Eastside Transportation Association

"Dedicated to improving our quality of life and environment by reducing congestion through increased mobility"

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STATEMENT OF GUIDING PRINCIPLES FOR FUNDING OF HIGHWAY TRANSPORTATION SYSTEMS[1]

Introduction:

The Eastside Transportation Association (ETA) is a private sector group whose membership includes concerned citizens, business representatives and transportation professionals. We are dedicated to improving our quality of life and environment by reducing congestion through increased mobility, improving transportation throughput, infrastructure capacity funding, and educating the public and elected officials on transportation issues.

This white paper sets forth ETA's guiding principles for (a) funding of the Puget Sound Region's highway transportation systems of statewide significance; (b) Highway Revenue; and (c) Tolling Principles. In addition, supporting background for our rationale is provided. Our guiding principles are reasonable and rationale. They represent a basis for prudent, sound fiscal and transportation management policies, consistent with State laws and can be applied not only to funding of highway systems within the Puget Sound Region, but also to the other urban regions of the State of Washington.

Summary of ETA's Principles for Funding of Highway Transportation Systems of Statewide Significance:

ETA's overriding principles for funding of highway transportation systems of statewide significance are as follows:

1) *Financing Plans should be weighted toward user payment of the capital, operating and maintenance costs of our street and highway systems;*

2) *Traditional and new transportation taxes and fees on automobiles and trucks (e.g., all road user taxes such as fuel taxes, weight fees and toll revenues) should remain and be dedicated to street and highway uses and be protected under the 18th Amendment of the Washington State Constitution;*

3) *Tolls should be considered for specific high cost facilities such as bridges and major capacity expansion of freeways or for new freeways;*

4) *Conversion of existing HOV or general purpose lanes to HOT (managed) lanes should be opposed; and*

5) *Construction of new HOT lanes or other methods of controlled or managed throughput, where the entire investment and operational costs of such systems are not entirely funded from user tolls, should not be considered.*

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[1] **Approved by the ETA Board of Directors, June 8, 2011**

ETA's Highway Revenue Principles:

ETA's principles for highway revenue generation are as follows:

1. *ETA honors the time tested principle that user fees (fuel tax, weight fees and other fees) are a fair way to pay for highway facilities.*

   They are paid proportionally by those who utilize the facility, and in addition, their cost can be passed through to a very wide tax base ---- to consumers of goods and services ----through the pricing of goods and services. In this fashion, everyone who benefits from the business use of roads helps pay for roads with dedicated funds. The motor fuel tax has been and remains the principal source of revenue for highway construction, operations and maintenance. It should remain that way for at least two decades, and beyond.

2. *ETA supports the dedicated motor fuel tax as the principle source of revenue for the foreseeable future.*

   Motor fuel tax (the gas tax, including diesel fuel) is historically reliable, providing stable to increasing protected revenues. Motor fuel tax is assessed over a wide tax base, making the tax affordable and acceptable. In addition, motor fuel tax yields important efficiencies in tax collection (low cost collection at the refinery). Tax collection is almost invisible to the retail buyer (public) at the gas pump; it's convenient to pay and is quickly "out of sight, out of mind".

3. *Currently, the motor fuel tax is not indexed to inflation. It should be.*

   The motor fuel tax is the only major tax that does not grow with the economy. The revenue from the sales tax, business and occupation tax and property tax all grow with inflation. Inflation directly impacts the cost of highway construction, maintenance and operations. The pennies per gallon tax on motor fuel should be indexed to inflation.

4. *Motor fuel tax can be increased, as the Nickel tax and TPA tax authorizations prove, to help fund the construction of additional general purpose highway lanes.*

5. *The tax on gasoline and diesel fuel is a carbon tax.*

   It encourages investment in fuel efficient cars, buses and trucks and helps reduce carbon emissions.

6. *Alternative fuels for road users (e.g., biofuels, electricity or natural gas) should be taxed and all such revenue should be deposited into the Motor Vehicle Fund as required by the 18th Amendment of the Washington State Constitution.*

It may make sense initially to tax alternative fuels at a lower rate to encourage migration to fuel sources with lower carbon emissions, but there is no reason why road users should be exempted from the user-pays basis of road funding.

7. *Weight fees need to be adjusted periodically to reflect inflation.*

8. *Tolls are a fair way for a user of a specific high cost highway facility (e.g., bridge, tunnel or freeway) to help pay for the new facility's construction, maintenance and operation. When used, tolls should follow ETA's Tolling Principles.*

   However, tolls are inconvenient to pay; can be intrusive and difficult to collect; are expensive to collect; hardly out-of-sight and long in the mind; and are spread over a much smaller tax base which makes them less affordable and less acceptable except in the case of new high cost construction. Tolls discourage use and may encourage traffic diversion to alternative routes. Tolls should terminate once the bonds are paid for and a maintenance and operation fund has been established.

