

# Transportation Finance

*1989–2000*



Puget Sound Milestones

Puget Sound Regional Council

APRIL 2003

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## ***Puget Sound Milestones: Transportation Finance 1989-2000***

*Funding for this report provided in part by member jurisdictions, grants from the U.S. Department of Transportation, Federal Transit Administration, Federal Highway Administration and Washington Department of Transportation.*

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## Table of Contents

Table of Contents.....	3
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>1</b>
Monitoring VISION 2020 and <i>Destination 2030</i> .....	1
Puget Sound Milestones: A New Series of Reports .....	1
Monitoring Transportation Finance .....	2
Financial Data Note.....	2
<b>CHAPTER 2: POLICY CONTEXT.....</b>	<b>3</b>
Multi-County Planning Policies .....	3
<i>Destination 2030</i> Finance Principles .....	4
<b>CHAPTER 3: TAX-BASES AND KEY REVENUE SOURCES .....</b>	<b>6</b>
<b>CHAPTER 4: REVENUES AND EXPENDITURES BY PROGRAM .....</b>	<b>8</b>
City Streets .....	9
County Roads.....	10
Transit Operators.....	12
State Highways.....	14
State Ferries .....	16
The Full Costs of Transportation .....	18
<b>CHAPTER 5: FISCAL POLICY ANALYSIS.....</b>	<b>19</b>
Recent Changes Not Reflected in Historical Data Through 2000 .....	19
Initiative 695.....	19
Initiative 747 .....	21
Initiative 776.....	22
Voter Approved Transit Measures .....	23
Revenue Predictability and Sustainability.....	23
A Reasonable Revenue Return for State and Federal Funds .....	26
<b>CHAPTER 6: FINANCIAL FORECASTS.....</b>	<b>28</b>
Economic Forecasts .....	28
Tax-Base Forecasts .....	28
Programmatic Revenue Projections .....	29
Revenue Forecast Monitoring .....	30
<b>CHAPTER 7: A FEW GENERAL FINDINGS .....</b>	<b>31</b>

## List of Figures

Chart 3.1	Inflation-Adjusted Tax-Base and Population Change: Central Puget Sound Region 1990-2000 .....	6
Chart 3.2	All Transportation Revenues Associated with Tax-Bases and Other Sources: Central Puget Sound Region 1989-2000 .....	7
Table 4.1	Regional Transportation Revenues 1989-2000.....	8
Chart 4.1	City Streets Revenues, 1989-2000 .....	9
Chart 4.2	City Streets Expenditures, 1989-2000 .....	10
Chart 4.3	County Roads Revenues, 1989-2000 .....	11
Chart 4.4	County Road Expenditures, 1989-2000 .....	11
Chart 4.5	Local Transit Sources of Funds, 1989-2000 .....	12
Chart 4.6	Local Transit Uses of Funds, 1989-2000 .....	13
Chart 4.7	Regional Transit Sources of Funds, 1998-2000.....	14
Chart 4.8	Regional Transit Uses of Funds, 1998-2000.....	14
Chart 4.9	State Highway Sources of Funds, 1989-2000 .....	15
Chart 4.10	State Highway Uses of Funds, 1989-2000.....	15
Chart 4.11	State Ferry Sources of Funds, 1989-2000 .....	16
Chart 4.12	State Ferry Uses of Funds, 1989-2000 .....	17
Chart 4.13	Estimates of the Full Costs of Transportation, 1998.....	18
Chart 5.1	MVET Loss as a Result of I-695: Local Transit Revenues: Central Puget Sound Region, 1999-2000 .....	20
Chart 5.2	Scenario Analysis – County Road Levy and Other Revenue Sources.....	21
Chart 5.3	King, Pierce, and Snohomish County Local Revenues, 1991-2000: City and County Vehicle License Fees and Total Local Sources.....	22
Chart 5.4	Regional Transit Revenues, 1998-2000: MVET Revenues and Total Sources.....	23
Chart 5.5	City Transportation Revenues in the Central Puget Sound Region, 1989-2000: Per Capita Inflation-Adjusted (Year 2000) Dollars .....	24
Chart 5.6	County Transportation Revenues in the Central Puget Sound Region, 1989-2000: Per Capita Inflation-Adjusted (Year 2000) Dollars .....	24
Chart 5.7	Local Transit Revenues in the Central Puget Sound Region, 1989-2000: Per Capita Inflation Adjusted (Year 2000) Dollars.....	24
Chart 5.8	State Highway Revenues in the Central Puget Sound Region, 1989-2000: Per Capita Inflation-Adjusted (Year 2000) Dollars .....	25
Chart 5.9	State Ferry System Revenues in the Central Puget Sound Region, 1989-2000: Per Capita Inflation-Adjusted (Year 2000) Dollars .....	25
Chart 5.10	Public Transportation Expenditures as a Percent of Personal Income: Central Puget Sound Region, 1989-2000 .....	26
Chart 5.11	State and Federal Revenue Return Ratio, 1985-2000: Expenditures Compared with Revenues Generated.....	27
Table 6.1	Inflation-Adjusted Per Capita Revenue in the Central Puget Sound: Historical Data 1991-2000, and Projected Data 2001-2010.....	29
Table 6.2	Projected Transportation Revenues in the Central Puget Sound Region: By Transportation Program in Constant Dollars, 2001-2030.....	30

# CHAPTER 1: INTRODUCTION

## Monitoring VISION 2020 and *Destination 2030*

The central Puget Sound region of Washington state has experienced a remarkable period of growth over the last two decades. The region responded to the challenges associated with economic prosperity and rapid change with VISION 2020 and *Destination 2030*. VISION 2020, adopted in 1990 and updated in 1995, is a comprehensive framework and coordinated regional strategy for growth management and transportation that stresses the shared importance of environmental protection, economic well-being, and better mobility. *Destination 2030* serves as the official long-range regional and metropolitan transportation plan.

Key to realizing the vision put forth in these two documents is ensuring that the region is able to measure progress over time, determine whether planned actions are occurring, and whether these actions are achieving desired results. Plan and performance monitoring is the link that connects the policies contained in the plans with real outcomes. The information generated by monitoring efforts will help provide the region's decision makers with the knowledge and tools they need to update and refine the region's plans and programs, and to make critical choices about its future.

Working with local jurisdictions, public agencies, and others, the Regional Council has developed a monitoring program designed to track and regularly report on the region's progress toward implementing the policies and achieving the goals put forth in VISION 2020 and *Destination 2030*.

## Puget Sound Milestones: A New Series of Reports

Milestones represent both particular points along a journey marking distances from a given starting place, as well as significant events in history. The Regional Council's new Puget Sound Milestones publication series will monitor the growth and transportation issues and milestones of importance to the region, through an ongoing series of focused, topically oriented reports.

The program consists of two distinct types of monitoring:

- **System Performance and Trend Monitoring:** This type of monitoring entails measuring, analyzing, and reporting on the characteristics and performance of the transportation system and regional demographic and growth trends.

### About the Puget Sound Regional Council

The Puget Sound Regional Council is an association of cities, towns, counties, ports, and state agencies that serves as a forum for developing policies and making decisions about regional growth management, economic, and transportation issues in the four-county central Puget Sound region.

The Regional Council is designated under federal law as the Metropolitan Planning Organization (required for receiving federal transportation funds), and under state law as the Regional Transportation Planning Organization, for King, Kitsap, Pierce, and Snohomish counties.

The Regional Council's members include the four counties and 70 of the region's 82 cities and towns. Other statutory members include the three port authorities of Everett, Seattle, and Tacoma, the Washington State Department of Transportation, and the Washington Transportation Commission. In addition, a memorandum of understanding with the region's six transit agencies outlines their participation in the Regional Council. Associate members include the Puyallup Tribe of Indians and the Tulalip Tribes, the Port of Bremerton, Island County, Thurston Regional Planning Council, and the University of Washington Evans School of Public Affairs.

The Puget Sound Regional Council is a comprehensive planning agency that does not duplicate the activities of local and state operating agencies, but supports their needs with complementary planning and advocacy, and serves as a center for the collection, analysis, and dissemination of information vital to the citizens and governments in the region.

As the region's designated Metropolitan Planning Organization and Regional Transportation Planning Organization, the Puget Sound Regional Council has specific planning responsibilities under federal and state laws, including the federal Transportation Equity Act for the 21st Century (TEA-21) and Clean Air Act, and state Growth Management Act (GMA), as well as responsibilities pursuant to the Interlocal Agreement signed by all its members. These statutes include requirements that the Regional Council periodically review and update both VISION 2020 and *Destination 2030*.

- Plan Implementation Monitoring: This type of monitoring involves tracking and documenting local, regional, and state progress toward implementing the planned projects, programs, and policies outlined in the regional plans.

The Regional Council's new program will conduct both types of monitoring to provide policymakers and the public with answers to questions like *"How is the region's transportation system doing?"* and *"How is the region growing and changing over time?"* as well as *"Are we building the projects, developing the services, and implementing the policies that we said we would?"*

## Monitoring Transportation Finance

The successful implementation of Destination 2030 relies upon investment in a wide variety of transportation projects and programs by numerous implementing organizations. Each organization has its own legal, institutional, political, and financial mandates and limitations. The result is a highly complex environment where financial realities govern what investments are made as much as any set of articulated goals or policies. Recognizing this important factor, the Regional Council has made financial planning and analysis a centerpiece of plan development. Similarly, financial monitoring is a central component of plan implementation monitoring, allowing the region to gauge whether resources are available, and consistently organized in a manner that furthers regional policy objectives.

This report presents transportation finance information in a way that links historical data, financial forecasts, and policy analysis with the "Finance Principles" contained in Destination 2030. These Finance Principles are the culmination of ongoing deliberation by regional policy-makers as they examined finance history, and contemplated future resources needed to build the transportation systems that will support the regional long-range growth vision, VISION 2020. This report begins in Chapter 2 by presenting the policy context for financial planning. Chapter 3 summarizes historical tax-base data and trends for some key revenue sources. Chapter 4 includes revenue and expenditure data for the primary transportation program areas contained in *Destination 2030* (city streets, county roads, local transit, regional transit, state highways, and state ferries). Chapter 5 analyzes some specific policy issues relating to transportation finance, and Chapter 6 summarizes the Regional Council's financial forecasting process and results.

## Financial Data Note

Financial data for the transportation operating agencies in the central Puget Sound region are gathered from a number of different sources, and are not necessarily available, for all agencies, in an entirely consistent manner, or at the same point in time. Typically, financial data must be audited, and are subject to revision over time. For this reason there is a lag between the year the data are gathered (and to which it relates) and the point in time they are available for release and analysis. Also, different governmental bodies have different start and end points for their fiscal calendars, which means that data, across implementing authorities, in any given fiscal year, may not cover the same exact time period. Year 1989 represents the first year that data have been assembled for all the relevant transportation programs and year 2000 represents the most recent year for which data are available for all the program areas. All finance data contained in this report comes from the following original sources:

- Washington State Department of Transportation, Economic Performance Branch, BARS Reports Submitted to WSDOT by Counties; Internal Reports.
- Washington State Department of Transportation Summaries of Public Transportation Systems; Internal Reports.
- Washington State Department of Transportation, Allocation of Revenues and Expenditures to Counties, 1989-2000; Internal Reports.

## CHAPTER 2: POLICY CONTEXT

### Multi-County Planning Policies

The underpinning of growth management (and the regional, county and municipal plans that have been developed under growth management guidance) is the careful sequencing of capital investments in urban infrastructure in a manner that supports decisions about how to accommodate growth in population and employment within the urban geography. This infrastructure planning requires that financial capacity, at the city, county, regional and state levels, matches needed investments in the infrastructure and services that these levels of government provide.

Adopted multi-county policies contained in VISION 2020 address issues of efficiency, equity, choice and coordination in the provision of transportation infrastructure that supports the region's growth strategy set out in that document. The multi-county framework policies are reprinted below, and provide the broad basis for the other multi-county policies, and the finance principles that are part of the *Destination 2030* investment strategy.

#### Urban Growth Areas:

RG-1 Locate development in urban growth areas to conserve natural resources and enable efficient provision of services and facilities. Within urban growth areas, focus growth in compact communities and centers in a manner that uses land efficiently, provides parks and recreation areas, is pedestrian-oriented, and helps strengthen communities. Connect and serve urban communities with an efficient, transit-oriented, multimodal transportation system.

#### Contiguous and Orderly Development:

RC-2 Coordinate provision of necessary public facilities and service to support development and to implement local and regional growth planning objectives. Provide public facilities and services in a manner that is efficient, cost-effective, and conserves resources. Emphasize interjurisdictional planning to coordinate plans and implementation activities and to achieve consistency.

#### Regional Capital Facilities:

RF-3 Strategically locate public facilities and amenities in a manner that adequately considers alternatives to new facilities (including demand management), implements regional growth planning objectives, maximizes public benefit, and minimizes and mitigates adverse impacts.

#### Housing:

RH-4 Provide a variety of choices in housing types to meet the needs of all segments of the population. Achieve and sustain an adequate supply of low-income, moderate-income and special needs housing located throughout the region.

#### Rural Areas:

RR-5 Preserve the character of identified rural areas by protecting and enhancing the natural environment, open space and recreational opportunities, and scenic and historic areas; support small-scale farming and forestry uses; permitting low-density residential living and cluster development maintained by rural levels of service. Support cities and towns in rural areas as locations for employment, mix of housing types, urban services and cultural activities.

### **Open Space, Resource Protection, and Critical Areas:**

RO-6 Use rural and urban open space to separate and delineate urban areas and to create a permanent regional greenspace network. Protect critical areas, conserve natural resources, and preserve lands and resources of regional significance.

### **Economics:**

RE-7 Foster economic opportunity and stability, promote economic well being, and encourage economic vitality and family wage jobs while managing growth. Support effective and efficient mobility for people, freight, and goods that are consistent with the regions growth and transportation strategy. Maintain region-wide information about past and present economic performance. Assess future economic conditions that could affect the central Puget Sound region.

### **Transportation:**

RT-8 Develop a transportation system that emphasizes accessibility, includes a variety of mobility options, and enables the efficient movement of people, goods and freight, and information.

## ***Destination 2030 Finance Principles***

Under federal law, the regional transportation plan, *Destination 2030*, must make reasonable financing assumptions, accounting for existing or new revenue sources which can be expected to be available over the life of the plan (Title 23 USC 134). The principal transportation tax bases traditionally have been retail sales, registered motor vehicles, taxable motor fuel consumption, and the taxable value of motor vehicles. Funding availability for transportation investments, however, must match implementation responsibility, and the allowable uses of nearly all existing transportation funding sources in the region are restricted to specific uses, by source, by expenditure, and often by geography or jurisdiction. Meanwhile, existing transportation revenues have not been keeping pace with travel demand, and the infrastructure investments needed to support this growing demand. Transportation infrastructure costs have been on the rise over the last few decades because of increases in material and labor costs, the costs of mitigating environmental impacts, and increased urban land values. Insufficient public resources have led to an increase in the unfunded backlog of maintenance projects, leading to higher overall costs in the future, and raising safety concerns.

