

Transportation Budget Overview & Revenue Update

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WASHINGTON STATE



Transportation
Committee

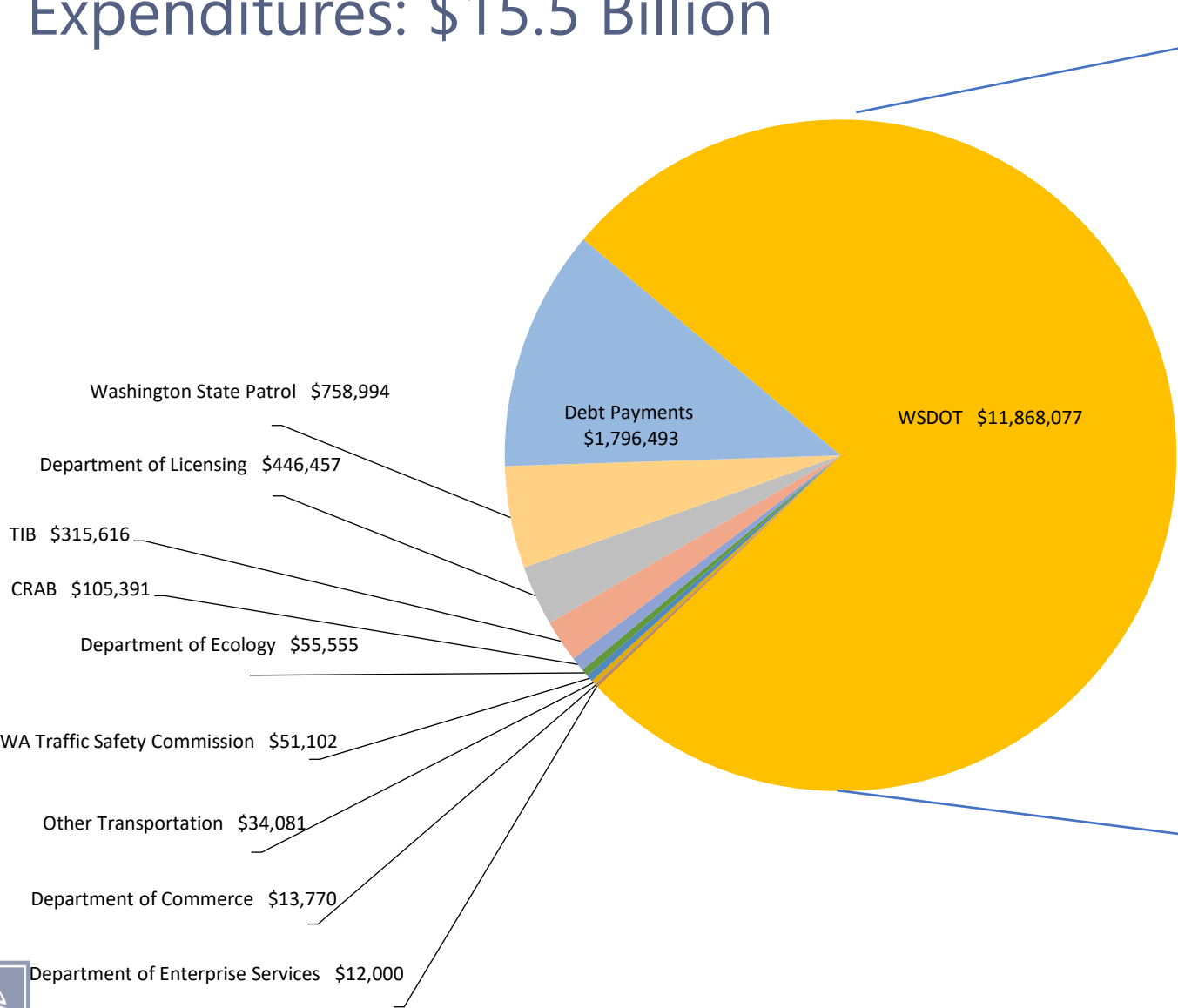
Agenda:

1. Quick review of 2025 Adopted budget
2. Most Recent revenue forecast & historical compare
3. 2026 Agency requests
3. 2026 Budget other possible areas of focus.