ETA's Tolling Principles:

1. *Tolls should be honored as historical elements of "other state revenues" intended to be used for highway purposes" pursuant to the 18th Amendment of the Washington State Constitution*:

   "All fees collected by the State of Washington as license fees for motor vehicles and all excise taxes collected by the State of Washington on the sale, distribution or use of motor vehicle fuel and all other state revenue intended to be used for highway purposes, shall be paid into the state treasury and placed in a special fund to be used exclusively for highway purposes." (18th Amendment, Washington State Constitution)

2. *The Motor Vehicle Fund is the special fund established by the Legislature for funds "to be used exclusively for highway purposes", pursuant to the 18th Amendment.*

3. *Tolls are a protected tax, to be used for a specific use of a specific facility.* All tolls received for use of a bridge or highway facility should be placed in the dedicated Motor Vehicle Fund. The protected funds should be used to repay construction bonds, plus the maintenance and operations costs associated with the facility.

4. *Tolls should have a sound economic basis.* Toll rates need to be fair and reasonable (i.e., need to reflect the actual costs of the construction, maintenance, operations and debt service requirements). Tolls should be set at a level that will balance revenues between paying off construction bonds and improving performance without creating a significant incentive for drivers to avoid using the facility.

5. *Tolls are opposed on existing facilities or where/if intended to manage or reduce travel demand*, especially on the Interstate Highway System and Highways of Statewide Significance, with an important exception: tolls may be imposed to reconstruct existing lanes if doing so is part of a corridor package that will improve capacity, increase throughput and reduce congestion for all users, including those in general-purpose lanes.

6. *HOV lanes* (carpool and transit lanes) *should not be converted to HOT lanes* (i.e., managed lanes with tolls for non-carpool vehicles). Local and national experience to date demonstrates that with HOT Lanes, general purpose lanes are degraded unless new capacity is provided. Revenue collections do not cover collection and operating costs, with no funding from tolls to recapture construction costs.

7. *General purpose lanes constructed or funded entirely or partially with gas tax revenue should not be converted to HOT lanes*. The 2003 Nickel gas tax and 2005 TPA gas tax legislation provided for specific project construction including general purpose lanes on I-405. Diversion of those funds from general purpose lanes to HOT lanes would violate the 18th Amendment, legislative intent and the promise to the users.

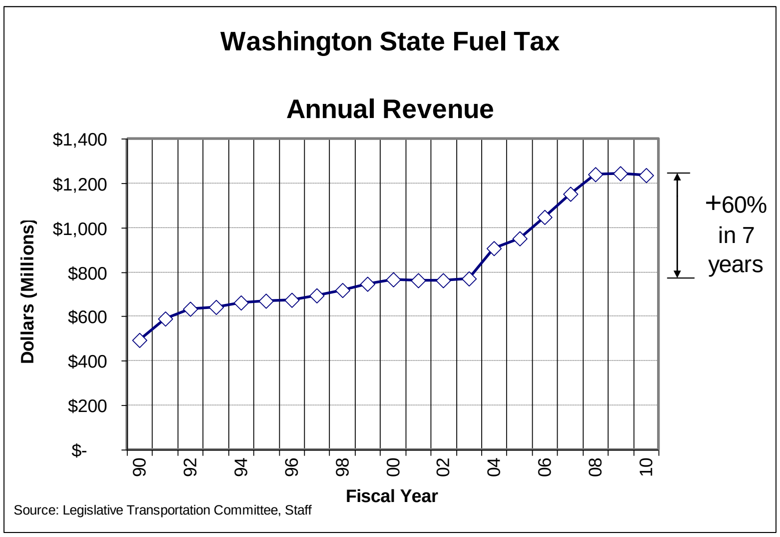
8. If HOT Lanes are approved:

    A. The funds collected for managed lanes should be placed in the dedicated motor vehicle fund and used within the designated HOT Lane corridor solely for highway construction and capacity purposes.

    B. Congestion relief and safety performance metrics for the general purpose lanes and HOT lanes should be established to measure the effectiveness of the managed lanes in the corridor. Current legislative policy requires Level of Service (LOS) D freeway operations in urban areas and a 2+ carpool operation in HOV lanes (with a specific exception for SR 520). WSDOT policy is to provide a minimum 45 mph operating speed in the HOV lanes to provide reliable transit service.

