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Ten-year, $17.2 Billion Transportation Plan Proposed by Governor

BRIEFLY

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With the legislature in its second week of special session, Gov. Gary Locke set out his plan to pay for up to $17.2 billion of transportation investments over the next ten years. The package allocates funding responsibility between state government and urban regions, with about 55 percent of the money coming from the state. The state-regional theme, sounded in the Blue Ribbon Commission on Transportation (BRCT), has been consistent throughout most discussions of transportation issues this session.

FIGURE 1

Governor's 10-Year Revenue Plan

($ in millions)

	State	*Regional*	*Total*
Sales Tax on New & Used Vehicles (2%)	$ 2,010	$ -	$ 2,010
Gas Tax (+$0.04 in 2002; +$.03 in 2004)	$ 2,174	$ -	$ 2,174
50% Gross Weight Surcharge for Trucks	$ 591	$ -	$ 591
New Regional Revenue Sources	$ -	$ 5,922	$ 5,922
Bond Proceeds	$ 5,000	$ 3,000	$ 8,000
Less Debt Service	$(1,408)	$ (1,078)	$ (2,486)
New Federal Revenue	$ 995	$ -	$ 995
Total	$ 9,362	$ 7,844	$17,206

FIGURE 2

Regional New Revenue Menu*

$ in Millions

	Central Puget Sound	*Other Regions*	*Total*
General sales/use tax (per 0.1% increase)	$ 786	$ 434	$1,220
Local option vehicle fees (per $10 increase)	$ 234	$ 263	$ 497
Local option gas tax (per 1 cent increase)	$ 181	$ 162	$ 343
Local B&O, existing base (per 0.1% increase)	$ 1,181	$ 166	$1,347

*Excludes bonds, debt service and tolls.

In introducing his package, the governor emphasized the urgent need for action. He punctuated his remarks by noting that major employers are "taking a hard look" at the state's transportation system in making their decisions regarding future investment.

A two-step increase in the state gas tax and a 2 percent boost in the sales tax on new and used motor vehicles account for most of the increase in state revenues, with a 50 percent gross weight surcharge on trucks representing the balance of state-imposed taxes and fees. (See Figure 1.) Bond proceeds and federal revenues also make up a significant share of the revenues.

The governor has said that he believes the voters should have the right to approve any "sizeable and significant" tax increase.

The regional package, heavier than many anticipated, relies on voter-approved tax and fee increases. The menu available to them would include general sales taxes, local-option gas taxes, vehicle fees, local business taxes, and tolls for major regional facilities (see Figure 2).

Gov. Locke originally proposed boosting state revenues by about $4.8 billion over the next six years to fund nearly $5.9 billion in new investments (see ePB 01-6, February 27, 2001, *Governor's Transportation Budget Reflects Blue Ribbon Recommendations*). At the time, he also endorsed a six-year plan granting about $3.7 billion additional taxing authority to local governments to solve regional congestion problems.

The revenue package, he said, would come after legislative agreement on efficiencies and spending priorities. To date, not much has been accomplished on the efficiencies. For some time, however, there has been little conflict regarding where new spending should be directed.

State Spending. The governor proposes $8.2 billion in new spending by the department of transportation over the next decade. Of that, $4.9 billion would be spent on highway improvements, $523 million for preservation, $530 million for various local programs, $1.2 billion for rail programs (including federal money), $98 million for public transportation (including Commute Trip Reduction efforts), $822 million for ferry capital investments (four new auto ferries), $44 million in program support for construction, and $99 million in other areas (e.g., aviation, public-private partnerships, planning and research).

At least 85 percent of the new state money, Locke says, will be spent in the area from which it is raised.

Of the $4.9 billion for highway improvements, $2.7 billion would be spent in the Puget Sound region. Much of the Central Puget Sound area spending would pay for High Occupancy Vehicle (HOV) lanes, extending the system from Everett to Tacoma. In addition, the governor proposes state matching funds for major regional projects, such as widening I-405, building a new SR 520 bridge, and replacing the earthquake-damaged Alaskan Way viaduct in Seattle. Most of the money for these projects would have to come from voter-approved regional taxes. The requirements for receiving the state match have not been specified.

