SOUND TRANSIT 3

SoundTransit

ST3 FUNDING BACKGROUND

Overview

The Sound Transit 3 Draft Plan would be funded through new regional taxes that the Washington State Legislature and Governor authorized Sound Transit to propose to regional voters. The new funding sources for ST3 include increased sales, car tab and property taxes. Other funding will come from federal grants, bonds, existing taxes, fares and other sources.

Approximately 80 percent of the $50.1 billion, 25-year package would fund capital investments across the region, while 13 percent would fund operating and maintaining the expanded system and the remaining 7 percent would primarily fund debt service.

Proposed funding

Dollars In Billions YOE	2017 - 2041
Sales Tax	16.8
MVET	6.9
Property Tax	3.9
Total Taxes	**27.6**
Other Sources*	22.5
Total Est. Sources of Funds**	**50.1**

* Grants, bonds, fares, existing taxes & misc. revenue.
** Figures assume full use of legislatively authorized funding authority and are based on current forecasts. Figures will be updated through the process of developing the final ST3 plan.

Questions and Answers

Q: What are the proposed new tax sources?
A: With existing regional taxes committed to completing and operating regional transit projects that voters approved in 1996 and 2008, the majority of ST3 tax revenues would come from new taxes:

- **Sales tax** of 0.5 percent ($.50 on a $100 purchase) in addition to the 0.9 percent currently collected.
- **Motor vehicle excise tax (MVET)** of 0.8 percent of vehicle value ($80 annually on a $10,000 vehicle) in addition to the 0.3 percent MVET Sound Transit is collecting through 2028.
- **Property tax** of 25 cents for each $1,000 of assessed valuation ($100 annually for a $400,000 house). A property tax was identified as a new way to establish a more progressive revenue source for regional transit investments that reduces reliance on the sales tax.

Q: What other sources would fund ST3?
A: In addition to new revenues, the other primary funding sources supporting ST3 would include:

- **Federal funds:** Initial ST3 planning estimates currently assume various federal sources including competitive grants that would fund about 11 percent of capital investments.

- **Bonds:** Similar to financing for the majority of infrastructure around the country, Sound Transit would sell bonds, generating funds to complete projects much sooner. Bonding will cover between 20 percent and 50 percent of the plan's investments. This roughly 1-to-2 ratio compares to buying a house with at least a 50 percent down payment and funding the rest through borrowing.
- **Existing taxes:** Current voter-approved taxes are allocated to completing current projects over in the coming years, paying off bonds and operating the current and expanded system. As projects are completed revenue from existing sales and MVET taxes will become available for future voter-approved expansions.
- **Fares:** Funds raised from pass and ticket sales will cover up to an estimated 40 percent of light rail operations costs and 20 percent of bus operations costs.

Q: What's the additional ST3 tax burden that could be seen by the average resident?
A: Under collection of the full authorized revenues the estimated cost to a typical adult living in the Sound Transit District would be approximately $200 more annually, or about $17 more per month.

Q: Last year I heard a potential ST3 cost figure of $15 billion. How can the region consider a ballot measure larger than that?
A: People frequently talked about "$15 billion" during the 2015 legislative session since this is the amount of new revenue the tax authority the region was granted could generate within the first 15 years. However, a 15-year package was an arbitrary assumption, and the Sound Transit Board has responded to overwhelming need and strong public support for broader mass transit investments by proposing a 25-year plan. Another significant factor is that other funding sources in addition to new taxes will fund ST3, including bonds, federal grants, existing taxes, fares and other sources.

Q: What equity provisions are part of the ST3 funding structure?
A: The Sound Transit 3 Draft Plan will continue the agency's subarea equity framework. Under that framework, the revenues raised in each of the five geographic subareas focus on projects and services deemed by the Board to represent that area's highest priorities and an equitable regional allocation of costs and benefits. By June 2016 the Sound Transit Board will publish a financial plan that documents allocation of system plan costs and key financial assumptions.

Q: How long would the taxes extend?
A: As with virtually all major infrastructure projects, construction would be paid for in part using long-term bonds issued over the course of the project delivery period. Approximately 25 or 35 years after completion of the package, the retirement of those bonds would enable the agency to begin scaling back tax collections to the level needed to support ongoing operations and maintenance of the expanded system. Alternately, voters could allocate available revenues to a Sound Transit 4 package.