Roads versus Transit Tax and Spending in the Puget Sound Region

By James W. MacIsaac, P.E.   April 2010

Summary

During 2009 about 14 million person trips per day were made in the Central Puget Sound region. 87% of these were served by private automobiles and vanpools, 3% were served by public transit, and 10% were made by walk and bike modes. Freeways, roads and streets served nearly 100% of all travel including all bus travel, bike and walk trips.

State roads are nearly 100% funded by user taxes – State and federal fuel taxes, permits and weight fees. The majority of local street and road costs are also paid from these revenue sources. Local funding is also made available by counties and cities, largely coming from the general fund taxes obtained from all taxpayers in those jurisdictions, and by requirements of new developments. Up to 90% of all transit capital and operating costs are paid from sales tax paid by all consumers in the respective transit agency service areas. Only about 10% comes from transit user fares. So motorized road users not only pay for most of the freeways, roads, streets and sidewalks, but as consumers of sales taxed goods they also pay for nearly 90% of transit capital and operating costs.

In 1992 67% of all transportation spending in this region went to roads and sidewalks, 33% went to transit (67%/33%). Transit then served about 5% of all weekday trips. Streets and roads served 95% of all trips plus all transit vehicles. In 1996 Sound Transit was created with new sales and MVET taxes. In 2001 local transit sales taxes were increased to offset the loss of MVET revenue; and in 2005 KC Metro added a sales tax increase for "Transit Now". During the 2007-09 biennium, the Roads/Transit spending ratio had reversed to Roads 46%/Transit 54%, but with a declining transit mode share of only 3%.

In 2009 a Sound Transit phase 2 (ST2) transit program was approved together with a doubling of its tax resources. Though fuel taxes have been increased for road funding, they remain un-indexed. By the 2013-15 biennium transportation tax and spending under current law is estimated at Roads 36%/Transit 64%. By 2020 the ratio will likely be 33%/67%, a complete reversal of transportation spending in this region from what it was in 1992. By 2030 with additional transit tax increases, the transit mode share of 18 million trips per day is estimated by the Puget Sound Regional Council to increase to only 4%.

The purpose of this paper is to inform lawmakers and the general public how the majority of transportation tax revenues collected through the State Department of Revenue (DOR) is being spent for transit versus roads. Transit proponents request more transit spending. US Transportation Secretary LaHood has set policies to "coerce people out of their cars". Yet we are currently facing the need for major refurbishment of our street and road systems. I leave it the people of this state and region as to their preferences for transportation spending.

Introduction

For several years I have been collecting past year actuals and six-year future estimates of transportation revenues collected thru the State DOR for dedicated Road and Transit uses, and focusing on the 3-county Central Puget Sound Region. The Legislature has control over tax rates and revenues collected by the state for state and local road use, currently mostly dedicated to such use by the 18th Amendment. It also controls maximum tax limits that can be locally authorized for transit use; local voters must approve locally proposed rates within those limits.