The past decade has demonstrated that the state and the region need a new transportation finance approach: one that benefits all our communities and helps create a stable and sustainable fiscal future. The investment strategy for *Destination 2030* includes the principles to guide the development of a financing strategies and new revenue sources. The *Destination 2030* investment strategy is in many ways dependent upon successful development of more state funding, along with new regional funding mechanisms that are flexible enough to allow investment in the full array of regional transportation priorities. Regional systems cannot be managed effectively without some significant ability to plan, prioritize, and implement change in a coordinated manner at a regional scale.

Included in *Destination 2030* is a set of financial guiding principles, listed below, that builds upon the adopted *Destination 2030* plan policies.

- 1. Additional revenues must address local, regional and state transportation plan needs.**  
Financial solutions need to relate to a full range of transportation needs and not merely address a single facility, mode or level of government.
- 2. New revenue sources must bear a relationship to system cost and system use.**  
Transportation has a history of use-based financing but has strayed from such over the past several decades. Use-based financing ensures that investments can efficiently respond to demand, improve funding predictability, and be more equitable.

- 3. The financial structure should support multimodal mobility.**  
The finance structure should support multimodal investments that improve the availability of mobility options where and when they are needed.
- 4. System financing must be sustainable.**  
Predictability over time is a critical element of a sound financial plan. Our region must be confident that our transportation financing tools will not be eroded from one year to the next and that existing systems can have predictable dedicated resources for basic maintenance and preservation needs.
- 5. New financing tools or changes to the financing structure should strive to simplify and add flexibility to the overall structure.**  
The transportation finance structure is immensely complex, fragmented, and restrictive. It is almost impossible to explain the current process to the public to enable greater accountability. Changes to this system should improve the understandability and responsiveness of our finance mechanisms.
- 6. Ensure a reasonable rate of return on revenues raised within a region, for investments within the region.**  
Most state and federal transportation funds are allocated to the Puget Sound region based on legislative formulas, actions of the Legislature, and programmatic priorities. Collectively, this structure results in an export of funds from the Puget Sound region to other areas in the state.

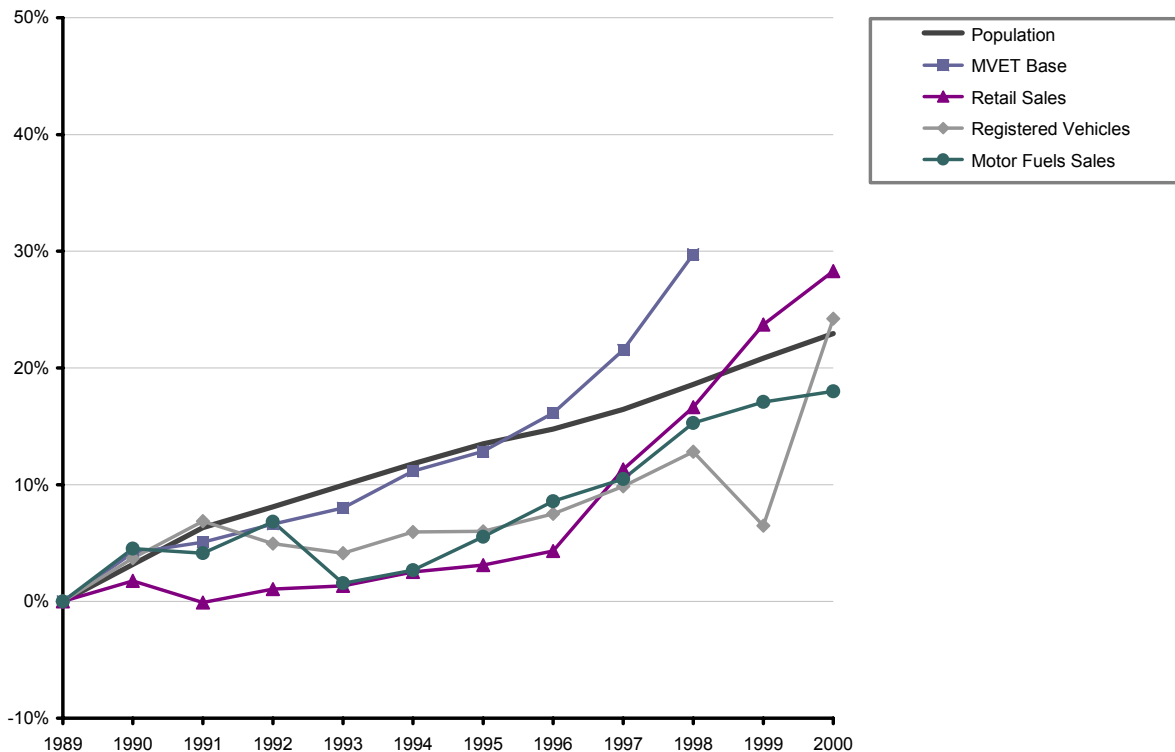
These principles provide a policy framework that can be used when reviewing financial data included in this report. In specific, Chapter 5 examines some of the historical data in the light of those finance principles above that pertain to existing, and historical, funding sources. Other principles relate to the development of new revenue sources that will be required to successfully implement the investments outlined in Destination 2030. Revenue forecasting and future financial monitoring are discussed in more detail in Chapter 6.

## CHAPTER 3: TAX-BASES AND KEY REVENUE SOURCES

This chapter briefly summarizes historical information relating to the primary tax bases and revenue sources that govern transportation expenditure capacity for transportation operating agencies within the central Puget Sound region.

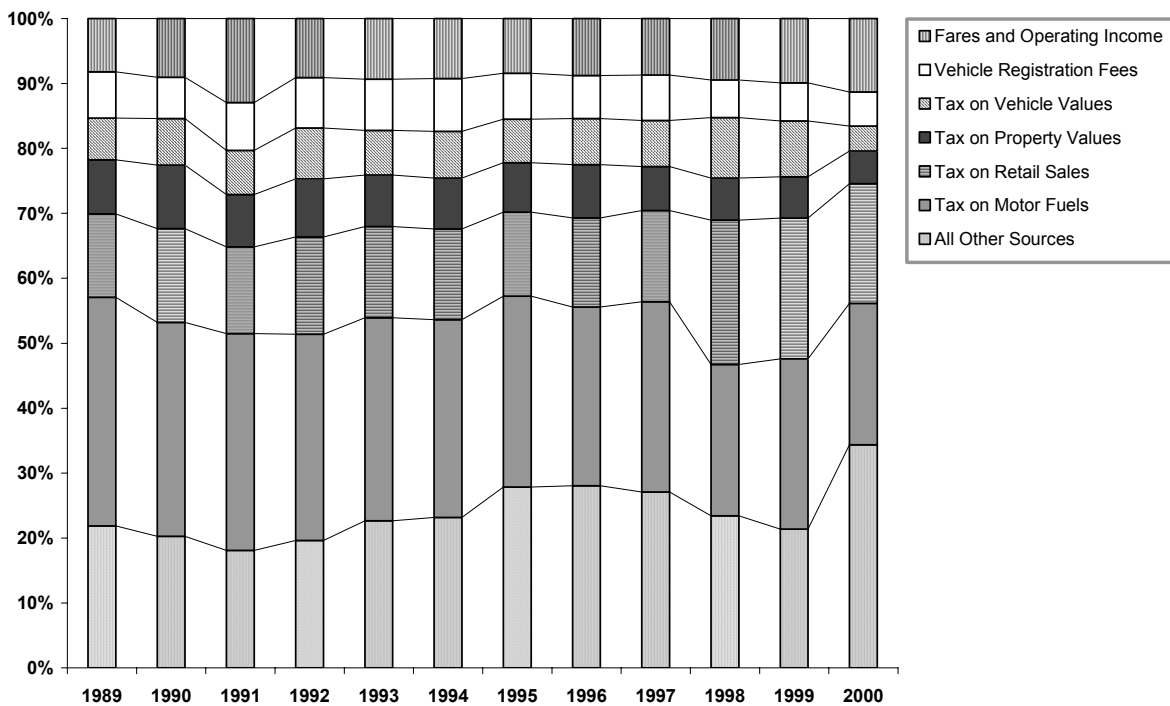
Transportation funding in the central Puget Sound region draws mainly from a few primary tax bases. These include motor fuels sales, retail sales, motor vehicle market value, assessed property valuation, and vehicle registrations and licenses. In addition to taxes on these tax bases, transportation revenues are drawn from a combination of other sources, such as operating income and sources comprising city and county general funds. Chart 3.1 below displays the inflation-adjusted change in a few key tax-base values compared to growth in regional population over the period 1989-2000. It is important to note that vehicle registrations (volume) and motor fuel sales (gallons) are non-monetary-value tax bases, and since each are taxed at a flat rate, the revenues generated decline over time on a real monetary basis. (This is demonstrated in chart 3.2 that follows.) The lower than expected number of vehicle registrations in 1999, and the corresponding higher value in 2000, reflect household decisions to delay vehicle registrations in anticipation of lower fees resulting from citizen Initiative 695.

**Chart 3.1 Inflation-Adjusted Tax-Base and Population Change  
Central Puget Sound Region 1990-2000**



Actual transportation revenues that flow from the tax bases are not only a function of changes in tax base values over time, but also the applicable tax rates. Some tax bases, such as retail sales, reflect inflationary forces in their base values and the tax rates are a percentage of the base value. Yet, as noted above, other tax bases are not price based, such as volume of fuel sales in gallons, and the tax rates are flat rates as opposed to a percent of the economic value. Chart 3.2 below displays the relative importance (percent of total revenues) of transportation revenues that are based upon specific tax bases or are drawn from other sources. The historical data demonstrates the increasing reliance upon operating revenues, sales tax, and other sources. The data also shows a declining reliance upon fuel taxes and vehicle registration charges (as proceeds shrink against inflation), as well as revenues from taxes on vehicle value (a result of the elimination of the statewide motor vehicle excise tax).

**Chart 3.2 All Transportation Revenues Associated with Tax-Bases and Other Sources  
Central Puget Sound Region 1989-2000**



## CHAPTER 4: REVENUES AND EXPENDITURES BY PROGRAM

This chapter summarizes historical revenue and expenditure information, from 1989-2000, for the primary elements of the transportation system. These data are reported by program area, or implementing authority. It is important to remember that program areas do not represent strict modal equivalents. For example, the state highway program makes investments in HOV facilities and cities make investments in their street systems that accommodate transit requirements. A review of the data trends offers an understanding of current financial capacity and constraints relating to ongoing investments in transportation. On average, total transportation-related revenues and expenditures grew by approximately 7% annually. Revenues for and expenditures on state highways, however, declined over this period, and the formation of a regional transit authority, Sound Transit, resulted in a significant new transportation program. In balance, locally generated revenues grew at a faster rate (11.6% annual average) than total revenues, while growth in federal revenue sources (1.3% annual average) and state sources (5.5% annual average) grew at a slower rate than total revenues. This information is displayed in the table below, and program-specific information follows on subsequent pages.

**Table 4.1 Regional Transportation Revenues 1989-2000**

Regional Transportation Revenues, 1989 - 2000													
nominal 000s	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	average annual %
<b>Local Transit</b>													
Operating	44,544	49,396	58,821	62,761	68,012	66,773	69,007	71,648	74,411	81,841	86,971	91,294	6.7%
Local	156,231	183,938	245,019	185,964	215,459	226,352	240,253	247,650	277,283	308,759	342,114	474,651	10.6%
State	74,682	85,963	91,187	97,189	98,276	106,741	112,968	118,816	127,287	141,976	147,775	46,529	-4.2%
Federal	66,503	66,966	41,853	24,245	22,035	22,884	26,854	65,374	83,120	56,191	115,964	112,671	4.9%
total	341,960	386,263	436,880	370,159	403,782	422,750	449,082	503,488	562,102	588,768	692,824	725,145	7.1%
<b>Regional Transit</b>													
Operating										427	2,174	6,789	298.8%
Local										192,561	210,958	266,185	17.6%
State										46,321	46,135	51,437	5.4%
Federal										1,102	54,000	113,863	916.6%
total										240,410	313,268	438,274	35.0%
<b>State Highways</b>													
Operating	-	-	-	-	-	-	-	-	-	-	-	-	na
Local	-	-	-	-	-	-	-	-	-	-	-	-	na
State	139,791	114,722	147,661	167,787	163,910	234,270	295,681	254,129	289,062	243,979	197,143	144,273	0.3%
Federal	232,504	185,443	235,950	170,282	247,822	162,383	208,061	143,826	129,320	102,816	104,452	196,022	-1.5%
total	372,295	300,165	383,611	338,069	411,732	396,653	503,742	397,955	418,382	346,795	301,595	340,295	-0.8%
<b>City Streets</b>													
Operating	-	-	-	-	-	-	-	-	-	-	-	-	na
Local	140,761	178,895	164,420	174,986	224,520	241,763	251,805	263,451	271,186	276,793	313,318	352,840	8.7%
State	43,329	48,034	60,697	73,120	75,679	66,761	85,087	78,700	76,041	96,567	114,334	107,104	8.6%
Federal	16,913	20,954	13,361	4,364	12,310	26,742	33,464	37,274	25,887	41,721	36,538	31,926	5.9%
total	201,003	247,883	238,478	252,470	312,509	335,266	370,356	379,425	373,114	415,081	464,190	491,870	8.5%
<b>County Roads</b>													
Operating	-	-	-	-	-	-	-	-	-	-	-	-	na
Local	83,266	92,176	102,164	121,303	131,184	138,325	144,998	152,350	160,081	188,412	173,559	182,455	7.4%
State	31,612	36,418	42,904	48,100	49,194	45,853	49,283	49,542	58,333	50,246	64,565	61,930	6.3%
Federal	9,119	14,660	18,919	11,100	13,831	23,766	26,502	30,152	34,830	26,327	19,515	17,393	6.0%
total	123,997	143,254	163,987	180,503	194,209	207,944	220,784	232,044	253,244	264,985	257,639	261,778	7.0%
<b>State Ferries</b>													
Operating	45,336	48,513	50,121	51,849	51,280	52,834	58,976	59,394	60,814	62,979	69,079	73,409	4.5%
Local	-	-	-	-	-	-	-	-	-	-	-	-	na
State	25,701	30,003	57,259	43,322	48,452	57,117	75,409	101,949	114,508	102,857	103,343	105,540	13.7%
Federal	4,001	226	666	559	1,974	1,466	1,270	999	2,864	567	-	226	-23.0%
total	75,038	78,742	108,046	95,730	101,706	111,417	135,655	162,342	178,186	166,403	172,422	179,175	8.2%
<b>REGIONAL TOTAL</b>													
Operating	89,880	97,909	108,942	114,610	119,292	119,607	127,983	131,042	135,225	145,247	158,224	171,492	6.0%
Local	380,258	455,009	511,603	482,253	571,163	606,440	637,056	663,451	708,550	966,525	1,039,948	1,276,131	11.6%
State	315,115	315,140	399,708	429,518	435,511	510,742	618,429	603,136	665,231	681,946	673,296	516,813	4.6%
Federal	329,040	288,249	310,749	210,550	297,972	237,241	296,151	277,625	276,022	228,724	330,469	472,100	3.3%
total	1,114,293	1,156,307	1,331,002	1,236,931	1,423,938	1,474,030	1,679,618	1,675,254	1,785,028	2,022,442	2,201,937	2,436,537	7.4%

