



APPENDIX C

**FINANCIAL FORECAST
ASSUMPTIONS &
METHODOLOGIES**

Metropolitan Transportation Plan Financial Forecast 2021 Update

Spokane Regional Transportation Council

Prepared for:



Spokane Regional Transportation Council

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Introduction

This financial forecast identifies funding sources and available revenues for transportation improvements in the Spokane Regional Transportation Council's (SRTC) 2021 Metropolitan Transportation Plan (MTP) update by estimating the funding that may be reasonably available during the 2021-2045 planning period. These forecasted revenues will be integrated with anticipated transportation investment needs to enable SRTC to prioritize investments and generate the MTP's fiscally constrained project list for the next planning period.

Organization of this Memo

This document is organized as follows:

- First, we present an **inventory** of potential revenue sources available to the region.
- Then, we summarize the **financial assumptions** that BERK developed based on historical revenues and in collaboration with the SRTC, Spokane Transit Authority (STA), and Washington State Department of Transportation (WSDOT).
- Finally, we present the **forecasted available revenues** during the planning horizon.

Potential Revenue Sources

This section summarizes potential local, state, and federal transportation revenue sources available to the SRTC region through the planning horizon year, 2045. We identify eligible transportation project types for each potential revenue source. Like the 2017 financial forecast update, this list is not intended to be all inclusive as additional funding mechanisms may be available, particularly at the local level. This forecast focuses on regional funding, and local jurisdictions may pursue new funding opportunities or tap into additional funding capacity in existing sources. More details on each source may be found in **Appendix A. Summary of Potential Revenue Sources.**

LOCAL SOURCES

Local government revenue sources may be either unrestricted or transportation-restricted.

- **Unrestricted revenues** are available for all general fund activities or broad categories of activities. This means transportation needs compete with many other local government needs, and funding may depend on a community's priorities and context. For cities and counties, unrestricted revenues may include property tax, retail sales and use tax, business and occupation tax, sales tax, utility tax, and real estate excise tax (REET).
- **Transportation-restricted revenues** are collected through specific legislation that limits use of revenues to transportation purposes. For cities and counties, these revenues may include transportation impact fees, fuel taxes, commercial parking taxes, local improvement districts, road improvement districts, and development agreements. Some local options are not feasible or

applicable to many communities; they may be only effective in certain locations, have limited eligibility, or depend on voter approval. For public transportation authorities, this included voter-authorized sales and use tax.

STATE SOURCES

State transportation funding to local governments primarily comes from the motor vehicle fuel tax (MVFT; also referred to as the gas tax in this report) revenue that is directly distributed to Spokane County and the cities and towns within the county. The 18th Amendment to the Washington State Constitution restricts the expenditure of gas tax and vehicle license fees deposited into the motor vehicle fund to “highway purposes”, broadly defined as having to do with the construction, reconstruction, maintenance, repair, engineering, and operation of highways, county roads, city streets, and bridges. The State also provides direct project appropriations and competitive grants and loans.

State dollars reach local jurisdictions in the SRTC region through three general channels:

- **Direct distributions** are direct allocations through the state gas tax, as well as direct transfers from the state Motor Vehicle and Multimodal Accounts, funded by the 2015 Connecting Washington Act. The state MVFT also funds the County Arterial Preservation Program (CAPP), which distributes revenue to counties on a formula basis.
- **Local project appropriations** are direct budget appropriations (earmarks) to specific projects.
- **State competitive programs** are competitively awarded state grant and loans programs, which include both state money and federal money that is managed and distributed by the County Road Administration Board (CRAB), Transportation Improvement Board (TIB), Freight Mobility Strategic Investment Board (FMSIB), WSDOT, and other agencies.

State Transportation Packages

State transportation funding packages passed by the Legislature may provide significant funding for transportation investments. In the last 20 years, the State passed the 2003 Nickel Package, 2005 Transportation Partnership Act, and 2015 Connecting Washington Act (CWA). The CWA is based on an 11.9 cent increase in the state gas tax and other transportation revenues and is expected to invest \$16 billion on state multimodal transportation infrastructure through 2032. The CWA expires prior to the horizon year of this MTP update, so legislatively allocated state transportation funding beyond 2032 depends on future revenue packages.

FEDERAL SOURCES

Federal funding flows to states and local governments through two main channels:

- **Bills that authorize transportation programs and funding ceilings over ranges of years.** The Fixing America’s Surface Transportation (FAST) Act was passed in December 2015, authorizing \$305 billion through September 30, 2020.



- **Annual appropriation bills that set annual spending levels for transportation programs.**

The State receives federal funds from Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) programs. WSDOT Local Programs serves as the steward of FHWA funding for local government using FHWA funds. Spokane Transit is the designated recipient of FTA funds allocated to the Spokane urbanized area.

In Washington, the FAST Act Advisory Group has reviewed and recommended distributions of federal highway funds between the state and local jurisdictions in the past. This group most recently met in 2016, after the most recent reauthorization of the FAST Act.¹ FAST Act funds are allocated through programs, including the Surface Transportation Block Grant (STBG), STBG Set-Aside (formerly Transportation Alternatives), and Congestion Mitigation and Air Quality Improvement (CMAQ) Program.

The federal Highway Trust Fund (HTF) is the distribution mechanism for most programs in the FAST Act. The HTF is comprised of the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The FAST Act extends the imposition of highway-user taxes through September 2022 with no change to tax rates. Federal motor fuel taxes are a primary source of income into the HTF.

Federal funds are passed along to local jurisdictions within the SRTC region through several mechanisms:²

- **Federal pass-through programs:** recipients are selected by SRTC through regional priority competitive programs. Programs include the STBG and STBG Set-Aside.
- **Federally managed programs:** projects and programs are selected by WSDOT through statewide competitive programs. Programs include the Local Bridge Program and the Highway Safety Improvement Program as well as rural transit mobility programs.
- **Federal discretionary programs:** grantees are selected federally through nationwide competitive programs.
- **Direct allocation of FTA funds:** federal transit funds allocated to the Spokane urbanized area under sections 5307, 5310 and 5339 of the Transportation Title of United States Code (USC 49). Funding under Section 5310 is subsequently awarded to subrecipients for purposes of enhancing mobility for seniors and individuals with disabilities as called for in the SRTC Coordinated Public Transit – Human Services Transportation Plan.

¹ WSDOT, <https://www.wsdot.wa.gov/LocalPrograms/ProgramMgmt/FedTransAct.htm>.

² WSDOT, <https://www.wsdot.wa.gov/LocalPrograms/ProgramMgmt/funding.htm>

Financial Assumptions

This section details the core assumptions supporting the financial forecast for the 2021 MTP update. Funding sources were organized based on the point of expenditure: **local jurisdictions, the SRTC region, WSDOT, and STA**. BERK projected each revenue source through the planning horizon year of 2045 using the following assumptions developed in collaboration with SRTC, STA, and WSDOT.

For each revenue source, we projected future revenues using various methodologies, which were discussed and vetted with SRTC staff. These methodologies are as follows:

- Projecting from either the **latest actual value** or from an **average historical value**.
- Projecting using a **constant value** or a **specified growth rate**.
- Projecting based on **revenue forecasts provided by jurisdictions**.

INFLATION ADJUSTMENT

We show revenues in both year of expenditure (YOES) dollars and inflation-adjusted 2020 dollars (2020\$). We used the Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers, U.S. West Cities – Size Class B/C. This assumes an annual 1.74% change from 2020 onward.³

COVID-19 RECESSION ADJUSTMENT

We estimated potential economic impacts from the COVID-19 pandemic for local and regional revenue sources based on financial forecasting from the Washington State Transportation Revenue Forecast Council (TRFC) and the Washington State Economic and Revenue Forecast Council (ERFC).⁴ Revenue estimates for WSDOT and the STA also included estimated economic impacts from the COVID-19 pandemic based on existing projections from the TRFC and STA, respectively.

LOCAL JURISDICTIONS: SPOKANE COUNTY AND CITIES

For Spokane County and the 13 cities in the SRTC region,⁵ we categorized revenues using WSDOT data and the following categorizations, which are consistent with the prior MTP update:

- **Local:** property taxes, sales tax, special assessments, general fund appropriations, local road user taxes and fees, other local receipts, and bond proceeds.
- **State:** state fuel tax distributions, state grants, other state funds, ferry tolls.

³ Bureau of Labor Statistics. For reference, the CPI using U.S. City Average assumes 1.72%. The CPI for Seattle-Tacoma-Bellevue assumes 2.26% annual change.

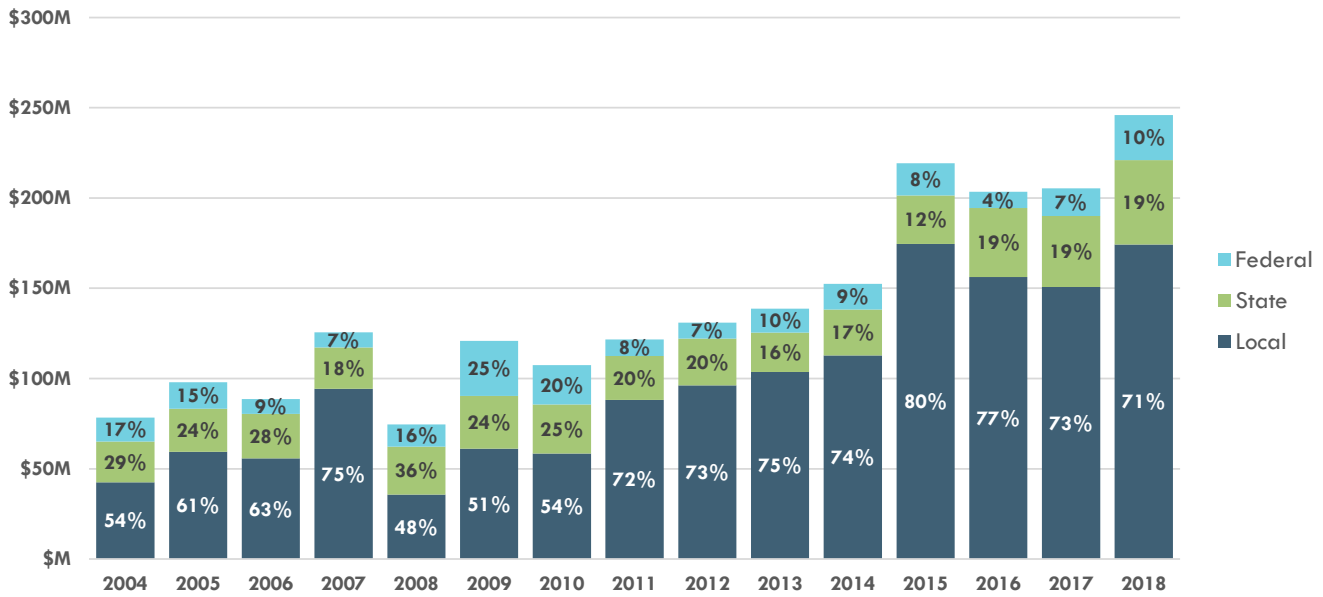
⁴ BERK's forecast model allows SRTC staff to adjust this COVID-19 impact: turning this on or off, adjusting the specific 2020 and 2021 year impacts, and adjusting the recovery year.

⁵ Airway Heights, Cheney, Deer Park, Fairfield, Latah, Liberty Lake, Medical Lake, Millwood, Rockford, Spangle, Spokane, Spokane Valley, and Waverly.

- **Federal:** federal revenues including funding from the highway trust fund.

Between 2004 and 2018, historical revenues steadily increased from **\$75 million to \$250 million** in year of expenditure dollars (YOE\$). Inflation-adjusted average annual revenues for 2004 through 2018 were **\$171 million** in 2020 dollars (2020\$). Since 2011, 70-80% of these revenues have been locally generated, as shown in Exhibit 1.

Exhibit 1. Historical Transportation Revenues for Spokane County and Cities, 2004-2018 (YOE\$)



Sources: WSDOT City Streets and County Roads Merged Dataset, 2004-2018; BERK, 2020.

