CHAPTER 7
FINANCIAL CONSTRAINTS

Federal and state regulations for Metropolitan and Regional Transportations Plans require a financial analysis to show how the transportation improvements and programs can be implemented within the funds reasonably expected to be available over the planning horizon covered by the plan.

This financial analysis is based on historical trends for revenues and expenditures, and current rules and regulations controlling transportation funding programs. The estimates are used to establish a likely range of revenues for metropolitan transportation improvements and programs. They are not intended as precise forecasts, but as a tool for high level planning purposes. Actual revenues will be sensitive to local, state, and federal policy decisions; economic and market forces; and individual choices. Generally speaking, revenues are projected to grow at a slower relative rate than improvement costs, which means there are fewer dollars to cover future costs. Estimated future baseline revenues have been projected for the 2015-2040 time period in constant 2015 dollars. These revenues are considered reasonable baseline estimates based on recent historical revenue trends and the current context of each revenue source.

Federal metropolitan planning statutes state that a long-range transportation plan must list projects and programs and that the plan include a financial plan that “indicates resources from public and private sources that are reasonably expected to be available to carry out the program” (23 U.S.C. 134(g)(2)(B)). The purpose of the financial plan is to demonstrate fiscal constraint. To develop the fiscally constrained MTP for the Kelso-Longview-Rainier MPO area, estimated costs of regional transportation improvement projects and programs are compared to available revenues.

There are several planning factors and assumptions employed to determine fiscal constraint for the Metropolitan Transportation Plan. The first factor is slower population growth. The 2012 revisions by the Washington State Office of Financial Management (OFM) to the 20-year Growth Management Act population projections have significantly downsized the growth rates projected over the planning horizon. Revised population growth rates are highlighted in the accompanying chart.

County	2009 Projected Growth Rate	2014 Projected Growth Rate
Cowlitz	1.7%	0.4%
Grays Harbor	0.7%	0.22%
Pacific	0.2%	0.2%
Wahkiakum	1.2%	(0.3%)
Lewis	1.1%	0.6%

Table 7-1: Population Growth Rates
Source: WA OFM

In 2009, the Transportation Demand Model was used to project travel demand, utilizing a 2 percent annual growth rate. Applications of the model to specific projects have provided anecdotal evidence that this is a relatively robust growth rate that merits re-examination.

The slower rate of growth projected for population and traffic provides a platform for evaluation of project needs that can maintain fiscal constraint. To ensure fiscal constraint, only those projects with assured funding or a reasonable expectation of funding are included in the attached project listings for the MPO and for WSDOT projects.

The financial analysis is summarized into the following three time periods to illustrate the likely funding program based on current assumptions:

- **2015 – 2020:** Covers the base year of the M/RTP and the time periods covered by agency Six-Year Transportation Improvement Programs.
- **2021 – 2025:** This five-year period provides a mid-range outlook for the financial program.
- **2026 – 2040:** This period covers the final 15 years of the M/RTP. Projecting revenues and costs more than ten years into the future is less reliable because rules, regulations, economic conditions, and local priorities change. As the M/RTP is updated in the future, the data for these years will be refined.

The fiscal analysis is organized into five sections. The first section provides an analysis of transportation revenues projections for the Longview-Kelso-Rainier Metropolitan Planning Organization (MPO), which consists of the Cities of Kelso and Longview in Washington State and Rainier, Oregon.

The second section provides a description of Additional Sources of Potential Local Revenues for transportation that are available to the cities located within the MPO (or within the RTPO).

The third section provides Total Transportation Revenue Projections from state and federal distribution of funds. These are key resources for local transportation projects, including funding provided under MAP-21 for the federal Surface Transportation Program, Highway Safety Improvement Program, and other grant programs. This review also includes state funds that local jurisdictions within the MPO and throughout the SWRTPO rely upon, such as Transportation Improvement Board, County Arterial Program, Rural Arterial Program, and city and county distributions of Motor Vehicle Excise Tax.
The fourth section covers Maintenance and Administrative Costs anticipated over the same planning period. The fifth and final section summarizes the Funding Situation.

Metropolitan Planning Organization Funding

Transportation projects within the MPO area are funded through a variety of different sources: local, state, and federal funds. In the Longview-Kelso-Rainier MPO there are two main federal funding sources: Surface Transportation Program (STP) Funds, Federal Highway Administration's Surface Transportation Program (STP) Funds, and Federal Transit Authority (FTA) Funds. The MPO receives a yearly estimated STP allocation of $1,303,510. STP funds are provided to the MPO based on a population based formula set by the Federal Government in MAP-21. The amounts of STP funds received are subject to Congressional budgeting. Cowlitz Transit Authority receives an estimated $900,000 in FTA 5307 funds per year for operations. Section 5307 Urbanized Area funds are analogous to STP-US funds but are provided by the Federal Transit Administration for operation purposes by transit agencies. CC Rider receives around $300,000 in FTA 5311 funds for their operations. Both FTA 5307 funds and FTA 5311 are formula based funds. The difference is FTA 5307 is given to transit providers in urban areas and FTA 5311 to providers serving rural areas with populations less than 50,000. Table 7-2 shows the estimated allocations for STP and FTA funds.