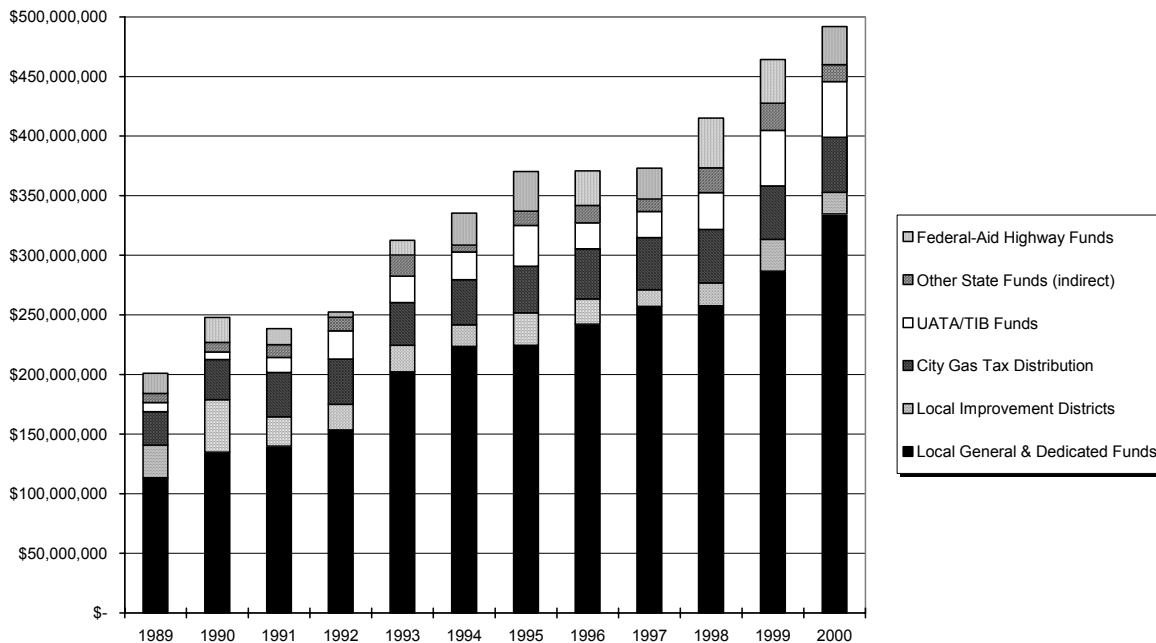
## City Streets

Financial information for city streets is extracted from spreadsheet files made available by the WSDOT Economics Branch. These data are part of annual financial reports that are submitted by cities to the state, which are organized according to standards established in the state's budget, accounting, and reporting system (BARS). These data are used in our trend analysis because they provide a common reporting base for city revenues and expenditures. The data presented in this report, however, may differ from city transportation departments' representations of their revenues and expenditures, since individual departmental service definitions may not always align with costs attributed to street expenditures (such as storm sewers) within the BARS reporting structure.

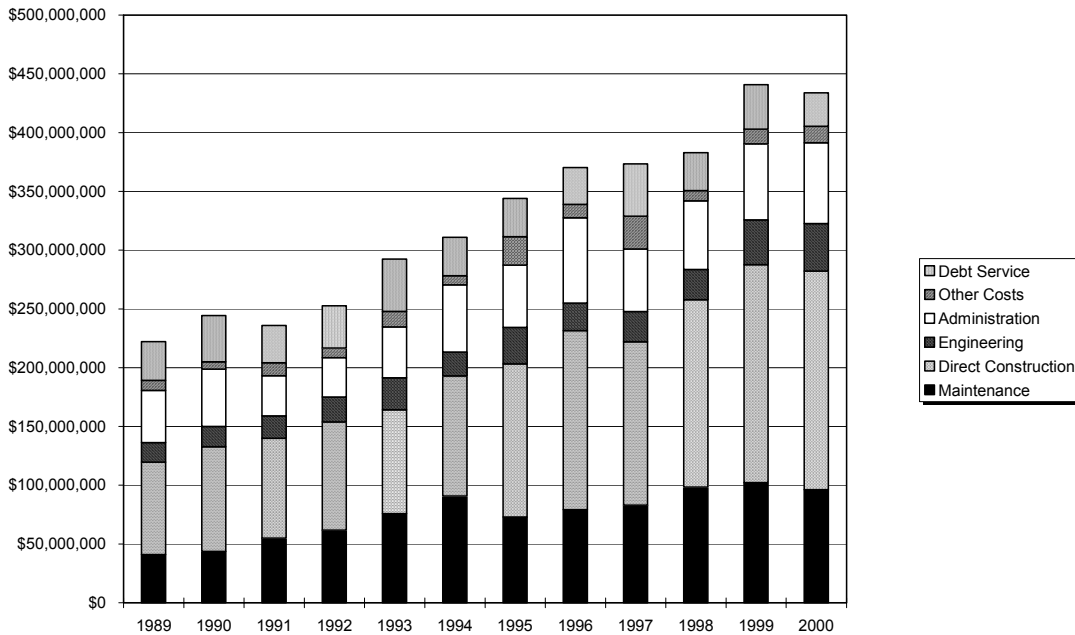
City street revenues increased to \$492 million in 2000, up from \$201 million in 1989, an 8.5% average annual rate of growth. The major components of city street revenues 1989-2000 are presented in chart 4.1. It is important to note that between 1989 and 2000, 13 new cities were formed in the central Puget Sound region and selected unincorporated areas of counties were annexed by existing cities. In Chapter 5 of this report, city revenues are examined in a manner that controls for population changes.

Expenditures on city streets increased in a manner consistent with revenues. In 2000 the city street expenditures in the central Puget Sound region totaled \$434 million, up from \$222 million in 1989. This was an average annual growth rate of 6.3%. Total expenditures on street maintenance and construction each increased at average annual rates of approximately 8%, while administrative expenditures rose annually at an average rate of only 4%. City street expenditure data for the region 1989-2000 are depicted in the expenditure chart 4.2.

**Chart 4.1 City Streets Revenues, 1989-2000**



**Chart 4.2 City Streets Expenditures, 1989-2000**



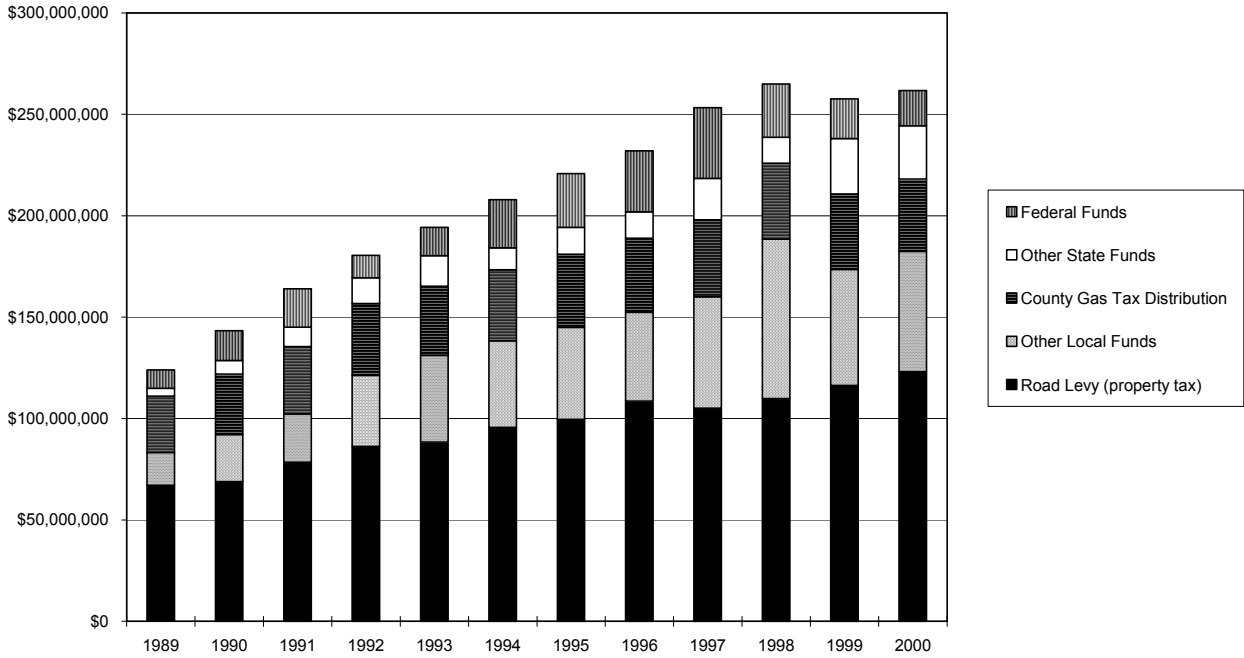
## County Roads

Financial information for county roads is extracted from spreadsheet files made available by the WSDOT Economics Branch. These data are part of annual financial reports that are submitted by cities to the state, which are organized according to standards established in the state's budget, accounting, and reporting system (BARS). These data are used in our trend analysis because they provide a common reporting base for county revenues and expenditures. The data presented in this report, however, may differ from county transportation departments' representations of their revenues and expenditures, since individual departmental service definitions may not always align with costs attributed to road expenditures (such as storm sewers) within the BARS reporting structure.

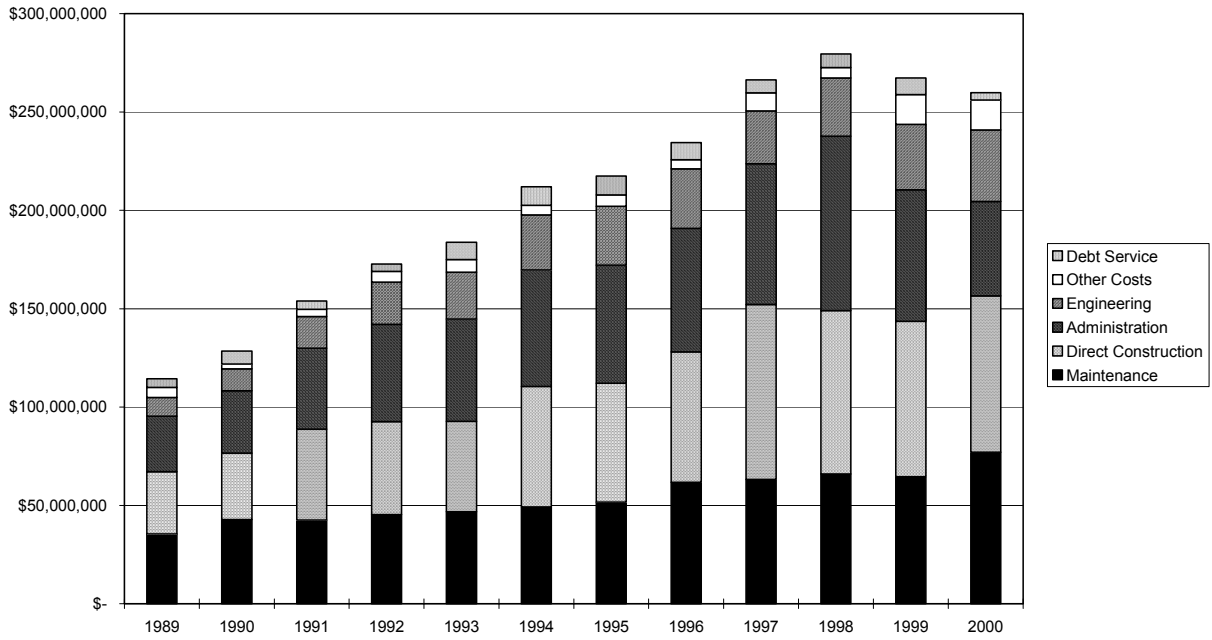
County road revenues increased to \$262 million in 2000, up from \$124 million in 1989, a 7.0% average annual rate of growth. The major components of county roads revenues 1989-2000 are presented in chart 4.3.

Expenditures on county roads increased in a manner consistent with revenues. In 2000 the county roads expenditures in the central Puget Sound region totaled \$260 million, up from \$114 million in 1989. This was an average annual growth rate of 7.7%. Total expenditures on road maintenance increased at average annual rate of 7.3%, construction increased at nearly 8% annually, while administrative expenditures rose annually at an average rate of only 5%. County roads expenditure data for the region 1989-2000 are depicted in the expenditure chart 4.4.

**Chart 4.3 County Roads Revenues, 1989-2000**



**Chart 4.4 County Road Expenditures, 1989-2000**

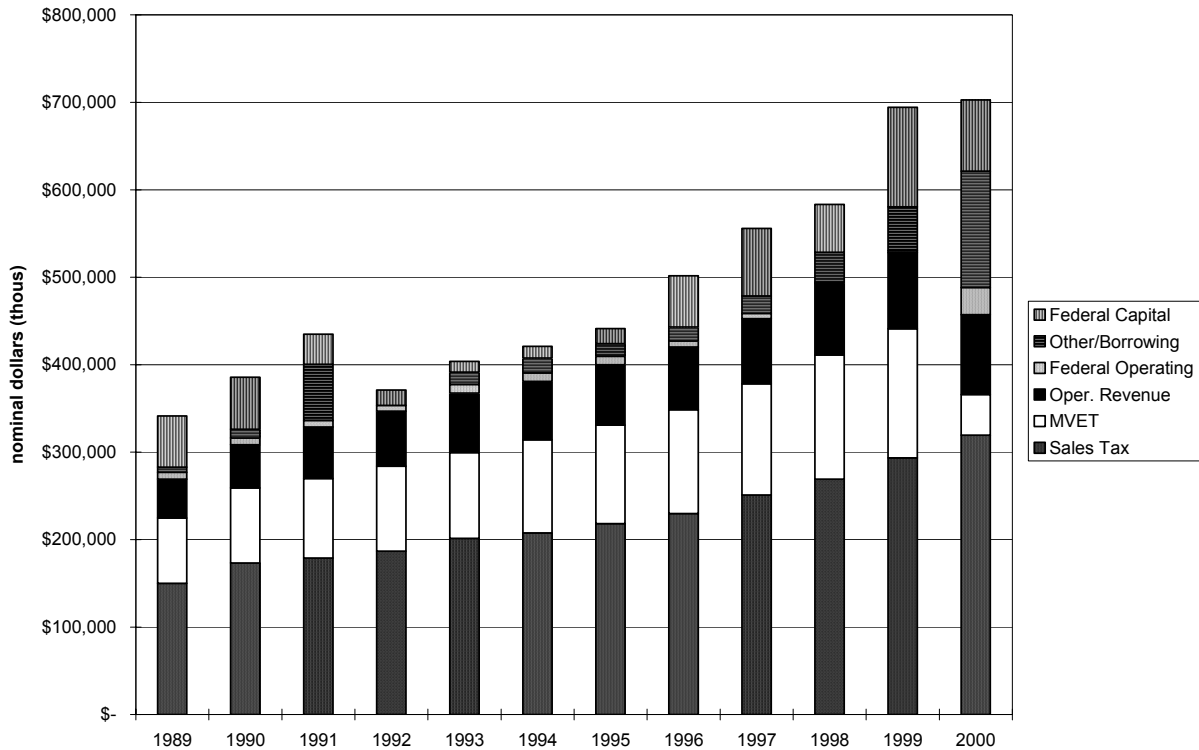


## Transit Operators

Local public transit services are provided by five public transit districts: Community Transit, Everett Transit, King County Metro, Kitsap Transit, and Pierce Transit. Local public transit expenditures and revenues for the years 1989-2000 were extracted from the annual summaries of *Public Transportation Systems in Washington State*, published by the WSDOT. The expenditure data reported in the WSDOT report have been modified, however, to exclude depreciation costs, a non-cash expense.