We used the following assumptions to project revenues for Spokane County and cities in the region:

- **State and federal revenues** to local jurisdictions tend to fluctuate year by year, but over time they have remained relatively constant in real terms. Except for motor vehicle fuel tax distributions, we projected federal and state revenues forward using a constant average historical value in 2020\$.
- **Motor vehicle fuel tax distributions** are allocated per capita by the State to the County and cities. We projected fuel tax distributions forward from the latest actual value in YOE\$ using growth rates derived from WSDOT’s projected motor vehicle fuel tax collections to local jurisdictions through the 2027-2029 biennium from the TRFC. We extended the growth rate projections through 2045 to match SRTC’s MTP update horizon year. Growth rates from TRFC are adjusted based on population growth estimates for the SRTC region and Washington State. Population growth estimates for the SRTC region align with SRTC’s 2019 land use forecast.
- **Property tax** growth is limited by state law to 1% plus new construction. We assumed a growth rate of 1% per year in YOE\$ as a conservative estimate of property tax growth. Because assessed value typically grows at a higher rate than inflation, this means that revenues decrease in real terms.
- **General Fund appropriations** and **other local receipts** are growing in real terms, so we projected a

specified growth rate of 3% per year in YOES\$.

- **Special assessments and local road user taxes** fluctuate year by year, but over time they have remained relatively constant in real terms. We projected these revenues using a constant historical average value in 2020\$.
- **Bond proceeds** also fluctuate year to year and are dependent on local jurisdictions issuing debt and needing to financing large capital projects. As such, given the wide variation in revenue levels year to year, we projected these revenues using a constant historical average value in 2020\$.

Exhibit 2. Financial Forecast Assumptions for Spokane County and Cities

Revenue Source	Category	Projection Method and Assumptions
Bond Proceeds	Local	Average 2004-2018 value in 2020\$, constant
General Fund Appropriations	Local	Specified growth rate of 3% per year in YOES\$
Local Road User Taxes	Local	Average 2004-2018 value in 2020\$, constant
Other Local Receipts	Local	Specified growth rate of 3% per year in YOES\$
Property Taxes	Local	Specified growth rate of 1% per year in YOES\$
Special Assessments	Local	Average 2004-2018 value in 2020\$, constant
Other State Funds	State	Average 2004-2018 value in 2020\$, constant
State Fuel Tax Distributions	State	Latest actual value in YOES\$; growth rates derived from State’s Transportation Revenue Forecast Council and adjusted per SRTC’s population projections aligning with 2019 Land Use Update and OFM’s population growth projections for Washington State
Federal Revenues	Federal	Average 2004-2018 value in 2020\$, constant

Sources: TRFC, 2020; SRTC, 2020; BERK, 2020.

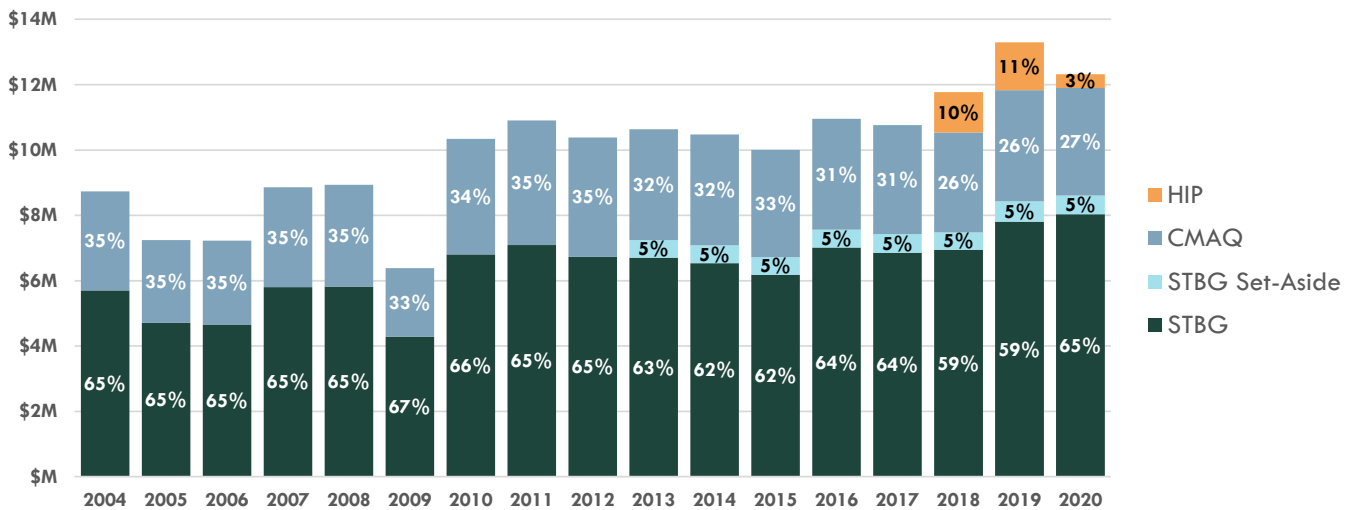
REGIONAL: SRTC

Federal funding allocated to the SRTC region includes the following sources:

- **Surface Transportation Block Grants (STBG).** SRTC received on average **\$7.4 million (2020\$)** in STBG funding from 2013-2020. This amount has been relatively constant.
- **STBG Set Aside allocations.** SRTC received on average **\$590,000 (2020\$)** in STBG set aside allocations from 2013-2020. This amount has also been relatively constant.
- **Congestion Mitigation and Air Quality Improvement (CMAQ) funds.** SRTC received on average **\$3.5 million (2020\$)** in CMAQ funding from 2013-2020. Like STBG funding, this has been relatively constant.
- **Highway Improvement Funds (HIP).** HIP allocations started in 2018. SRTC has received around **\$1.4 million** in 2018 and 2019 but just under **\$500,000** in 2020 (2020\$). In the current federal funding climate, we do not expect these funds to continue.

Between 2013-2020, annual federal allocations to SRTC were **\$10 to \$12 million (YOE\$)**, as shown in Exhibit 3. Adjusted for inflation, SRTC received on average **\$11.9 million (2020\$)** annually.

Exhibit 3. Historical Federal Transportation Funding for SRTC Region, 2004-2020 (YOE\$)



Sources: SRTC, 2020; BERK, 2020.

We used the following assumptions to project revenues:

- STBG and STBG Set-Aside funds are relatively constant in real terms, so we projected a constant 2020\$ amount reflecting a historical average value.
- In consultation with SRTC staff, we assumed that HIP funding will not continue beyond 2020 and that CMAQ funds will not continue after 2025, which is SRTC's attainment year.

Exhibit 4. Financial Forecast Assumptions for SRTC Region

Revenue Source	Projection Method and Assumptions
STBG	Average 2013-2020 value in 2020\$, constant
STBG Set-Aside	Average 2013-2020 value in 2020\$, constant
CMAQ	Average 2013-2020 value in 2020\$, constant Assume this does not continue beyond 2025, which is SRTC attainment year
HIP	Assume this funding does not continue beyond 2020

Sources: WSDOT, 2020; SRTC, 2020; BERK, 2020.

WSDOT

This WSDOT revenue forecast relies on the TRFC’s June 2020 projections. TRFC estimates WSDOT revenues through the 2027-2029 biennium. WSDOT staff allocated revenues to the Spokane region using various allocation factors, including population, vehicle registrations, and rental car tax revenue. BERK extended the forecast through 2045 to match SRTC’s MTP update horizon year.

Legislatively Funded Projects

In addition to WSDOT funds, the SRTC region may receive dedicated funding for projects through the Connecting Washington Act (CWA) or other legislatively funded projects. BERK estimated this funding by reviewing how much the Spokane region has received and is expected to receive from the following past revenue packages: the 2003 Nickel Package, 2005 Transportation Partnership Act, and 2015 CWA (funding through 2031). The Spokane region has received and is expected to receive a total of around **\$1.4 billion** from these packages starting in 2003 through 2031. This is an average of \$47 million per year (YOE\$), which we extended from 2032 through 2045. This methodology aligns with the estimation method from the 2017 MTP update.

Exhibit 5. Financial Forecast Assumptions for WSDOT and Legislatively Funded Projects

Revenue Source	Projection Method and Assumptions
Motor vehicle fuel tax	TRFC; Allocated to SRTC region based on OFM population estimates
Vehicle related fees	TRFC; Allocated to SRTC region based on 2020 vehicle registration count
Driver related fees	TRFC; Allocated to SRTC region based on OFM population estimates
Other business-related revenue	TRFC; Allocated to SRTC region based on OFM population estimates
Rental car tax and vehicle sales tax	TRFC; Allocated to SRTC region based on 2003-2013 car rental tax revenue
CWA/Additional Legislative Bills	Average 2003-2031 value in YOE\$, constant

Sources: WSDOT, 2020; BERK, 2020.

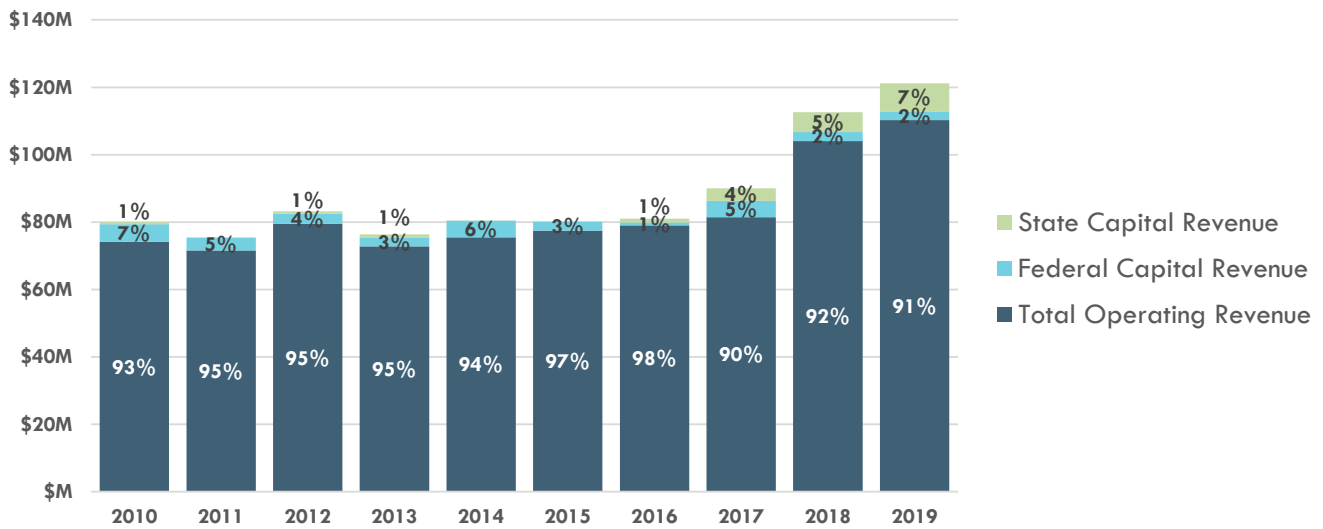
SPOKANE TRANSIT AUTHORITY

Spokane Transit Authority (STA) categorizes revenues as follows:

- **Operating revenue**
 - *Fare revenue*: STA maintains a convenient, reasonably priced fare structure aimed at increasing ridership within its service area. STA seeks to regularly balance revenue with services. Its most recent fare change took effect in two phases: Phase 1 effective July 1, 2017 with base fares changing from \$1.50 to \$1.75 and Phase 2 effective July 1, 2018 with base fares changing from \$1.75 to \$2.00.
 - *Sales tax revenue*: The voter-approved retail sales tax is the largest contributor to STA's operating revenue, accounting for nearly 80%. The 0.6% baseline retail sales rate levied across the Public Transportation Benefit Area was permanently authorized by voters in 2008. In 2016, STA received approval from voters to receive a retail sales tax increase of up to 0.2%; 0.1% in April 2017 and 0.1% in April 2019. Both tax increases are being used to expand transit services to new areas, extend hours on all basic and frequent routes and launch a bus rapid transit system. A ballot proposition will be required to extend the tax beyond the current sunset of December 2028.
 - *Grant revenue for preventative maintenance (Section 5307), and state special needs grants*
 - *Miscellaneous revenue such as investment income, and other sources.*
- **State capital revenue**
- **Federal capital revenue (Sections 5310 and 5339)**

Between 2010 and 2019, historical revenues increased from around **\$70 million to \$120 million (YOES)**, as shown in [Exhibit 6](#). Adjusted for inflation, average annual revenues for 2010 through 2019 were around **\$90 million** in 2020\$. The increase in total operating revenues between 2017 and 2019 is largely associated with voter-approved tax rate increases.