2025-27 Adopted Transportation Budget

Expenditures: \$15.5 Billion

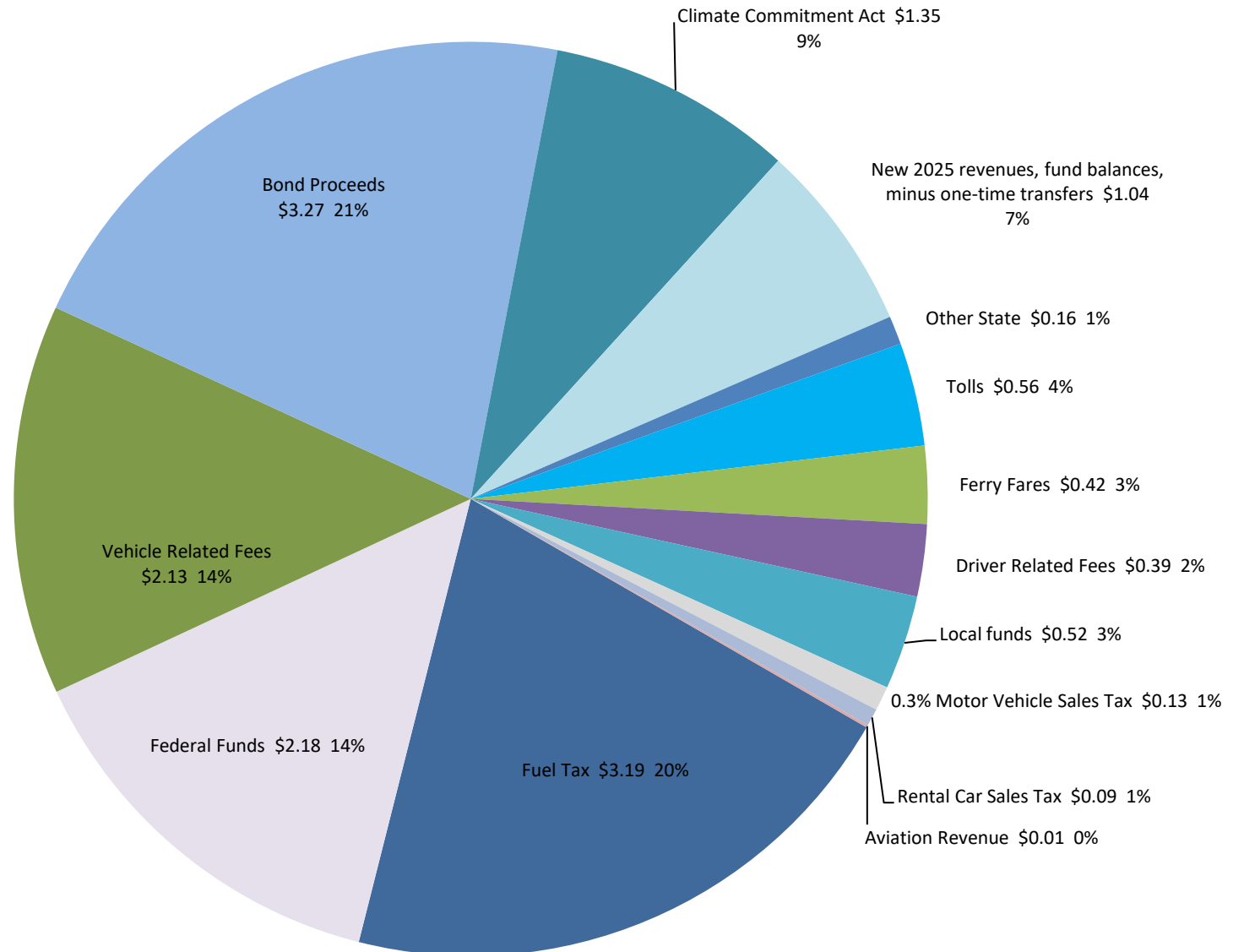


WSDOT PROGRAM DETAIL	
Highway Improvements	\$ 5,375,986
Local Programs Operating & Capital	\$ 984,356
Highway Preservation	\$ 903,386
Washington State Ferries - Capital	\$ 893,712
Washington State Ferries	\$ 770,566
Highway Maintenance	\$ 655,954
Public Transportation	\$ 414,794
Rail Operating & Capital	\$ 395,008
Public Transportation - Capital	\$ 338,207
Public/Private Partnership	\$ 221,335
Other Programs	\$ 188,004
Tolling	\$ 167,930
IT	\$ 146,840
Transportation Operations	\$ 116,556
Charges from Other Agencies	\$ 111,893
Planning	\$ 96,007
Facilities	\$ 87,543



2025-27 Adopted Transportation Budget

Revenues:
\$15.5 Billion



2025-27 Adopted Transportation Budget

Major items in 2025-27 transportation budget:

Expenditures:

- Balanced 4-year spending plan for all operating and capital programs.
- Majority of existing projects kept on schedule.
- Culverts: \$125M increase in 25-27, over \$1B added thru 31-33
- Ferry conversions and procurement: timing adjustments
- Highway preservation: 25-27 maintained at 2024 levels: \$900M, 27-29 funding was increased by \$200M
- Local preservation and maintenance increased \$50M in 25-27 and \$100M in 27-29 through new fuel tax distributions, new county local road program, additional Complete Streets grants to cities, and other distributions.

Revenues:

- \$8.9B over the next 10 years in new revenues
- Increased the fuel tax rate by 6 cents, + inflates by 2% per year.