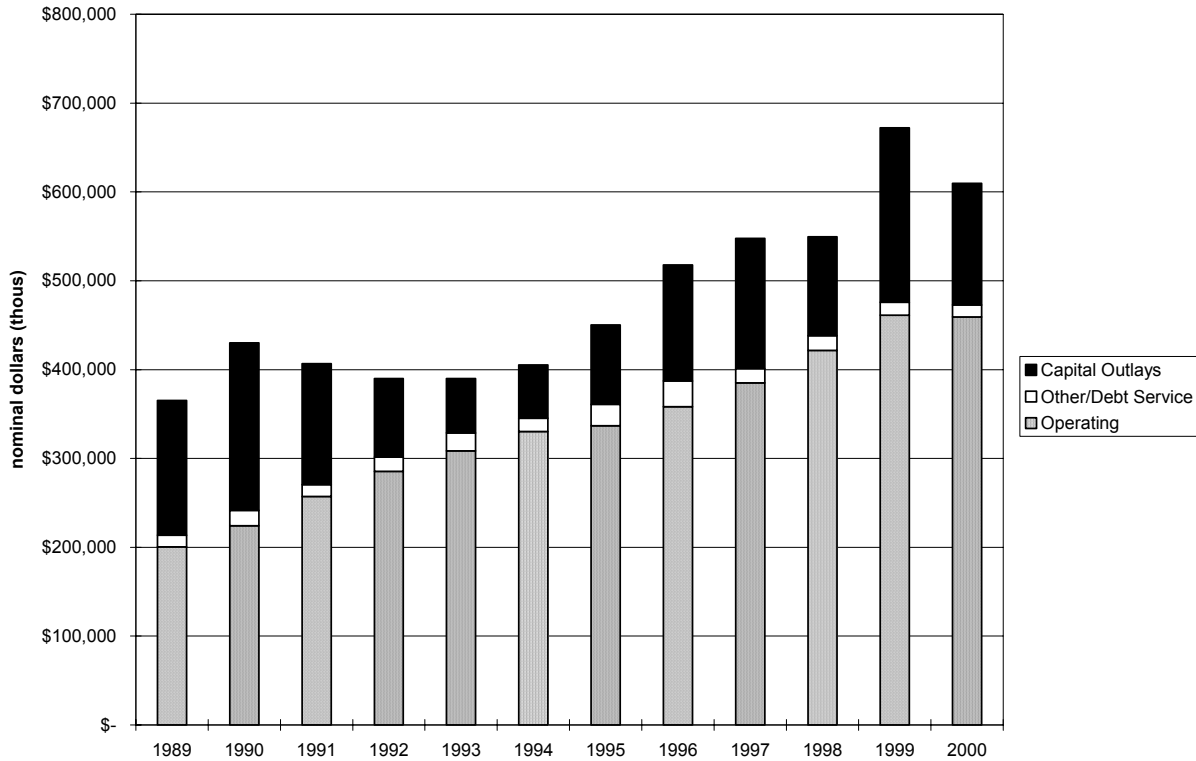
Local public transit revenues in the region grew to \$725 million in 2000 from \$342 million in 1989, an annual average increase of 7.1%. Sources that have been more dynamic than others include Federal Capital Funds, and Other/Borrowing, which have changed in relation to periods of more intense capital investment. Borrowing cycles and the accumulation of cash balances to be used to finance capital outlays means that total revenues were less than total expenditures during parts of this period. As is discussed later in this report, the passage of citizen Initiative 695 resulted in the loss of the Motor Vehicle Excise Tax as a primary local transit revenues source. The initial manifestation of this change is reflected in the year 2000 data. In year 2000 the Other/Borrowing category reflects the one-time state bridge allocation to local transit operators to help offset the immediate budget effects of the loss of MVET funds. Following year 2000 many local transit districts successfully placed ballot measures before voters to approve increases in local transit sales tax funding.

**Chart 4.5 Local Transit Sources of Funds, 1989-2000**



Local public transit expenditures grew to \$576 million in 2000 from \$365 million in 1989, an average annual increase of 4.2%. The components of transit expenditures are summarized in the uses of funds chart 4.6. Major capital expenditures at the end of the 1980s and beginning of the 1990s reflect a significant investment by Metro in the downtown Seattle bus tunnel. In the year 2000, local transit operators responded to the budget uncertainty associated with the loss of MVET funding by contracting, or restricting growth in, transit operations and capital programs.

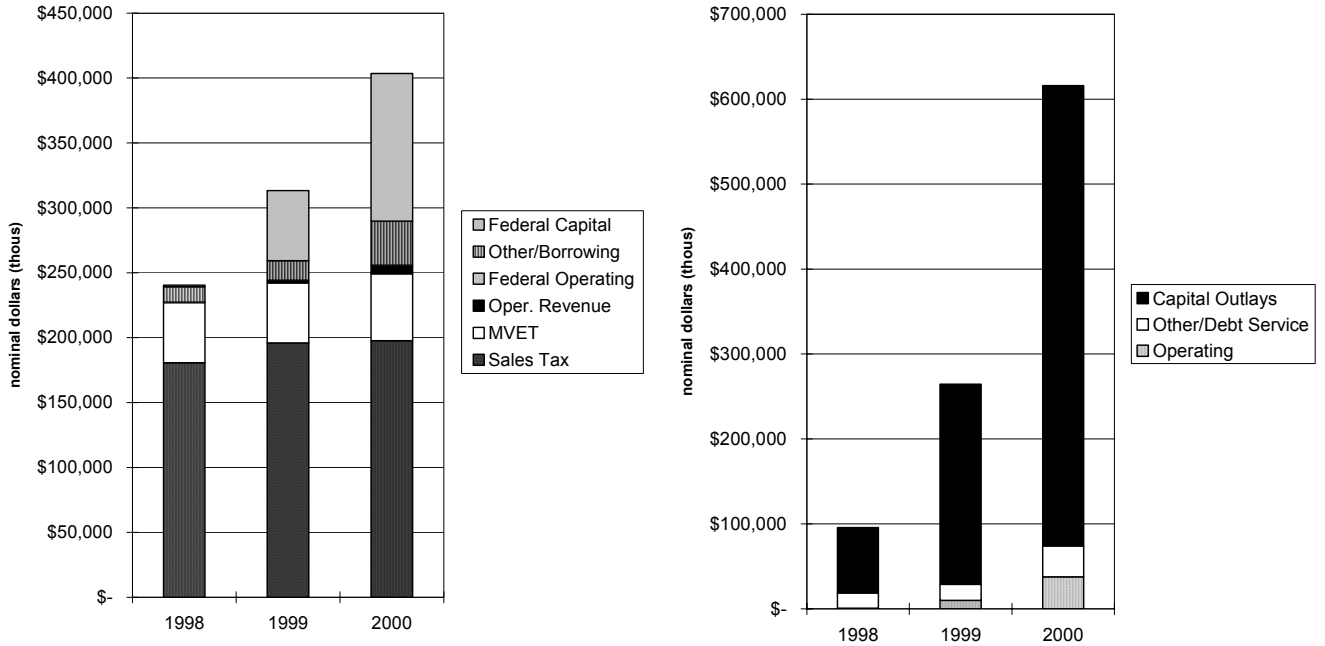
**Chart 4.6 Local Transit Uses of Funds, 1989-2000**



In 1996 voters approved the Sound Move regional transit plan, which resulted in the creation of Sound Transit, the regional transit authority. Since 1998, Sound Transit financial data have been systematically reported to the State Department of Transportation, in just the same format as all the other transit operators within Washington state. In 2000, the primary tax sources of revenue for Sound Transit programs were the sales tax (45.1%) and the motor vehicle excise tax (11.7%). In addition, the agency received operating revenues (1.5%) and federal funds (33.9%), primarily in the form of capital grants. Total Sound Transit revenues in 2000 were \$438 million (see chart 4.7). At a point in time when major capital projects are underway, operating revenues are lower than they will likely be over the long run, and federal capital dollars are significantly higher than they will be once systems are fully built.

The emphasis on capital programs is also revealed in the Sound Transit expenditure data (chart 4.7). In total, the agency invested \$616 million in 2000. It was possible for Sound Transit expenditures to exceed revenues in 2000 since previous years ended with budget surpluses. In 2000, operations accounted for 6.1% of total expenditures and capital outlays totaled 88% of total expenditures.

**Chart 4.7 and 4.8 Regional Transit Sources and Uses of Funds, 1998-2000**



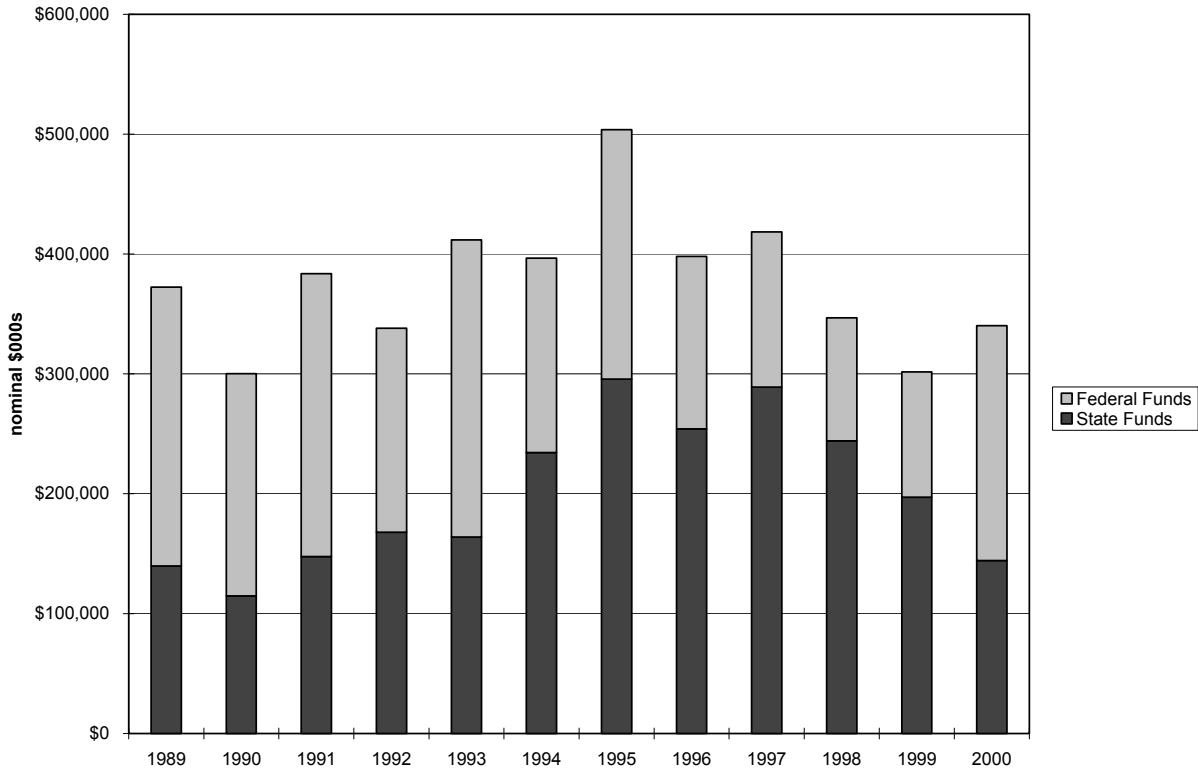
## State Highways

Historical data for state highway revenues and expenditures for the period of 1989-2000 were provided by the WSDOT Economics Branch. For a number of years WSDOT has reported selected statewide financial results to individual counties. This reporting process was developed in consultation with the Association of Washington Cities, the Washington Association of Counties, and the Washington State Transit Association. The state highway data referred to in this section of the report are for the central Puget Sound region.

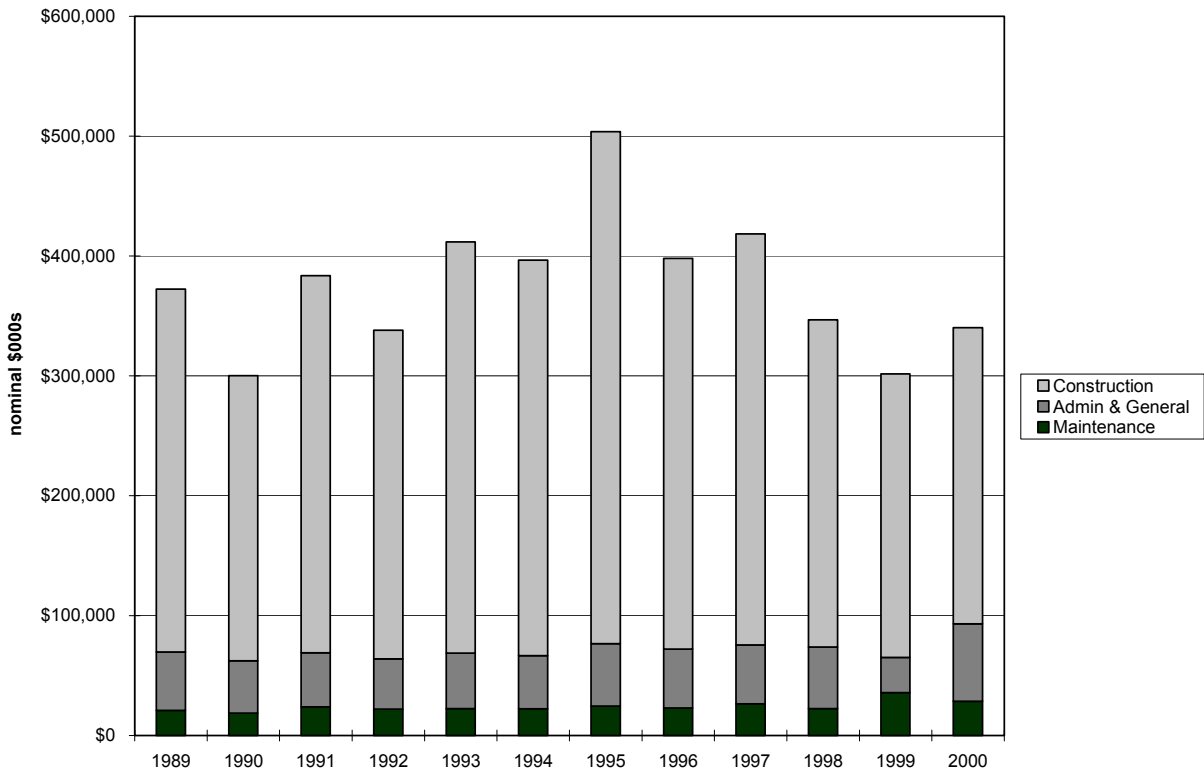
State highway revenues allocated to this region are influenced by the variation in the construction program, which in turn influences the relative mix of federal and state revenues available (chart 4.9). Reflecting changes in federal transportation funding, state revenues for the most part have exceeded federal revenues since 1993. In recent years, however, state revenues have been on the decline (loss of MVET funds and the shrinking of capital programs as a percent of total highway spending).