Table 7-3 lists the anticipated projects to be implemented within the MPO utilizing federal funds over the first time period described previously. This is the 2016-2019 timeline for the implementation of the Metropolitan Transportation Improvement Plan (MTIP). Projects for each jurisdiction within the MPO as well as WSDOT projects are included. Funds approved during the 2015 legislative session are also listed for one project: the Industrial Way/Oregon Way Intersection Project in Longview. All of the projects listed in the table 7-3 on the next page have secured federal, state, and/or local funding. These sources are described in the narrative that follows.

Year	**Total Available**		
	STP	FTA 5307	FTA 5311
FFY 2016	$1,303,510	$909,829	$295,700
FFY 2017	$1,303,510	$909,829	$295,700
FFY 2018	$1,303,510	$909,829	$295,700
FFY 2019	$1,303,510	$909,829	$295,700

Table 7-2: Estimated STP and FTA Allocations for Longview-Kelso-Rainier MPO
Source: CWCOG, RiverCities Transit Development Plan & CC Rider Transit Plan

Funding Source (for current MPO projects)	**Definition**
BPCWCOG	NHPP & STP paver projects programmed together under one PIN number
Connect Oregon V	Lottery bond based initiative to invest in air, rail, transit, and bicycle/pedestrian infrastructure
CWA	Connection Washington Transportation Project. Identified and funded by legislature
FTA 5307	Urbanized area formula grant
FTA 5311 (f)	Formula grant for rural areas
Grade Crossing Funds - ODOT	Award reimbursement grants to local highways authorities for railroad grade crossing safety upgrades
Governor's Regional Solution Program - Oregon	Innovative, collaborative approach to economic development process
HSIP	Highway Safety Improvement Program
NHPP	National Highway Performance Program
STP	Surface Transportation Program. WSDOT selected projects
STP (R)	Regionally selected rural projects
STP (U)	Regionally selected urban projects

FUNDING TYPE	YEAR	PROGRAM TOTALS	ALLOCATION (+ carry-forward)	BALANCE REMAINING
BPCWCOG	2016	$4,893,669	$4,893,669	$0
	2019	$117,337	$117,337	$0
Connect Oregon	2016	$542,646	$542,646	$0
	2016 - 2018	$3,000,000	$3,000,000	$0
CWA	2016	$4,000,000	$4,000,000	$0
	2017	$15,000,000	$15,000,000	$0
	2018	$66,000,000	$66,000,000	$0
FTA 5307	2016	$605,000	$605,000	$0
FTA 5311(f)	2016	$135,662	$135,662	$0
Grade Crossing Funds - ODOT	2016 - 2018	$2,000,000	$2,000,000	$0
Governor's Regional Solution Program - Oregon	2016 - 2018	$1,650,000	$1,650,000	$0
HSIP	2016	$48,114	$48,114	$0
NHPP	2016	$2,509,003	$2,509,003	$0
	2017	$1,207,618	$1,207,618	$0
	2018	$3,671,538	$3,671,538	$0
Private Funds (Railroad, Port of St. Helens) - Oregon	2016 - 2018	$804,000	$804,000	$0
STP	2016	$455,778	$455,778	$0
STP (R)	2016	$1,189,055	$1,189,055	$0
	2017	$341,451	$341,451	$0
	2018	$66,055	$66,055	$0
	2019	$0	$228,355	$228,355
STP (US)	2016	$300,000	$300,000	$0
	2017	$720,000	$720,000	$0
	2018	$1,000,500	$1,542,612	$476,057
	2019	$400,000	$1,779,567	$1,379,567
		$110,657,426	$112,807,460	
Financial Feasibility				**$2,083,979**

Table 7-3: Financial Feasibility of MPO Projects by Year for Regionally Significant and Secured Federal Funding Projects
Source: CWCOG

The Cities of Kelso, Longview, and Rainier use a range of revenue sources to fund transportation systems within their jurisdictions. These revenues need to cover annual maintenance, operations, and administration costs. The revenues, along with capital-only revenues such as state and federal grants, are also used to fund capital improvements for both the regional corridors and for streets that primarily serve local community needs.
The agency revenues may fully fund these transportation projects and programs or may be the "local match" for a federal or state grant.

