

PIERCE COUNTY TRANSPORTATION: LOCAL FUNDING OPTIONS

The following tables summarize local transportation funding options for counties, organized by whether they are currently in use, possible options, or not feasible. The tables include whether the revenue option may be used for programmatic and/or capital expenses, whether the option requires voter approval, and estimated order-of-magnitude.

Summary Table

Transportation Funding and Financing Options
<p>Funding Options: Currently in Use</p> <ul style="list-style-type: none"> ▪ Property Tax Road Fund Levy ▪ REET 1 and 2 ▪ Transportation Impact Fees
<p>Funding Options: Possibilities</p> <ul style="list-style-type: none"> ▪ Property Tax Road Fund Levy Lid Lift ▪ Local Improvement District/Road Improvement District
<p>Funding Options: Not Feasible</p> <ul style="list-style-type: none"> ▪ Commercial Parking Tax ▪ Local Option Motor Vehicle Fuel Tax ▪ Local Options for High Occupancy Vehicle Systems ▪ Transportation Benefit District (TBD) Vehicle Licensing Fee ▪ TBD Sales and Use Tax
<p>Debt Financing</p> <ul style="list-style-type: none"> ▪ Limited Tax General Obligation (LTGO) bonds ▪ Unlimited Tax General Obligation (UTGO) bonds

County Transportation Funding Options: Currently in Use

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Property Tax County Road Fund RCW 36.82.040 RCW 84.55.050	<ul style="list-style-type: none"> 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 percent limit. With a <i>permanent single-year lid lift</i>, the County can increase the County road fund property taxes beyond the 1 percent limit in the first year, and then that amount is used to calculate all future 1 percent 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 <i>permanent multiyear lid lift</i>, the County can increase the County road fund property taxes beyond the 1 percent limit (up to a limit factor specified in the ballot measure), for 6 consecutive years up to a rate equal to or less than the statutory maximum of \$2.25 per \$1,000 of AV. After the 6 years, the total levy can increase by up to 1 percent annually. Multiyear lid lifts must be submitted at the primary or general election. 	Programmatic ✓ Capital ✓	Yes	\$\$\$\$	Yes	\$60 million in Road Fund levy after diversion ¹ (\$75 million collected, \$15 million diverted)	Up to \$21 million additional per year with lid lift levy to \$1.80 per \$1000 AV

¹ Pierce County, 2020.

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Real Estate Excise Tax 1 (REET 1) RCW 82.46.010(5) RCW 82.45.030 RCW 82.46.035(2)	<ul style="list-style-type: none"> ▪ Cities and counties 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. ▪ All cities and counties may levy REET 1. GMA cities and counties must use REET 1 on capital projects included in the capital facilities element of the Comprehensive Plan. ▪ Non-GMA cities and counties can use REET 1 on any capital purpose identified in a capital improvements plan or acquisition of lands associated with such improvements. 	Capital ✓	No	\$	Yes	\$11 million collected by County; ² Not currently used for Road Fund	\$11 million if all REET 1 is used for Road Fund
Real Estate Excise Tax 2 (REET 2) RCW 82.46.010(5) RCW 82.45.030 RCW 82.46.035(2)	<ul style="list-style-type: none"> ▪ Only GMA cities and counties may levy REET 2. ▪ REET 2 must be spent on capital projects: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, water/storm/sewer systems, parks. ▪ As of 2019, REET 2 may also be used for affordable housing and homelessness projects through 2026.³ 	Capital ✓	No	\$	Yes	\$11 million collected by County; ⁴ \$7 million in Road Fund; ⁵ rest shared with parks	\$4 million additional if all REET 2 is used for Road Fund

² Washington State Auditor's Office, 2018.

³ Engrossed House Bill 1419, passed April 2019.

⁴ Washington State Auditor's Office, 2018.

⁵ Pierce County, 2020.

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Transportation Impact Fees <u>RCW 82.02.050</u> <u>RCW 39.92</u>	<ul style="list-style-type: none"> ▪ 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 particular 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. 	Capital ✓	No	\$\$	Yes	\$4-5 million collected per year on average ⁶	\$4-5 million collected per year at current rates; revenues would increase with rate increase

⁶ Transportation impact fee collections vary from \$2.5 million to \$7.4 million from 2009-2019, averaging \$4.1 million. Pierce County, 2020.