Major projects outside the Central Puget Sound region include improvements to I-5 near Vancouver, and projects in Spokane, Bellingham, Wenatchee and the Tri Cities.

Regional Transportation Improvement Districts (RTID). These districts, proposed for the Central Puget Sound region, Vancouver and Spokane, would be the means for funding major regional transportation projects. Under the governor's plan, county executives or the chairs of county commissions can begin the formation of the district. The districts must take in the urban growth boundaries within a regional transportation planning organization (RTPO) area. They can be multi-county or a single county, and can exclude rural areas.

An 11-member board would govern an RTID, with ten members chosen by the governor from names submitted by county executives or county commission chairs. The state transportation secretary would be the eleventh member. The governor would select the chair.

The board would write the regional program, identifying major projects and revenue sources. The plan developed by the board would go to the county council(s) for submission to the voters.

Eighty percent of the identified revenues would have to be earmarked for specific projects; the balance would be available for discretionary transportation spending. All of the money would be spent in the region. The board could hire no more than six staff members, and administrative costs are capped at 3 percent.

Transit. While acknowledging the importance of public transit, the governor points out that there is considerable unused, local-option tax authority available to transit agencies. His revenue package estimates the unused portion of the currently authorized 0.3 percent transit sales tax to total $2.4 billion. He does propose, as he did earlier, to spend about $866 million in new state dollars to support transit for people with special needs.

Comment. The governor's plan will not be the last word on transportation. The Locke package faces some tough challenges in the coming weeks.

First, there will be continuing wrangling over how much new investment must be targeted for transit programs. Seattle-area lawmakers are leading an effort to earmark one-third of new investment for mass transit. Arguably, transit services are a responsibility of local government, and demand varies considerably from region-to-region within the state. Nonetheless, the loss of MVET funding has seriously curtailed transit funding, and urban legislators may make this a serious point of contention. Similarly, while providing funding for new auto ferries, the package does nothing for passenger ferries, which play a major role in cross-sound commutes.

Second, the size of the package, the allocation of effort between regional and state dollars, and the need to get voter-approval of the state package will all doubtless receive considerable legislative review. Already some critics are saying the plan provides insufficient funding for major capital projects; others that the tax hikes are too large. By saying he wants voter approval of any significant state tax, Locke essentially puts a lid on the size of the gas tax increase. The two-part seven-cent hike may be palatable; less certain is the voters' willingness to add two percent to the sales tax on vehicle purchases. Unlike the gas tax, which is paid out over time, and gets lost with fluctuating gas prices, the sales tax on cars and trucks (not unlike the unpopular MVET) is all-too-visible at time of purchase. And, in the regional plan, the inclusion of local business taxes seems imprudent. They could end up playing a disproportionate role in the funding scheme, which would be a mistake given the state's current competitiveness challenges. The more widely distributed the costs, the lighter will be the burden on any particular group. And the more the funding program relies on transportation-related taxes and fees, the more easily can it be justified to the public.

Fourth, despite its conceptual popularity, establishing a regional approach to transportation funding remains the murkiest element of the program. The determination of the boundaries and the composition of the governing board entail political trade-offs. There have been various plans offered; Locke's is but the latest. Most likely, the details of governance and appointment powers matter less to the voters than to political insiders, but resolution is critical if there is to be a regional transportation program.

Fifth, the initial three-part program of efficiencies (reforms), project priorities and revenues made sense, not just substantively, but politically. With so much hanging on public approval of new revenues, it is reasonable to expect that the legislature will act to make transportation spending cost-effective by adopting policies that will provide regulatory relief, improve accountability, streamline

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administration, and implement competitive contracting. To make a substantial impact on congestion, as well as pay to replace or repair inadequate infrastructure, substantial new revenues are required. Without a convincing showing that the state is committed to improving the efficiency and effectiveness of transportation spending, voters can be expected to be a tough sell.

In the end, the governor's package offers few surprises, but it may serve to accomplish his primary purpose, to reinvigorate legislative negotiations.

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