- Imposed additional 3 cents on diesel fuel, increasing to 6 cents in 2028.
- Raised passenger and truck vehicle weight fees, the rental car tax, and driver's license fees.
- Dedicated 0.1 percent of the state sales and use tax for transportation beginning in 27-29.
- Modified fund transfers including a \$609M general fund transfer to the transportation budget in 27-29.



2025-27 Adopted Transportation Budget

4 Year Financial Outlook: Negative balances resolved

2025 Session Ending Fund Balance Report - Major Transportation Accounts (Dollars in Thousands)

Fund Title	2025-27		2027-29	
	2025-27	2027-29	2025-27	2027-29
State Patrol Highway Account	2,079	1,126	2,622	-7,473
Puget Sound Capital Construction Account	654	5,735	1,838	-48,256
Transportation Partnership Account	1,000	1,001	2,107	5,001
Highway Safety Account	5,218	64,132	1,789	-5,345
Motor Vehicle Account	2,782	137,396	67,021	-74,716
Puget Sound Ferry Operations Account	1,755	316	480	-137,157
Capital Vessel Replacement Account	7,871	9,218	407	-73,836
Connecting Washington Account	994	994	1,000	1,000
Special Category C Account	1,000	2,344	2,771	17,973
Multimodal Transportation Account	2,855	102,998	9,439	82,795
Move Ahead WA Account	11,786	12,349	26,302	-556,010
Move Ahead WA Flexible Account	2,622	1,510	14,812	14,909
Transportation 2003 Account (Nickel Account)	999	12,678	17,557	15,034

2024 Session ending balances

September 2025 Compared to June 2025 Revenue Forecast

The September 2025 Transportation revenue forecast projection, compared to the June 2025 forecast is:

Down by \$41.0 million (0.5%) for 25-27

Down by \$124.9 million (1.1%) for 27-29

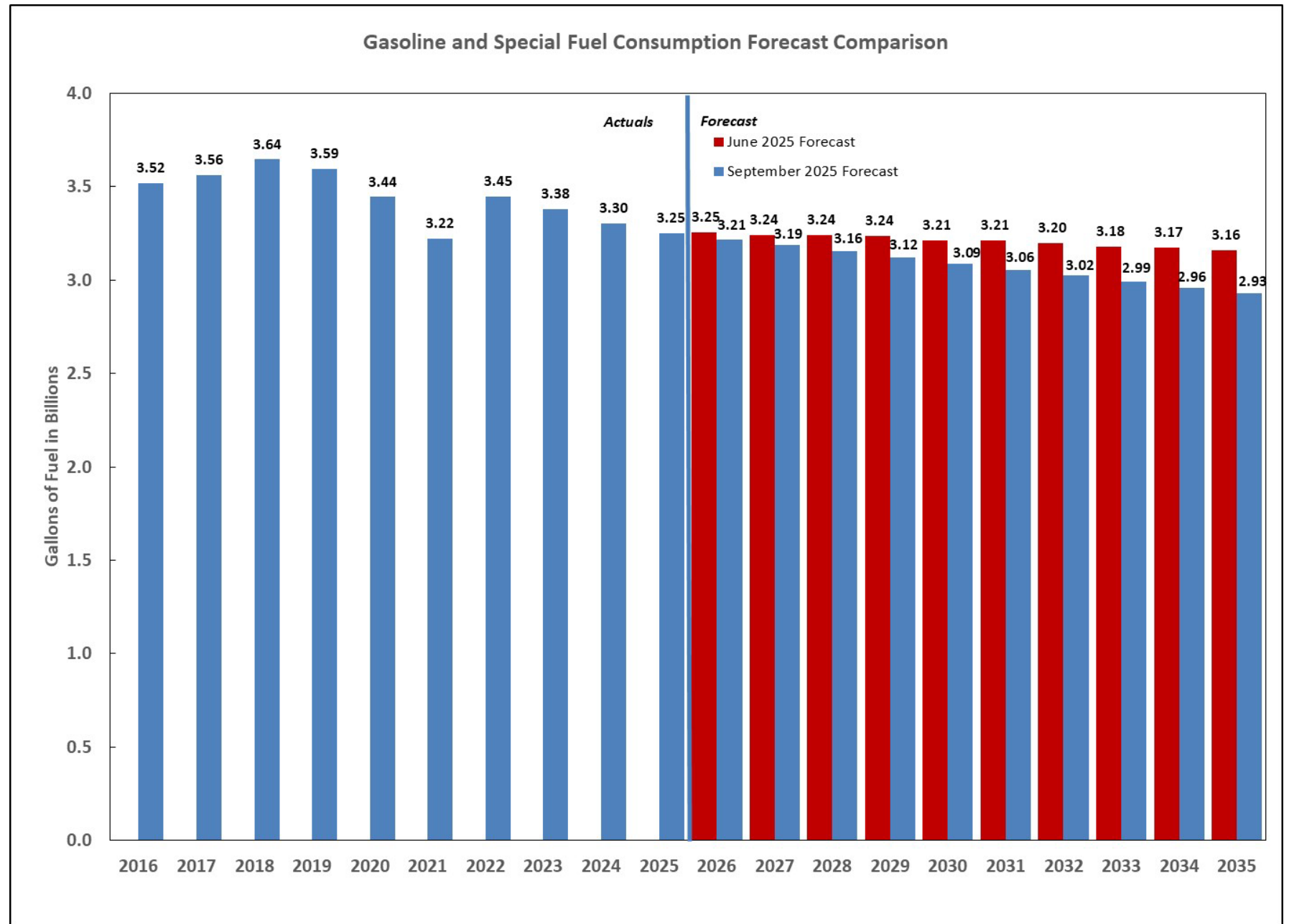
Down by \$816.4 million (1.5%) over the 10-year period.

Why? The most significant change is fuel consumption, declining at approximately 1% per year over the next ten years.