County Transportation Funding Options: Possibilities

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Property Tax County Road Fund Levy Lid Lift RCW 36.82.040 RCW 84.55.050	<ul style="list-style-type: none"> Counties can levy either a single-year or multiyear levy lid lift, temporary or permanent, to increase road property taxes in taxing districts without banked capacity beyond the 1% limit. With a <i>permanent single-year lid lift</i>, the County can increase the 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 <i>permanent multiyear lid lift</i>, the County can increase County road fund property taxes beyond the 1% limit, up to a limit factor specified in the ballot measure, for 6 consecutive years up to a rate equal to or less than the statutory maximum (\$2.25 per \$1,000 of AV). After 6 years, the total levy can increase by up to 1% annually. Multiyear lid lifts must be submitted at the primary or general election. 	Programmatic ✓ Capital ✓	Yes	\$\$\$\$	Yes	\$60 million in Road Fund levy after diversion ⁷ (\$75 million collected, \$15 million diverted)	Up to \$21 million additional per year with lid lift levy to \$1.80 per \$1000 AV
Local Improvement District / Road Improvement District RCW 35.43 RCW 36.88	<ul style="list-style-type: none"> 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. 	Capital ✓	No	\$	No	--	Determined on a project-by-project basis; not countywide

⁷ Pierce County, 2020.

County Transportation Funding Options: Not Feasible

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Commercial Parking Tax RCW 82.80.030	<ul style="list-style-type: none"> ▪ 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 commercial parking business, based on gross proceeds or number of stalls, or on the customer. Tax exempt carpools, vehicles with handicapped decals, and government vehicles are exempt. ▪ Restricted to “transportation purposes” per RCW 82.80.070. ▪ <i>No counties have implemented this tax. Twelve cities have implemented this tax.</i> 	Programmatic ✓ Capital ✓	No	\$\$	No	--	No counties currently using; low feasibility
Local Option Motor Vehicle and Special Fuel Tax RCW 82.80.010	<ul style="list-style-type: none"> ▪ 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. ▪ <i>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.</i> 	Programmatic ✓ Capital ✓	Yes	\$\$\$	No	--	No counties currently using; low feasibility

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Local Option Taxes for High Occupancy Vehicle (HOV) Systems (MVET, rental car tax, employer tax, sales tax) RCW 81.100.030 RCW 81.100.060	<ul style="list-style-type: none"> RTIDs and King, Pierce, and Snohomish counties may levy an HOV tax by voter approval. The purpose of the tax is for HOV lane development, mitigation of environmental impacts of HOV development, support of employer programs to reduce single-occupant commuting, and commuter rail programs. The employer tax may be up to \$2 per employee per month. The motor vehicle excise tax (MVET) may be up to 0.3% on the value of a vehicle in counties (or 0.8% in the case of RTIDs). Trucks over 6,000 lbs. are exempt. The rental car tax may be up to a 13.64% surcharge on the state sales and use tax paid on retail car rentals within the county or RTID. The sum of the employer tax and MVET/car rental tax may not exceed the maximum allowed from the MVET/car rental tax. <i>No entity has enacted an HOV tax.</i> 	Programmatic ✓ Capital ✓	Yes	\$\$	No	--	No counties currently using; low feasibility
Transportation Benefit District – Vehicle Licensing Fee* RCW 36.73 RCW 36.73.065 RCW 82.80.140 <i>*This option may be eliminated if Initiative 976 goes into effect.</i>	<ul style="list-style-type: none"> TBDs can impose a Vehicle Licensing Fee (VLF) fee, without voter approval, up to \$20. If a \$20 fee is effect for at least 24 months, then a VLF up to \$40 can be imposed; if a \$40 VLF has been in effect for at least 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 6 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. 	Programmatic ✓ Capital ✓	No, up to \$50. Yes, \$50-\$100.	\$\$	No	--	Option may be eliminated by I-976; low feasibility

REVENUE SOURCE	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Transportation Benefit District – Sales and Use Tax RCW 36.73 RCW 82.14.0455	<ul style="list-style-type: none"> Independent taxing districts created through ordinance can impose an additional voted sales and use tax of up to 0.2 percent. 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. No counties are currently using a TBD sales and use tax. Additionally, a voted sales and use tax could be politically challenging to implement in the Sound Transit regional transit authority, given overlapping taxing jurisdictions. 	Programmatic ✓ Capital ✓	Yes	\$\$	No	--	Around \$8 million annually at a 0.2% tax rate ⁸

⁸ Washington Department of Revenue Taxable Retail Sales, 2008-2018; BERK, 2020.

Debt Financing

DEBT FINANCING	DESCRIPTION	ELIGIBLE EXPENDITURES	VOTED	MAGNITUDE	NOW USED BY COUNTY	REVENUES REALIZED (ANNUAL)	POTENTIAL FUNDING (ANNUAL)
Limited Tax General Obligation (LTGO) Bonds RCW 39.36 Article 8, Sec. 6, State Constitution	<ul style="list-style-type: none"> 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. 	Programmatic ✓ Capital ✓	Yes	\$\$\$	Yes	\$4 million LTGO in 2020-2021 biennium; using REET to pay back through 2029	Total debt limited to 2.5% of AV; LTGO debt limited to 1.5% of AV
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"> 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. 	Capital ✓	No	\$\$\$\$			Total debt limited to 2.5% of AV