Transportation revenues can be categorized into two types:

- <u>General Transportation Revenues.</u> This category includes revenues that may be spent on maintenance, operations, administration, or capital projects.
- <u>Dedicated Capital Transportation Revenues.</u> This consists of federal and state grants, and any other revenue source legally dedicated to funding capital projects.

Local Transportation Revenue Projections

It is worth repeating that these estimates are meant to assist in project prioritization and planning, but are not considered "forecasts." The numbers discussed in this report are estimates to be used for planning purposes; actual revenues are highly sensitive to local, state, and federal policy decisions, personal choices of residents, and market forces. These estimates are expressed in constant 2015 dollars.

Baseline Projections

Baseline projections include the main revenue sources currently used to fund city transportation maintenance, operations, and administration costs. They may also be used to fund capital projects. As mentioned previously, baseline projections account for those revenues that are considered reasonable estimates considering recent historical revenue trends and the current context of each revenue source. Past trends were projected into the future, taking into consideration current knowledge of how each revenue is collected, what forces caused changes in the recent past, and what, if anything, is likely to cause it to change in the near future.

Baseline general transportation revenue projections include the following revenue sources and assumptions:

- The cumulative rate of inflation in the U.S. between 2005 and 2015 is 22.2 percent. This could be restated as an average rate of 2.2 percent each year. It is assumed that this rate of inflation will continue over the plan horizon. (Source: US Inflation Calculator. The latest US government CPI data published on August 19, 2015 was used to adjust for inflation and calculate the cumulative inflation rate through July 2015).

- Population growth rates throughout the RTPO and MPO area will be less than 1 percent per year, based on revised forecasts by Washington State OFM.

Property Tax

Property taxes are used by the cities to partially fund transportation projects. These property taxes are collected by cities and are available for any local purpose, including transportation. In Washington State, the passage of Initiative 747 has restricted property tax increases to 1 percent of the previous year's revenues. Measure 5 passed by voters in Oregon in 1990 limited tax increases to 1.5 percent. In addition, Measure 47 in 1996 and Measure 50 in 1997 added restrictions limiting the increase of property valuations to 3 percent per year. In inflation-adjusted terms, revenues from property taxes are actually declining, because a 1 percent increase does not keep pace with inflation (which averages about 2.2 percent). The historical data analyzed include only that portion of property taxes spent on transportation. However, because this is a general government revenue, and the 1 percent restriction on revenue growth results in fewer available dollars overall, this may result in the need to shift more of these funds to other immediate general government needs, and less to transportation in the future.

The real estate market bubble and subsequent collapse began to have a notable impact in 2009 and 2010. Lower property valuations have significantly impacted the property tax revenues collected to serve general fund purposes. Recovery of home values is a long-term prospect, with generally slow but steady recovery. The impact of the Great Recession on sales tax collections has taken a toll on local government's capacity to fund basic services. However, the prospects for economic recovery are expected to be a short- to mid-term proposition, as compared to recovery of housing values. The one bright spot in the impacts of the Great Recession is the much lower rate of inflation that has become the new norm.

Other General Fund Dollars

The Cities of Longview and Kelso have historically contributed some general fund dollars to transportation expenses. However, general fund dollars are discretionary when it comes to transportation spending. These funds may be used in numerous ways, and the level to which they have been used in the past for transportation was a decision made individually by each jurisdiction. The Great Recession saw many local jurisdictions struggling to fund basic services, making allocations for transportation more problematic, but at the same time forcing local government to consider more creative options for funding transportation facility maintenance and improvements.

Because general fund revenues have few restrictions on how they are spent, individual jurisdictions may change the contribution of these funds for transportation each year. This means that in a given year general fund contributions to transportation spending may be increased or decreased depending on other financial constraints the city is facing. Although general fund dollars grew steadily in the past, even on an inflation-adjusted basis, they are becoming more constricted overall. Lingering impacts of the Great Recession of further reduced revenues, which will recover over the intermediate term.

In recent years, inflation-adjusted revenues have been nearly constant. It is expected that, in inflation-adjusted terms, general fund dollars for transportation expenditures will decrease slowly in the future.

Other Local Funds

This category includes miscellaneous revenues that accrue to the cities, but are restricted to transportation spending and are, therefore, not included as General Fund dollars. Included are permit and fee charges, intergovernmental services, and the sale of materials and assets. These funds have different historical trends for individual agencies and tend to vary considerably from year to year

Special Assessments

These include funds received through Local Improvement Districts (LID). Although these taxes may be levied by a city, they are applied only to local, clearly-defined areas in which the land owners are expected to benefit from a specific improvement project, rather than to an entire jurisdiction. The assessment comes in the form of an additional real estate property assessment which covers debt service payments on the sale of bonds purchased to finance the project. LIDs may be used for transportation projects, but they may also be used for water, sewer, and storm sewer facilities. This revenue analysis only includes LID assessments that were spent on transportation projects.