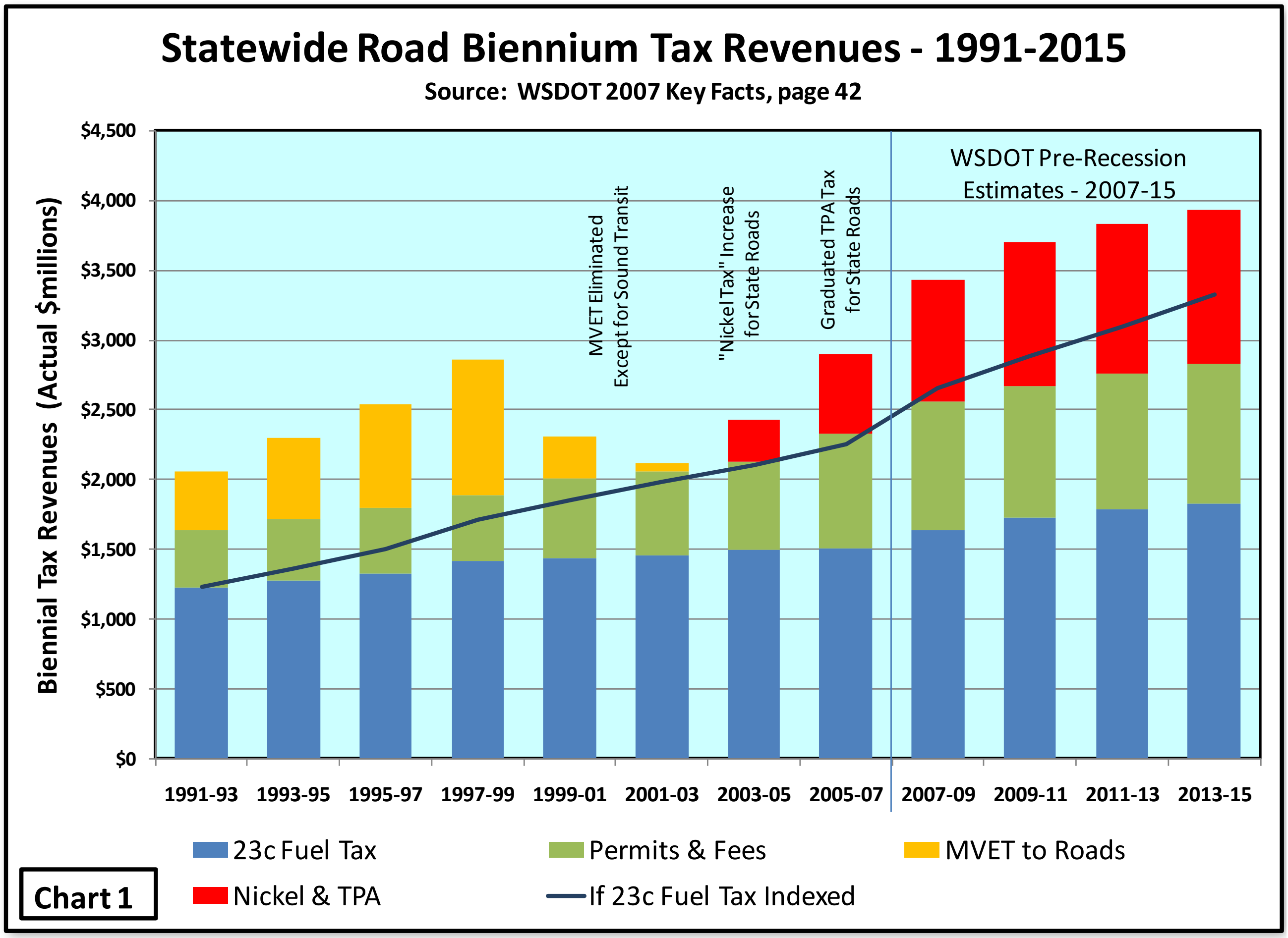
The charts below summarize my findings for State DOR tax revenues for Roads statewide, and for Roads and Transit in the 3-County Central Puget Sound Region – King, Pierce and Snohomish. An Excel table showing the data supporting the charts is available upon request. Not included in the charts are local county and city supplemental tax expenditures for road and street uses. The graphics also exclude federal transportation funding since it is so variable and out of direct state control. So my findings focus on revenues from the state and region taxpayers exclusive of their tax contributions to federal transportation funding and to local city and county road taxes not collected by the State DOR. Please be aware that the post-2007 revenue estimates all come from pre-recession forecasts.

Statewide Road Revenues

Chart 1 focuses on statewide tax revenue collections for road use from 1991 thru 2007 plus WSDOT estimates out thru 2015. It is a stacked column chart for the tax elements noted by the legend. The blue portions of the biennial revenue bars show the past and projected revenue from the 23c/gallon gas tax that was set in 1991. Even though it continues to be a fixed tax per gallon with no inflation index, it has shown consistent revenue increases as a result of increasing fuel consumption, including the pre-recession projections thru 2015.

