

Guidelines for Creating Long-term Forecasts of Local Transportation Revenues

WSDOT annually surveys local cities and counties to receive their financial data pertaining to transportation revenues and expenditures. WSDOT can provide local government staff with the local financial data for 2000 through 2010. (Contact: WSDOT – Economic Analysis at 360.705.7942 or 360.705.7935)

The following local transportation revenue sources will be highlighted in this paper with guidance on how to project future revenues: state motor fuel taxes, property taxes, federal revenues, sales taxes, local road user taxes, local general fund appropriations, state grant money, special assessments and bond proceeds.

1. State Motor Fuel taxes:

- The last year of reported fuel taxes received should be the starting point for this forecast.
- WSDOT forecasts state motor fuel tax revenue each quarter and the distributions to local cities and counties are included as part of the overall fuel tax forecast (Table A.5).
- WSDOT has long-term gas and diesel fuel consumption forecasts through FY 2027 in the quarterly transportation revenue forecasts in VOL II of our quarterly forecast page II-4; see OFM’s web site for the latest transportation forecast <http://www.ofm.wa.gov/budget/info/transportationrevenue.asp>
- The state long-term forecasted growth rates for future fuel consumption (Table A.1) can be used to forecast the growth in local fuel tax revenues received from the state.
- If local governments have issued bonds backed by gas tax revenue, then the amount of debt service would have to be taken out of their forecasted gross gas tax revenue to determine the amount of gas tax revenue available for new and on-going local transportation projects.
- If local governments have their own fuel tax rates in addition to the state fuel tax, then these long-term fuel consumption growth rates can be used to predict the amount of additional fuel tax revenue.

2. Property taxes:

- The last year of reported property taxes received should be the starting point for this forecast.
- Economic and Revenue Forecast Council (ERFC) has a short-term forecast for state property taxes through CY 2013 with the latest forecast being in November 2011. The following link goes to the ERFC forecasts <http://www.erfc.wa.gov> see Table 3.9 for the fiscal year property tax forecast.

- In the long-term, it would be best to calculate a long-term (5 year average) growth rate for property taxes for each government entity to set a realistic long-term average property tax growth rate.
- Begin the forecast with the most recent property taxes used for transportation purposes and apply ERFC near-term growth rates for property taxes through FY 2013 and the long-term 5 year average growth for property taxes in subsequent years.

3. Federal Revenues:

- Each quarter WSDOT produces a long-term forecast of federal apportionment and obligation authority we anticipate receiving from the federal government, see tables G.1-G.3 in VOL II Detailed Forecast Tables on OFM's web site <http://www.ofm.wa.gov/budget/info/transportationrevenue.asp>
- WSDOT anticipates a decline of 20% in federal revenues to Washington State in FY 2013 due to the declining HTF balance with federal highway expenditures being higher than federal revenue going into the HTF. Long-term forecast for federal revenue mirrors WSDOT's local fuel consumption forecast each quarter so there is very minor growth overall in fuel consumption. For local programming purposes, a flat lined federal funds forecast may be used to better mirror recent federal funding proposals.
- Since local governments receive additional federal funds based on certain projects, each year, local governments need to separate out which projects are likely to continue receiving federal funds in the future and which ones are not. In addition, to be conservative, locals should not forecast competitive federal funds that have not been awarded. In addition, any stimulus federal funds which are only temporary should not be included in future projections of federal funds.

4. Sales taxes:

- The last year of reported sales taxes received should be the starting point for this forecast; this can be found in WSDOT local cities and counties financial reports database.
- Economic and Revenue Forecast Council (ERFC) has a short-term forecast for state sales taxes through calendar year 2013 as of November 2011. The following link goes to the ERFC forecasts <http://www.erfc.wa.gov> see Table 3.9 for fiscal year sales tax forecast.
- In the long-term, a national forecast for US consumption of goods and services can be used from Global Insight (GI). This GI forecast is updated quarterly and can be obtained from WSDOT – Economic Analysis if desired. Otherwise, annually, WSDOT publishes a transit sales tax forecast through FY 2027 with the November quarterly transportation revenue forecasts each year as an alternative forecast. In the long-term this forecast is also based on the growth in US consumption spending forecasted by GI. This forecast can be found at OFM's web site in VOL IV Alternative Forecasts in the latest November forecast document <http://www.ofm.wa.gov/budget/info/transportationrevenue.asp>

- From the latest year of sales tax revenue used for transportation purposes, the ERFRC sales tax growth rates can be applied and the long-term growth rates from GI can be used to estimate long-term forecasts for sales taxes.