Exhibit 6. Historical Transportation Funding for STA, 2010-2019 (YOE\$)



Sources: STA, 2020; BERK, 2020.

STA provided annual financial projections through 2038, and BERK extended these through to the MTP planning horizon year, 2045.

Fare Revenue: In the short-term, STA estimates that ridership will remain constrained in line with pandemic conditions and will slowly resume their recovery toward 2019 levels by 2022. STA expects to see ridership grow modestly year-over-year over the forecast period by 1% across its lines of service.

STA periodically undertakes a review of its tariff policy to achieve a farebox recovery of 20% of operating costs. Such a review will be undertaken during the forecast period.

Sales Tax Revenue: For voter-approved retail sales tax, STA’s financial projections assume a six-year economic recovery from the COVID-19 pandemic with an estimated \$126.3 million cumulative revenue loss relative to prior year forecasts.⁶

The current additional 0.2% approved by voters in 2016 is assumed to continue through the remainder of the forecast period. STA is developing its next long-range plan and estimates leveraging the additional 0.1% available, for a total of 0.9%. This revenue could begin in 2032 and would be used to cover additional capital and operating costs to deliver this long-range plan. Given the preliminary nature of this planning activity, neither the revenue nor the uses of funding have been reflected in the forecast.

Grant and Miscellaneous Revenues: STA projected a 1% year-over-year growth for these categories through 2038.

Exhibit 7. Financial Forecast Assumptions for STA

Revenue Source	Projection Method
State Capital Revenue	Provided by STA through 2038, extended by BERK to 2045
▪ Fare Revenue	
▪ Sales Tax Revenue	
▪ Grant Revenue	
▪ Miscellaneous Revenue	
Federal Capital Revenue	Provided by STA through 2038, extended by BERK to 2045
Total Operating Revenue	Provided by STA through 2038, extended by BERK to 2045

Source: STA, 2020.

Forecasted Revenues

Based on the financial assumptions outlined in the prior section, BERK developed the following financial forecasts in collaboration with the SRTC, STA, and WSDOT. These projections considered the region's historical financial situation and assumptions on future revenues.

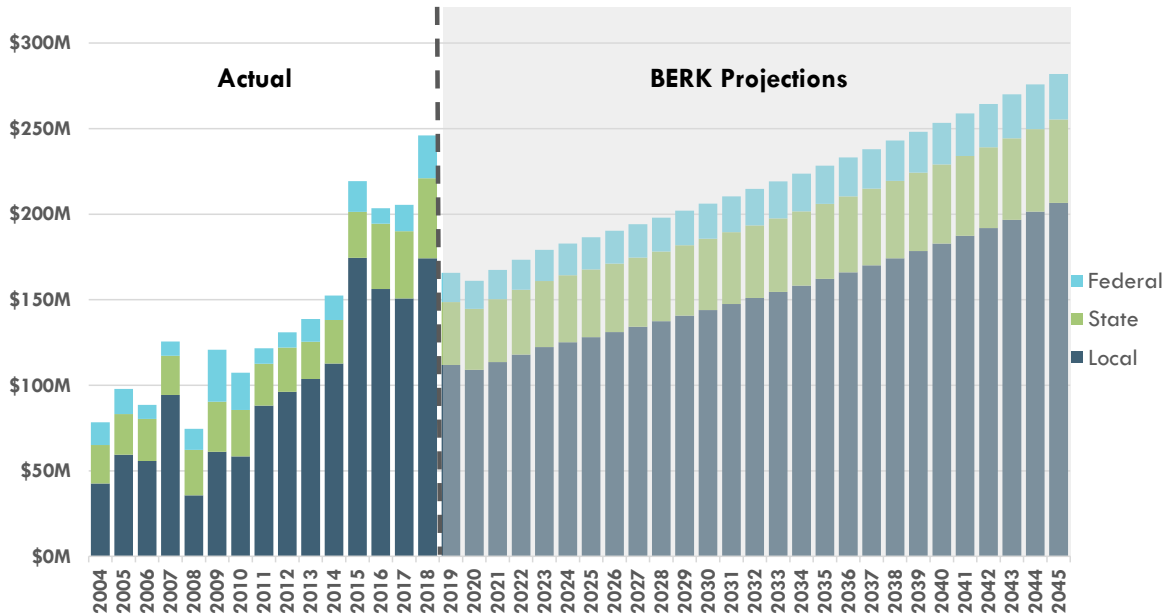
Given a level of uncertainty inherent in projecting revenues over a 25-year planning time frame, it is important to note that the following revenue projections are not intended to be precise on a year-to-year basis. Instead, these revenue projections are intended to capture trends over the 25-year planning time frame and to inform SRTC's planning in generating the MTP's fiscally constrained project list for the next planning period.

As detailed in the Financial Assumptions section, our forecast assumptions vary across revenue sources. Overall, these forecast assumptions lean more conservative than aggressive through the planning time frame, particularly for revenue sources with a significant amount of historical variation. Our model adjusts for historical volatility as well as estimated COVID-19 recession impacts by basing projections on average historical values rather than from recent potential peak values. Where applicable, we also adjusted for the region's population growth relative to the state's overall population growth.

LOCAL JURISDICTIONS: SPOKANE COUNTY AND CITIES

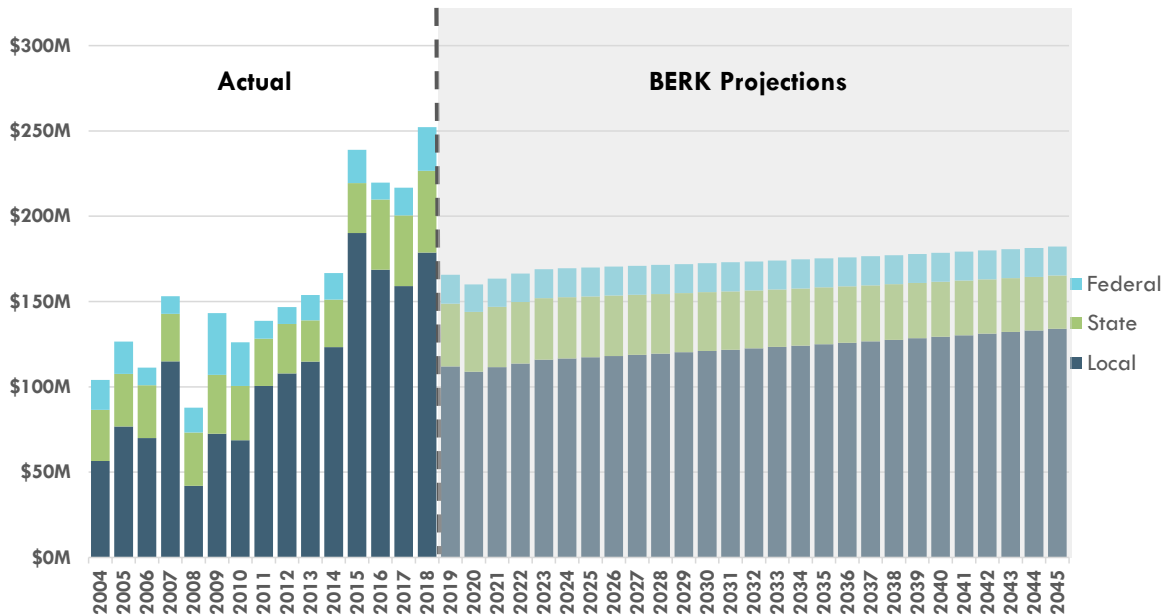
Exhibit 8 and Exhibit 9 show forecasted revenues for local jurisdictions in YOES\$ and 2020\$.

Exhibit 8. Projected Revenues for Local Jurisdictions (County and Cities), 2021-2045 (YOES\$)



Sources: WSDOT City Streets and County Roads Merged Dataset, 2004-2018; BERK, 2020.

Exhibit 9. Projected Revenues for Local Jurisdictions (County and Cities), 2021-2045 (2020\$)

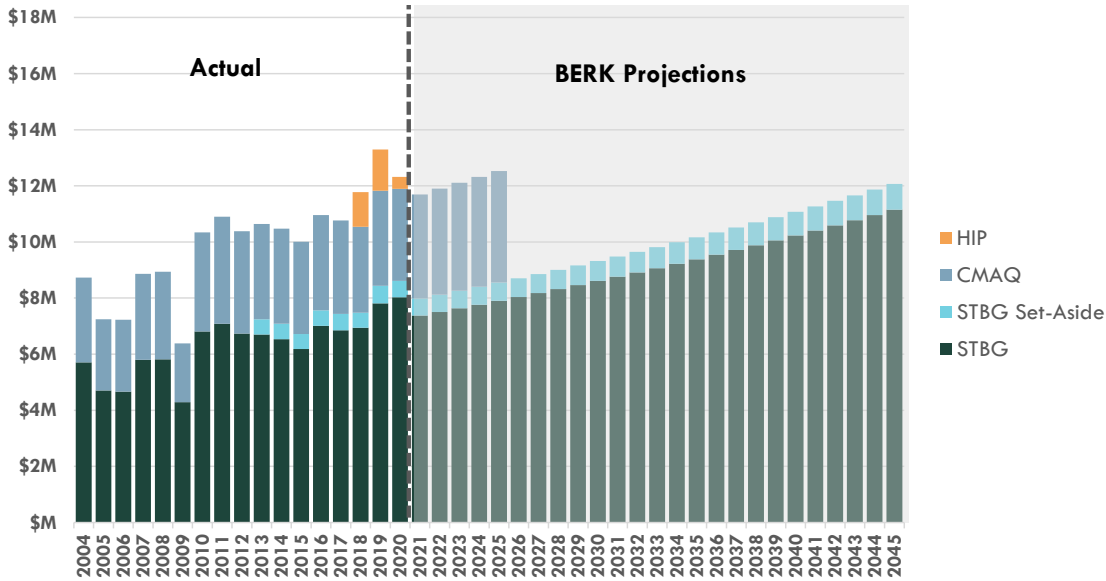


Sources: WSDOT City Streets and County Roads Merged Dataset, 2004-2018; BERK, 2020.

REGIONAL: SRTC

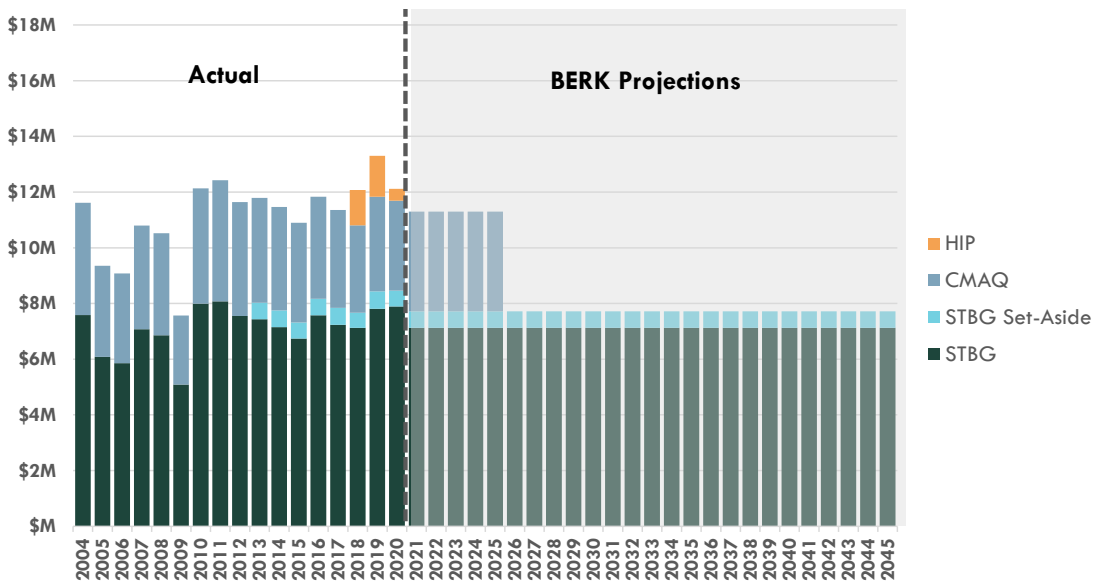
Exhibit 10 and Exhibit 11 show forecasted federal funding allocations to the SRTC region in YOE\$ and 2020\$.

