

ST3 FUNDING OPTIONS

SOUND TRANSIT 3

DECEMBER 2015

In the coming months the Sound Transit Board will discuss the scale and funding for Sound Transit 3. The measure will be funded in part by new taxes that the Washington State Legislature and Governor authorized Sound Transit to propose to regional voters, including sales, car tab and property taxes that within the first 15 years could generate approximately \$15 billion. Other funding for ST3 would come from federal grants, bonds, existing taxes, fares and other sources.

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.

Options for the measure’s investment level include but are not limited to:

- A 15-year measure could generate up to \$26 billion.
- A 20-year measure could generate up to \$26 billion for use in the first 15 years and an additional \$4 billion supporting other projects completed over the following five years.
- A 25-year measure could generate up to \$26 billion for use in the first 15 years and an additional \$22 billion for other projects the following 10 years.

Potential ST3 Investment Levels

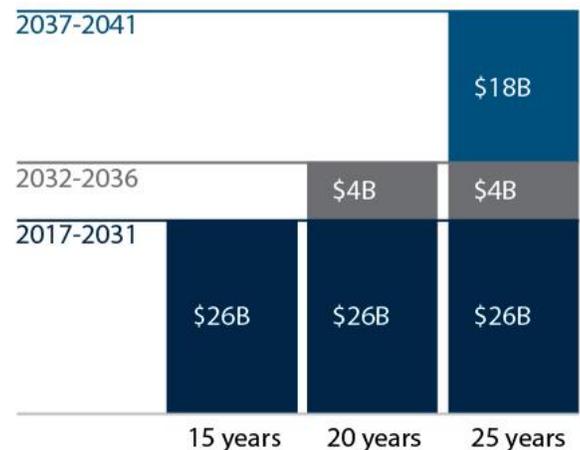
Dollars In Billions	Investment Level 1 2017 - 2032	Investment Level 2 2017 - 2036	Investment Level 3 2017 - 2041
Sales Tax	9	12	17
MVET	4	5	7
Property Tax	2	3	3
Total Taxes	15	20	27
Other Revenue*	11	10	21
Total Est. Sources of Funds**	26	30	48

* 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 throughout the ST3 planning process.

Under each of the three investment options, the estimated additional cost of the new taxes for a typical adult in the Sound Transit District is the same: approximately \$200 annually or \$17 monthly.

Potential Phasing of Projects and Services



What new revenue sources can the region consider?

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 three recently approved new sources:

- **Sales tax** of up to 0.5 percent (\$.50 on a \$100 purchase) in addition to the 0.9 percent currently collected.
- **Motor vehicle excise tax (MVET)** of up to 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 up to 25 cents for each \$1,000 of assessed valuation (\$75 annually for a \$300,000 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.

What other sources would fund ST3?

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 would fund 10 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. The Sound Transit 3 financial plan anticipates using borrowing to 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 and bonds are paid off 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 an estimated 40 percent of light rail operations costs and 20 percent of bus operations costs.