The green elements of the revenue bars reflect the revenues collected from Permits and Weight Fees -- a significant proportion of our statewide road funding revenue. The yellow portion of the revenue bars show the pre2001 MVET revenues that grew with inflation. Prior to MVET elimination in 2000, MVET revenue had grown to about 33% of total statewide tax revenues for road use. Though transit agencies raised their sales tax rates to help cover their MVET losses, nothing was done to replace MVET road revenues until the "Nickel Tax" was approved (including an increase in weight fees) followed by the graduated TPA fuel tax increase. During the 2005-07 biennium road tax revenues only reached the income level of the 1997-99 biennium before the MVET loss.

Though most other tax sources inflate with time, for some reason the Legislature has continually ignored creating any kind of an inflation factor for the 23c/gallon fixed fuel tax. The blue line on Chart 1 shows the potential revenue levels that could have been achieved by the 23c/gallon fuel tax alone if it had been inflated by the CPI. If the Permits and Fees revenue were superimposed over the blue line, current revenues would have been greater than now achieved with the Nickel and TPA tax increases. However, we must recognize that most of the Nickel and TPA tax revenues are focused on state roads, whereas about half of the 23c fuel tax is shared with cities and counties.

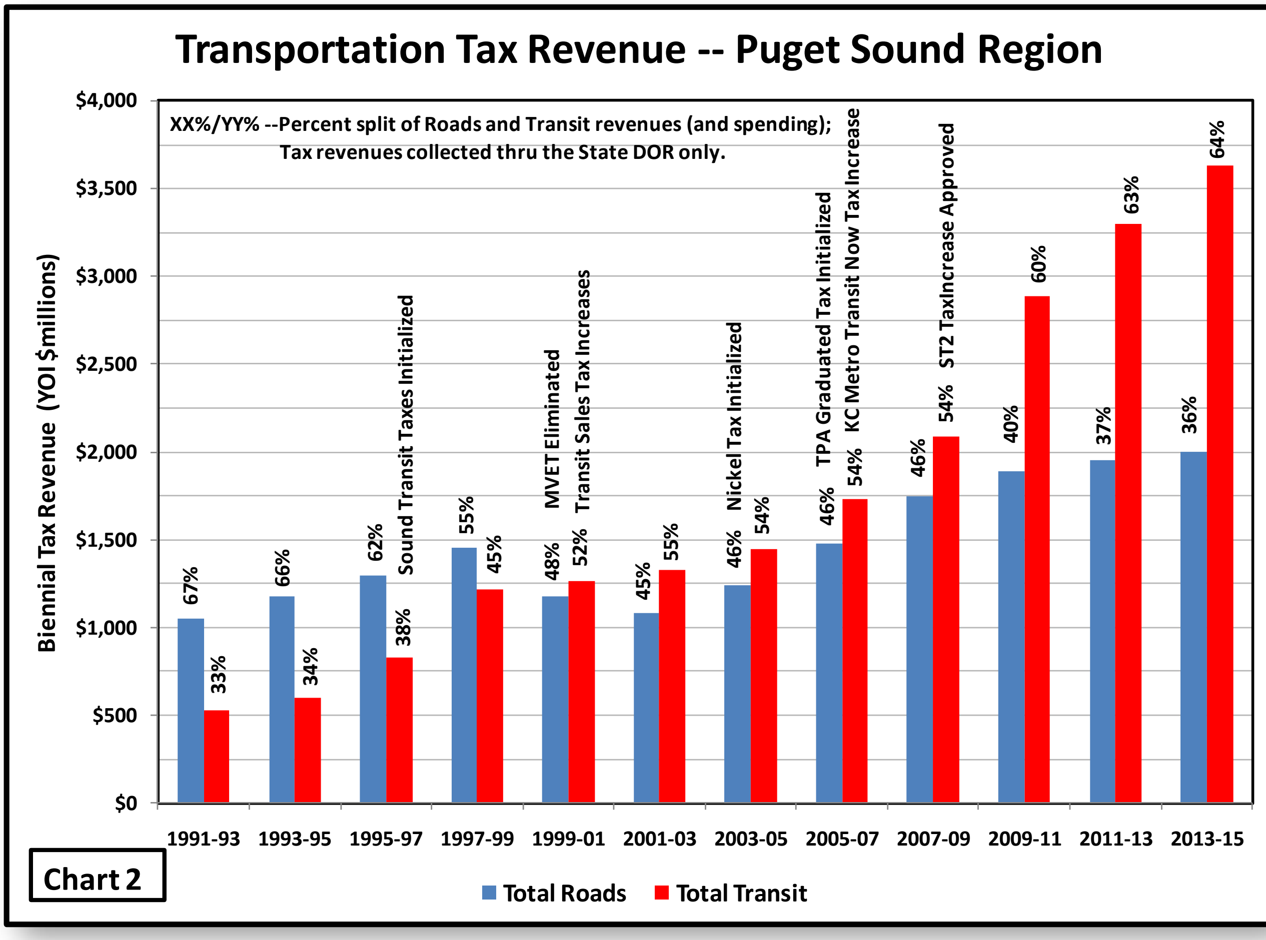


Central Puget Sound Region

