuel tax.

Legislative history: The state gas tax was first imposed in 1921. A variable motor fuel tax was authorized in 1977 and repealed in 1983.¹¹ The Legislature last authorized a fuel tax increase in 2015, raising the tax to its current rate with step increases in 2015 and 2016.

Burden: Consumers.

¹¹ U.S. Department of Transportation Federal Highway Administration *Highway Statics Summary to 1985* and Federation of Tax Administrators Research Report No.77, *Trends in State Tax Legislation 1976 - 1977*

Potential Benefits:

- The tax allows fuel tax revenues to keep pace with inflation, reducing the gap between infrastructure costs and revenues.
- The tax can stabilize fuel tax revenues when oil prices rise. Under a per-gallon tax, revenues can fall when prices rise, as consumers purchase less fuel.

Potential Drawbacks:

- The tax requires the State to monitor inflation and prices and adjust the tax rate in response.
- The tax retains the other problems with the existing fuel tax—the tax burden does not correlate to a vehicle’s contribution to road deterioration, and the tax may disproportionately burden lower-income individuals who tend to live further away from work due to housing prices.

International Fuel Tax Agreement (IFTA) Decals: Rate Increase

Description: Commercial vehicles meeting certain size and weight requirements must purchase and display IFTA decals if operating in Washington State. The current cost for IFTA decals is \$10 per set per year. Revenues are deposited into the State Motor Vehicle Account.

Legislative history: IFTA decals were first required in Washington in 2002. The \$10 fee has been in place since that year. Raising the annual fee to \$32.50 in July 2020 was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: Operators of commercial vehicles.

Potential Benefits:

- Charging and raising the fee is easy to implement because operators are already required to purchase and display the decals.
- The decal fee is collected from commercial vehicle operators, whose vehicles have a greater impact on road deterioration than passenger vehicles.

Potential Drawbacks:

- The fee raises costs for commercial freight transportation in Washington State.
- The flat fee means that owners of vehicles of different weights—with different impacts on the road system—pay the same amount towards public road preservation.

Rental Car Tax: Rate Increase

Description: Currently a 5.9% excise tax on short-term rentals of vehicles in Washington State. The tax only applies to rentals of less than 30 days. Revenues are deposited into the State Multimodal Transportation Account. Regional transit authorities (RTAs) can impose an additional 0.8%. RTA revenues fund light rail, commuter rail, and express bus systems.

Legislative history: A rate increase to 6.9% was proposed as part of Forward Washington, a transportation funding package proposed in 2019.

Burden: Individuals and businesses renting vehicles.

Potential Benefits:

- The tax burden falls primarily on those who live outside of Washington State, but who utilize the state's roadway system.
- The tax burden falls primarily on those who are traveling for business or leisure, reducing some of the equity concerns associated with other sales and excise taxes.
- The tax is straightforward to collect, as it makes use of existing systems for collecting retail sales taxes.

Potential Drawbacks:

- Taxes that increase the cost of travel to and in Washington State may discourage tourism and business travel to the state.
- Revenues will likely decline over time as for-hire and TNC trips become more popular among travelers.

Trip Permit Fees (3-day): Rate Increase

Description: Owners of unregistered vehicles purchase a trip permit fee that allows them to temporarily operate the vehicle on public highways. The current permit fee is \$25.

Legislative history: The State Legislature first introduced the trip permit fee in 1957. It was raised to its current rate in 2010. An increase in the trip permit fee to \$45 was proposed as part of Forward Washington, a transportation funding package proposed in 2019.

Burden: Owners of unregistered vehicles.

Potential Benefits:

- The fee is paid by road users who do not otherwise contribute to state roadway funds through vehicle registration fees.

Potential Drawbacks:

- The fees are more costly to administer than registration fees, because administration requires individual transactions for each permit purchased.
- Increases in the fees may disproportionately impact lower-income individuals or smaller businesses, some of whom use the permits to avoid registration fees on vehicles they rarely use or move.

Vehicle Registration Fees: Rate Increase

Description: Owners of cars, motorcycles, and other vehicles pay an annual \$30 registration fee. Revenues are distributed to the State Highway Patrol Account, Puget Sound Ferry Operations Account, Transportation Partnership Account, and Motor Vehicle Account.

Legislative history: Vehicle registration fees were first imposed in 1909 and raised to its current rate in 2000. A proposed fee increase from \$30 to \$35 was included in Forward Washington, SB 5971, a proposed funding proposal in 2019.

