Legislative staff asked Sound Transit additional questions related to the MVET. Below are the questions and answers.

1. **What are the financial implications to Sound Transit if the agency defeased existing bonds in order to use the new 2006 depreciation schedule? What are the implications to vehicle owners?**

   If Sound Transit immediately defeased bonds as necessary to eliminate MVET collections under the old schedule the financial impact would be:

   - The agency would lose the ability to continue collecting its original 0.3% MVET since following the 2002 passage of I-776, that tax can only be collected until the agency's 1999 bonds are retired.
   - The remaining 0.8% MVET approved in ST3 would be collected under the new depreciation schedule.
   - The agency may need to renegotiate $3.3 billion in federal loans. These federal loans provide taxpayers with significantly lower borrowing costs.

   These steps would result in a financial impact to the agency of more than $6 billion. This loss would result from a combination of lower MVET revenues and higher debt service costs. The agency credit rating could also be impacted, potentially increasing future borrowing rates for financing the agency's capital program.

   Owners of vehicles that are less than 11 years old would receive lower bills under the 2006 depreciation schedule while owners of vehicles older than 11 years old would receive higher bills.

2. **What are the financial implications to Sound Transit of using the new 2006 depreciation on all new ST bonds?**

   If Sound Transit used the 2006 depreciation schedule on all NEW bonds pledging sales tax and MVET the financial impact to the agency would be:

   - The agency would potentially incur slightly higher interest rates on all such bonds issued until 2029.
   - The agency would be required to get permission to issue such bonds from the U.S. Department of Transportation under requirements of the agency's Master Credit provide taxpayers with significantly lower borrowing costs.

3. **What are the implications of requiring Sound Transit to develop a rebate program for low-income vehicle owners to provide up to 40 percent of the MVET charged?**

   Sound Transit has not yet completed this analysis. However, a rebate program would not impair bond contracts and would reduce the impact of the Sound Transit MVET on low-income households. Sound Transit is reviewing the City of Seattle's MVET rebate program which is based on income levels. Sound Transit staff are reaching out to understand how the City has implemented its program and the fiscal impacts. Sound Transit staff will update the Legislature as this analysis progresses.

4. What projects would have to be cut if Sound Transit were to lose MVET revenues?

Sound Transit's financial policies clearly outline the options that the Board would consider when facing a revenue shortfall to build out a voter-approved program. In the event revenues in one of the agency's five subareas fell below projected expenditures by more than 5%:

- Use the subarea's uncommitted funds and/or bond capacity
- Scale back the subarea plan or projects
- Extend time period to complete the subarea plan
- Seek additional legislative authorization and voter approval for additional revenue

In 2008 as a result of revenue loss from the recession, the Sound Transit Board undertook a complete review of the agency's capital program and prioritized projects based on subarea revenues and which projects best advanced local residents' interests. Some projects were deferred. Some were permanently cancelled.