# APPENDIX G

# FUNDING MECHANISMS

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This is excerpted from: Your Community's Transportation System – "A Transportation Element Guidebook" by the Washington State Department of Community Development (1993).

This appendix identifies funding mechanisms and types of debt available for transportation improvements. These mechanisms include new sources provided through state legislation in conjunction with the State Growth Management Program. The State provided for the imposition of impact fees, additional real estate excise taxes, local option taxes (fuel tax, vehicle license fee, commercial parking, and street utility), and High Occupancy Vehicle (HOV) local option taxes.

These transportation funding mechanisms require that the city or county interested in using the mechanism comply with the transportation planning requirements on the State Growth Management Program, including the finance element.

### City/County Funds

City/county revenue resources can be categorized as unrestricted and dedicated. Unrestricted revenue is available for transportation to the extent the transportation needs can compete with the many other local government needs.

Unrestricted Governmental Funds:

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| *General Funds* | General funds include all local funds subject to appropriation by the governing body – property taxes, local option sales taxes, utility taxes, general state shared revenues, business license fees, etc. These funds may be used for transportation purposes. |
| *Special Property Taxes* | Additional taxes can be authorized by voters, usually for the purpose of bonds. If proposal is above the statutory limitations for taxing rate, it must be approved by 60 percent of voters with 40 percent turnout. If it is below the legal limitation, a simple majority is sufficient (usually called a "lid lift"0. The tax may be temporary or permanent. |

Dedicated Governmental Funds for Capital Purposes:

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| *Special Fuel Tax* | Tax on motor fuels specifically dedicated to highway purposes. Currently a total of 23 cents is collected for each gallon of fuel sold. Of that total 10.21 cents is allocated to state programs, 4.42 is allocated to counties, 2.45 cents to cities, 1.31 cents to the Transportation Improvement Board and 0.58 cents to the Rural Arterial Program. |
| *Real Estate Excise* | Tax on sale of real property. Two categories are available; now both can be used for all types of GMA defined capital projects, not just streets. ¼ c is authorized by capital facilities; if used another 1.4 c may be levied. The projects must be included in the capital facilities element of the comprehensive plan. |

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| *Sales and Use Tax for HOV* | Up to 0.8 percent additional sales tax for HCT by transit agencies in Clark, Thurston, Spokane, Yakima and Snohomish Counties; requires a vote prior to implementation. |

<u>Other Dedicated Governmental Funds for Transportation Purposes:</u>

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| *Transportation Benefit Districts* | Special taxing district for transportation purposes created by cities and/or counties. Allows more tan one jurisdiction to join together for the purposes of acquiring, constructing, improving, providing, and funding any city street, county road, or state highway improvements within the district. With voter approval, has authority to levy property tax and issue general obligation bonds. With city/county approval, has authority to impose fees o building construction or land development. |
| *Transit Tax* | Separate taxing authority for transit authorities. Voter approval is required for the B&O, household/utility, and sales and use taxes. |

**Federal Financial Assistance**

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| *TEA 21* | A federal funding program for surface transportation called the **T**ransportation **E**quity **A**ct for the **21**st Century. Federal funds are available to cities or counties as distributed by the state and Metropolitan Planning organizations. Allocation has three components: regional competition, statewide competition, and Washington State Department of Transportation (WSDOT) funding. Funds can be used for highways, roads, transit, bicycle facilities and related improvements.<br><br>For regional competition, funds would be distributed to:<br>o Transportation Management Areas (TMAs) for areas with an urban population over 200,000.<br>o Metropolitan Planning Organizations (MPOs) for areas with an urban population over 50,000.<br>o Counties for areas with an urban population under 50,000. |
| *Public Works Trust Funds (PWTF)* | Available to cities, counties, and special purpose districts from the state in the form of low interest loans for public work improvements. |
| *Motor Vehicle Excise (MVET) for Transit and High Occupancy Vehicle Lanes* | With voter approval, transit agencies may collect a local excise tax on vehicles registered within their taxing district imposed as on addition to the state MVET, for high capacity transit service. |
| *Local Development* | Available to cities to fund transportation studios related |

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| *Matching Fund (LDMF)* | to economic development. |
| *Essential Rail Assistance Account Light (ERAA)* | Available to cities, county rail districts, and port districts; provided to preserve essential freight rail service on economically viable density lines. Rail lines must appear in the State Freight Rail Plan. |
| *Essential Rail Banking Account (ERBA)* | Available to cities, county rail districts, and port districts. Preserve Freight rail corridors. The rail lines must appear in the State Freight Rail Plan. |

**Private Sources**

<u>User Fees</u>

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| *Transit Fees* | Established by transit operator. |
| *Tolls* | Paid by user; limited to repayment of bonds to finance construction. |
| *Ferry Fares* | Established by transit operator. |
| *Parking Fees* | Either for use of right-of-way (on street parking) or special facility (parking garage). |

<u>Developer Contributions</u>

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| *Development Regulations* | Various development regulations (especially subdivision ordinances) may require that certain facilities to be available, frequently requiring developers to finance them. |

**Debt Types**

Many of the various sources of revenue can be used either to fund the facility at one time or through various debt financing systems.

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| *Voted General Obligations* | Debt secured by "full faith and credit" of the jurisdiction; taxing power pledged to repay debt. Usually (not always) involved approval of an additional property tax levy pledged to retire the debt. Requires a vote with a 60 percent approval of those voting at an election with the participation of 40 percent of the number who voted in the last general election in the jurisdiction. Total amount of debt is limited by statute and constitution. |
| *Nonvoted General* | This debt is also secured by "full faith and credit" of the jurisdiction. However, no voter approval is required and debt service is paid out of current taxing authority (revenue is diverted from operations and is committed debt service.) Sometimes this type of debt may be coupled by a "Levy Lift" vote if additional taxing authority is available in the jurisdiction. Total amount of this type of debt is strictly limited by law. Also called "councilmanic" debt and/or "inside levy". |
| *Revenue Bonds* | Debt is secured by identified revenue source, not the taxing power of the jurisdiction. Such revenue is usually some sort |

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| | of user fees, such as fare box revenues or toll charges. Since such revenues are less secure than taxing powers, this type of debt usually has higher interest costs that GO bonds. Rarely used for street financing, but theoretically possible. Street utilities could increase the use of this type of debt. Industrial revenue bonds are technically a specialized type of revenue bond. |
| *Double Barreled Bonds* | Debt secured by taxing authority (under one of the two types of GO methods), but debt service is paid out of other revenues. This allows revenue bonds to enjoy lower interest benefits of GO bonds. |
| *Special Assessment Debt* | Bonds financed by the formation of a special assessment district (Local Improvement District, Road Improvement |
| Utility | District). Predominate method of debt financing of developer contributions. Must be based on benefit to the assessed properties and must meet requirements of IRS code. Can be augmented by general revenues (usually by absorbing financing costs or “buying down” interest rates). |