Burden: Vehicle owners.

Potential Benefits:

- The fee is easy to administer as it is collected as part of the annual vehicle registration process.
- Revenue is stable and predictable because the fee is levied at a flat rate and total vehicle numbers do not change dramatically from year to year.
- The tax burden is paid by vehicle owners, who are all road users to some degree.

Potential Drawbacks:

- The flat-rate fee does not reflect how intensely vehicle owners use road facilities. Miles traveled, vehicle emissions, and vehicle weight all contribute to the strain that a vehicle places on infrastructure and are not accounted for in this model.

Weight Fees

Freight Project Fees: Rate Increase

Description: Owners of vehicles over 10,000 pounds must pay a fee equal to 15% of the vehicle's license fee, which is based on vehicle weight.

Legislative history: The State Legislature introduced the 15% freight project fee in 2016.

A phased increase of an additional 10% to 22% in fees over 10 years was proposed as part of Forward Washington, SB 5971, a transportation funding package proposed in 2019.

Burden: Owners of trucks weighing over 10,000 pounds.

Potential Benefits:

- The fee is simple to administer as they are collected through the annual vehicle registration process.
- The fee places a higher burden on heavier vehicles, which contribute more to road deterioration.

Potential Drawbacks:

- The fee does not incorporate vehicle miles traveled, which also contributes to a vehicle's impact on roadway deterioration.

Light Duty Truck License Fee: Rate Increase

Description: Owners of trucks pay an annual registration fee based on vehicle weight. Annual fees for light duty trucks (under 10,000 pounds) range from \$38 to \$60 depending on weight.¹²

Legislative history: The State Legislature first approved vehicle weight fees in 1987. The current rates were set in 2015. Weight fees are scheduled to increase by \$10 in 2023. Raising the fees for light duty trucks, which are under 10,000 pounds, by \$10 was proposed as part of Forward Washington, a transportation funding package proposed in 2019.

Burden: Owners of light duty trucks.

Potential Benefits

- The fee discourages the use of heavier vehicles, which cause more damage to public roadways.
- The fee is easy to implement, as it makes use of the current vehicle registration system.

Potential Drawbacks

- The fee does not fully tie payers' tax burden to actual usage of transportation facilities—while vehicle weight contributes to road deterioration, volume of miles traveled also plays a role.

Passenger Vehicle Weight Fees: Rate Increase

Description: Owners of passenger vehicles and motor homes currently pay an annual registration fee based on vehicle weight. The fee varies depending on the weight category of the vehicle.

Legislative history: The State Legislature first approved vehicle weight fees in 1987. The current rates were set in 2015. Weight fees are scheduled to increase by \$10 in 2023. Raising the \$35-\$82 rates by \$10 was proposed as part of Forward Washington, a transportation funding package proposed in 2019.

Burden: Owners of motor homes and passenger vehicles.

Potential Benefits:

- The fee discourages the use of heavier vehicles, which cause more damage to public roadways.

Potential Drawbacks:

- The fee does not fully tie payers' tax burden to actual usage of transportation facilities—while vehicle weight contributes to road deterioration, volume of miles traveled also plays a role.

¹² RCW 46.17.355

Potential Local Transportation Revenue Options

Jump to section:

- [Community Facilities Districts](#)
- [Lift One Percent Property Tax Cap](#)
- [Household Excise Tax](#)
- [Local Option Rental Car Sales Tax](#)
- [Local Option Tolls](#)
- [Local Motor Vehicle Fuel Tax Adjustment](#)
- [Local Tax for Truck, Delivery Vehicle, or Larger Vehicles and/or Businesses Using Them](#)
- [Street Utility/Road Benefit Charge](#)
- [Transportation Benefit District Utility Tax Option](#)
- [Transportation Benefit District Sales Tax Adjustment](#)

Community Facilities Districts (CFDs)

Description: Funding mechanisms used to fund infrastructure projects where residential and community property owners are charged an annual fee for the benefit of infrastructure on the area.¹³ CFDs are regional and not tied to a specific facility.

Legislative History: The legislature enacted ESSB 6241 in 2010 to allow the use of CFDs.¹⁴ This funding option is outlined in RCW 36.145, though it is unclear whether it is currently used in the state. This option is used in California, Arizona, Illinois, New Mexico, and Hawaii.¹⁵

Potential Benefits:

- CFDs could work well for regional transportation projects since there is no direct connection between the properties that would pay the tax and the specific facilities that would be funded.¹⁶

Potential Drawbacks:

- There would be no specific connection between properties that would pay the tax and the specific facilities that would be funded.