State highway expenditures in this region have varied dramatically over the past 12 years, as shown in chart 4.10. During the first half of the 1990s, the trend was upward, with expenditures declining for the most part since 1995. The variation in highway outlays is attributed primarily to the construction program, as the costs of maintenance, administration, and general functions have been almost constant in year-of-expenditure dollars. Also, these non-construction costs comprise a small fraction of total expenditures and are programmed as the first priorities. The construction program is subject to the availability of funds that remain once basic need investments are complete.

**Chart 4.9 State Highway Sources of Funds, 1989-2000**



**Chart 4.10 State Highway Uses of Funds, 1989-2000**



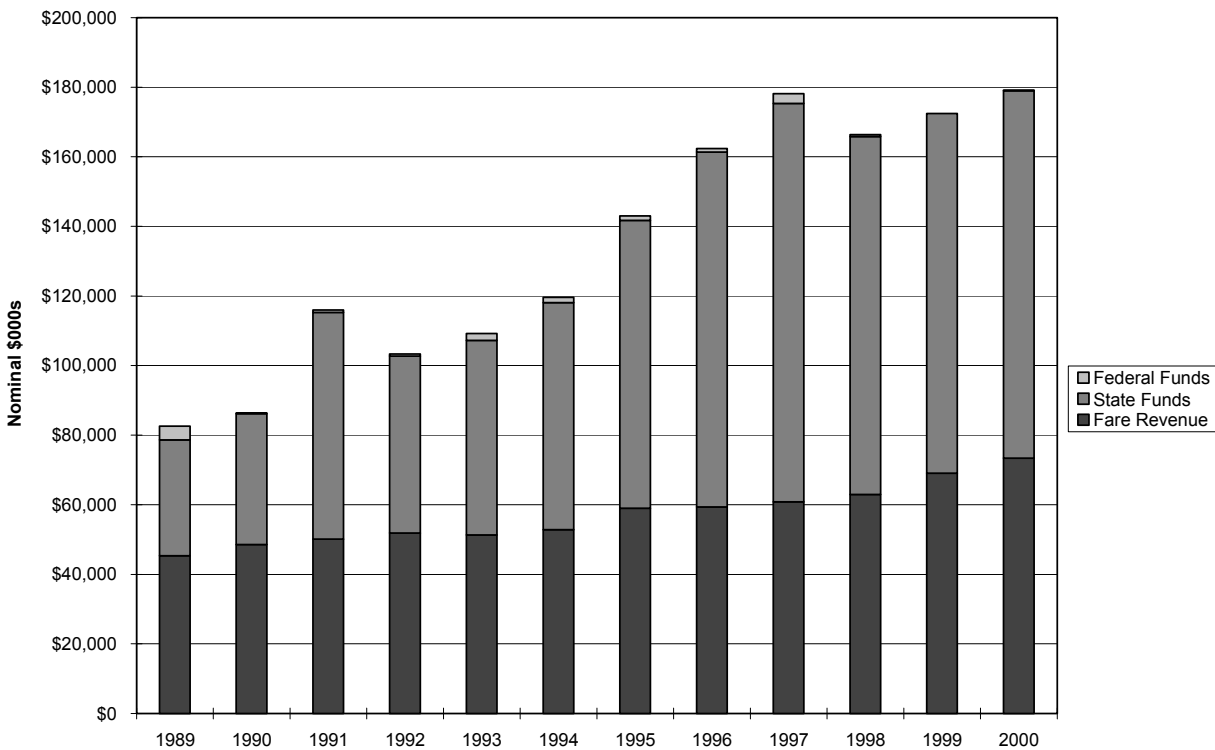
## State Ferries

Expenditures and revenues for the state ferry system were made available by WSDOT for the period 1989-2000. These data are part of the allocation to counties of financial information for statewide transportation programs, as explained earlier in the section on state highways. The ferry system information presented here is limited to the ferry routes serving, King, Kitsap, Pierce, and Snohomish counties.

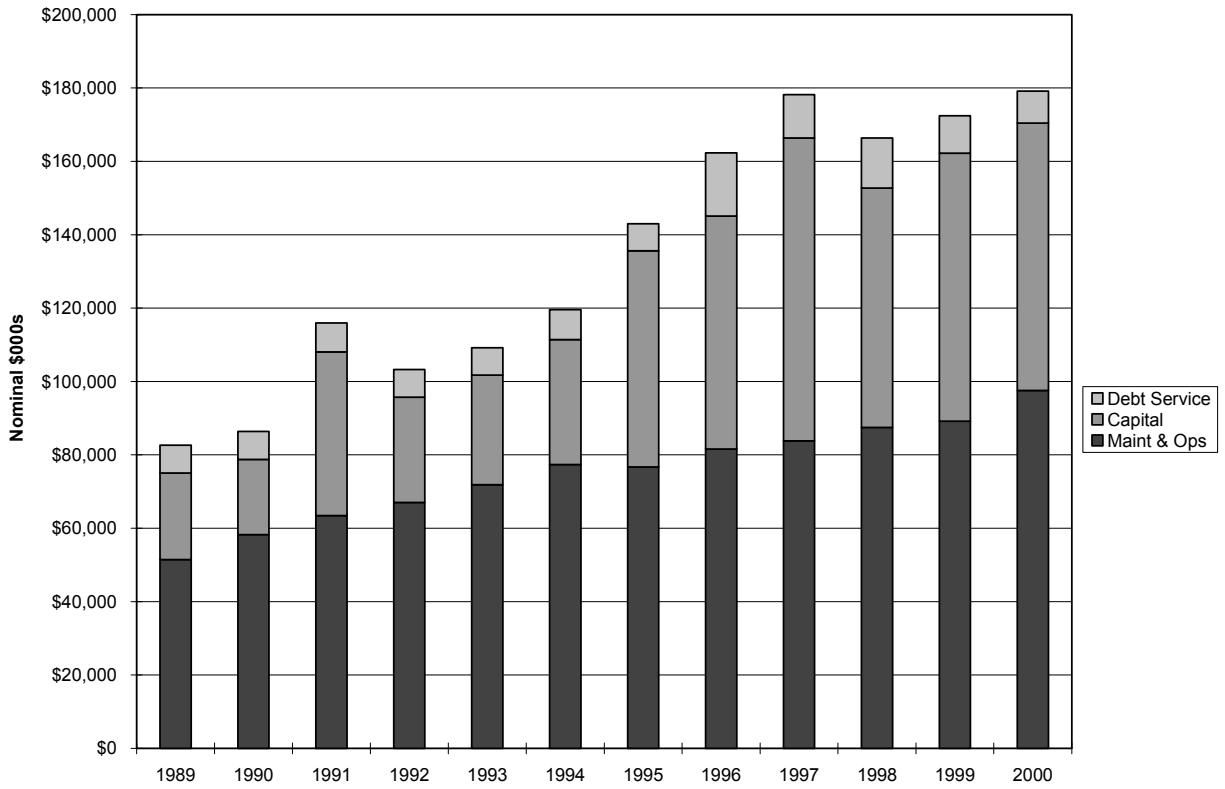
Growth in state ferry revenues, displayed in chart 4.11, was comprised of state sources (\$72 million between 1989-2000) and passenger fares and other operating revenues (\$28 million). The trend toward the end of this period was for a slight constriction of state revenues and an expansion of operating revenues. These changes are explored in some detail in the next chapter under the analysis of the effects of citizen Initiative 695.

State ferry expenditures rose to \$179 million in 2000 from \$83 million in 1989, a 7.3% average annual increase. These increases reflect a fairly steady expansion in maintenance and operating expenditures and a more fluctuating growth in capital spending. In the later part of the 1990s the ferry capital program began to grow more rapidly, reflecting significant investments in auto and passenger vessels, as well as terminal improvements.

**Chart 4.11 State Ferry Sources of Funds, 1989-2000**



**Chart 4.12 State Ferry Uses of Funds, 1989-2000**



## The Full Costs of Transportation

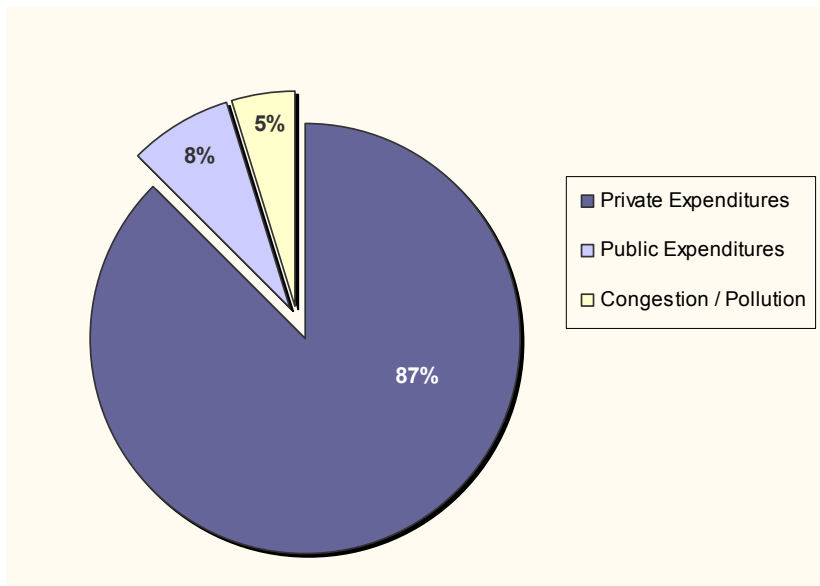
The current transportation system operates within a complex network of markets, which are largely taken for granted and rarely fully understood. When people think of the costs of transportation, most generally consider the costs associated with maintaining and improving roadways, building sidewalks and bikepaths, buying buses and operating transit routes, and the wide range of other expenditures made by local, state, and regional agencies to keep our transportation system running. In fact, while this report focuses on these public program costs and revenues, these direct public expenditures on transportation services and facilities are only a small portion of the total expenditures on transportation goods and services.

Direct private costs are by far the largest share of total transportation costs in the region, totaling almost 87% of all costs. These costs include personal transportation costs such as owning and operating a car, walking and biking, and paying cab fares. Also included are the costs associated with moving freight and goods throughout the region by rail or truck. Taxes paid by individuals are not part of this total; they are included under public costs.

Direct public costs total about 8% of all costs. The majority of these costs are public agency expenditures that most people think about as our region's transportation expenditures, such as maintaining and improving roadways, building sidewalks and bike paths, and operating transit routes. These public costs are the expenditures that are the primary focus of the rest of this chapter and financial monitoring report. In addition, public costs include city and county services that are not generally considered part of keeping the transportation system running, such as police work devoted to traffic enforcement, and emergency services for motor vehicle accidents, and municipal court costs related to traffic incidents.

External, or indirect costs comprise the remaining 5% of the total. This category of costs attempts to quantify the impacts associated with our transportation system that are shared by everyone in the region but are not generally "paid" by anyone. Examples include the costs of wasted fuel and time due to congestion, costs of environmental impacts, and waste disposal costs. These indirect transportation costs, in particular, are conservatively estimated in this analysis. Although air and water pollution costs were calculated, a number of other environmental impacts associated with transportation (e.g., ozone depletion, global warming, urban sprawl) were not included due to the difficulty in quantifying these costs.

**Chart 4.13 Estimates of the Full Costs of Transportation, 1998**



## CHAPTER 5: FISCAL POLICY ANALYSIS

This chapter presents analysis of a number of fiscal policy areas that relate to the region's Finance Principles contained in the regional transportation plan, *Destination 2030*, and described in Chapter 2 of this report. Three of the Finance Principles (1, 2, and 5) relate to the identification of new funding sources. Since this monitoring report is primarily interested in historical financial information and forecasts of current-law revenues, this chapter does not directly address those principles. The remaining principles relate to support of multimodal investments, revenue predictability and sustainability, and the degree to which revenues raised are returned to the central Puget Sound region through direct expenditures on transportation.

This chapter begins by analyzing a number of policy changes that have occurred in recent years, but the effects of which are not reflected in financial data reported for years 1989-2000. Next revenue predictability and sustainability are examined over this same time period by measuring revenues available on a per capita and inflation-adjusted basis. This reflects the region's transportation buying power, holding constant general growth in the region's economy. Transportation expenditures are also examined as a percent of the region's total personal income, tracking the portion of all potentially available resources that are dedicated to public transportation investment. Finally, an analysis of regional revenue return is provided. This compares state and federal transportation expenditures within the central Puget Sound region with the transportation-related revenues that are generated in the region.

### Recent Changes Not Reflected in Historical Data Through 2000

The transportation finance data presented in this report covers the years 1989 through 2000. A number of substantial changes have occurred in recent years that are not fully reflected in the data through the year 2000, but that will have a significant influence on subsequent year transportation revenues. These changes include the passage of a number of tax-limiting citizen initiatives and the voter approval of a number of local transit tax measures.