Exhibit 10. Projected Federal Transportation Funding for the SRTC Region, 2021-2045 (YOE\$)



Notes: HIP funding is not anticipated to continue after 2020. CMAQ funding is not anticipated to continue after 2025.
Sources: SRTC, 2020; BERK, 2020.

Exhibit 11. Projected Federal Transportation Funding for the SRTC Region, 2021-2045 (2020\$)

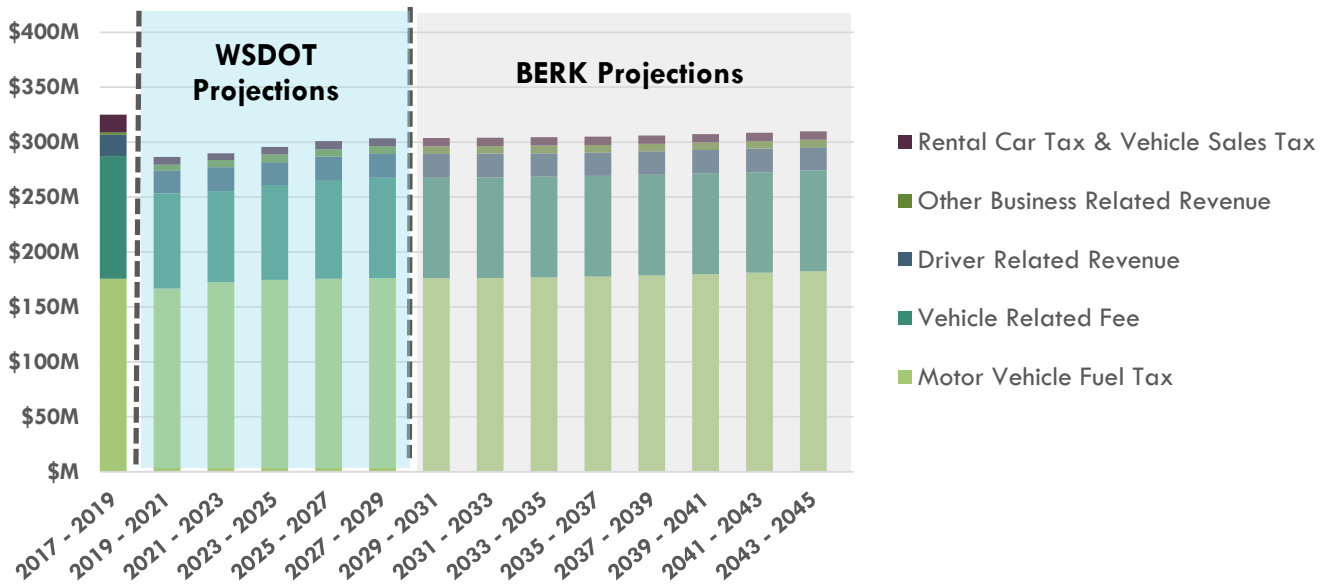


Notes: HIP funding is not anticipated to continue after 2020. CMAQ funding is not anticipated to continue after 2025.
Sources: SRTC, 2020; BERK, 2020.

WSDOT

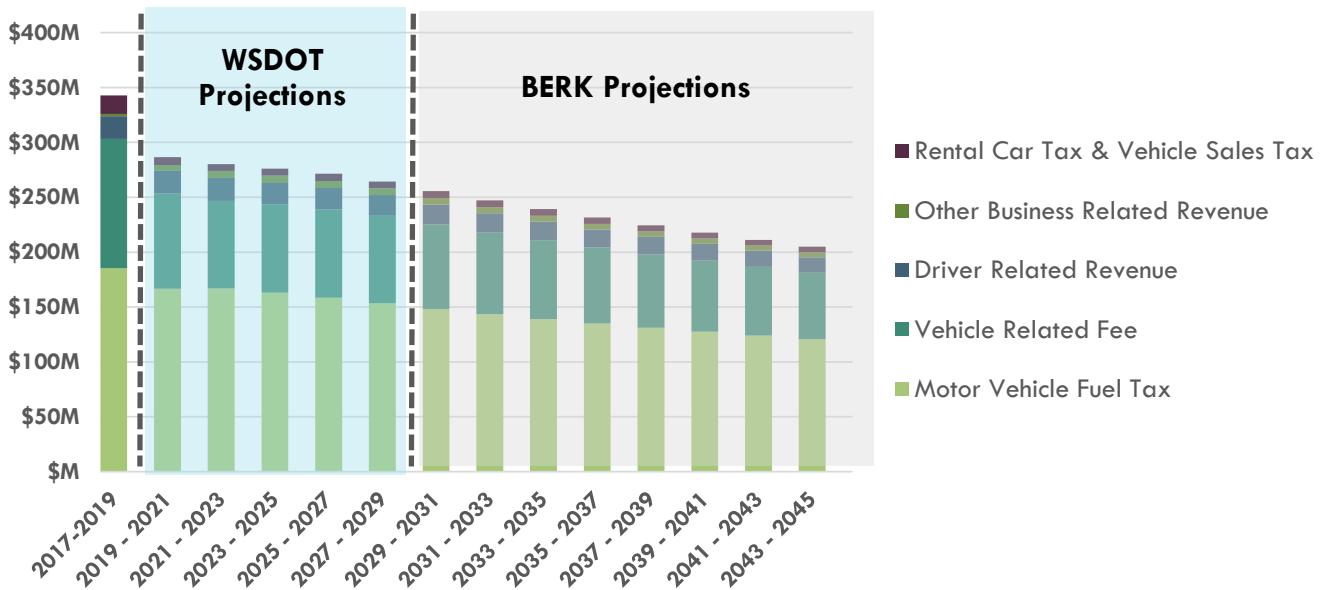
Exhibit 12 and Exhibit 13 show projected WSDOT revenues in the SRTC region in YOES\$ and 2020\$.

Exhibit 12. Projected WSDOT Revenues in the SRTC Region, 2021-2045 (YOES\$)



Sources: WSDOT, 2020; BERK, 2020.

Exhibit 13. Projected WSDOT Revenues in the SRTC Region, 2021-2045 (2020\$)

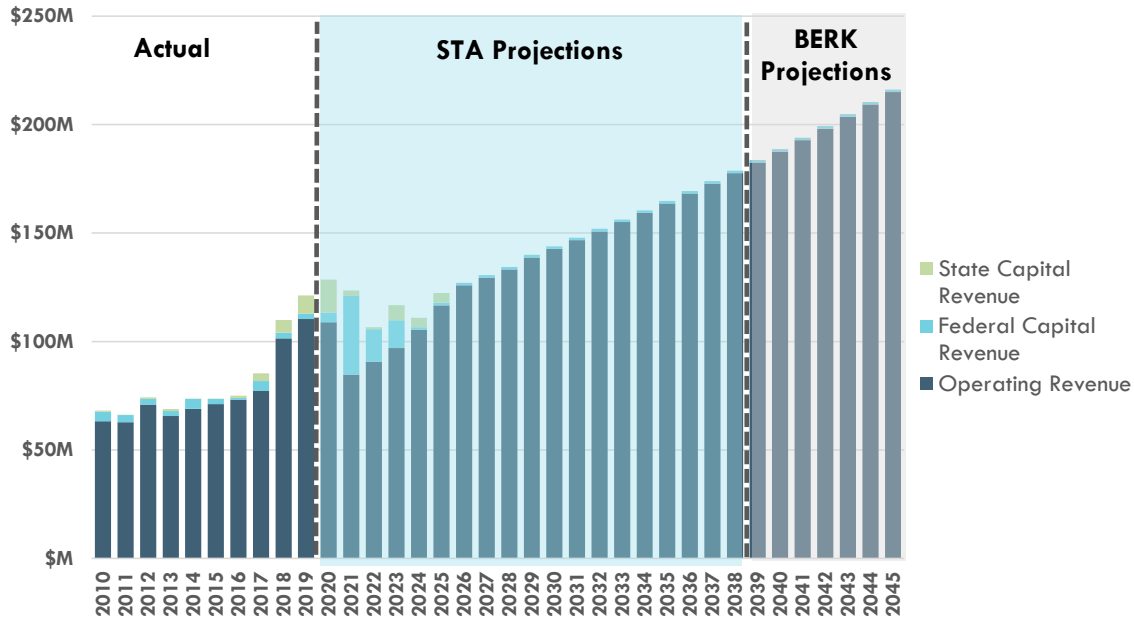


Sources: WSDOT, 2020; BERK, 2020.

SPOKANE TRANSIT AUTHORITY

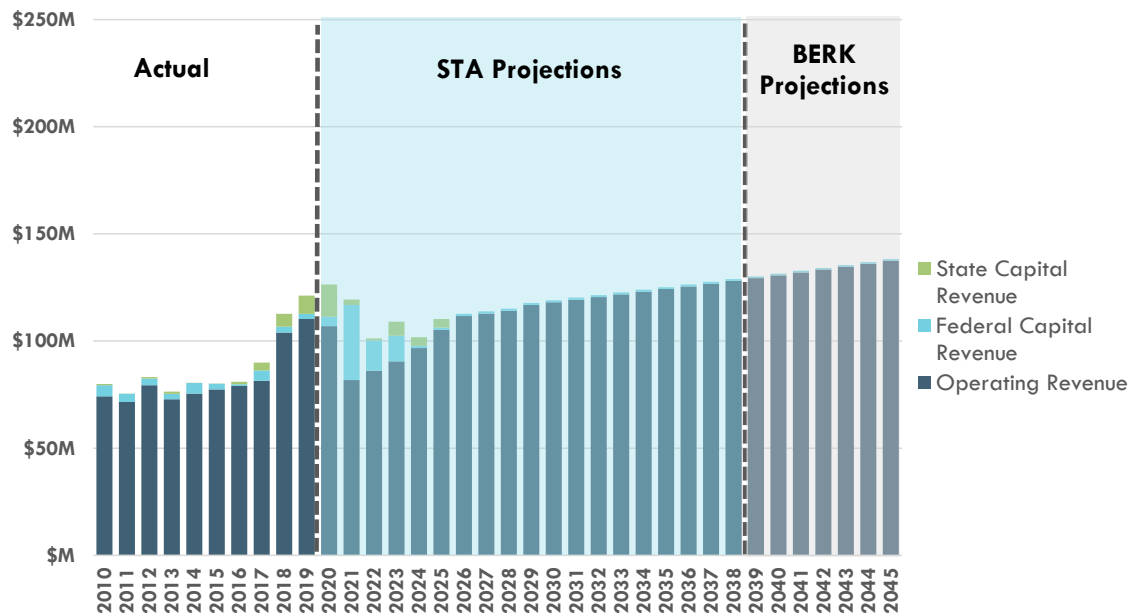
Exhibit 14 and Exhibit 15 show projected revenues for STA in YOES\$ and 2020\$. STA forecasts a dip in operating revenues in 2021 and recovery from 2021-2024, recovering to 2019 levels by 2025.

Exhibit 14. Projected STA Revenues, 2021-2045 (YOES\$)



Sources: STA, 2020; BERK, 2020.

Exhibit 15. Projected STA Revenues, 2021-2045 (2020\$)



Sources: STA, 2020; BERK, 2020.