LIDs have been used in the region in the past, and the expectation is that they will continue to be used in the future. These funds are project-specific and, therefore, climb and fall over the years. Special assessments are relatively small on a per capita basis and have been declining over time.

Bond Proceeds

Revenue from bond proceeds is specific to the city of Longview. Historically, the city has consistently sold bonds to pay for transportation projects, and this analysis estimates that they will continue to do so in the future. The city of Kelso has not sold bonds to fund transportation projects in recent history, and to be conservative, they are not estimated to in the future.

State Motor Vehicle Fuel Tax

As noted in the discussion of State transportation spending, cities receive a portion of the State Motor Vehicle Fuel Tax (MVF) based on a reimbursement formula. Historically, these funds have been decreasing on a per capita basis. Revenues are declining on an inflation-adjusted basis as well.

The Washington State gas tax rate was increased from 37.5 cents per gallon to 49.4 cents per gallon during the 2015 legislative session to fund a specific list of improvements. The 11.9 cent increase on each gallon purchase will generate $16 billion to fund an array of construction projects over the next 16 years. Jurisdictions may also see some nominal growth in total revenues due to modest population growth.

Additional Sources of Potential Revenue

Local Option Motor Vehicle Fuel Tax

City and county legislative authorities may put a local option gas tax to a vote of the people. It can be levied countywide at a rate equal to 10 percent of the state rate. Since the state rate is currently 44.5 cents per gallon, 10 percent currently would be 4.45 cents per gallon. This rate will increase again in 2016 by 4.9 cents, making the total local option levy as much as 4.94 cents per gallon. The tax is to be collected by the state treasurer and distributed on a monthly basis to the county and its cities. The jurisdiction must sign a contract with the Department of Revenue for the administration and collection of the tax. A fee of up to one percent of the proceeds is charged. The only counties that have attempted to levy this tax are Spokane County and Snohomish County. The ballot measures failed and, at this time, no county is levying this tax.

The restrictions on spending this tax, as well as the local option commercial parking tax, are discussed in the section below. Under RCW 82.80.070(1), local option transportation taxes (commercial parking taxes and fuel taxes) must be used for transportation purposes, which are defined as: including but not limited to the following: the operation and preservation of roads, streets, and other transportation improvements; new construction, reconstruction, and expansion of city streets, county roads, and state highways and other transportation improvements; development and implementation of public transportation and high capacity transit improvements and programs; and planning, design, and acquisition of right-of-way and sites for such transportation purposes. However, this section of the statute goes on to say:

> *The proceeds collected from excise taxes on the sale, distribution, or use of motor vehicle fuel and special fuel under RCW 82.80.010 shall be used exclusively for highway purposes as that term is construed in Article II, section 40 of the state Constitution. Highway purposes is defined in Article II, section 40 in the state constitution, in part, as: (a) The necessary operating, engineering and legal expenses connected with the administration of public highways, county roads and city streets; (b) The construction, reconstruction, maintenance, repair, and betterment of public highways, county roads, bridges and city streets; including the cost and expense of (1) acquisition of rights-of-way, (2) installing, maintaining and operating traffic signs and signal lights, (3) policing by the state of public highways, (4) operation of movable span bridges, (5) operation of ferries which are a part of any public highway, county road, or city street. And these highway purposes are narrower than the transportation purposes identified in the beginning of the statute. Until this inconsistency is eliminated by the legislature or is clarified by an attorney general opinion or court decision, a conservative use of these fuel tax funds would be the narrower use. All local option transportation funds are to be spent in a manner consistent with the local government's transportation and land use plans. The legislation also includes some provisions for transportation planning that apply to jurisdictions with a population over 8,000 and that establish criteria that are to be used in expending the money. The revenues may also be used to pay debt service on general obligation or revenue bonds if the county issued them to raise funds for transportation purposes.*

Motor Vehicle Excise Taxes (MVET)

These revenues have experienced a sharp decline since the passage of I-695 in 1998 and I-776 in 2002 which restricted the use of car tab licensing fees. Local Transportation Benefit Districts have since been authorized by the state legislature to provide a partial replacement to local governments for the loss of these critical transportation dollars.

City-County Assistance

After it repealed the motor vehicle excise tax (MVET) in 2000 in response to Initiative 695, the legislature provided backfill funds for six years to a number of cities and counties, most of which had lost sales tax equalization funding. In 2005, a permanent funding source was found. Ch. 450, Laws of 2005 provided that 1.6 percent of the state real estate excise tax levied under chapter 82.45 RCW be deposited in the newly-created city-county assistance account. These funds are diverted from the Public Works Trust Fund, whose share of the state real estate excise tax fell from 7.7 percent to 6.1 percent.