A WSDOT study (County by County Fuel Tax Comparison, Feb 2009 found that 52% of statewide fuel and other road tax revenues is collected from and comes back to the three Central Puget Sound counties – King (30%), Pierce (12%) and Snohomish (10%). The Sound Transit sales tax area covers most of the urbanized area of the three counties. Local county transit agencies collect tax revenues in all three counties, plus the City of Everett collects tax revenues for a local city transit system.

Chart 2 compares road and transit tax revenues for the Region. In 1991 road taxes amounted to 67% of total transportation revenues (67%/33%). Yet roads served 95% of all motorized person trips including all transit buses while transit served only about a 5% share of mobility. But without inflation indexing, road revenues began shrinking against the inflation-fueled transit sales tax revenues. By the 1997-99 biennium, The Roads/Transit revenue ratio had flattened to 55%/45%.

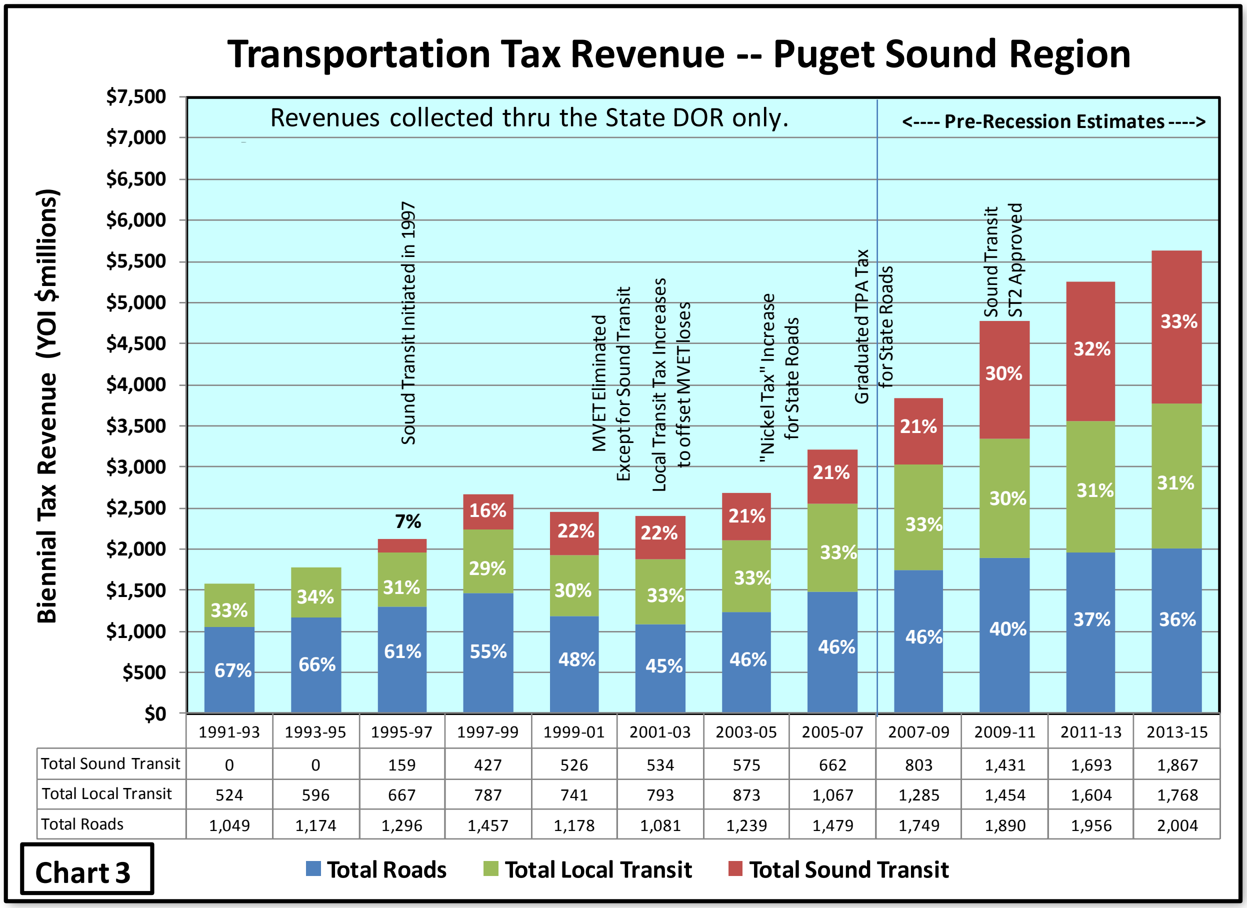
Sound Transit was created in 1996 with new tax revenues. Then the MVET was eliminated (except for Sound Transit). Transit agencies restored much of their MVET losses with sales tax increases. Roads just suffered the loss for several years. By the 2001-03 biennium Roads/Transit tax funding had reversed to 45%/55%. Finally in 2003 the Legislature approved a 5c/gallon fuel tax increase for state road use (the "Nickel Tax"). In 2005 it approved the TPA fuel tax increases amounting to 9.5c/gallon fuel tax increase over a 5-year period. The combined Nickel and TPA fuel tax increases only maintained a Roads/Transit funding ratio of 46%/54% for several years.