¹³ JTC Long-Term Transportation Financing Study, January 2007.

<http://leg.wa.gov/JTC/Documents/TransportationFinancingStudyJan07.pdf>

¹⁴ MRSC, Legislative Enacts Community Facilities District Legislation – A Very Modest Step, 2011.

<http://mrsc.org/getmedia/1A7F32AB-C65C-4C4F-868A-F7B72582F558/bs11cfd.aspx>

¹⁵ Report to the Washington Legislative Transportation Committee, Study of Alternative Transportation Project Funding Options, April 2005. <http://leg.wa.gov/JTC/Documents/AltFinFinalRpt.pdf>

¹⁶ *Ibid.*

Lift One Percent Property Tax Cap

Description: Currently, growth of property tax revenue is limited to 1% plus the value of new construction. This option would allow jurisdictions to lift that cap permanently by voter approval.

Legislative History: Senate Bill 6114, introduced in the 2015 legislative session, proposed increasing the limit to 3% or the current rate of inflation, whichever is less in any given year. The same bill was reintroduced in the 2016 legislative session. House Bill 2145, introduced in the 2019 legislative session, proposed lifting the 1% property tax cap and tie the rate to inflation and population growth.

Potential Benefits:

- Since most local spending comes from general revenues, the 1% cap limits local tax collections. Raising the property tax 1% limit would allow local jurisdictions to generate sufficient revenue to match expenses, such as criminal justice, construction, labor, and benefit costs that rise faster than 1% per year due to inflation.

Potential Drawbacks:

- The ability for local jurisdictions to collect additional property tax revenue would depend on voter approval. Differences in property tax rates could potentially widen the gap in government revenues collected across communities.

Household Excise Tax

Description: Per RCW 35.95.040, local agencies may impose a household excise tax of up to one dollar per month per household to support its transit system, but this may not be imposed concurrently with transit sales tax.¹⁷ Currently, only the City of Pullman is allowed to levy this tax pending voter approval.¹⁸ Most transit agencies use the sales tax rather than this option. The JTC Transit Capital Needs Study discussed allowing this option for transit agencies.¹⁹

Legislative History: Currently, up to one dollar per month of a household excise tax may be charged for transit purposes by voter approval, but it cannot be used concurrently with sales and use tax for transit. The legislature would need to act to allow this revenue source to be used by transit agencies that are also using sales tax.

Potential Benefits:

- A household excise tax would be a relatively stable revenue option, since economic changes are not closely related to household changes.

Potential Drawbacks:

- This tax would require a new administrative cost since there is no administrative structure already collecting this type of tax in Washington.
- This tax could be regressive since lower-income households would pay a higher proportion of their income on this tax.

¹⁷ MRSC Revenue Guide for Cities and Towns, 2019.

¹⁸ JTC Transit Capital Needs Assessment, June 2019.

http://leg.wa.gov/JTC/Documents/Studies/Transit%20Study_PaulNeal/Final_JTCTransitCapitalNeedsTechnicalReportandExecSum.pdf

¹⁹ *Ibid.*

Local Option Rental Car Sales Tax

Description: RCW 82.08.020(2) and RCW 82.14.049 currently allow the State and counties to levy a sales tax on retail car rentals. The State levies a 5.9% sales tax on retail car rentals, the proceeds of which accrue to the Multimodal Transportation Account and can be used for transportation purposes appropriated by the legislature. Counties may impose a 1% sales tax on taxable retail car rentals to fund public sports stadiums and other sports facilities without voter approval. As of 2017, this tax has been imposed in five counties: Franklin, King, Kittitas, Pierce, and Spokane.

The 2019 JTC City Transportation Funding Study recommended creating a local option of the retail car rental sales tax for cities to generate revenues dedicated to transportation purposes, specifically for street maintenance.²⁰

Legislative History: This option was proposed in Senate Bill 6652 and House Bill 2362 (companion bills) in the 2019 legislative session; the bill did not pass.

Potential Benefits:

- This would allow cities to impose a local version of a rental car tax that currently may be used by the State and counties.
- In cities with substantial car rental activity, particularly those with commercial airports, this option could help generate revenue to cover additional costs of higher growth areas.

Potential Drawbacks:

- This option would likely apply to less than 30 cities with commercial car rental activity, based on analysis conducted in the JTC City Transportation Funding Study.