TOTAL PROJECTED REVENUES

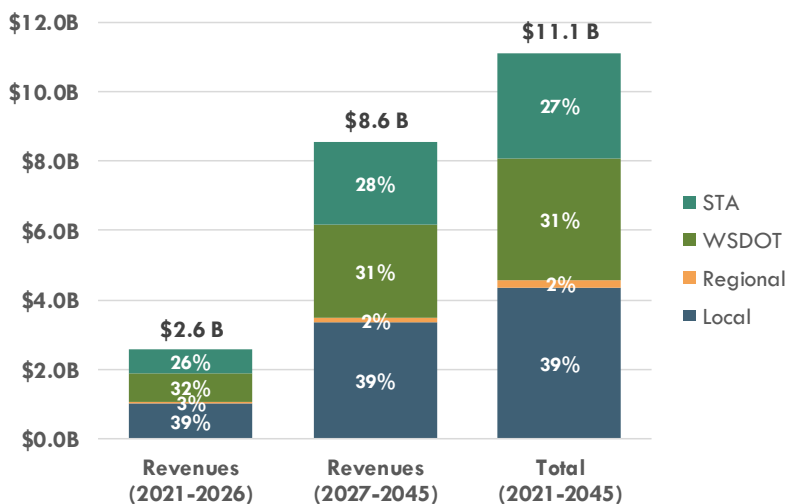
This forecast estimates that the SRTC region will have approximately **\$11.1 billion** in available revenues for the planning period of 2021-2045, including **\$2.6 billion** over the next six years (2021-2026) in 2020\$ as shown in Exhibit 16 and Exhibit 17. In year of expenditure dollars, the forecast estimates that the SRTC region will have approximately \$14.2 billion in available revenues for the period of 2021-2045, with \$2.7 billion over the next six years (Exhibit 18).

Forecasting revenues inherently involves some uncertainty. Additionally:

- Economic fluctuations stemming from the **COVID-19 pandemic** are ongoing. We incorporated potential COVID-19 impacts based on financial forecasting from the TRFC and ERFC, and revenue estimates provided by WSDOT and STA also incorporated some impacts of the COVID-19 pandemic.
- Some revenue sources, such as motor vehicle fuel tax distributions and sales tax revenues, may be particularly **sensitive to changes in transportation usage and consumption patterns**.
- **New revenue tools or sources** may be enacted beyond those that currently exist.⁶

Using the best available information and in consultation with SRTC staff, we developed the following revenue estimates to provide guidance to SRTC’s planning in generating the MTP’s fiscally constrained project list for the next planning period.

Exhibit 16. Total Projected Revenues, 2021-2045 (2020\$)



Note: Labels may not sum to 100% due to rounding.

Sources: SRTC, 2020; STA, 2020; WSDOT City Streets and County Roads Merged Dataset, 2004-2018; WSDOT, 2020; BERK, 2020.

⁶ BERK’s forecast model allows SRTC staff to input additional revenue if this scenario arises.

Exhibit 17. Total Projected Revenues, 2021-2045 (2020\$)

Jurisdiction	Source	Revenues (2021-2026)	Revenues (2027-2045)	Total (2021-2045)	%
Local	Local	\$693,300,000	\$2,395,200,000	\$3,088,500,000	28%
	State	\$214,300,000	\$628,800,000	\$843,100,000	8%
	Federal	\$101,100,000	\$322,700,000	\$423,800,000	4%
Regional (SRTC)	STBG	\$42,700,000	\$135,400,000	\$178,100,000	2%
	STBG Set Aside	\$3,500,000	\$11,200,000	\$14,700,000	0.1%
	CMAQ	\$17,900,000	\$0	\$17,900,000	0.2%
	HIP	\$0	\$0	\$0	0%
WSDOT	Motor Vehicle Fuel Tax	\$488,300,000	\$1,281,200,000	\$1,769,500,000	16%
	Vehicle Related Fee	\$240,600,000	\$656,600,000	\$897,200,000	8%
	Driver Related Revenue	\$60,200,000	\$154,100,000	\$214,300,000	2%
	Other Business Related Revenue	\$19,300,000	\$49,500,000	\$68,800,000	1%
	Rental Car Tax & Vehicle Sales Tax	\$19,100,000	\$54,200,000	\$73,300,000	1%
	CWA/Additional Bills	\$0	\$469,400,000	\$469,400,000	4%
STA	Operating Revenue	\$572,100,000	\$2,384,200,000	\$2,956,300,000	27%
	Federal Capital Revenue	\$64,200,000	\$16,600,000	\$80,800,000	1%
	State Capital Revenue	\$18,100,000	\$0	\$18,100,000	0.2%
TOTAL		\$2,554,700,000	\$8,559,100,000	\$11,113,800,000	100%

Notes: HIP funding is not anticipated to continue after 2020. CMAQ funding is not anticipated to continue after 2025.

Sources: SRTC, 2020; STA, 2020; WSDOT City Streets and County Roads Merged Dataset, 2004-2018; WSDOT, 2020; BERK, 2020.

Exhibit 18. Total Projected Revenues, 2021-2045 (YOE\$)

Jurisdiction	Source	Revenues (2021-2026)	Revenues (2027-2045)	Total (2021-2045)	%
Local	Local	\$738,500,000	\$3,185,600,000	\$3,924,100,000	28%
	State	\$231,700,000	\$843,600,000	\$1,075,300,000	8%
	Federal	\$109,300,000	\$434,400,000	\$543,700,000	4%
Regional (SRTC)	STBG	\$46,200,000	\$182,200,000	\$228,400,000	2%
	STBG Set Aside	\$3,800,000	\$15,100,000	\$18,900,000	0.1%
	CMAQ	\$19,200,000	\$0	\$19,200,000	0.1%
	HIP	\$0	\$0	\$0	0%
WSDOT	Motor Vehicle Fuel Tax	\$523,000,000	\$1,697,700,000	\$2,220,700,000	16%
	Vehicle Related Fee	\$257,900,000	\$869,000,000	\$1,126,900,000	8%
	Driver Related Revenue	\$64,500,000	\$203,800,000	\$268,300,000	2%
	Other Business Related Revenue	\$20,700,000	\$65,400,000	\$86,100,000	1%
	Rental Car Tax & Vehicle Sales Tax	\$20,500,000	\$71,800,000	\$92,300,000	1%
	CWA/Additional Bills	\$0	\$655,200,000	\$655,200,000	5%
STA	Operating Revenue	\$620,400,000	\$3,226,800,000	\$3,847,200,000	27%
	Federal Capital Revenue	\$67,300,000	\$22,100,000	\$89,400,000	1%
	State Capital Revenue	\$19,500,000	\$0	\$19,500,000	0.1%
TOTAL		\$2,742,500,000	\$11,472,700,000	\$14,215,200,000	100%

Notes: HIP funding is not anticipated to continue after 2020. CMAQ funding is not anticipated to continue after 2025.

Sources: SRTC, 2020; STA, 2020; WSDOT City Streets and County Roads Merged Dataset, 2004-2018; WSDOT, 2020; BERK, 2020.

Appendix A. Summary of Potential Revenue Sources

Exhibit 19 summarizes federal, state, and local transportation revenue sources potentially available to jurisdictions within the SRTC region. The table includes the authorizing statute, whether the source is restricted to transportation purposes, whether it may be used on programmatic and/or capital expenditures, and whether the option requires voter approval. Additional detail around these revenue sources follow the table on page 30.

Exhibit 19. Potential Revenue Sources for the SRTC Region

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Federal Sources					
National Highway Performance Program (NHPP) 23 U.S.C. Section 119	✓	To fund construction and maintenance projects located in the National Highway System (NHS) – which includes the entire Interstate system and all other highways classified as principal arterials.	✓	✓	No
Surface Transportation Block Grant (STBG) Program 23 U.S.C. Section 133	✓	Provides flexible funding that may be used by states and local governments for surface transportation improvement projects.	✓	✓	No
STBG Set-Aside 23 U.S.C. Section 133	✓	To fund a variety of smaller-scale transportation projects such as pedestrian and bicycle facilities, recreational trails, safe routes to school and other transportation-related activities.	✓	✓	No
Congestion Mitigation and Air Quality Improvement (CMAQ) Program 23 U.S.C. Section 149	✓	Provides flexible funding source to state and local governments for transportation projects and programs to help meet the requirements of the Clean Air Act.	✓	✓	No
Highway Safety Improvement Program (HSIP) 23 U.S.C. Section 148	✓	Provides funding to achieve a significant reduction in traffic fatalities and serious injuries on all public roads.	✓	✓	No
Metropolitan Planning Program 23 U.S.C. Section 134	✓	To assist regions in meeting requirements for developing and updating long-range plans and short-term transportation improvement programs.	✓	✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Transportation Infrastructure Finance and Innovation Act (TIFIA) 23 U.S.C. Section 601	✓	Provides federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance.		✓	No
Community Development Block Grant (CDBG) Programs 42 U.S.C. Section 5301		Federal funds available to cities and counties for a variety of public facilities including transportation improvements, housing, and economic development projects that benefit low to moderate income households.		✓	No
Urbanized Area Formula Funding Program 49 U.S.C. Section 5307	✓	Largest of FTA's grant programs; provides funding to urbanized areas (population of 50,000 or more) for transit capital and operating assistance and for transportation related planning.	✓	✓	No
Fixed Guideway Capital Investment Grants 49 U.S.C. Section 5309	✓	Provides grants for new and expanded rail, bus rapid transit, and ferry systems that reflect local priorities to improve transportation options in key corridors.		✓	No
Enhanced Mobility of Seniors and Individuals with Disabilities 49 U.S.C. Section 5310	✓	To improve mobility for seniors and individuals with disabilities by removing barriers to transportation service and expanding transportation mobility options.	✓	✓	No
Bus and Bus Facilities Formula Grants 49 U.S.C. Section 5339	✓	To replace, rehabilitate, and purchase buses and related equipment; and to construct bus-related facilities	✓	✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Better Utilizing Investment to Leverage Development (BUILD) Program P.L. 115-141	✓	Funds planning and capital projects in surface transportation infrastructure. Funded from federal appropriations and awarded on a competitive basis.	✓	✓	No
Highway Infrastructure Program (HIP) P.L. 115-141	✓	Annual appropriations that provide funding to construct highways bridges, and tunnels.		✓	No
Payments in Lieu of Taxes Federal Law 31 U.S.C. Chapter 69		Because government agencies are exempt from property tax, counties with large areas of state and federal land do not receive road fund revenues from these properties. But those counties are still responsible for maintaining roads in and around these properties. To address this discrepancy, some state and federal agencies provide counties with payments in lieu of taxes.	✓	✓	No
State Sources					
Local Project Appropriations for Transportation Projects	✓	<ul style="list-style-type: none"> Legislature may make direct appropriations to specific transportation projects in the state budget. 	✓	✓	No
State Motor Vehicle Fuel Tax (MVFT) (state gas tax distribution) RCW 82.38 RCW 46.68.090	✓	<ul style="list-style-type: none"> Limited to “transportation purposes” per RCW 82.80.070 and “highway purposes” per the 18th Amendment. Distributed to cities and counties; city portion is based on a per capita (population) basis while county portion is distributed based on population, road costs, and financial need. State transfers an additional portion from Transportation Partnership Account beginning in 2005. State transfers an additional portion from State Motor Vehicle Account under Connecting Washington Act starting 2015. 	✓	✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
State Multimodal Account Distribution RCW 46.68.126	✓	<ul style="list-style-type: none"> State transfers a portion from the State Multimodal Account under Connecting Washington Act starting 2015. Distributed to all cities and counties on a per capita (population) basis. 	✓	✓	No
County Arterial Preservation Program (CAPP) RCW 46.68.090 WAC 136-300	✓	<ul style="list-style-type: none"> Funded by 0.45 cents per gallon of the state MVFT from the State Motor Vehicle Account. Distributed by CRAB to counties based on share of paved county road miles. May be used to administer a pavement management system and for capital expenditures. 	✓	✓	No
Rural Arterial Program (RAP) RCW 46.68.090 WAC 136-100	✓	<ul style="list-style-type: none"> Funded by 0.58 cents per gallon of the state MVFT from the State Motor Vehicle Account. Awarded to counties by CRAB on a competitive basis within five state regions. Funds support improvement and reconstruction of rural arterials and collectors. 		✓	No
Freight Mobility Strategic Investment Board (FMSIB) Grants RCW 47.06A WAC 226.01	✓	<ul style="list-style-type: none"> To support statewide freight mobility transportation system. FMSIB selects and prioritizes projects for funding. 		✓	No
Transportation Improvement Board (TIB) Grants RCW 47.04.320 WAC 479-10-500 WAC 479-10-510	✓	<ul style="list-style-type: none"> Funded by state gas tax. Grants primarily fund urban programs for jurisdictions with population greater than 5,000 or more (local match of 20% or greater required) and small city programs for jurisdictions with population of less than 5,000 (local match of 5% or greater required). 		✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Public Works Board, Construction Loan Program RCW 43.155.050		<ul style="list-style-type: none"> To provide low-interest loans for public infrastructure construction and rehabilitation Eligible projects must improve public health and safety, respond to environmental issues, promote economic development, or upgrade system performance. 		✓	No
Regional Mobility Grant Program RCW 47.66.030	✓	<ul style="list-style-type: none"> To support local efforts to improve transit mobility. 	✓	✓	No
Public Transportation – Consolidated Grant Awards	✓	<ul style="list-style-type: none"> Funded by federal and state funds. To improve public transportation within and between rural communities, provide transportation services between cities, purchase new buses and other equipment, and offer public transportation services to seniors and persons with disabilities 	✓	✓	No
WSDOT Local Programs: Safe Routes to School RCW 47.04.300	✓	<ul style="list-style-type: none"> Funded by federal and state funds for projects that improve conditions for and encourage children to walk and bike to school. 		✓	No
WSDOT Local Programs: Pedestrian & Bicycle Funding	✓	<ul style="list-style-type: none"> Funded by federal and state funds for projects that enhance safety and mobility for people who walk or bike. 		✓	No
Local Sources: Transportation-Restricted					
County Road Fund Property Tax RCW 36.82.040 RCW 84.55.050	✓	<ul style="list-style-type: none"> To fund construction, alteration, repair, improvement, and maintenance of county roads and other transportation capital facilities; funds county engineer’s office. 	✓	✓	No Yes, for levy lid lift
Commercial Parking Tax RCW 82.80.030	✓	<ul style="list-style-type: none"> For general “transportation purposes” per RCW 82.80.070. Subject to planning provisions. 	✓	✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Local Improvement District (LID) / County Road Improvement District (RID) RCW 35.43 RCW 36.88	✓	<ul style="list-style-type: none"> ▪ LIDs used to fund improvements in specific areas, which must directly benefit nearby property owners. ▪ RIDs are enacted by counties. ▪ RIDs used to fund acquisition of rights-of-way for county roads and construction of or improvements to county roads and associated facilities. 		✓	No
Local Option Motor Vehicle Fuel Tax (MVFT) RCW 82.80.010	✓	<ul style="list-style-type: none"> ▪ Maximum allowable rate equal to 10% of the state MVFT rate. ▪ Revenues are shared with cities and towns in the county. ▪ No county has successfully imposed a local option MVFT. 	✓	✓	Yes
Transportation Benefit District – Sales and Use Tax RCW 36.73 RCW 82.14.0455	✓	<ul style="list-style-type: none"> ▪ For transportation improvements on state highways, county roads, and city streets. ▪ Limited to “transportation purposes” per RCW 82.80.070. ▪ 	✓	✓	Yes
Transportation Benefit District – Vehicle Licensing Fee <i>This option may be eliminated if Initiative 976 goes into effect.</i> RCW 36.73 RCW 36.73.065 RCW 82.80.140	✓	<ul style="list-style-type: none"> ▪ For transportation improvements on state highways, county roads, and city streets. ▪ Limited to “transportation purposes” per RCW 82.80.070. ▪ Up to \$100 per vehicle. 	✓	✓	No, up to \$50. Yes, above \$50 up to \$100.

