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WASHINGTON STATE ASSOCIATION OF COUNTY ENGINEERS

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Transportation Revenue Options for Counties

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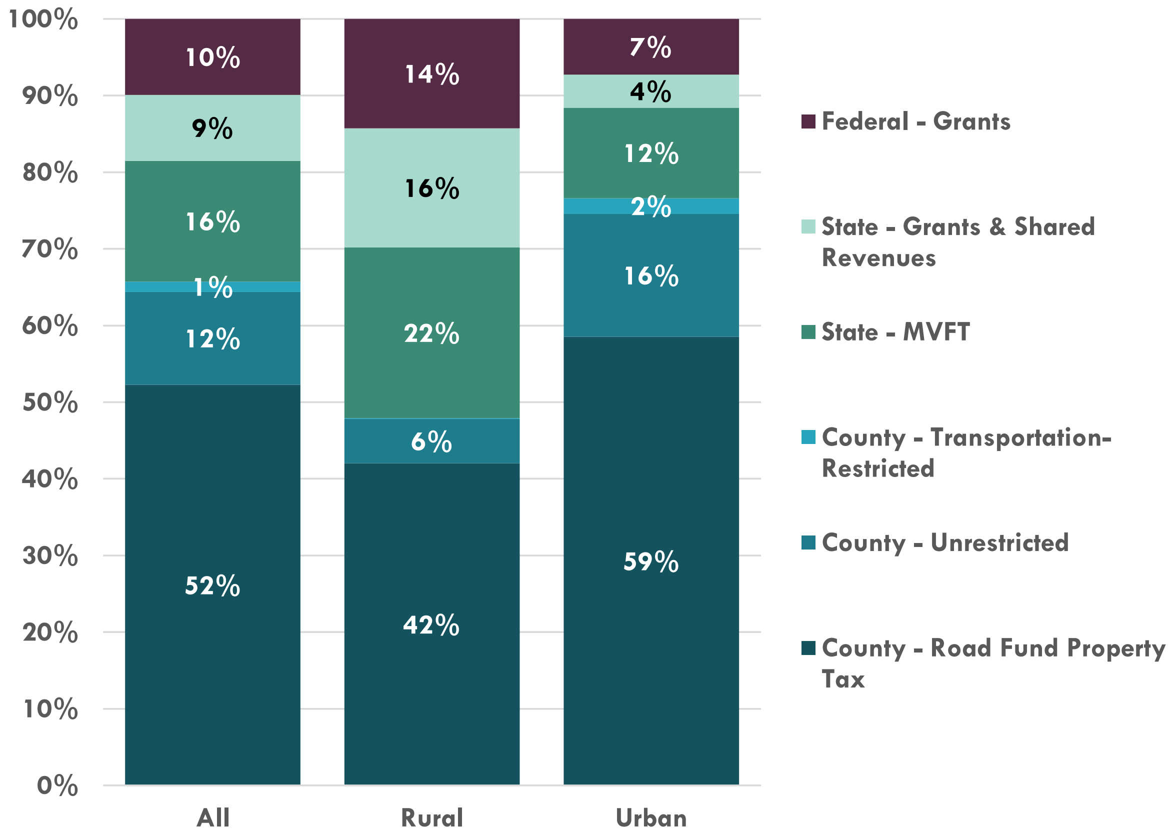
Counties are very different

- Okanogan County is 30 times bigger than San Juan County.
- King County has 2.3 million residents and Garfield County has 2300.
- Snohomish County has 64 times more transportation revenue than Wahkiakum County.

County Roadway Responsibilities

- **39,000** centerline miles/**78,700** lane miles
- **59%** of Washington roadways
- **3,350** bridges
- **45%** of Washington's bridges
- **4** ferry systems

County Transportation Funding Sources



2020 BERK County Transportation Revenue Study

Rising Costs

- Increasing costs for wages, materials and equipment.
- Increased environmental regulation raising the cost of bridge replacements & removal of fish barriers.
- Deferred maintenance leading to more expensive solutions.