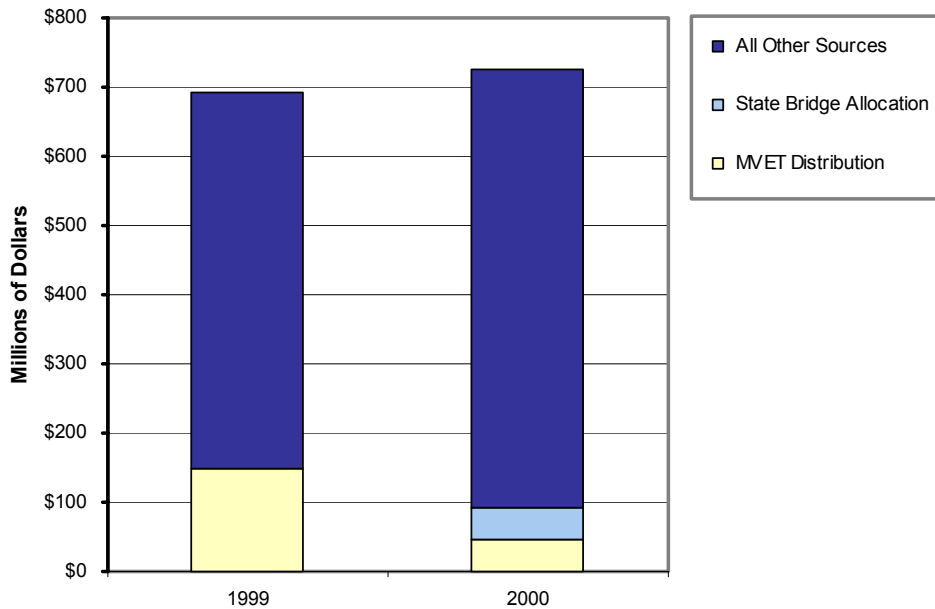
#### Initiative 695

In November of 1999, the citizens of Washington state passed Initiative 695, which eliminated the statewide Motor Vehicle Excise Tax (MVET) and replaced it with a flat \$30 vehicle-licensing fee. The initiative was ruled to be unconstitutional, in violation of the constitution's single subject limit on initiatives and in requiring popular votes on future tax and fee increases. The Legislature, however, preserved the \$30 license fee limit originally introduced by the voter-approved initiative. The elimination of the MVET had an influence on a number of state and local transportation programs. Historically, MVET funds were directed into both the state general fund and into dedicated transportation funds such as the Motor Vehicle Fund, which supports both highway and ferry funding. MVET funds were also used to support a sales tax equalization program that provided direct distributions to cities and counties with lower than average taxable retail sales. And finally, MVET funds were distributed directly to local transit providers and represented their second single largest revenue source after local sales tax revenue.

The city and county distributions of MVET funds, as well as some state MVET funds, supported these city and county general fund expenditures. City, county and state general fund dollars have historically supported transportation investments, but the connection between MVET losses and their transportation programs have been somewhat indirect. But, for local transit agencies and the state ferry system, the

MVET was directly distributed for transportation purposes, and its elimination had an immediate influence on the financial viability of these programs. By the first quarter of 2000 (the last year of data presented in this report) the final state MVET collections for the fourth quarter of 1999 were distributed to local transit agencies. And during 2000, the state Legislature made a one-time contribution to local transit agencies to help bridge the revenue losses associated with the passage of I-695. In summary, the full effect of the elimination of MVET funds is not reflected in the data contained in this report. Chart 5.1 displays MVET distributions, and the state bridge allocation, as components of all local transit revenues for the years 1999 and 2000. By 2001 the MVET distributions and state bridge allocation were no longer available.

**Chart 5.1 MVET Loss as a Result of I-695  
Local Transit Revenues in the Central Puget Sound Region, 1999-2000**



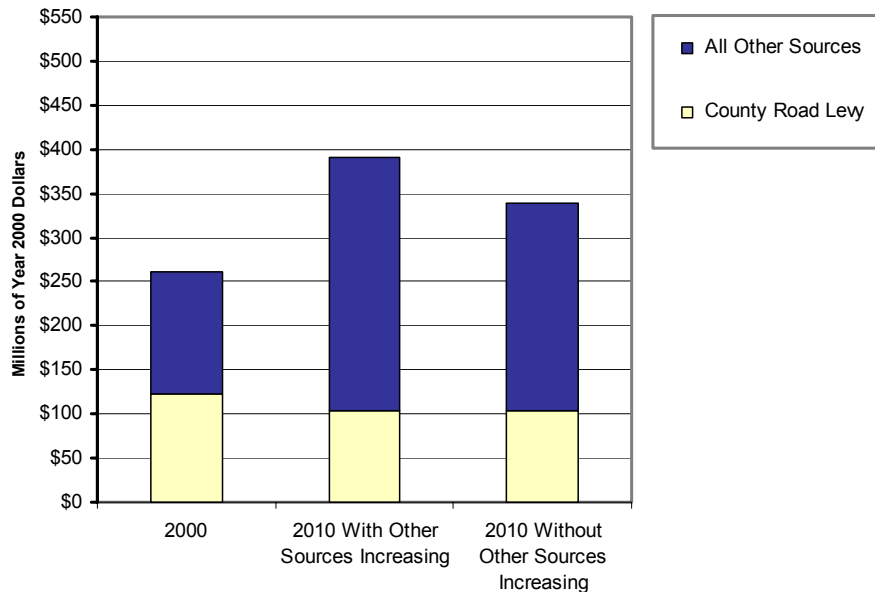
Historically, the MVET had accounted for as much as 30% of the ferry system budget. Loss of MVET funds led the state Department of Transportation and the state Legislature to re-examine the future of the ferry system in light of a significant expected financial shortfall. In 2000, state funds were found to temporarily, but only partially, replace lost revenue, and service reductions were put in place. The Legislature also expressed a desire to have operating revenues cover an increasing share of operating expenses, up to as much as 80% in the near term. After service reductions and fare increases, the ferry system still faces significant financial challenges, and in particular it is the capital budget that faces the greatest uncertainty. Inability to replace older vessels will result in increasing funds dedicated to preservation and maintenance. The most recent capital plan includes specific recommendations for further service reductions (including the elimination of passenger-only service) that will result in the sale of five passenger-only and two auto vessels. Discussions about the local operation of passenger-only services are currently being held between WSDOT and King and Kitsap counties. Cost savings will allow for the construction of two new auto ferries and the relocation of the Kingston terminal. Fares are anticipated to increase by 5% in May of 2003 and 5% again in May of 2004.

## Initiative 747

In November of 2001 the citizens of the state of Washington voted to support a property tax limit measure, Initiative 747. While another measure, Referendum 47, historically limited the growth in property tax collections, inflation and the demonstration of “substantial need” allowed for collections to exceed the limits set out in the referendum. Initiative 747, on the other hand, has limited property tax collections to a 1% annual growth rate, resulting in a decline of property tax rates for most taxing districts. Once again, this tax limit affects the general funds of most political jurisdictions, which may have an indirect influence on transportation expenditures. But I-747 also has a direct effect upon County Road Districts, which are funded through revenue from the property value based county road levies. The transportation revenue repercussions of I-747 are not demonstrated in the data contained in this report, but we can examine the historical contribution of road levy funds to transportation investments by counties in the central Puget Sound region.

Between the years 1989 and 2000 county road levy funds constituted an average of 45% of all county road revenues within the central Puget Sound region. County road levy funds increased at an annual average rate of 5.7% over this period, while all sources together increased at an annual average rate of 7%. If, over the next decade, the same rate of growth in total sources were to be maintained, while the county road levy funds only increase at a 1% annual rate (the I-747 limit), then the average annual rates of growth for all other sources would have to inflate from 8.4% to 10.6%. Under this scenario, the county road levy funds would only constitute approximately 25% of all county road revenues by 2010. In all likelihood, other sources will not be able to grow faster than they have grown historically, which will result in diminished investment capacity for the county road programs over time. Instead of a 7% annual increase in total county road funds, the annual growth rate would be closer to 5.5% on average. These two scenarios, for 2010, are displayed in year 2000 constant dollars in the chart that follows.

**Chart 5.2 Scenario Analysis – County Road Levy and Other Revenue Sources  
With and without increasing growth rates for non-levy sources through 2010**



## Initiative 776

In November of 2002, the citizens of Washington state passed Initiative 776, which limited auto license fees to \$30 a year and repealed local taxes on vehicle registrations. While I-695 resulted in the replacement of the state MVET with a \$30 licensing fee, it did not eliminate the 0.3 percent tax on vehicle value that helps support Sound Transit's bus, commuter-rail and light-rail programs, and left in place a \$15-per-vehicle surcharge imposed by King, Pierce, Snohomish and Douglas counties. Initiative 776 eliminated the additional charges beyond the \$30 vehicle license fees established after I-695. In February of 2003 the measure was found to be unconstitutional by the King County Superior Court, following a challenge by King and Pierce counties as well as Sound Transit. Proponents of the initiative are appealing the decision, but the Department of Licensing will continue collecting the taxes while the legal challenge plays out. Snohomish County, however, has repealed its \$15 license fee, independent of the court findings.

The chart that follows displays historical local revenue source data for the cities and counties, within King, Pierce, and Snohomish counties, where local option vehicle license fees have been implemented. The bars in the chart display revenue figures from all local sources, while the lines represent revenues from local option vehicle license fees. It is these local option vehicle license fee revenues that would be forgone in the future if the unconstitutionality of I-776 is not sustained.

**Chart 5.3 King, Pierce, and Snohomish County Local Revenues, 1991-2000  
City and County Vehicle License Fees and Total Local Sources**

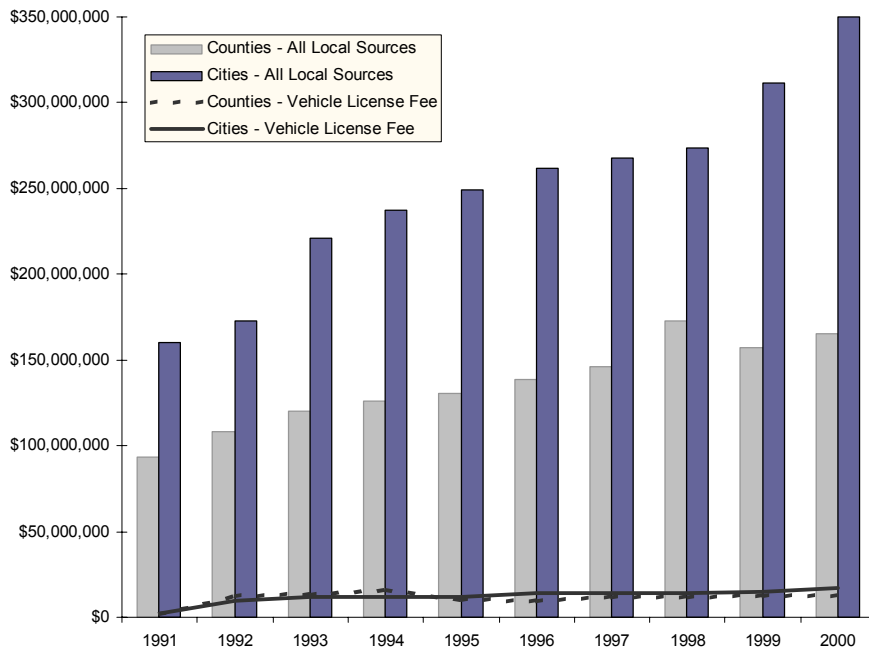
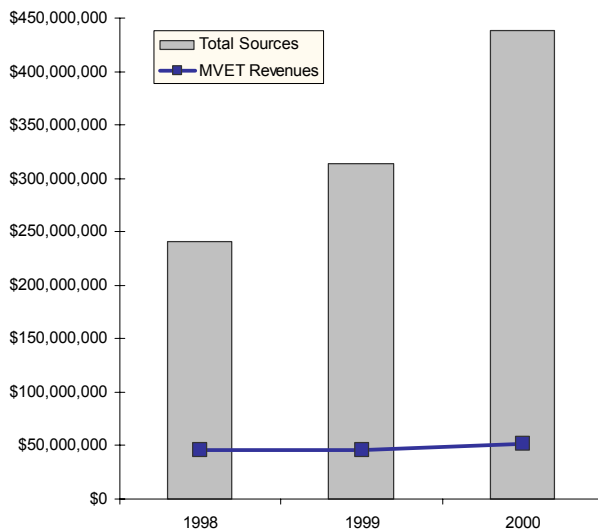


Chart 5.4 below, displays similar information, but relates to Sound Transit revenue sources. The bars display revenues collected by Sound Transit from all sources for years 1998–2000, while the line represents revenues associated with the motor vehicle excise tax that was established as part of voter approval of the Sound Move Regional Transit Plan in 1996. Once again, if I-776 is upheld in court, future MVET revenues will be forgone.

**Chart 5.4 Regional Transit Revenues, 1998-2000:  
MVET Revenues and Total Sources**



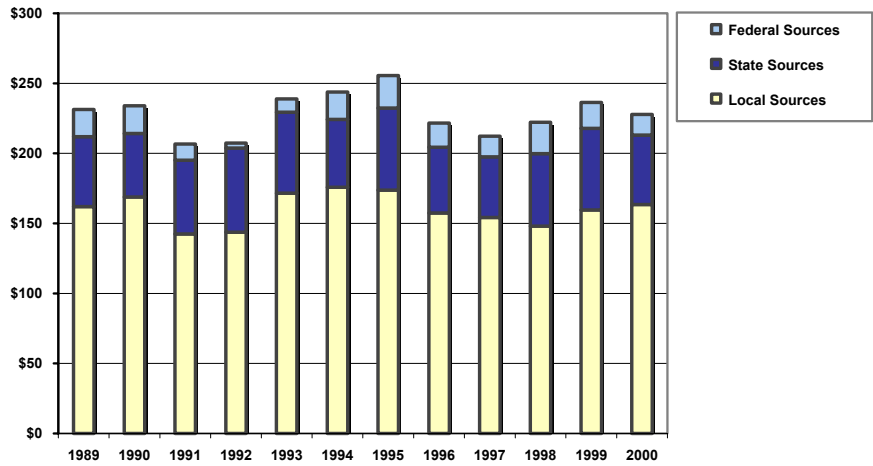
### **Voter Approved Transit Measures**

As noted above, in 2000, the state Legislature provided a one time bridge funding allocation to local transit agencies to aid in addressing the immediate effects of the MVET loss. At this same time, the Legislature raised the upper limit on the sales tax authorized to transit agencies from 0.6 percent to 0.9 percent to provide a structural means of improving the agencies' revenue positions. Increases in the sales tax rate remained subject to voter approval. Since 2000, local transit agencies have successfully garnered voter support to pass increases in the local sales tax rates that generate revenues for their transit operations. In November of 2000, King County Metro received voter approval to increase its sales tax rate from .6% to .8%. In May of 2001, Kitsap Transit received approval to increase its sales tax rate from .5% to .8%, which was followed by voter approval for a rate increase from .6% to .9% for Community Transit in November of the same year. And finally, in February of 2002, Pierce Transit also was granted voter approval for a sales tax rate increase from .3% to .6%. For some of the agencies, the new sales tax revenues are expected to fully replace the historical MVET revenues, while for others the new funds will only partially replace MVET revenues. None of these changes are reflected in the 1989-2000 data presented in this report.