Counties with an unincorporated population of more than 100,000 qualify to receive the amount necessary to increase the sum of the revenues they receive under RCW 82.14.030(1) (the first half-cent of the sales and use tax) and streamlined sales tax mitigation funds to the greater of: (1) $250,000 (to be increased each year by the increase in the July implicit price deflator for personal consumption expenditures); or (2) an amount equal to 65 percent of the statewide per capita average collected from the first half-cent of the sales and use tax in the unincorporated areas of all counties in the previous fiscal year.

Counties with an unincorporated population of 100,000 or less qualify to receive the amount necessary to increase the sum of the revenues they receive under RCW 82.14.030(1) (the first half-cent of the sales and use tax) and streamlined sales tax mitigation funds to the greater of: (1) $250,000 (to be increased each year by the increase in the July implicit price deflator for personal consumption expenditures); or (2) an amount equal to 70 percent of the statewide per capita average collected from the first half-cent of the sales and use tax in the unincorporated areas of all counties in the previous fiscal year. In counties with an unincorporated population of 15,000 or less, the county will be certified for the greater of: (1) the amount under the terms in the paragraph above for counties with a population under 100,000; or (2) the amount the county received in "backfill" for FY 2005 under section 716, Ch. 276, Laws of 2004 (amended state budget). If there are not enough revenues to fund the distributions above, then they will each be reduced proportionately. If there are more revenues than necessary to fund the above distributions, they will be distributed proportionately on the basis of the unincorporated population among those counties that have qualified for city-county assistance funding and impose the full second half-cent of the sales and use tax under RCW 82.14.030(2).

Since the first distribution in 2006, there have been more than enough revenues available to fund the amount for which counties were certified, and those counties imposing the second half percent of the sales tax have received a bonus. This bonus was quite substantial in 2006 and 2007. In 2006, for example, the available funds totaled $7.95 million as real estate excise tax receipts soared with the housing boom. Counties were certified for $5.20 million, so there was $2.75 million extra to share.

The available funds fell dramatically in 2008, but counties continued to receive a bonus payment, although it was quite small. Cities, however, received only 65 percent of the amount for which they were certified in 2008. Therefore, in 2009, the legislature appropriated an additional $2.5 million for both cities and counties to be distributed on July 1, 2009 and again on July 1, 2010. The real estate excise taxes received in 2009 were not much higher than those in 2008, but the counties again received a sizeable bonus because of the legislative appropriation.

For 2010, the operating transfers of $2.5 million to both cities and counties from the Public Works Assistance Account bailed cities and counties out again. Receipts from the real estate excise tax were relatively steady at $3.15 million for both cities and counties and, adding in the $2.5 million transfers they each received $5.65 million. Counties were more than fully funded because their certification amount was $3.90 million. Cities received 66.3 percent of the amount for which they were certified.

In 2011 these additional $2.5 million transfers ended. Cities received approximately 47 percent of their certification amounts for 2011 and counties received 74 percent. In 2012 this increased to 55 percent for cities and 85 percent for counties and in 2013 it was 53 percent for cities and 70 percent for counties. The amount projected for the city of Kelso to receive from this tax during 2015 is $78,060, or 70 percent of the funds certified in 2015. Longview is not projected to receive a payment from this fund in 2015, nor is Cowlitz County. Counties are slated to receive 84 percent of their certified amounts. Grays Harbor is slated to receive just under $100,000 in 2015, Lewis County just under $25,000, while Pacific's revenues are estimated at slightly less than $12,000 and Wahkiakum at just under $57,500. Overall, amounts collected and distributed are anticipated to increase over the year.

Transportation Benefit Districts (TBDs)

Transportation Benefit Districts are quasi-municipal corporations with independent taxing authority, including the authority to impose property taxes and impact fees for transportation purposes. RCW 36.73.020 governs formation by counties, and RCW 35.21.225 governs formation by cities.

In 1987, the Legislature created Transportation Benefit Districts as an option for local governments to fund transportation improvements. In 2005, the Legislature amended the Transportation Benefit District statute to expand its uses and revenue authority. In 2007, the Legislature amended the Transportation Benefit District statute to authorize the imposition of vehicle fees and transportation impact fees without a public vote. In 2010, the Legislature amended the Transportation Benefit District statute again to clarify project eligibility, the use of impact fees, and sales tax expenditures, and make Transportation Benefit District governance more flexible.

Cities and counties may form transportation benefit districts to acquire, construct, improve, provide, and fund transportation improvements in the district that is consistent with any existing state, regional, and local transportation plans and necessitated by existing or reasonably foreseeable congestion levels. The area may include other cities and counties, as well as port and transit districts through inter-local agreements.