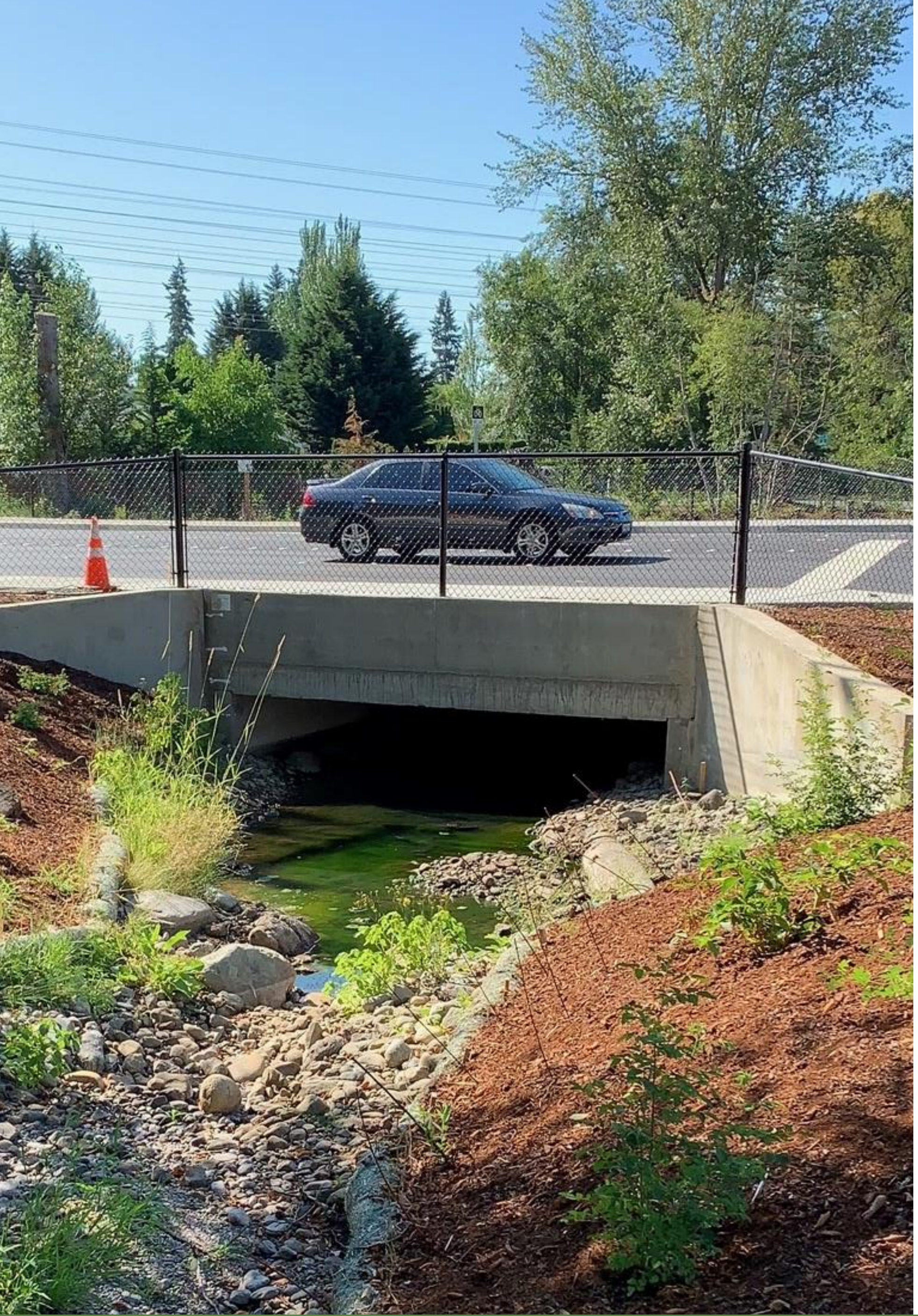
Declining Revenue

- Property tax is capped.
- Reduced tax base from annexations and incorporations.
- Declining share of gas tax allocations.

Revenue Study Conclusions

The annual base funding gap for county transportation programmatic and capital needs is **$719 million to $1.23 billion**.

This gap is around **half of county needs** for programmatic and capital expenses.



Revenue Study Recommendations

- Increase investment for preservation and maintenance.
- Implement a federal fund exchange program.
- Increase the county share of the gas tax.
- Expand or enhance local county transportation funding options.