Local Option Tolls

Description: Washington currently has five toll facilities: SR 520 Bridge, Tacoma Narrows Bridge, SR 167 HOT Lanes, I-405 Express Toll Lanes, and SR 99 Tunnel. Tolls could be implemented on new or existing facilities. Toll revenues must be dedicated to funding the facilities or infrastructure where the tolls are collected. Local option tolling would allow local or regional entities to implement tolling, where local or regional jurisdictions would control rates, policies, and revenues.

Legislative History: Currently, the legislature authorizes tolls, the Washington State Transportation Commission sets rates and policy, and WSDOT implements toll facilities. Washington does not have local option tolling.

Local option tolling has been used in other urban areas including Dallas-Fort Worth, Houston, Miami, New York City, Orange County-California, Orlando, San Diego, and Tampa.²¹

Potential Benefits:

- Revenue collected from tolls would be dedicated to funding the transportation infrastructure where they would be collected.

²⁰ JTC Assessment of City Transportation Funding Needs, June 2019.

http://leg.wa.gov/JTC/Documents/Studies/Final_CityFundingReport.pdf

²¹ Transportation Futures, Overview of Transportation Funding, April 2015. <http://www.thefuturetaskforce.org/wp-content/uploads/2015/11/Transportation-Funding-04-24-15-Revised.pdf>

- Local option tolls could support reduced travel times and increased bus transit speeds.

Potential Drawbacks:

- The tolls would require new administration and implementation costs since this would be a new revenue collection structure.
- Without a toll rebate program, tolls could disproportionately impact low-income households who would pay a proportionately higher share of their income. With a toll rebate program, however, low-income households could receive a rebate to alleviate their burden.²²

Local Motor Vehicle Fuel Tax Adjustment

Description: RCW 82.38.010(2) currently allows counties to impose a motor vehicle and special fuel tax, the proceeds of which are distributed to the unincorporated county and cities using a per capita formula. The local option tax must be approved by a simple majority of voters and must be levied in an amount equal to 10% of the statewide fuel tax rate. To date, no counties are enacting this tax. Spokane County and Snohomish County have attempted to levy this tax, and both ballot measures failed.

The 2019 JTC City Transportation Funding Study recommended two changes to this option:²³

- Make the language around the motor vehicle and special fuel tax more flexible to allow counties to impose a tax *less than* 10% of the statewide fuel tax rate, rather than *equal to* 10%; and
- Require that the ballot communicate the tax rate *in cents* to make it more relevant and easier to understand for voters.

Legislative History: This option was proposed in Senate Bill 6652 and House Bill 2362 (companion bills) in the 2019-2020 legislative session; the bill did not pass.

Potential Benefits:

- This adjustment would make the ballot language more clear and easier for voters to understand.
- This change would give counties more flexibility to decide what rate to impose.

Potential Drawbacks:

- The local option tax has not been successfully imposed in any counties.

Local Tax for Truck, Delivery Vehicle, or Other Large Vehicles and/or Businesses Using Them

Description: This would be a locally imposed charge for trucks, delivery vehicles, or other large vehicles and/or the businesses using those vehicles.

Legislative History: This idea has not been proposed in the Legislature.

²² Transportation White Paper: Fair and Efficient Congestion Pricing for Downtown Seattle, July 2019. <https://sightline-wpengine.netdna-ssl.com/wp-content/uploads/2019/07/ECONW-Fair-and-Efficient-Congestion-Pricing-Paper.pdf>

²³ JTC Assessment of City Transportation Funding Needs, June 2019. http://leg.wa.gov/JTC/Documents/Studies/Final_CityFundingReport.pdf

Potential Benefits:

- Since these larger vehicles cause greater degradation to infrastructure than other vehicles, they would pay additional fees for their use of the transportation system. Proponents see this as a more equitable approach to align users with payers.

Potential Drawbacks:

- This tax could discourage business activities that require trucks, delivery vehicles, and large vehicles.

Street Utility/Road Benefit Charge

Description: Street utility fees treat transportation systems like utilities in which residents and businesses pay based on their use of the system, rather than on the value of their property. Typically, charges are based on the number of trips generated by different land uses.

Legislative History: The street utility was found unconstitutional in 1995.