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Transportation Impact Fees RCW 82.02.050 (GMA) RCW 39.92 (LTA)	✓	<ul style="list-style-type: none"> Under GMA, only for public streets and roads addressed by a capital facilities plan element of a GMA comprehensive plan. Under LTA, any local government may impose to pay for transportation infrastructure related to demand generated by new development. 		✓	No
Tolls RCW 47.56.820	✓	<ul style="list-style-type: none"> Paid by users and limited to repayment of bonds to finance construction or covering operating costs of the toll facility 	✓	✓	No
On-Street Parking Fees WAC 308-330-650	✓	<ul style="list-style-type: none"> Proceeds from on-street parking fees may be used for administrative costs, parking studies, and acquisition and maintenance of off-street parking facilities. 		✓	No
Development Agreements/Subdivision Exactions RCW 58.17 RCW 36.70B	✓	<ul style="list-style-type: none"> Local governments may require that developers install, at their expense, certain facilities or improvements including streets, curbs and gutters, sidewalks, and transit stops. 		✓	No
State Environmental Policy Act (SEPA)/Environmental Mitigation RCW 43.21C	✓	<ul style="list-style-type: none"> Local governments may impose mitigating conditions, including streets, traffic signals, or additional lanes, relating to a project's environmental impacts 		✓	No
Voluntary Agreements RCW 82.02.020	✓	<ul style="list-style-type: none"> Allows for contributions, either in the form of land, mitigation of a direct impact of the development, or payments in lieu of land or mitigation, from developer to local government to facilitate development. 		✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Local Sources: Non-Restricted					
Property Tax Title 84 RCW RCW 84.55.050		<ul style="list-style-type: none"> Not restricted. Limited to a maximum rate of \$1.80 per \$1,000 of assessed value in incorporated areas. Limited to a maximum combined rate (including county road fund levy) of \$4.05 in unincorporated areas. 	✓	✓	No Yes, for levy lid lift or excess levy
Retail Sales & Use Tax RCW 82.08 RCW 82.14.030		<ul style="list-style-type: none"> Not restricted. Limited to a maximum rate of 1%. 	✓	✓	No
Business and Occupation Tax RCW 35.22.280(32)		<ul style="list-style-type: none"> Not restricted. May be used by cities. Rates may not exceed 0.2% of gross receipts unless grandfathered in or approved by voters. 	✓	✓	No
Utility Tax RCW 35.22.280(32)		<ul style="list-style-type: none"> Not restricted. May be used by cities. Maximum tax rate may not exceed 6% for electric, gas, steam, and telephone services unless approved by voters. No limitation on the tax rate for water, sewer, solid waste, or stormwater utilities. 	✓	✓	No
Off-Street Parking Fees RCW 35.86A.100		<ul style="list-style-type: none"> Revenues from off-street parking facilities can be paid to the jurisdiction's general fund or other such funds as provided by ordinance. 	✓	✓	No
Real Estate Excise Tax First Quarter Percent (REET 1) RCW 82.46.010(5) RCW 82.46.030 RCW 82.46.035(2)		<ul style="list-style-type: none"> GMA local governments: capital projects included capital facilities element of Comprehensive Plan. Non-GMA local governments: capital purpose identified in a capital improvements plan. 		✓	No

REVENUE SOURCE	TRANSPORTATION RESTRICTED	NOTES	ELIGIBLE EXPENDITURES		VOTED
			Programmatic	Capital	
Real Estate Excise Tax Second Quarter Percent (REET 2) RCW 82.46.010(5) RCW 82.45.030 RCW 82.46.035(2) RCW 82.46.037 Engrossed House Bill 1219		<ul style="list-style-type: none"> GMA local governments only. Restricted to streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, water/storm/sewer systems, parks. May be used for affordable housing and homelessness projects until 2026, based on Engrossed House Bill 1419 (passed April 2019). 		✓	No
Real Estate Excise Tax One-Half Percent (REET 3) RCW 82.46.010(3)		<ul style="list-style-type: none"> Local governments that do not levy 0.5% local sales tax may levy REET 3 for general fund operating expenses. 	✓	✓	No
Local Debt Financing					
Limited Tax General Obligation (LTGO) Bonds RCW 39.36 Article 8, Sec. 6, State Constitution		<ul style="list-style-type: none"> Total debt is limited to 2.5% of assessed value; LTGO debt is limited to 1.5% of assessed value of taxable properties. 	✓	✓	No
Unlimited Tax General Obligation (UTGO) Bonds RCW 39.36 RCW 84.52.056 Article 7, Sec. 2, State Constitution		<ul style="list-style-type: none"> Total debt is limited to 2.5% of assessed value. Limited to capital purposes. 		✓	Yes
Industrial Revenue Bonds RCW 39.84		<ul style="list-style-type: none"> Tax-exempt revenue bonds issued by public development corporations to finance industrial development facilities, including transportation projects such as street improvements. 		✓	No

Sources: County Road Administration Board; 2020, Federal Highway Administration, 2020; U.S. Department of Transportation, 2020; U.S. Department of Housing and Urban Development, 2020; Washington State Department of Transportation, 2020; Washington JTC Transportation Resource Manual, 2017; MRSC, 2020; State Auditor's Office Local Government Financial Reporting System, 2018; Washington State Department of Revenue, 2020; BERK, 2020.

FEDERAL SOURCES

National Highway Performance Program (NHPP)

23 U.S.C. Section 119

- The NHPP is the largest of the federal-aid highway programs, with estimated annual funding of \$24.2 billion for FY 2020.⁷
- The NHPP supports the improvement of the condition and performance of the National Highway System (NHS), which includes Interstate System highways and bridges as well as virtually all other major highways.
- Eligible projects must support progress toward achieving national performance goals for improving infrastructure condition, safety, congestion reduction, system reliability or freight movement on the NHS. Projects must be identified in the Statewide Transportation Improvement Program (STIP) and be consistent with the state and metropolitan planning.
- States receive an apportioned share of NHPP funds based on an allocation process specified in federal law.

Surface Transportation Block Grant (STBG) Program

23 U.S.C. Section 133

- The STBG program has the broadest eligibility criteria of all the federal-aid highway programs. Fund can be used on any federal-aid highway, on bridge projects on any public road, on transit capital projects, on routes for nonmotorized transportation, and on bridge and tunnel inspection and inspector training.⁸
- The STBG program has three set-asides from the State's apportionment including funding for Transportation Alternatives (see next).
- STBG funds are apportioned to each State as a lump sum then divided between designated programs, and sub-allocated to urbanized areas as well as other areas based on population.

STBG Set-Aside/Funding for Transportation Alternatives

23 U.S.C. Section 133

- The STBG program has set-asides for Transportation Alternatives (TA), state planning and research, and funding for bridges not on federal-aid highways. Eligible projects for TA funding include a variety of smaller-scale transportation projects such as pedestrian and bicycle facilities, recreational trails, safe routes to school projects, community improvements such as historic preservation and vegetation management, and environmental mitigation related to stormwater and habitat connectivity.

⁷ FHWA, <https://www.fhwa.dot.gov/specialfunding/nhpp/160309.cfm#ProgramPurpose>

⁸ Congressional Research Service, <https://crsreports.congress.gov/product/pdf/R/R44332>

Congestion Mitigation and Air Quality Improvement (CMAQ) Program

23 U.S.C. Section 149

- The CMAQ program provides a flexible funding source to State and local governments for transportation projects and programs that may reduce emissions of transportation-related pollutants.
- Funding is available to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (PM) (nonattainment areas) and for former nonattainment areas that are now in compliance (maintenance areas).

Highway Safety Improvement Program (HSIP)

23 U.S.C. Section 148

- The HSIP supports projects that improve the safety of road infrastructure by correcting hazardous road locations (e.g. dangerous intersections) or making road improvements (e.g. adding rumble strips).
- HSIP funds must be used for safety projects that are consistent with the State's strategic highway safety plan.
- The Railway-Highway Crossing program is a set-aside of HSIP funding, which provides funds for safety improvements to reduce the number of fatalities, injuries, and crashes at public railway-highway grade crossings.

Metropolitan Planning Program

23 U.S.C. Section 134

- The Metropolitan Planning Program (MPP) assists regions in meeting requirements for developing and updating long-range plans and short-term transportation improvement programs.
- The program establishes a cooperative, continuous, and comprehensive framework for making transportation investment decisions in metropolitan areas. Program oversight is a joint Federal Highway Administration/Federal Transit Administration responsibility.
- MPP funds are apportioned as a lump sum total instead of individual authorizations for each program. Once each State's combined total apportionment is calculated, funding is set aside for the State's Metropolitan Planning program from the State's base apportionment; and the State's apportionment for the National Highway Freight Program.