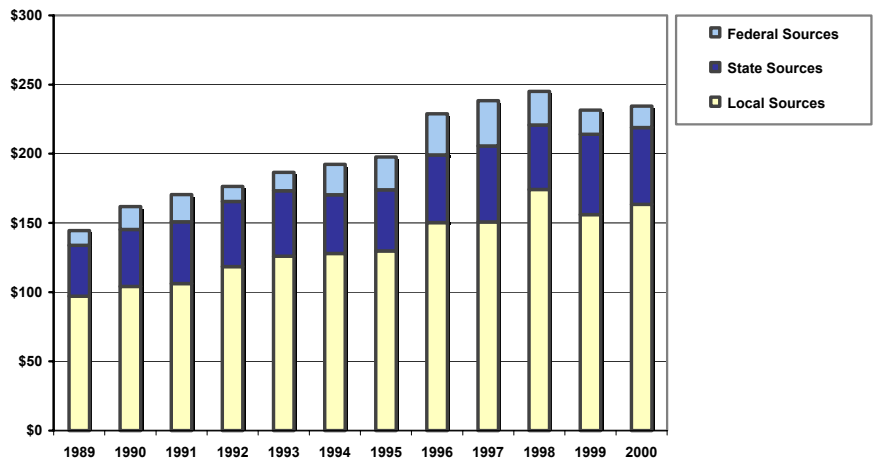
### **Revenue Predictability and Sustainability**

The following set of charts (charts 5.6 through 5.9) display transportation revenue information by program area and principal source (local, state, federal, and fare revenues) on a per capita, inflation-adjusted basis (year 2000 dollars). This analysis is designed to examine the question of whether, over time, revenues are tracking with other growth factors that represent real pressures and demands upon transportation expenditures. In general, the various transportation programs have retained their real per capita buying power across the analysis period, with some degree of variability from one fund source to another. The notable exception is the state highway program, which relies heavily upon fuel taxes that do not track with the broader economy unless they have been indexed with general inflation. In addition, the state ferry program has maintained buying power through an increased reliance upon fare revenues in the face of declining general state investment in the last couple of years.

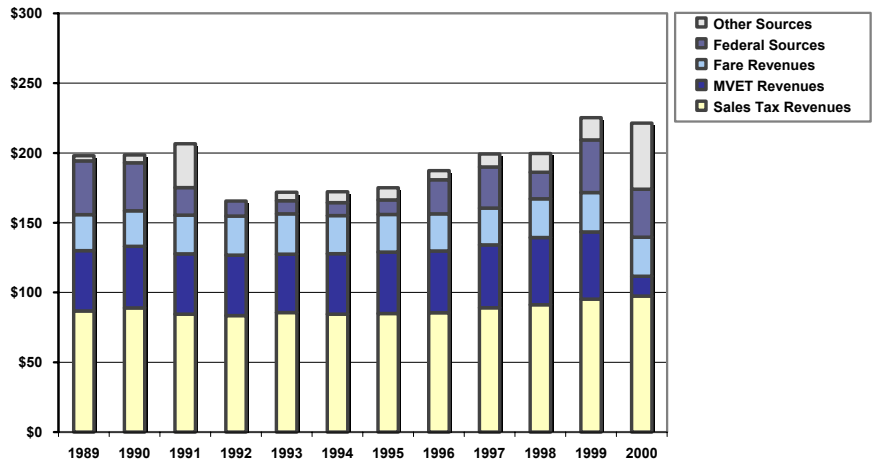
**Chart 5.5 City Transportation Revenues in the Central Puget Sound Region, 1989-2000  
Per Capita Inflation-Adjusted (Year 2000) Dollars**



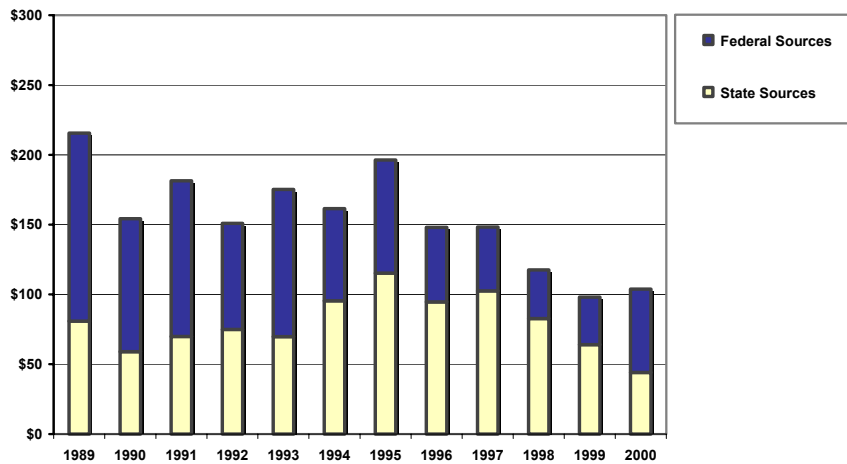
**Chart 5.6 County Transportation Revenues in the Central Puget Sound Region, 1989-2000  
Per Capita Inflation-Adjusted (Year 2000) Dollars**



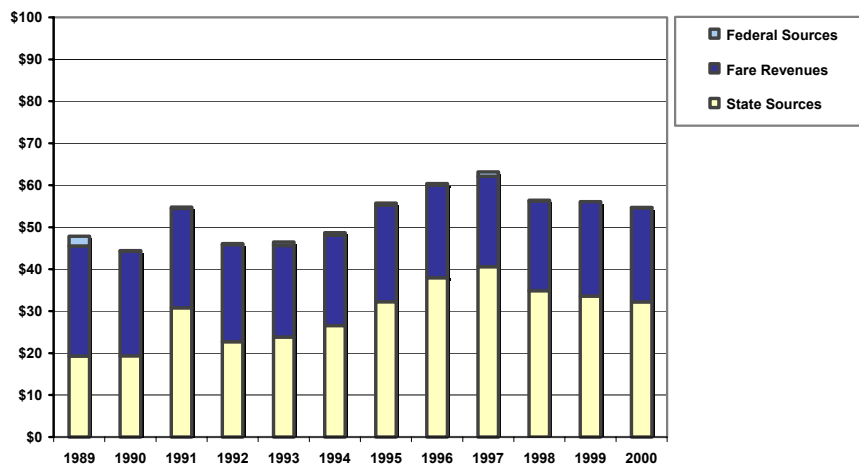
**Chart 5.7 Local Transit Revenues in the Central Puget Sound Region, 1989-2000  
Per Capita Inflation-Adjusted (Year 2000) Dollars**



**Chart 5.8 State Highway Revenues in the Central Puget Sound Region, 1989-2000  
Per Capita Inflation-Adjusted (Year 2000) Dollars**



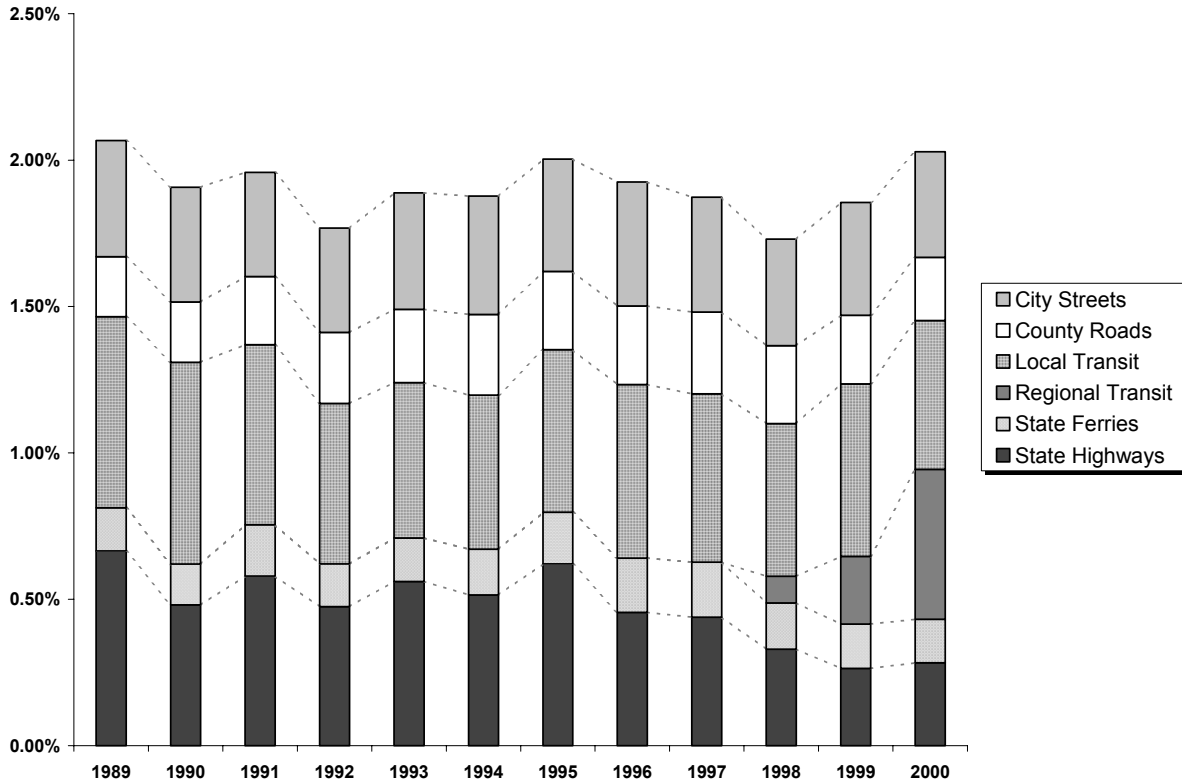
**Chart 5.9 State Ferry System Revenues in the Central Puget Sound Region, 1989-2000  
Per Capita Inflation-Adjusted (Year 2000) Dollars**



The charts above do tell us something interesting about revenue stability and predictability by controlling for inflationary growth in the general economy and increases in the overall size of the economy (demographic base). But these charts do not in any real way measure the adequacy of transportation revenues, since an explicit needs analysis is not part of the story that is conveyed. Transportation needs, and the relative costs of these needs, may grow at a measurably higher rate than general inflation. For example, this is especially likely to be true as it relates to the cost of rights-of-way purchases within urban land markets.

Another measure of financing sustainability is a comparison of transportation expenditures (which reflect available revenues) with total regional personal income. Historically (between 1989-2000), total public sector transportation expenditures have remained fairly constant as a percentage of personal income within the central Puget Sound region, fluctuating slightly around 2%. However, the nature of the expenditures has varied considerably over this same period of time. Since 1998, regional transit investments have become an increasing component of all expenditures, while all other investments (as a percent of personal income) have declined, with state highway expenditures declining noticeably. The chart below displays this information on an annual basis.

**Chart 5.10 Public Transportation Expenditures as a Percent of Personal Income  
Central Puget Sound Region, 1989-2000**



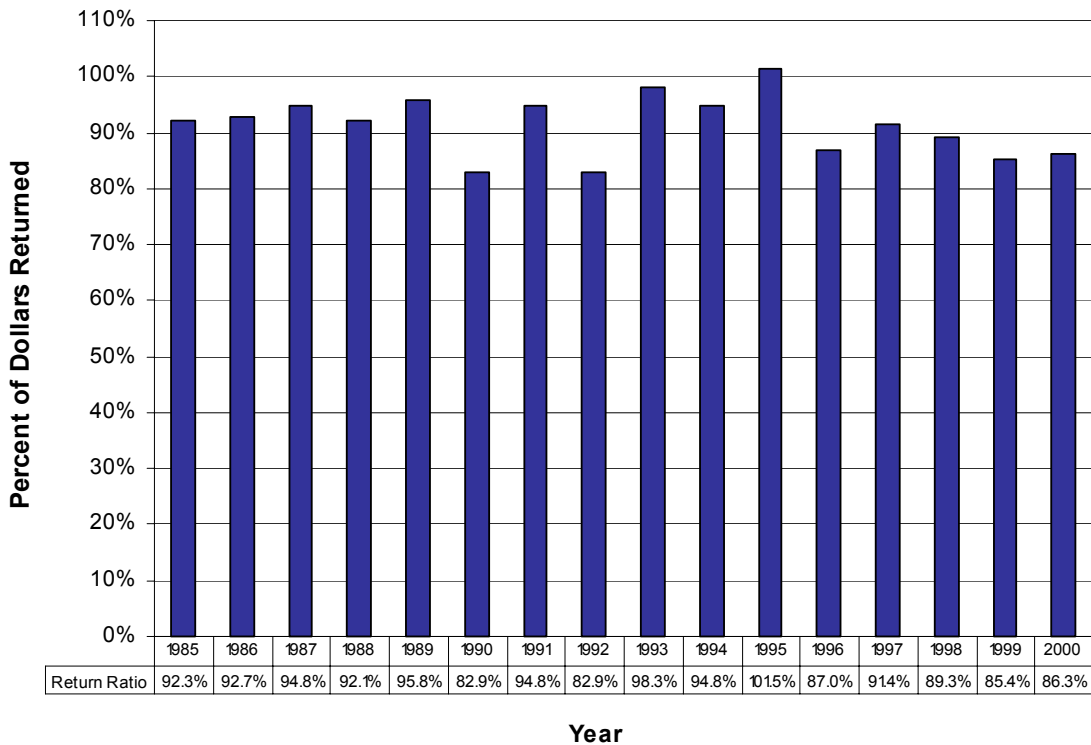
## A Reasonable Revenue Return for State and Federal Funds

Policy makers in the central Puget Sound region have been interested in understanding the degree to which tax revenues that are raised in the region, for transportation purposes, end up being spent on the region's transportation investments. Federal and state funds are pooled at the state level and are then programmed for investments across the entire state.

Most state and federal transportation funds are allocated to the central Puget Sound region based on legislative formulas, actions of the Legislature, and programmatic priorities. Collectively, this structure results in an export of funds from the central Puget Sound region to other areas in the state, even though the ferry system is a net importer.

During the 15-year period 1985-1999, the four-county region generated \$13.7 billion in transportation revenues, and received \$12.5 billion in state and federal transportation funds. This is a return of 91¢ on each dollar of revenues that are generated. Chart 5.11 below shows the revenue returned to the central Puget Sound region by each year. The 91¢ return is similar to the 90% "minimum guaranteed return" included in recent federal transportation funding legislation (ISTEA and TEA21). The central Puget Sound region can be viewed much like the so-called "donor states" for federal highway funds.

**Chart 5.11 State and Federal Revenue Return Ratio, 1985-2000  
Expenditures in the Central Puget Sound Region Compared with Revenues Generated**



In 2000, the Regional Council requested Porter & Associates, Inc. to update the regional transportation revenue forecast, taking into account the loss of MVET revenues. In addition to analyzing the direct effects of MVET loss, Porter & Associates highlighted the potential financial loss faced by the region if current laws affecting transportation revenue prevail. The term "current-law" means no changes in tax rates, taxes, or the system of allocating tax revenues to various uses. Porter & Associates found that the region's return ratio on state and federal funds would begin to significantly drop from its historical 90% average. This would occur because, in a current-law scenario, other regions of the state cannot produce enough revenue to pay for their basic needs (maintenance, preservation, safety and operations).