Revenue for Highways – Background:

Washington State has historically used gasoline and diesel fuel taxes along with weight fees and other taxes to fund highway construction, preservation, maintenance and operations on the state highway system. Fuel taxes and weight fees have been the predominant revenue source. Fuel taxes are collected at the oil company refinery and are expressed as pennies per gallon of fuel sold at the refinery. Fuel tax collection is very efficient with a relatively low number of tax collection locations. Total revenue collected changes as the fleet size changes; motor vehicle fuel efficiency changes; and as vehicle miles traveled change. All combine to reflect the total volume of fuel sold (gallons). Under current law, the fuel tax per gallon is not related to the price of the fuel.



The above chart shows the change in annual revenue from 1990 to 2010 from gasoline and diesel fuel sold in Washington (actual revenue received with no adjustment for inflation). The revenue increased by 60% in the seven years from 2003 to 2010. This increase came in spite of $4 plus per gallon gas in 2007, the Great Recession of 2008-2009, significant fuel economy increases for motor vehicles and some conversions to hybrid electric vehicles.

The Washington State legislature increased the gasoline tax to $0.23 per gallon in 1991. It remained at 23 cents until the “Nickel” tax was added in 2003 and the Transportation Partnership Account (TPA) of 2005 added 9.5 cents per gallon which was phased in from 2006 through 2009. The current rate is $0.375 per gallon for state revenues (plus the federal fuel tax). Revenues from the Nickel and TPA tax increases were designated by the State legislature for specific lists of new construction projects. Portions of the tax were bonded to allow early construction. The remaining projected revenue is allocated to pay the cost of the 25 year bonds.

Revenue from the $0.23 per gallon tax enacted prior to 2003 is allocated by the legislature to:

- The Washington State Department of Transportation (WSDOT) including ferries ..….$0.12.
- Cities and counties for local roads …… $0.11.

The WSDOT portion is primarily used for ferries and on state highways for road preservation, annual maintenance and operations, planning and administration. Little or no revenue is available for new construction on state highways from the 23 cents per gallon tax.

Regional Highway Needs:

General purpose traffic is the lifeblood of our economy as it represents more than 90% of the traffic in our area, notwithstanding the benefits of alternatives provided by transit - especially vanpools.

The Puget Sound Regional Council (PSRC) adopted the Transportation 2040 Plan in May, 2010. The 2040 Plan calls adding 958 lane miles of highways (roughly a 4% addition to the region’s lane-miles). Major portions of these lane miles are unfunded.

A current project in this category is the I-405 Master Plan from Tukwila to Lynnwood. The 2002 estimate (in 2000 $) was $5.66 billion for General Purpose (GP) and HOV lanes (Table 2.2-2, p2-18, I-405 Corridor Program, Final EIS). Over $1.6 billion (YOE) has been spent or funded in the corridor since 2002, leaving more than $4 billion unfunded. A second example is the replacement of SR 520 from I-5 to Redmond. Current estimates call for an SR 520 budget of $4.6 billion with over $2 billion without a revenue source. The $2.6 billion funded portion is a combination of state fuel taxes, tolls and federal transportation grants.

I-405 and SR 520 are two of many unfunded highway projects identified by the PSRC as needed by 2040. Transportation 2040 identified the need for about $34 billion (2008 $) for state highways alone. Only about 40% of this can be funded with existing law revenue. (Fig. 26, Final Draft, April 2010).

Revenue for Bridge Construction – Tolls:

Tolls have been used in Washington for highway construction in the past, primarily for major bridge projects. The Lacey V. Murrow Bridge (US 10 floating bridge over Lake Washington), the original SR 520 floating bridge, the original Tacoma Narrows Bridge, the Longview Bridge crossing the Columbia River, the Columbia River Bridge at Vancouver/Portland, the Maple Street Bridge in Spokane and the Hood Canal Floating Bridge are all examples of major bridges originally constructed with toll revenue. The most recent example is the second Tacoma Narrows Bridge. All of these projects were for new construction over water. All of these projects had fixed toll rates per crossing and everyone paid. Toll revenue was allocated to pay off the construction bonds. All but the Maple Street Bridge experienced more traffic flow and higher toll revenues than predicted and the bonds were paid off early. Tolls were terminated when the construction bonds were paid off. The second Tacoma Narrows Bridge is the only remaining bridge for which a toll is charged.

The Washington State legislature has identified six major state projects with potential for partial funding with tolls. They include SR 520, the Alaska Way Viaduct replacement tunnel, the completion of SR 509 from Sea-Tac to I-5, the completion of SR 167 from Puyallup to Fife, the I-5 Columbia River Bridge and the North-South Freeway in Spokane. The SR 509, SR 167 and Spokane projects involve new construction totally on land. The SR 520 project is scheduled to implement tolls in 2011, prior to the start of construction of the new floating bridge. Preliminary analysis of projected data on the implementation of tolls on all lanes of the SR 509 and SR 167 extension projects show a significant diversion of projected traffic away from those Highways of Statewide Significance.