5. Local Road User taxes:

- For the local road user taxes, each local government entity may have a different mix of these types of taxes. If the local user taxes are comprised of fees and taxes that are correlated to the number of the vehicles in the state, then one option for a long-term forecast could be using the WSDOT – Transportation Forecast Council projected growth rates in total passenger car and light trucks forecast through FY 2027. See table B.1 in the VOL II – Detailed Forecast Tables page II-20 found on OFM’s web site <http://www.ofm.wa.gov/budget/info/transportationrevenue.asp>
- The local road user tax forecast begins with the latest actual amount of revenue collected from WSDOT – local financial revenue and expenditure database. Then apply the growth rates in total vehicles in the state to set local road user taxes.

6. General Fund (GF) Appropriation Revenue for Transportation:

- This revenue source is one that can vacillate from year to year depending on the availability of local funds for transportation as well as other GF expenditure needs.
- Calculate a long-term average transfer amount from GF for transportation excluding years of high and low amounts. Looking at more recent data like the last 3 years may be helpful as GF transfers have grown in recent years to compensate for lower transportation revenues.
- To be conservative at this point, it may be wise to flat line the GF transfer for the next few years at the most recent 3 year average.

7. State Grant Funds for Transportation:

- State grant funds is a function of the state’s fuel revenue forecast which breaks out the percentages for local CRAB and TIB programs. The MVFT revenue forecast can be found quarterly in the state Transportation Forecast Council revenue forecast. See VOL II table A.5 on OFM’s web site <http://www.ofm.wa.gov/budget/info/transportationrevenue.asp>
- Start the state grant funds forecast with the latest actual and grow it based on the growth rates from the latest transportation revenue forecast for TIB and CRAB.

8. Special Assessments:

- Special assessments are one of those local revenue sources that can fluctuate annually depending on when new assessments are imposed and how long they are put in place. In order to minimize that volatility calculate a long-term (10-year) average level of special assessments and use that assessment level as the beginning point of the forecast unless you know of new special assessments that will make future projections deviate from this long-term average special assessment funding level.

- It might be wise to flat line the forecast unless you know of new additional special assessments that will be imposed in the near-term or old assessments which may be expiring in the future.

9. Bond Proceeds:

- Local governments will have a good idea of whether they will be issuing new bonds in the next few years; These assumptions should be rolled into your future projections for local bond proceeds and debt service

10. Motor Vehicle Excise Tax:

- Annually, DOT receives from DOL a breakdown of the property value of the vehicle fleet in the state by type of vehicle and by county. WSDOT can provide local governments with the latest values of the vehicle fleet in their county. We would recommend using the motor vehicle registration forecast as the basis for a long-term forecast.

11. Traffic Policing Revenues:

- A forecast of traffic policing revenues will occur only IF the local government has collected those fees and spent the money on those types of expenses. If a local government never reports traffic policy revenues / expenditures then they should not be included in a forecast. An example of a county/city reporting local traffic policing revenue would be if the government charged developers for the expense of hiring men to control the traffic on a road project. If the government had to hire workers to manage traffic when a road project was underway, then fees could be assessed and the incurred expenses would be considered transportation related traffic policing. Note: this category of expenditures does not include ALL traffic policing costs, just those related to local road work in cities and counties. Depending on how each city/county views traffic policing will dictate how they will report to WSDOT so our forecast (whether traffic policing is in or out of the forecast) will be consistent with how they have reported in the past.

- Expenditures should be constrained by local revenue projections.
- Since the federal government asks for the expenditures in year of expenditures, the WSDOT construction cost index forecast can be used to grow current year project expenditures into the future. If expenditures exceed revenue projections in the future, project expenditures must be reduced to match revenue projections or certain projects must be delayed in the future so expenditures do not exceed revenues.
- WSDOT can provide local governments with short-term capital project lists which show the planned projects by county to be completed in the near-term.
- In the outer years, local governments need to constrain their future project list to just the revenues available from the forecast along with any potential bonding which may be available for certain projects.