Transportation Infrastructure Finance and Innovation Act (TIFIA)

23 U.S.C. Section 601

- TIFIA provides federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance.
- TIFIA credit assistance provides improved access to capital markets, flexible repayment terms, and potentially more favorable interest rates than can be found in private capital markets for similar instruments. TIFIA can help advance qualified, large-scale projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues.
- Many surface transportation projects – highway, transit, railroad, intermodal freight, and port access – are eligible for assistance.

Community Development Block Grant (CDBG) Programs

42 U.S.C. Section 5301

- The CDBG program provides annual grants on a formula basis to cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.
- Eligible projects include a variety of public facilities such as transportation improvements, housing, and economic development projects that benefit low to moderate income households.
- Eligible jurisdictions include principal cities of Metropolitan Statistical Areas (MSAs), other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities)

Urbanized Area Formula Funding Program

49 S.C. Section 5307

- The Urbanized Area Formula Funding program makes federal resources available to urbanized areas, to governors for transit capital and operating assistance, and for transportation related planning in urbanized areas. An urbanized area is a Census-designated area with a population of 50,000 or more as determined by the U.S. Department of Commerce, Bureau of the Census.
- Funding is distributed by formula based on the level of transit service provision, population, and other factors. The 5307 program now includes activities eligible under the former Job Access and Reverse Commute (JARC) program, which focused on providing services to low-income individuals for improving access to jobs.

Fixed Guideway Capital Investment Grants

49 S.C. Section 5309

- The discretionary Capital Investment Grant (CIG) program funds fixed guideway investments such as new and expanded rapid rail, commuter rail, light rail, streetcars, bus rapid transit, and ferries, as well as corridor-based bus rapid transit investments that emulate the features of rail.

- There are four categories of eligible projects under the CIG program:
 - **New Starts** projects are new fixed guideway projects or extensions to existing fixed guideway systems with a total estimated capital cost of \$300 million or more, or that are seeking \$100 million or more in Section 5309 CIG program funds.
 - **Small Starts** projects are new fixed guideway projects, extensions to existing fixed guideway systems, or corridor-based bus rapid transit projects with a total estimated capital cost of less than \$300 million and that are seeking less than \$100 million in Section 5309 CIG program funds.
 - **Core Capacity** projects are substantial corridor-based capital investments in existing fixed guideway systems that increase capacity by not less than 10 percent in corridors that are at capacity today or will be in five years. Core capacity projects may not include elements designed to maintain a state of good repair.
 - **Programs of Interrelated Projects** are comprised of any combination of two or more New Starts, Small Starts, or Core Capacity projects. The projects in the program must have logical connectivity to one another and all must begin construction within a reasonable timeframe.⁹

Enhanced Mobility of Seniors and Individuals with Disabilities Program

[49 U.S.C. Section 5310](#)

- This program provides funding to improve mobility for seniors and individuals with disabilities by removing barriers to transportation service and expanding transportation mobility options.
- At least 55% of program funds must be spent on public transportation projects planned, designed, and carried out to meet the special needs of seniors and individuals with disabilities when public transportation is insufficient, inappropriate, or unavailable.
- The remaining 45% may be used for: public transportation projects that exceed the requirements of the ADA; public transportation projects that improve access to fixed-route service and decrease reliance by individuals with disabilities on complementary paratransit; or, alternatives to public transportation that assist seniors and individuals with disabilities.
- This program supports transportation services planned, designed, and carried out to meet special transportation needs of seniors and individuals with disabilities in all areas – large urbanized (over 200,000), small urbanized (50,000-200,000), and rural (under 50,000).

Bus and Bus Facilities Formula Grants

[49 U.S.C. Section 5339](#)

- This program provides funding to replace, rehabilitate, and purchases buses and related equipment. It may also be used to construct bus-related facilities.
- Funding is distributed by formula allocations and competitive grants. It also includes a sub-program

⁹ USDOT, https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/5309_Capital_Investment_Grant_Fact_Sheet.pdf

providing competitive grants for bus and bus facility projects that support low and zero-emission vehicles.¹⁰

Better Utilizing Investment to Leverage Development (BUILD) Program

P.L. 115-141

- Previously known as Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants, the BUILD program provides funding for planning and capital investments in surface transportation infrastructure.
- Funding is awarded on a competitive basis for projects with significant local or regional impact, and it can support roads, bridges, transit, rail, ports, or intermodal transportation.
- BUILD projects are evaluated based on merit criteria that include safety, economic competitiveness, quality of life, environmental sustainability, state of good repair, innovation, and partnership.

Highway Infrastructure Program (HIP)

P.L. 115-141

- The HIP provides federal funds to construct highways, bridges, and tunnels. The program is funded by annual appropriations from the Department of Transportation Appropriations Act and has been approved in single year increments every year since 2018.
- Starting in 2019, funds can also be used for the elimination of hazards and installation of protective devices at railway-highway crossings. In 2020, funds were also eligible to be used for charging infrastructure along corridor-ready or corridor-pending alternative fuel corridors.
- Funding is distributed to states by the FHWA, while states then further sub-allocate funding by formula based on population. MPOs or RTPOs award specific HIP projects and are also responsible for programming the HIP projects within their jurisdictions into the STIP.

Payments in Lieu of Taxes

31 U.S.C. Chapter 69

Because government agencies are exempt from property tax, counties with large areas of state and federal land do not receive road fund revenues from these properties. But those counties are still responsible for maintaining roads in and around these properties. To address this discrepancy, some state and federal agencies provide counties with payments in lieu of taxes (PILT). Agencies may include the Washington State Department of Natural Resources, Washington State Department of Fish and Wildlife, the US Forest Service, via the Secure Rural Schools program, and the US Bureau of Land Management, via the Taylor Grazing Act.

¹⁰ USDOT,
<https://www.transit.dot.gov/sites/fta.dot.gov/files/5339%20Bus%20and%20Bus%20Facilities%20Fact%20Sheet.pdf>

STATE SOURCES

Local Project Appropriations for Transportation Projects

The Legislature may make direct appropriations to specific transportation projects in the state budget.

Motor Vehicle Fuel Tax (State Gas Tax)

[RCW 82.38, RCW 46.68.090](#)

The motor vehicle fuel tax is a state distributed revenue, where the state collects a state gas tax of 49.4 cents per gallon, and the local portion is distributed to cities and counties. The 49.4 cents are distributed as follows:

- State Highway Program: 10.21 cents.
- Transportation 2003 Account (Nickel Account): 5 cents.
- Transportation Partnership Account: 8.50 cents.
- State Highway Program – Special Category C: 0.75 cents.
- Connecting Washington Account: 11.9 cents.
- Rural Arterial Program: 0.58 cents.
- Transportation Improvement Account (TIB funded programs): 3.04 cents or 13.2336% of 23 cents deposited in TIB.
- County Arterial Preservation Program: 0.45 cents.
- Counties: 4.92 cents.
- Cities: 2.96 cents.
- Ferry Operations: 0.54 cents.
- Ferry Capital Construction: 0.55 cents.

State Multimodal Account Distribution

Starting in 2015, under the Connecting Washington Act, the state also transfers a portion from the State Motor Vehicle Account and the State Multimodal Account. This amount is set by [RCW 46.68.126](#) and is proportioned evenly between cities and counties. This amount was \$11.7 million in 2015-17 biennium, and \$25.1 million each in the 2017-19 and 2019-21 biennia.

County Arterial Preservation Program (CAPP) Grants

[RCW 46.68.090, WAC 136-300](#)

- The CAPP is funded by 0.45 cents per gallon of the state MVFT from the State Motor Vehicle Account. The program was designed to help counties preserve existing paved road networks.
- Funds are distributed by CRAB directly to counties based on share of paved county road miles. These funds may be used to administer a pavement management system and for capital expenditures.

- In order to be eligible for CAPP funds, counties are required to use a pavement management system to assist their project selection and decision process.

Rural Arterial Program (RAP) Grants

[RCW 46.68.090](#), [WAC 136-100](#)

- The RAP is funded by 0.58 cents per gallon of the state MVFT from the State Motor Vehicle Account. Funds awarded to counties by CRAB on a competitive basis within five state regions. Funds support improvement and reconstruction of rural arterials and collectors.
- The program was designed in 1983 to help finance the reconstruction of rural arterial roads facing severe deterioration after railroads were abandoned. The rural arterial road system linked the state's harvested resources to the marketplace. RAP serves countywide commercial transport needs and helps counties to improve rural roads that are primarily local use or recreational.
- The competitive grant considers: 1) structural ability to support loaded trucks; 2) ability to move traffic at reasonable speeds; 3) adequacy of alignment and related geometry; 4) accident and fatal accident experience; 5) local significance.

Freight Mobility Strategic Investment Board (FMSIB) Grants

[RCW 47.06A](#), [WAC 226.01](#)

FMSIB was created in 1998 to ensure strategic investments to facilitate freight movements among local, national, and international markets. The Board proposes policies, projects, corridors, and funding to the Legislature to promote strategic investments in statewide freight mobility transportation system.

Transportation Improvement Board (TIB) Grants

[RCW 47](#), [WAC 479-05](#), [WAC 479-10](#), [WAC 479-14](#)

- TIB is an independent state agency, created by the Legislature, that manages street construction and maintenance grants to cities and counties across Washington. Funding is generated by three cents of the state gas tax.
- TIB administers competitive grant programs for local transportation projects. While most TIB programs support city street projects, historically about 24% of TIB funds have supported county projects.¹¹
- TIB largely funds urban programs for jurisdictions with population greater than 5,000 or more (local match of 20% or greater required) and small city programs for jurisdictions with population of less than 5,000 (local match of 5% or greater required).

¹¹ JTC Transportation Resource Manual, 2019.

Public Works Board, Construction Loan Program

[RCW 43.155.050](#)

- The Public Works Board is authorized by state statute to loan funds to counties, cities and special purpose districts to repair, replace, or create infrastructure
- The Construction Loan Program provides low-interest loans for public infrastructure construction and rehabilitation. Eligible projects must improve public health and safety, respond to environmental issues, promote economic development, or upgrade system performance. Eligible projects include roads/streets and bridges.

Regional Mobility Grant Program

[RCW 47.66.030](#)

- The Regional Mobility Grant Program supports local efforts to improve connectivity between counties and regional population centers and reduce transportation delay. This program is supported exclusively by state funding.
- Funded projects have included new transit services, park and ride lots, new buses, transit service expansion, transportation demand management programs, and transit speed and reliability improvements.

Public Transportation – Consolidated Grant Awards

- The Consolidated Grant Program awards funding to improve public transportation within and between rural communities, provide transportation services between cities, purchase new buses and other equipment, and offer public transportation services to seniors and persons with disabilities.
- Funding is provided by federal FTA funds and state Paratransit/Special Needs grant program funds and Rural Mobility grant program funds.

WSDOT Local Programs

Under the FHWA's Federal-Aid Stewardship Agreement with WSDOT, WSDOT Local Programs serves as the steward of FHWA funding for public agencies in the state. WSDOT administers all federal highway transportation funds, subject to federal and state criteria, including funds that go to local agencies.

- **Safe Routes to School:** This grant program provides technical assistance and funding to public agencies to improve conditions for and encourage children to walk and bike to school. The program is funded through a competitive application process, evaluated based on consideration for need, project potential, deliverability, and value.¹²
- **Pedestrian and Bicycle Funding Program:** This grant program's objective is to improve the transportation system to enhance safety and mobility for people who walk or bike.

