



ST3 FUNDING

SOUND TRANSIT 3

Overview

If approved by voters, the Sound Transit 3 Plan will be funded through new regional taxes authorized by the Washington State Legislature and Governor. 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.

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 home). 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 13 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. Under the revised assumptions, Sound Transit plans to use borrowing to cover approximately 30 percent of the plan's investments. This will compare to buying a home with a 70 percent down payment and funding the rest through borrowing.

Proposed funding

| Dollars In Billions YOY | 2017 - 2041 |
|------------------------------------|-------------|
| Sales Tax | 16.8 |
| MVET | 6.9 |
| Property Tax | 4.0 |
| Total new taxes | 27.7 |
| Other Sources* | 26.1 |
| Total Est. Sources of Funds | 53.8 |

* Grants, bonds, fares, existing taxes & misc. revenue.

- **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 \$169 more annually, or about \$14 more per month.

Q: What factors have changed the ST3 cost figure from \$50 billion expressed in the March 2016 Draft Plan and the current cost figure of \$54 billion?

A: Refinements were made to the financing plan for the ST3 measure to modestly increase the issuance of bonds, improving the region's financial capacity by approximately 8 percent or \$4 billion. Additional money available through earlier bond sales will be used to speed up delivery of light rail projects included in ST3. The improved timelines and added projects will not change the measure's estimated additional \$169 annual or \$14 monthly costs for a typical adult in the Sound Transit District

Q: What equity provisions are part of the ST3 funding structure?

A: The Sound Transit 3 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.

Q: How long would the taxes extend?

A: Legally binding provisions in ST3 will require the ST3 taxes to be rolled back following the completion of projects and the repayment of bonds unless a future public vote directs otherwise. The rollback will reduce the taxes to only cover the costs of operating and maintaining the system. Staff will conduct financial modelling to estimate when the rollback could occur and this will be a matter of public record.