Then in 2008 Sound Transit convinced its taxpayers to double its tax revenues with a 0.5% sales tax increase. All road fuel taxes had reverted to their non-inflation fixed rate status. During the current 2009-11 biennium, the Roads/Transit tax funding ratio has further reversed to 40%/60%. Despite this hugely disproportionate transit funding, the public transit share of transportation mobility in the region has declined to about 3% of the 12 million weekday person trips.

Under current law if the Legislature takes no further action for road funding, fuel tax revenues will continue to lose purchasing ability against inflation while transit enjoys its inflating sales tax recovery. By the 2013-15 biennium, the Roads/Transit funding ratio for the Central Puget Sound Region will further shift to transit spending by 36%/64%.

Chart 3 is a stacked bar chart showing the local transit and Sound Transit tax funding stacked atop the road revenues for the three-county region. With its ST2 doubling of Sound Transit tax revenues, Sound Transit now collects as much tax revenue as all of the four local transit systems combined. By 2015 it will be collecting nearly as much tax revenue as the State DOR collects for all state and local road funding in the region. Again, these are all pre-recession revenue estimates since 2007. However, all three transportation modes are likely to be similarly affected by revenue reductions.



PSRC Transportation 2040 MTP

The Puget Sound Regional Council is nearing completion of its Metropolitan Transportation Plan (MTP) update known as Transportation 2040. It includes completion of the Sound Transit ST2 rail program plus a Phase 3 program to finish the "core" light rail system with extensions to Tacoma, Everett and downtown Redmond. It calls for increasing bus service hours by 80 to 100 percent over current levels. The plan includes only a 6% increase in freeway and arterial lane-miles, with half of the additional freeway lane-miles dedicated to Transit/HOV use or HOT lane use. A summary of 2010-2040 (30-year) Needs and Revenues estimated in 2008$ is shown in the following table.