WSAC Statement of Policy & Core Principles

County revenue is structurally unable to meet current and future service demands. The **overdependence on property tax**, coupled with a smaller share of sales and use tax and the lack of flexibility in the use of other revenues, mean that economic growth does not help counties as much as it helps the state and cities.

Counties support statewide revenue solutions for statewide issues and that revenue be appropriately distributed equitably across the state based on program and service needs, not on the ability to raise funds locally. Further, the state should distribute funds in a manner that provides **flexibility** to allow local governments to use the funds to tailor solutions specific to the needs of their communities.

Counties support the philosophy that **maintenance and preservation of our transportation system are essential** to safeguarding the investment in our existing infrastructure and should be the **foremost priority** of transportation investments statewide.

As owners of over 50% of the transportation system, counties support that any increase to the State Motor Fuel Tax, a Road Usage Charge, or similar system designed for funding transportation, counties should receive a **proportionate share** (at least 50%), if not more in the increase realized.

Summary

Any new revenue should be proportionally shared with counties based upon a verifiable method for establishing state-wide transportation system ownership and maintenance and preservation costs.

Any new revenue distribution should be for transportation purposes with local control of how revenue can be spent.

Questions on Background Information?

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Possible Solutions

Replace the 1% Property Tax Cap

Property tax is the biggest revenue source for the county Road Fund.

Prior to 2002, local governments could increase their property tax revenue collections by up to 6% per year. This 6% limit was adopted in 1973. 2001's Initiative 747 (and subsequent legislation following litigation) reduced that to1% per year effective from 2002 forward. This 1% is an arbitrary number (that is, not based on population growth or inflation) initially chosen by initiative drafters with the goal of restricting government budgets.

The most recent revenue proposal (SB 5770) involves lifting the cap on property tax from 1% up to a maximum of 3%, depending on population growth and inflation.

Road Usage Charge

Per mile charge drivers would pay for the use of the roads, as opposed to paying a tax per gallon of gas.

Operates as a replacement for gas tax, therefore, a long-term solution, not the needed near-term increase in revenue.

HB 1832

Retail Delivery Fee

Legislature included a proviso in its 2023–2025 transportation budget to study a statewide retail delivery fee on orders of taxable retail items delivered by motor vehicles within the state.

A retail delivery fee is a fee imposed on the purchase of taxable retail items delivered by motor vehicles in the state.

A 30-cent fee on all eligible orders in Washington could initially generate between $45 and $112 million in revenue and grow to $59 and $160 million by 2030.

Dedicate motor vehicle sales tax to transportation

In the 2023-24 legislative sessions there were multiple bills introduced and reintroduced to dedicate the state sales tax on motor vehicles for transportation. They aimed to transfer the sales tax revenue on vehicle sales from the state General Fund to the Transportation Budget.

The proposals ranged from transferring all the revenue in year one, to phasing in the transfer over the course of ten years, 10% at a time. Some bills created a new account for the revenue called the "Transportation Preservation and Maintenance Account." They directed that the revenue in this account could only be used on a cash funding basis for transportation projects.

If this revenue is transferred from the state General Fund to the Transportation Budget, then that means it cannot be utilized for other important or emerging state priorities.

Expand CRAB's Grant Authority

Recently the County Road Administration Board (CRAB) completed a grant effectiveness study to determine how well their grant programs are performing and meeting county road system needs.

While CRAB's largest grant program, the Rural Arterial Program, continues to be essential for maintaining county roads, there exists gaps in funding for other important parts of the system. Specifically, counties need more help funding the maintenance and repair of local access roads and short-span bridges.

Expand Local Control for TBDs and RIDs

State law allows counties and cities to form transportation benefit districts (TBDs). TBDs are independent taxing districts that can raise revenue for several different transportation purposes ranging from capital improvements, maintenance and preservation repairs, and transit service.

These options should not be seen as a solution to the overall maintenance and preservation needs counties have. Rather, TBDs should be seen as an important way for a jurisdiction to enhance funding for specific projects and needs on their transportation system.

To date, it has always been very challenging to get any expansion of councilmanic authority to increase sales tax and this request would be no different.

Other Ideas

- Public-Private Partnerships (also known as PPP);
- Dedicating the sales tax from transportation projects to the transportation budget;
- A Tire Tax; and
- Additional Tolls

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