¹² WSDOT, <https://www.wsdot.wa.gov/LocalPrograms/SafeRoutes/default.htm>

LOCAL TRANSPORTATION-RESTRICTED SOURCES

County Road Fund Property Tax

[RCW 36.82.040](#), [RCW 84.55.050](#)

- The Road Fund property tax levy is a primary source of transportation funding in counties and may be levied in unincorporated areas up to the statutory maximum of \$2.25 per \$1,000 of assessed value (AV).
- Counties can levy either a single-year or multiyear levy lid lift, temporary or permanent, to increase county road property taxes in taxing districts without banked capacity beyond the 1% limit.
- With a *permanent single-year lid lift*, a county can increase the county road fund property taxes beyond the 1% limit in the first year, and then that amount is used to calculate all future 1% levy limitations. The measure never expires, and the levy lid never reverts. Single-year lid lifts may be submitted to voters at any special, primary, or general election.
- With a *permanent multiyear lid lift*, a county can increase the county road fund property taxes beyond the 1% limit (up to a limit factor specified in the ballot measure), for six consecutive years up to a rate equal to or less than the statutory maximum of \$2.25 per \$1,000 of AV. After the six years, the total levy can increase by up to 1% annually. Multiyear lid lifts must be submitted at the primary or general election.

Commercial Parking Tax

[RCW 82.80.030](#)

- Cities, counties (unincorporated areas), and Regional Transportation Investment Districts (RTIDs) can impose a commercial parking tax. The tax may be used for general transportation purposes, including construction and operation of state highways, county roads, and city streets; public transportation; high capacity transportation; transportation planning and design; and other transportation-related activities.
- The tax may be set on the customer or the commercial parking business, based on gross proceeds or number of stalls. Tax-exempt carpools, vehicles with handicapped decals, and government vehicles are exempt.
- Restricted to “transportation purposes” per RCW 82.80.070.
- *No counties have implemented this tax. Twelve cities have implemented this tax.*

Local Improvement District (LID) / County Road Improvement District (RID)

[RCW 35.43](#), [RCW 36.88](#)

- Cities, counties, port districts, water districts, TBDs, and other local governments can create LIDs to fund improvements in specific areas. Local improvements must directly benefit nearby property owners and can be initiated by a petition of property owners.
- Counties can create RIDs to fund county road improvements in unincorporated areas. LIDs/RIDs are

funded by special assessments. Property owners who benefit from improvements are assessed at proportionate levels to pay for the improvements.

Local Option Motor Vehicle Fuel Tax (MVFT)

[RCW 82.80.010](#)

- Counties may levy the local option motor vehicle fuel excise tax at 10% of the state rate. The tax would be collected by the state and distributed to the county and cities based on population.
- Restricted to “transportation purposes” per *RCW 82.80.070* and “highway purposes” per 18th Amendment.
- *No counties are currently levying this tax. Two counties have attempted to levy this tax, Spokane County and Snohomish County, and both ballot measures failed.*

Transportation Benefit District – Sales and Use Tax

[RCW 36.73](#), [RCW 82.14.0455](#)

- Independent taxing districts created through ordinance can impose an additional voted sales and use tax of up to 0.2%. The tax must be reauthorized by voters after 10 years.
- This option could be more susceptible to market volatility, since taxes collected depend on commercial use. This option can potentially help to align costs with beneficiaries in areas with pass-through users of the transportation system, since the tax would apply to recreational users passing through.

Transportation Benefit District – Vehicle Licensing Fee

This option may be eliminated if Initiative 976 goes into effect.

[RCW 36.73](#), [RCW 36.73.065](#), [RCW 82.80.140](#)

- TBDs can impose a Vehicle Licensing Fee (VLF) fee, without voter approval, up to \$20. If a \$20 VLF is in effect for at least 24 months, then a VLF up to \$40 can be imposed; if a \$40 VLF has been in effect for 24 months, then a \$50 VLF can be imposed. VLFs can be up to \$100 with voter approval.
- Two ordinances are required: first a Transportation Benefit District (TBD) and then a VLF. The fee can be collected months after approved. The County must notify DOL once the fee is approved so the fee is included in vehicle renewal notices. DOL collects 1% of revenue generated from a VLF.
- This VLF is limited to vehicles under 6,000 pounds. In some areas, there may be an equity concern as large vehicles that may cause a significant wear on the roads would not bear the burden of this cost.

Transportation Impact Fees

[RCW 82.02.050](#) (GMA), [RCW 39.92](#) (LTA)

- Must be used for public streets and roads addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA. Impact fees cannot be used to fund maintenance and operations costs.

- Local governments are authorized to charge fees only for system improvements that are reasonably related to the new development, do not exceed a proportionate share of the costs of necessary system improvements, and are only used for system improvements that will reasonably benefit the new development. In addition, impact fees cannot be the sole source of funding for system improvements that address growth impacts.
- Impact fees must be adjusted for other revenue sources that are paid by development, if such payments are earmarked or pro-ratable to specific system improvements. Likewise, the city or county must provide impact fee credit if the developer dedicates land or improvements identified in the adopted Capital Facilities Plan and such construction is required as a condition of development approval. Collected impact fees may only be spent on public facilities identified in a capital facilities plan and may only be spent on capital costs; they may not be used to pay for operating expenses or maintenance activities.

Tolls

[RCW 47.56.820](#)

- Toll revenues must be used only to construct, improve, preserve, maintain, manage, or operate the eligible toll facility on or in which the revenue is collected. This includes:
 - Covering the operating costs of the eligible toll facility, including necessary maintenance, preservation, administration, and toll enforcement by public law enforcement within the boundaries of the facility;
 - Meeting obligations for the repayment of debt and interest on the eligible toll facilities, and any other associated financing costs including, but not limited to, required reserves and insurance;
 - Meeting any other obligations to provide funding contributions for any projects or operations on the eligible toll facilities;
 - Providing for the operations of conveyances of people or goods; or any other improvements to the eligible toll facilities.

On-Street Parking Fees

[WAC 308-330-650](#)

- Revenues from parking meter fees are used to cover the regulation and control of parking upon highways, the costs of parking meters, their installation, inspection, supervision, operation, repair, and maintenance, control and use of parking spaces, and regulating the parking of vehicles in parking meter zones; and the costs of acquiring, establishing, improving, maintaining, and operating public off-street parking facilities.

Development Agreements/Subdivision Exactions

[RCW 58.17; RCW 36.70B](#)

- Local governments may require that developers install, at their expense, certain facilities or improvements including streets, curbs and gutters, sidewalks, and transit stops.

State Environmental Policy Act (SEPA)/Environmental Mitigation

[RCW 43.21C](#)

- The State Environmental Policy Act grants wide-ranging authority to impose mitigating conditions relating to a project's environmental impacts.
- Local governments may impose mitigating conditions, including streets, traffic signals, or additional lanes, relating to a project's environmental impacts
- Local governments may not require any person to pay for system improvements under SEPA when they have paid a fee for the same system improvements under GMA or any other authority.

Voluntary Agreements

[RCW 82.02.020](#)

- Allows for contributions, either in the form of land, mitigation of a direct impact of the development, or payments in lieu of land or mitigation, from developer to local government to facilitate development.
- The permitting agency must be able to establish that an impact fee collected pursuant to a voluntary agreement is "reasonably necessary as a direct result of the proposed development or plat."
- Funds collected under voluntary agreements must be held in a reserve account and expended on agreed upon capital improvements.

LOCAL UNRESTRICTED SOURCES

Property Tax (General Fund)

[Title 84 RCW](#); [RCW 84.55.050](#)

- Property tax has traditionally been the primary funding source for local government in Washington. Property tax revenues are a major funding source since they are unrestricted, can generate large revenues, and do not require voter approval.
- With Initiative 747, annual property tax increases were limited to 1% of the prior year's collections plus any new construction, leading to erosion in property taxes as a local funding source due to inflation and service demand (based on per capita and per modified capita growth) outpacing that 1% growth allowance.
- A local government's "banked" capacity is available to use in future years without voter approval, per [RCW 84.55.092](#).

Retail Sales & Use Tax

[RCW 82.08](#); [RCW 82.14.030](#)

- Local governments can impose, by resolution or ordinance, a non-voted sales and use tax at 0.5% on any taxable event, per [RCW 82.14.030\(1\)](#). Local governments may impose, by legislative body majority, an additional sales tax up to 0.5%, in increments of 0.1%, per [RCW 82.14.030\(2\)](#).

Revenues are not restricted. For both, the combined city/county rate may not exceed 0.5%, so the effective rate for either the city or county may be lower.

- Collection of retail sales and use taxes are driven by the distribution of major retail sales. This means that retail sales and use taxes are also highly volatile, following changes in the economy.

Business and Occupation (B&O) Tax

[RCW 35.22.280\(32\)](#)

- Any city may impose general business and occupation taxes on local businesses.
- General B&O taxes are levied on gross receipts of businesses, based on the industry. Historically, many cities have chosen not to implement B&O taxes, due to the perception that business taxes erode local competitiveness for attracting businesses to cities. However, as property tax revenues continue to erode, more cities are considering implementing them.

Utility Tax

[RCW 35.22.280\(32\)](#)

- Any city may impose general B&O taxes upon the income of public and private utilities providing services within the boundaries of a city, and/or upon the city's own municipal utilities.
- Utility taxes are a form of B&O tax. These revenues contribute to a municipality's general fund and may be used for many city expenses, including capital improvements.
- Washington State sets the maximum rate of tax on electrical, natural gas, steam energy, and telephone businesses at 6.0%, unless a higher rate is approved by voters. There is no tax rate limit on other utilities such as water, sewer, and garbage services. These taxes are generally smaller in total collections but also less volatile in response to the economy.

Real Estate Excise Tax (REET)

[RCW 82.46.010](#); [RCW 82.45.030](#); [RCW 82.46.035\(2\)](#); [RCW 82.46.037](#)

Washington State levies a 1.28% real estate excise tax (REET) on all property taxes. Local governments may levy a local tax in addition to the state tax.

- Local governments can implement can levy two REET taxes (REET 1 and REET 2), each of which is a 0.25% tax on the full sales price of real estate.
- **REET 1:** All local governments may levy REET 1. Local governments planning under GMA must use REET 1 on capital projects included in the capital facilities element of the Comprehensive Plan. Local governments not planning under GMA can use REET 1 on any capital purpose identified in a capital improvements plan or acquisition of lands associated with such improvements.
- **REET 2:** Only local governments planning under GMA may levy REET 2. REET 2 must be spent on capital projects as defined in [RCW 82.46.035\(5\)](#): streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, water/storm/sewer systems, and parks.

- **Use of REET 2 for maintenance and REET 1 projects:** Local governments may use a portion of collected REET 2 funds for capital projects and limited maintenance.
- **Use of REET 2 for affordable housing and homelessness:** Local governments may use a portion of collected REET 2 funds for affordable housing and homelessness projects 2026, based on [Engrossed House Bill 1419](#) (passed April 2019).
- **REET 3:** Local governments that do not levy 0.5% local sales tax may levy REET 3 for general fund operating expenses.

LOCAL DEBT FINANCING

Limited Tax General Obligation (LTGO) Bonds

[RCW 39.36, Article 8, Sec. 6, State Constitution](#)

- LTGO bonds, sometimes referred to in Washington as "councilmanic" bonds, do not require voter approval and are payable from the issuer's general tax levy and other legally available revenue sources. LTGO bonds can be used for any purpose, but funding for debt service must be made available from existing revenue sources.
- There are constitutional and statutory limits on a municipality's authority to incur non-voted debt. Total debt is limited to 2.5% of the AV of taxable properties; and councilmanic debt is limited to 1.5% of the AV of taxable properties.

Unlimited Tax General Obligation (UTGO) Bonds

[RCW 39.36, RCW 84.52.056, Article 7, Sec. 2, State Constitution](#)

- UTGO bonds are voted bonds that require 60% voter approval with a minimum voter turnout of 40% of voters who cast ballots in the last general election within the district. When voters of a jurisdiction vote for a bond issue, they are being asked to approve: (a) the issuance of a fixed amount of general obligation bonds and (b) the levy of an additional tax to repay the bonds, unlimited as to rate or amount. Once voter approval is obtained, a municipal corporation is still restricted by constitutional and statutory debt limits with these bonds.
- UTGO bonds can be used only for capital purposes, and replacement of equipment is not permitted

Industrial Revenue Bonds

[RCW 39.84](#)

- Tax-exempt revenue bonds issued by public development corporations to finance industrial development facilities, including transportation projects such as street improvements.