Any city passing on ordinance to form a transportation benefit district must also identify revenue options for financing improvements in the district. A district that has coterminous boundaries with a city may levy a $20 per vehicle license fee or impose transportation impact fees on commercial or industrial buildings, both without voter approval. A credit must be provided for any transportation impact fee on commercial or industrial buildings that the city has already imposed. Similarly, any district that imposes a fee that, in combination with another district's fee, totals more than $20, must provide a credit for the previously levied fee.

Voter-approved revenue options include a license fee of up to $100 per vehicle and a 0.2 percent sales tax. Like many other special districts, transportation benefit districts may levy a one-year O&M levy under RCW 84.52.052 and do an excess levy for capital purposes under RCW 85.52.056.
The funds must be spent on transportation improvements as set forth in the district's plan. Transportation improvement is defined as: a project contained in the transportation plan of the state or a regional transportation planning organization. A project may include investment in new or existing highways of statewide significance, principal arterials of regional significance, high capacity transportation, public transportation, and other transportation projects and programs of regional or statewide significance including transportation demand management. Projects may also include the operation, preservation, and maintenance of these facilities or programs.

The city of Kelso passed a $20 car tab fee on December 4, 2012 which became effective August 1, 2013. The city anticipates up to $180,000 to be generated each year with this fee. These funds will be used to pay for preservation, maintenance, and construction of transportation infrastructure. The city has identified ongoing annual costs of $400,000 per year, and the fee is intended to partially offset the subsidy currently provided by General Fund revenue.

The city of Longview proposed formation of a Transportation Benefit District in 2012 that would collect a flat $20 car tab fee generating approximately $560,000 per year and placed it on a public ballot for an advisory vote. Returns were overwhelmingly in opposition to such a fee-based system for transportation costs, with 73 percent of those voting opposed. The cities of Castle Rock and Kalama, within the RTPO for Cowlitz County, have successfully passed formation and revenue collection for a TBD. Castle Rock collects a 0.2 percent levy on local sales tax approved on November 6, 2012, which went into effect in April of 2013. The city of Kalama collects a flat $20 vehicle fee.

Real Estate Excise Taxes (REET)

For counties not fully planning under the Growth Management Act (GMA) or for counties who are under 5,000 in population and planning under GMA, one-quarter of one percent real estate excise tax is available to meet capital funding needs. Counties larger than 5,000 in population and fully planning under GMA (Lewis and Pacific County) may use this tax as well, but must identify projects within an adopted comprehensive plan.

REET 1 revenues must be spent for any capital purpose identified in a capital improvements plan and local capital improvements, including those listed in RCW 35.43.040. Other state statutes at RCW 35.43.040 lists local improvements that can be funded through a local improvement district (LID), which include streets, parks, sewers, water mains, swimming pools, and gymnasiums. Because some legislators were concerned that jurisdictions might simply substitute REET 1 revenues for other funds in financing these capital projects, the law was amended to require that the legislative authority shall identify in the adopted budget the capital projects funded in whole or in part from the proceeds of the tax authorized in this section, and shall indicate that such tax is intended to be in addition to other funds that may be reasonably available for such capital projects. REET 1 may be used by counties in either category to make loan and debt service payments on projects that are a permitted use of these funds.

REET 2 offers an additional one-quarter of one percent in funds, for counties fully planning under GMA (Pacific and Lewis), regardless of population. For this quarter percent of the real estate excise tax, capital project means:

> *"those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks."*

Note that acquisition of land for parks is not a permitted use of REET 2 receipts, although it is a permitted use for street, water, and sewer projects. As with REET 1, the projects must be listed in the capital facilities plan element of a county's comprehensive plan. REET 2 may also be used to make loan and debt service payments on projects that are a permitted use of these funds.

Local Option Commercial Parking Tax

This tax may be levied by a city within its boundaries and by a county in the unincorporated areas. There is no limit on the tax rate and many ways of assessing the tax are allowed. If the city chooses to levy it on parking businesses, it can tax gross proceeds or charge a fixed fee per stall. If the tax is assessed on the driver of a car, the tax rate can be a flat fee or a percentage amount. Rates can vary by any reasonable factor, including location of the facility, time of entry and exit, duration of parking, and type or use of vehicle. The parking business operator is responsible for collecting the tax and remitting it to the city, which must administer it. This tax is subject to a voter referendum. At the present time, Bainbridge Island, Bremerton, Mukilteo, SeaTac, and Tukwila are the only cities levying this tax.

Total Transportation Revenue Projections

Total Local Agency Baseline Revenues

Table 7-4 summarizes the total baseline revenue estimates by the Transportation Revenue Forecast Council for state transportation revenues for the 2014-2027 time period. This report was issued in 2014, and can be viewed at: http://www.ofm.wa.gov/budget/info/Sept14transpovol2.pdf. Note that the projected trend is slightly higher, which will likely be consumed by inflation in the outlying years, which may cause projected revenue to remain relatively steady. The programs listed below are frequently utilized by MPO and RTPO partners.