This potential outcome is a result of I-695, but would occur in any future scenario in which statewide highway funds are insufficient to support new highway construction. Absent new transportation revenues, other regions of the state cannot produce enough revenue to pay for their basic highway needs. Because these programs are the first priority for highway funds, any revenue surplus over basic needs that is produced by the central Puget Sound region would be allocated to other regions in the state until these statewide basic needs are satisfied. This could reduce the central Puget Sound region's historical revenue return for highways to approximately 50¢ on the dollar by 2020. Historically, the central Puget Sound has maintained an approximate 90% return due to the fact that significant capital investments in highways and ferries have been part of state mobility programs. As these programs receive fewer funds under future programming assumptions, the regional return will decline.

## CHAPTER 6: FINANCIAL FORECASTS

A discussion of transportation financial forecasts is included in this report since the ultimate objective of monitoring historical finance data is to understand the region's ability to implement its long-range growth and transportation objectives, as expressed in plans. Historical trends tell us something about future directions and allow a forecasting exercise to be meaningfully executed and sufficiently tied to real world observations. Financial planning is a central component of the Regional Council's transportation plan development and monitoring. In the future, evaluations will be made as to whether changes in financial structures are consistent with the regional financial strategies documented in *Destination 2030*. Various aspects of the regional planning exercise are linked together through the use of standard base data in the building of analytical applications. A common regional economic forecast is the basis for transportation system analysis through travel demand modeling as well as financial analysis based upon tax-base forecasts and revenue projections. This process is described, in brief, in the remainder of this chapter.

### Economic Forecasts

The Regional Council prepares and maintains demographic forecasts for the four-county central Puget Sound region. These forecasts are used primarily as inputs into the travel demand modeling process, while also supporting other agency and member jurisdiction planning studies. Regional forecasts are developed using an econometric model known as the STEP (Synchronized Translator of Econometric Projections) model. The STEP model is followed by the Small Area Forecast procedure, which allocates regional growth to a zone system, and county totals, using the DRAM (Disaggregate Residential Allocation Model) and EMPAL (Employment Allocation) models. The STEP model simulates the regional economy's interaction with national and state forecasts and produces annual results for the 30-year forecast period. Key model output includes employment by sector, population, personal income, inflation rates, as well as a variety of other economic data. In addition to these standard economic data outputs, the Regional Council has produced model estimates of future transportation-related tax-base values. By linking estimates of future tax-bases with the regional economic forecast modeling, planning work that relies upon both demographic factors and financial analysis can be performed with related and consistent source data.

### Tax-Base Forecasts

Associating transportation revenues with a specific tax base, then linking the behavior of that tax base to that of the regional economy, provides a reasonable basis for projecting future transportation revenues. Transportation funding in the central Puget Sound region draws mainly from five tax bases. These are: motor fuels sales, retail sales, motor vehicle values, assessed property valuation in unincorporated areas, and vehicle registrations and licenses. In 2000 revenues from these tax sources totaled 54% of all revenues dedicated to transportation expenditures. Another 46% of the transportation tax revenues were drawn from a combination of other sources, such as operating revenues and sources comprising cities', counties', and state general funds.

Each of these transportation tax bases is projected to grow during the 30-year Destination 2030 plan horizon, principally due to regional economic growth. One indication of this growth is displayed in annual personal income, which is projected to be 152% higher in 2030 than 2001, in real (inflation adjusted) terms. This reflects both population growth (36%) and growth in real per capita personal income (85%) over the

30-year period. Most of the tax bases are projected to grow less rapidly than personal income, however, and some will grow less rapidly than others.

Revenues that flow from the tax bases are not only a function of the changes in tax base values over time, but also the applicable tax rates. Some tax bases, such as retail sales, reflect inflationary forces in their base values and the tax rates are a percentage of the base. Other taxes are not price based, such as volume of fuel sales in gallons, and the tax rates are flat as opposed to a percent of the economic value.

## Programmatic Revenue Projections

“Current-law” revenue is the future revenue produced by applying currently authorized tax rates to the projected tax base. These revenues also take into account growth in operating income for new transit and ferry services that would be funded with current-law programming assumptions.

The current-law revenue projections are built up from explicit assumptions regarding the tax base and tax rate of each revenue source, the revenues retained within this region versus the amount of revenue generated, and distributions of the resulting revenue to each of the major transportation programs. Economic and tax-base forecasting, and revenue projection estimation are involved and complex processes. This report does not attempt to document the range of methods employed, and limitations that apply, in developing final revenue projections, but rather provides a summary of the findings as a means of bringing together the historical financial patterns with expected future revenue trends. Over time, monitoring efforts will review the degree to which future transportation revenues match the investment needs identified in the regional transportation plan, *Destination 2030*. More information about the regional plan can be found on the Regional Council’s Web page, <http://www.psrc.org/projects/mtp/index.htm>. *Destination 2030* contains over \$100 billion in needed transportation investments during this time horizon, and contains revenue development strategies in addition to the current-law revenues that are displayed below.

Table 6.1, below, compares historical and current-law projected per capita revenues by transportation program on an annual basis. All revenue figures are inflation adjusted (year 2000 dollars). Since 1998, the regional transit program resulted in a jump in per capita revenues available for transportation expenditures, and this program is anticipated to see periodic fluctuations in revenue into the future as a result of federal grant funding. In future years, local transit data include the new funding authority for the Seattle Popular Transit Authority. Notably, the state ferry and highway programs are projected to see a significant decline in real per capita revenues available for expenditures within the central Puget Sound region barring some change in programming priority or revenue structure.

**Table 6.1 Inflation-Adjusted Per Capita Revenue in the Central Puget Sound (Year 2000 Base)  
Historical Data 1991-2000, and Projected Data 2001-2010**

Real Per Capita Revenue	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Local Transit	\$ 206.07	\$ 165.69	\$ 172.84	\$ 172.07	\$ 174.70	\$ 187.33	\$ 199.15	\$ 199.10	\$ 223.14	\$ 221.36
Regional Transit								\$ 131.33	\$ 161.53	\$ 209.95
Highways	\$ 180.94	\$ 151.32	\$ 176.24	\$ 161.45	\$ 195.97	\$ 148.06	\$ 148.23	\$ 117.27	\$ 97.14	\$ 103.88
Streets	\$ 205.05	\$ 205.84	\$ 236.90	\$ 240.56	\$ 252.34	\$ 225.44	\$ 210.56	\$ 218.95	\$ 231.17	\$ 227.76
Roads	\$ 171.35	\$ 179.15	\$ 190.96	\$ 195.61	\$ 200.20	\$ 230.96	\$ 241.08	\$ 249.66	\$ 234.88	\$ 234.51
Ferries	\$ 50.96	\$ 42.85	\$ 43.54	\$ 45.35	\$ 52.77	\$ 60.40	\$ 63.13	\$ 56.27	\$ 55.53	\$ 54.70
<b>total</b>	<b>\$ 627.82</b>	<b>\$ 553.67</b>	<b>\$ 609.52</b>	<b>\$ 599.98</b>	<b>\$ 653.42</b>	<b>\$ 623.30</b>	<b>\$ 632.43</b>	<b>\$ 683.90</b>	<b>\$ 709.19</b>	<b>\$ 743.79</b>

Real Per Capita Revenue	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Local Transit	\$ 187.92	\$ 201.26	\$ 219.08	\$ 221.16	\$ 220.66	\$ 226.87	\$ 232.36	\$ 234.56	\$ 235.34	\$ 231.43
Regional Transit	\$ 112.62	\$ 119.98	\$ 127.48	\$ 139.25	\$ 233.62	\$ 257.18	\$ 167.00	\$ 119.90	\$ 148.94	\$ 95.26
Highways	\$ 82.59	\$ 80.92	\$ 79.29	\$ 78.11	\$ 77.11	\$ 74.24	\$ 71.55	\$ 68.73	\$ 65.81	\$ 61.65
Streets	\$ 221.49	\$ 220.89	\$ 219.44	\$ 218.34	\$ 217.36	\$ 216.46	\$ 215.61	\$ 214.54	\$ 213.31	\$ 211.55
Roads	\$ 226.51	\$ 223.61	\$ 223.41	\$ 223.98	\$ 225.32	\$ 226.83	\$ 227.84	\$ 228.27	\$ 228.56	\$ 226.49
Ferries	\$ 36.89	\$ 36.61	\$ 36.34	\$ 37.21	\$ 37.00	\$ 36.81	\$ 37.08	\$ 36.87	\$ 36.63	\$ 35.65
<b>Total</b>	<b>\$ 643.21</b>	<b>\$ 660.59</b>	<b>\$ 682.99</b>	<b>\$ 696.01</b>	<b>\$ 788.50</b>	<b>\$ 815.14</b>	<b>\$ 727.84</b>	<b>\$ 679.38</b>	<b>\$ 705.37</b>	<b>\$ 640.80</b>

Table 6.2 displays the projected revenues, under current-law assumptions, by transportation program for the 30-year plan period, 2001-2030.

**Table 6.2 Projected Transportation Revenues in the Central Puget Sound Region By Transportation Program in Constant Dollars, 2001-2030**

Transportation Program	Billions of Year 2000 Dollars
City Streets	\$ 15.1
County Roads	\$ 9.6
Local Transit	\$ 27.6
Regional Transit	\$ 13.8
State Ferries	\$ 3.8
State Highways	\$ 4.9
<b>Total</b>	<b>\$ 74.9</b>

Revenue Projection Notes:

City and County data reflect the elimination of Snohomish County vehicle license fees;  
 Local Transit category includes approximately \$3 billion for the Seattle Popular Transit Authority;  
 Regional Transit information reflects Sound Transit's Full Funding Grant Agreement with USDOT;  
 State Ferries and Highways data reflect programming assumptions under a current-law budget.

## Revenue Forecast Monitoring

Transportation revenue forecasts are used for planning purposes, to reasonably assess the availability of revenues to make planned investments. Numerous assumptions must be made, and complex relationships established, to build revenue models for projection purposes. While methods used are developed in a professional and rigorous manner, there is a level of uncertainty that remains about the predictive ability of any forecasting exercise, and this uncertainty increases as the forecast period extends away from historical data. Therefore, it is necessary to monitor the relationship between forecast and actual data as they become available, both to re-estimate forecasts periodically and to improve predictive models.

In order to monitor transportation revenue forecasts effectively, it is necessary to track two distinct types of data: 1) the actual value of tax-bases and demographic information that are direct products of economic/tax-base forecasting models, and are the basis of revenue models, 2) the actual programmatic revenue data that are the products of the revenue models. As actual data become available, the monitoring of these two types of data will allow future improvements to be made to the underlying models that support tax-base forecasts and the revenue projections for transportation programs.

## CHAPTER 7: SOME GENERAL FINDINGS

Twelve years of historical data for the central Puget Sound region provide a reasonable basis for attempting to draw some general findings about trends in transportation finance. Specific and targeted analysis of particular aspects of the financial data could result in a large number of detailed findings that relate to very clear and focused points of interest. This chapter does not attempt a detailed level of analysis that would be appropriate for a narrowly defined set of financial questions. Instead, this chapter pulls together some “high-level” general findings that suggest points of focus for future financial monitoring efforts. The primary interest is understanding how historical trends may begin to support, or hinder, the implementation of regional plans.

- 1. Some transportation tax-bases, and their corresponding revenue sources, track closely with regional economic performance; others track less directly with the economy.** Some tax bases, such as retail sales, reflect inflationary forces in their base values and the tax rates are a percentage of the base. Other taxes are not price based, such as volume of fuel sales in gallons, and the tax rates are flat as opposed to a percent of the economic value. All of these sources reflect expansionary forces in the regional economy, but some lose buying power over time. (See charts 3.1, and 3.2)
- 2. When controlling for population growth and inflation, total public revenues and expenditures on transportation have increased slightly between 1989-2000.** (See table 6.1)
- 3. Each transportation program has experienced different financial challenges and pressures over the period 1989-2000.** (See charts 4.1-4.12, and charts 5.5-5.9)

**Cities** continue to rely heavily upon non-dedicated sources of funding for transportation purposes. This results in significant uncertainty about investment capacity over time, as demands upon their general funds change from one budget cycle to the next. In addition, different cities throughout the region have very different financial circumstances, resulting in a lack of consistency in approach to city-level transportation investment.

**Counties** have historically relied upon road levy funds to provide a stable funding base. The passage of property tax limiting initiatives has introduced a new level of uncertainty (see chart 5.2). It remains to be seen if counties will be able to sustain historical levels of investment in their road systems.

**Local Transit** operators faced the elimination of a significant funding base, the MVET (see chart 5.1). In response to this loss of funding, most operators have garnered the support of their constituents to increase the transit sales tax rates. For some operators, these new sales tax revenues may nearly replace the lost MVET funds, but at the cost of a less diversified revenue base. It is possible that transit operators may modify fiscal management practices to safeguard against economic downturns that would result in revenue instability.

The **Regional Transit** operator, Sound Transit, has avoided the loss of significant local tax authority, even as voter initiatives threatened to repeal locally approved sources. Future federal grants are important to the Sound Transit capital programs, evaluation of these future allocations are beyond the focus of this report.

The Washington State Department of Transportation has seen the elimination of an important revenue source for its **Highway** and **Ferry** programs. Without MVET funding, WSDOT must increasingly rely upon revenues from state and federal fuel taxes, which lose buying power over time. This trend is evident in the historical data for highways and ferries (charts 4.9-4.12), and is likely to become more pronounced in the future.

- 4. Structural changes in transportation finance are just beginning to be evident in the reported historical data.** The historical data (chart 3.2, and charts 4.1-4.12) demonstrates an increasing reliance upon operating revenues, sales tax, and other (general tax) sources. The data also shows a declining reliance upon fuel taxes and vehicle registration charges (as proceeds shrink against inflation), as well as revenues from taxes on vehicle value (a result of the elimination of the statewide motor vehicle excise tax). These changes are structural, and are expected to continue to be reflected in future data. These changes are resulting in an increasing reliance upon funding sources that fluctuate with regional economic performance. This has both positive and negative implications. Sources that track with economic performance grow at the same time that the expanding economy puts greater general demands upon infrastructure investment. On the down side, these revenues do not necessarily match the demand driven investment needs that are specific to individual transportation facilities. In addition, fluctuations in economic performance create greater fiscal uncertainty, and suggest the need for different approaches to agency-level fiscal management. And in the mid-range to long-range, the nature of urban transportation needs (large capital projects in physically constrained urban environments) may require new finance instruments that free public agencies from the limitations of a pay-as-you-go investment approach.
- 5. Revenue returns to the region, on state and federal taxes generated in the region, is an issue that will require future financial monitoring.** Historically, the central Puget Sound region has received, in expenditures, 90% of the revenues that are generated in the region (chart 5.11). Indications are that this rate may decline in the future under current programming assumptions, and if no new state revenues are authorized.
- 6. Between 1989 and 2000, public agencies in the central Puget Sound region have invested an amount in transportation equivalent to approximately 2% of total regional personal income.** This total expenditure measure has remained reasonably constant over the 1989-2000 period, while the mix (across transportation programs) has changed over time. (See chart 5.10)

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