PSRC Transportation 2040 -- Financial Needs and revenues 2010-2040

	NEEDS				REVENUES					Unprogrammed Improvements	
	Basic	Expansion	Total		Current Law		New Revenue		Total		
State Highways	$10,600	$23,200	$33,800	18%	$14,100	11%	$19,700	31%	$33,800	$8,800	24%
State Ferries	$6,700	$1,500	$8,200	4%	$5,400	4%	$2,800	4%	$8,200	$0	0%
Counties and Cities	$21,000	$22,400	$43,400	23%	$28,800	23%	$14,500	23%	$43,300	$900	2%
Other Regional	$0	$6,800	$6,800	4%	$0	0%	$6,800	11%	$6,800	$3,300	9%
Total Non-Transit	**$38,300**	**$53,900**	**$92,200**	**49%**	**$48,300**	**39%**	**$43,800**	**68%**	**$92,100**	**$13,000**	**36%**
Local Transit	$52,300	$4,900	$57,200	30%	$44,500	36%	$12,800	20%	$57,300	$4,900	13%
Sound Transit	$17,600	$22,300	$39,900	21%	$32,400	26%	$7,500	12%	$39,900	$18,600	51%
Total Transit	**$69,900**	**$27,200**	**$97,100**	**51%**	**$76,900**	**61%**	**$20,300**	**32%**	**$97,200**	**$23,500**	**64%**
TOTAL ALL	**$108,200**	**$81,100**	**$189,300**	**100%**	**$125,200**	**100%**	**$64,100**	**100%**	**$189,300**	**$36,500**	**100%**

Source: PSRC Final Draft Transportation 2040, page 66.

The PSRC 30-year "constrained" program calls for 51% of all program finance needs to be dedicated to Local and Sound Transit programs. Only 49% of $189 billion of financial expense would cover all other freeway, road, street, ferry and non-motorized transportation needs of the state, counties and cities in the region. The $97 billion (51%) in expense for transit is estimated to increase the mode share of week-day travel by public transit from 3% to only 4.1%. The other 96% of over 18 million trips per day by 2040 must be accommodated by the non-transit freeway, road, street, sidewalk and trails facilities.

Note that Current Law revenue for public transit is estimated at 61% of all current law revenues over the next 30 years. That is consistent with the trend shown in Charts 2 and 3 above. However, I believe the PSRC may have underestimated current law Sound Transit revenue and overestimated current law local transit revenues.

The Transportation 2040 plan includes additional project needs and new funding that is "unprogrammed" in the $189 billion Constrained Plan. Half of those additional finance needs are for additional phases of the Sound Transit light rail system; 64% is the need for additional local and regional public transit services.

When is Enough Transit Spending Enough?

There are many transit supporters that request even more transit revenue/spending increases. They even suggest that the 18th Amendment protecting street and highway revenues for street and highway use be done away with so more highway funding can be diverted to public transit. They are totally unaware that the vast majority of dedicated transportation funding already goes to public transit. The special Metro Transit task force is expected to recommend tax increases for Metro Transit. The other county transit agencies will likely also request transit tax increases.

Sound Transit's tax revenues are heavily committed to debt service obligations of nearly $600 million per year out through 2052 in addition to O&M and administration costs. Yet within the next 10 years Sound Transit will likely request voters to approve another tax increase to support an "ST3" program to extend its light rail lines to Tacoma, Everett and downtown Redmond as in-cluded in the PSRC Transportation 2040 plan. To maintain support from Kirkland and Issaquah/ Sammamish voters for light rail tax increases, Sound Transit has also promised rail branch lines to Totem Lake and Issaquah. If these are to be completed by 2040, even another tax increase would be needed reaching into the "Unprogrammed Investments" extension of the plan.

All of this transit spending is primarily for rail transit only overlays of the already best-served Seattle-centric transit corridors of the region. The rail transit lines primarily benefit Seattle and do little to serve the other 80% of the region's retail and employment facilities. This transit spending emphasis comes at a time when our road systems are progressing into major multi-$billion refurbishment needs. And it is coming with minimal relief of our congested roadway sys-tem for auto and freight movement – suburban travel patterns poorly served or unserved by current and planned transit facilities and services. Despite the inferences that rail transit is the solution to our congested regional highway facilities, the environmental assessments for the rail projects show an insignificant reduction of roadway traffic.

So, this paper concludes with the question: **When is Enough Transit Spending Enough?**