	September 2014	June 2027	Trend
TIB	$97,509,615	$100,250,500	+2.8%
City Distribution	$91,259,297	$93,824,500	+2.8%
County Distribution	$148,296,597	$146,682,600	(-1.1%)
County Arterial Program	$14,277,300	$14,678,600	+2.8%
Rural Arterial Program	$18,508,313	$19,028,600	+2.8%
Total	$1,189,788,195	$1,223,232,100	+2.8%

Table 7-4: Baseline Motor Fuel Tax Revenue Forecast, by Program, 2014-2027

Source: WSDOT, 2014

The following table (7-5) provides the projected trends in Motor Vehicle Excise Tax (MVET) as well as total Vehicle Related Revenue from the State of Washington for the period 2014-2027. Note that the projected revenues are significantly higher, at 18.5 percent overall for MVET, and 14.5 percent for all vehicle-related revenues.

	September 2014	June 2027	Trend
Motor Vehicle Excise Tax	$5,988,898	$7,095,800	+18.5%
Total Vehicle Related Revenue Distributions	$1,025,983,749	$1,174,427,600	+14.5%

Table 7-5: Baseline Revenue Projections, MVET & Total Vehicle Revenue, 2014-2027

Source: WSDOT, 2014

Total Vehicle Related Revenue includes license fees, permits, and other fees. There is also an account of projected collection of Driver-Related Revenues, but these do not fund capital or operating investments and are not included here.

A separate fund for "other" transportation revenues is projected by the Transportation Forecast Council for distribution to the MVET and multi-modal funds. The revenues come from rental car taxes, business revenues, aircraft registrations, and similar accounts. Distribution of these revenues is projected to increase by more than $20 million between 2014 and 2027, representing an increase of 24.4 percent.

Federal MAP-21 revenues are also projected by the Forecast Council over the same planning period. These are shown in the summary chart below, and indicate a 24.8 percent decrease in available federal funding levels.

	September 2014	June 2027	Trend
WA Vehicle Related $$	$1,189,788,195	$1,223,232,100	+2.8%
WA Other Related $$	$82,220,042	$102,288,561	+24.4%
U.S. – MAP-21	$666,104,143	$500,704,000	(-24.8%)

Table 7-6: Total State & Federal Projected Revenues, 2014-2027

Source: WSDOT, 2014

Maintenance and Administration Costs

The cities of Kelso and Longview use their transportation revenues to fund maintenance and operations activities, as well as capital improvements. The revenue projections discussed above must accommodate maintenance, operations, and administration (MO&A) costs. After these costs are accounted for, remaining funds are available for regional capital projects.

Transportation maintenance, operations, and administration spending is directly related to the size of the system and the service expectations established for each community. Therefore, jurisdictions must continually make decisions regarding available funds, desired level of service, and other financial priorities.

Future Maintenance, Operations and Administration (MO&A) costs were estimated based on historical spending trends. These historical expenditures include maintenance for roadways, storm drainage, structures, traffic and pedestrian services, sidewalks, street lighting, traffic control devices, parking facilities, snow and ice control, street cleaning, and others, as well as general administration and overhead.

Maintenance, Operations, and Administration costs naturally increase over time as infrastructure needs grow along with increases in population. The historical per capita MO&A spending trend was analyzed and was forecast to continue into the future. This assumes that the increase in transportation capital attributable to this plan is in line with the historical annual increases on a per capita basis. It also assumes that maintenance, operations, and administration costs will continue to rise at a per capita rate similar to recent history. It also assumes that the jurisdictions in the study area are generally satisfied with their current level of service for maintenance and that they will continue to invest at a similar rate. In inflation-adjusted terms, MO&A costs are expected to grow consistently into the future.

These estimates do not include revenue from the Transportation Benefit District approved by Kelso voters, and potentially by Longview voters in the future. Total revenue estimated for Kelso's TBD between 2014 and 2027 is $2,520,000.

Funding Situation

In the long-term, general transportation revenues should be available to fund regional capital transportation improvements. Cities will have funds available for transportation capital projects from dedicated capital revenues. Lingering impacts of the Great Recession upon long-term property taxes, the sales tax, and the lower rate of inflation will have a dampening effect on revenue growth, but allowing for slow, steady growth.