Starting in 1990, City Street Utility Charges were authorized in Washington under RCW 82.80.040, allowing any city or town to establish a street utility to generate revenue in an amount up to 50% of the costs for transportation maintenance, operation, and preservation. When authorized, 12 cities adopted the charge.²⁴ The Washington State Supreme Court declared the fee invalid in November 1995 on the grounds that it was an unconstitutionally imposed property tax.²⁵

In 2012, the state legislature directed the Washington State Transportation Commission to study the feasibility of a similar mechanism, a road usage charge. A road usage charge is a per-mile charge drivers would pay based on the number of miles they drive, rather than by the number of gallons of gas purchased as with the current gas tax. The approach is similar to how people pay for their utilities, including electricity or water. The study was submitted to the Legislature in 2020.

Potential Benefits:

- A street utility would charge users based on their use of the transportation system. Proponents see this as a more equitable approach to collecting transportation revenues.

Potential Drawbacks:

- The street utility has been previously found unconstitutional in Washington and may not be viable.

Transportation Benefit District Utility Tax Option

Description: Any city or town can form a TBD under Chapter 36.73 RCW to raise revenues for transportation purposes. One of the recommendations from the 2019 JTC City Transportation Funding Study was that TBD authorities be amended to create a new option for TBDs to increase 6% capped utility taxes by 2% and dedicate the funds to transportation.²⁶

²⁴ Grandview, Kent, Mabton, Marcus, Medical Lake, Richland, Seattle, Snoqualmie, Soap Lake, Union Gap, Wenatchee, and Wilkeson.

²⁵ Supreme Court of Washington, Covell v. Seattle. <https://casetext.com/case/covell-v-seattle>

²⁶ JTC Assessment of City Transportation Funding Needs, June 2019.
http://leg.wa.gov/JTC/Documents/Studies/Final_CityFundingReport.pdf

RCW 35.21.870 currently allows cities and towns to impose business and occupation taxes upon the gross operating revenues of public and private utilities that provide service within the boundaries of the jurisdiction imposing the tax. There is no restriction on tax rates for water, sewer, solid waste, and stormwater utilities, but the tax rate for electric, gas, steam, and telephone utilities is capped at 6%.

The 2019 JTC City Transportation Funding study's recommendation is to create an additional councilmanic authority for Transportation Benefit Districts in RCW 36.73.040. This would allow TBDs to increase utilities capped in statute at 6% (electric, gas, steam, and telephone) by 2% and dedicate the increase to transportation uses, creating a new dedicated transportation funding source.

Legislative History: This option was proposed in Senate Bill 6652 and House Bill 2362 (companion bills) in the 2019-2020 legislative session; the bill did not pass.

Potential Benefits:

- A TBD utility tax option would use an existing authority and allow additional revenues to be dedicated to transportation.

Potential Drawbacks:

- TBDs must be imposed by voter approval; only places that can establish a TBD would be able to also impose a TBD utility tax option.

Transportation Benefit District Sales Tax Adjustment

Description; RCW 82.14.0455 allows TBDs to impose a sales tax up to 0.2% with the approval of a simple majority of voters. Unlike most sales tax options, the TBD sales tax has a maximum duration of 10 years with the option to reintroduce the tax to the voters every 10 years in perpetuity. Uncertainty over duration of this source makes it harder to use for projects or to support a long-term maintenance program. One recommendation from the 2019 JTC City Transportation Funding Study was to remove the 10-year sunset provision from the RCW to allow the TBD sales tax option to exist in perpetuity like other voted sales tax options.²⁷ Two other options related to the TBD sales tax are to double the sales tax rate or to allow the sales tax to be imposed by councilmanic action, rather than by vote.

Legislative History: Senate Bill 6652 and House Bill 2362 (companion bills), which addressed local transportation revenue options in the 2019-2020 legislative session, proposed:

- Doubling the sales tax rate to 0.4%;
- Allowing the sales tax to be imposed by councilmanic action; and
- Doubling the length of the tax to 20 years.

Potential Benefits:

- This option would use an existing authority while increasing revenue-generating potential of an existing revenue source.
- These adjustments make it easier for local jurisdictions to implement and maintain this funding source.

²⁷ JTC Assessment of City Transportation Funding Needs, June 2019.
http://leg.wa.gov/JTC/Documents/Studies/Final_CityFundingReport.pdf

Potential Drawbacks

- Increasing TBD authority might not be a viable option given voter passage of Initiative 976, which removes other TBD authorities.²⁸

²⁸ Note: In October 2020, the State Supreme Court ruled that Initiative 976 was unconstitutional.