Project Title	Agency	Fund Code	2016	2017	2018	2019	Total Federal Funds	Total State/Local Funds	Total
BPCWCOG									
Asphalt/Chip Seal	WSDOT - SW	STP	$720,216	$70,171	$618,191	$16,761	$1,425,339	$26,773	$1,452,112
Preservation CWCOG		NHPP	$1,644,964	$50,538	$494,178	$82,789	$2,272,469	$50,533	$2,323,002
								Total BPCWCOG	**$3,775,114**
CWA									
SR 432/SR 433 – Intersection Improvements	WSDOT - SW	CWA		$4,000,000		$15,000,000		$19,000,000	$19,000,000
								Total CWA	**$19,000,000**
STP									
Ocean Beach/West Main Interconnect	Longview	STP (US)	$50,000	$200,000	$200,000	$200,000	$650,000	$87,750	$737,750
West Main Revitalization Project	Kelso	STP (US)	$250,000	$50,000			$300,000	$225,000	$825,000
SWR Regionwide Curb Ramps – ADA Compliance	WSDOT - SW	STP	$455,778				$445,778	$9,302	$465,080
								Total STP	**$2,027,830**
HSIP									
SR 4 and SR 432 Centerline Rumble Strips - Safety	WSDOT - SW	HSIP	$48,114				$48,114	$982	$49,096
SW Region/Regionwide Curve Warning Sign Update	WSDOT - SW	HSIP		$5,122	$47,061		$52,183	$1,173	$53,356
SW Region/Regionwide high Friction Surface Installation	WSDOT - SW	HSIP		$7,350	$66,150		$73,500	$1,500	$75,000
SWR Regionwide Basic Safety – Signing 2017-2019	WSDOT - SW	HSIP		$1,206	$11,760		$12,966	$290	$13,256
SWR Regionwide Safety – Shoulder Rumble Strips Phase II	WSDOT - SW	HSIP		$5,760	$52,920		$58,680	$1,320	$60,000
								Total HSIP	**$250,708**

Table 7-7: Regionally Significant and Secured Federal Funded Longview-Kelso-Rainier MPO Area Projects
Source: CWCOG

Table 7 – 7 (Continued)

Project Title	Agency	Fund Code	2016	2017	2018	2019	Total Federal Funds	Total State/Local Funds	Total
NHPP									
SR 432/Kelso-Longview Area - Replace Lighting Circuits	WSDOT - SW	NHPP		$100,608	$497,212		$597,820	$14,339	$612,159
I-5/Elm St to North Kelso Ave Interchange - Illumination Rebuild	WSDOT - SW	NHPP	$1,328,164				$1,328,164	$27,105	$1,355,269
SR 432/Washington Way Signal Replacement	WSDOT - SW	NHPP	$186,415		$869,052		$1,055,467	$24,225	$1,079,692
SR 432/Cowlitz River Bridge - Deck Repair and Overlay	WSDOT - SW	NHPP		$977,550			$977,550	$19,950	$997,500
SR 432/Cowlitz River Bridge - Painting	WSDOT - SW	NHPP		$230,068	$2,802,486		$3,032,554	$66,781	$3,099,335
								Total NHPP	**$7,143,955**
FTA 5307									
Transit Operating Assistance CTA 15-1	Cowlitz Transit Authority (River-Cities Transit)	FTA 5307	$605,000				$605,000	$604,000	$1,209,000
								Total FTA 5307	**$1,209,000**
								TOTAL	**$33,406,607**

Table 7-7: Regionally Significant and Secured Federal Funding Longview-Kelso-Rainier MPO Area Projects
Source: CWCOG

Project/Agency	Description	Cost	Time Frame
Longview/Cowlitz County Industrial Corridor Improvements	Engineering & Construction of Tier 2 improvements	$$$	Medium
Kelso – West Main Phase 2 Project	Reconstruction/New construction	$$$	2020 - 2025
Port of Longview – Berth 4 Dock	Removal of Berth 4, grain silos and expansion of the industrial rail corridor	$$$$	2020 - 2025
Port of Longview Berths 1 & 2 Reconstruction	Demolish buildings, rail expansion, berth reconstruction, construct storage facilities, waste water containment facility upgrades and remediation	$$$$	2020 - 2025
RiverCities Transit	New Transit Facility – PE, RW and CN phases	$$$	2020 - 2025
Kelso SW Washington Regional Airport	Runway expansion & airport development	$$$$	2026 - 2040
RiverCities Transit	River Cities Transit Amenities Program (ADA)	$$$	2026 - 2040
Barlow Point Development	Planning, environmental, engineering and transportation analysis; infrastructure development, berth development, and rail corridor expansion	$$$$	2026 - 2040
RiverCities Transit	Vehicle Replacement	$$	2026 - 2040
RiverCities Transit	Intelligent Transportation Systems ITS	$$	2026 - 2040
$ = up to $1 million **$$ = $1 to $10 million** **$$$ = $10 to $30 million** **$$$$ = > $30 million**			

Table 7-8: Unfunded Longview-Kelso-Rainier MPO Area Projects
Source: CWCOG