While the forecast from June 2025 – September 2025 forecasts indicates a slight reduction, total transportation revenues are projected to increase significantly over the next few years before moderating at this higher level over the remaining years of the 10-years forecast horizon. Growth is primarily the result of:

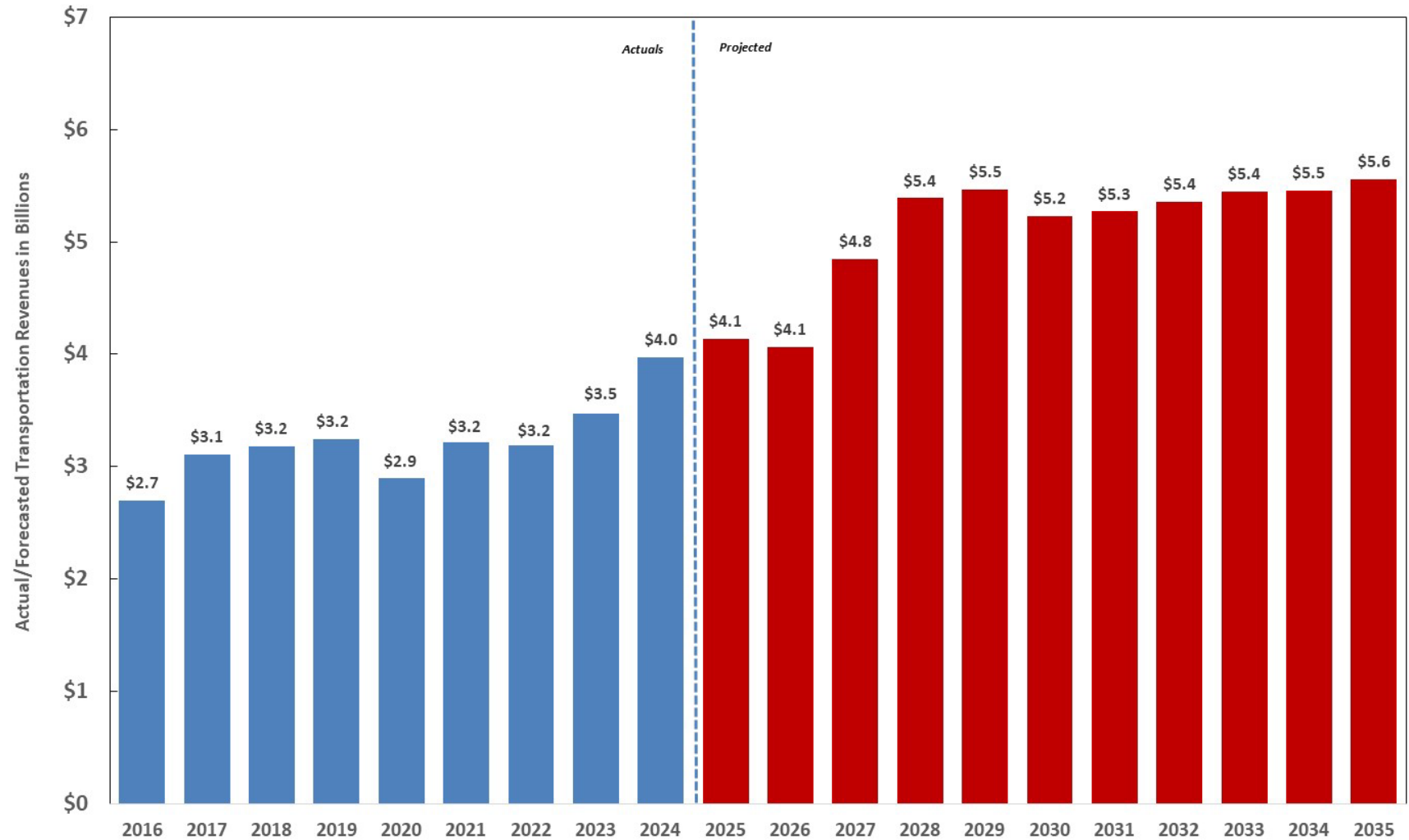
- increases in the fuel tax rate and other transportation revenues raised in 2025
- inclusion of fund transfers and revenue dedications passed in the 2025 session; and
- revenues from the Climate Commitment Act directed to transportation purposes

The September 2025 forecast is projecting fuel consumption to decline by approximately 1% per year compared to the 0.3% decline anticipated in the June 2025 forecast



The new revenues passed in 2025 and Climate Commitment Act revenues more than offset the expected decline in fuel consumption

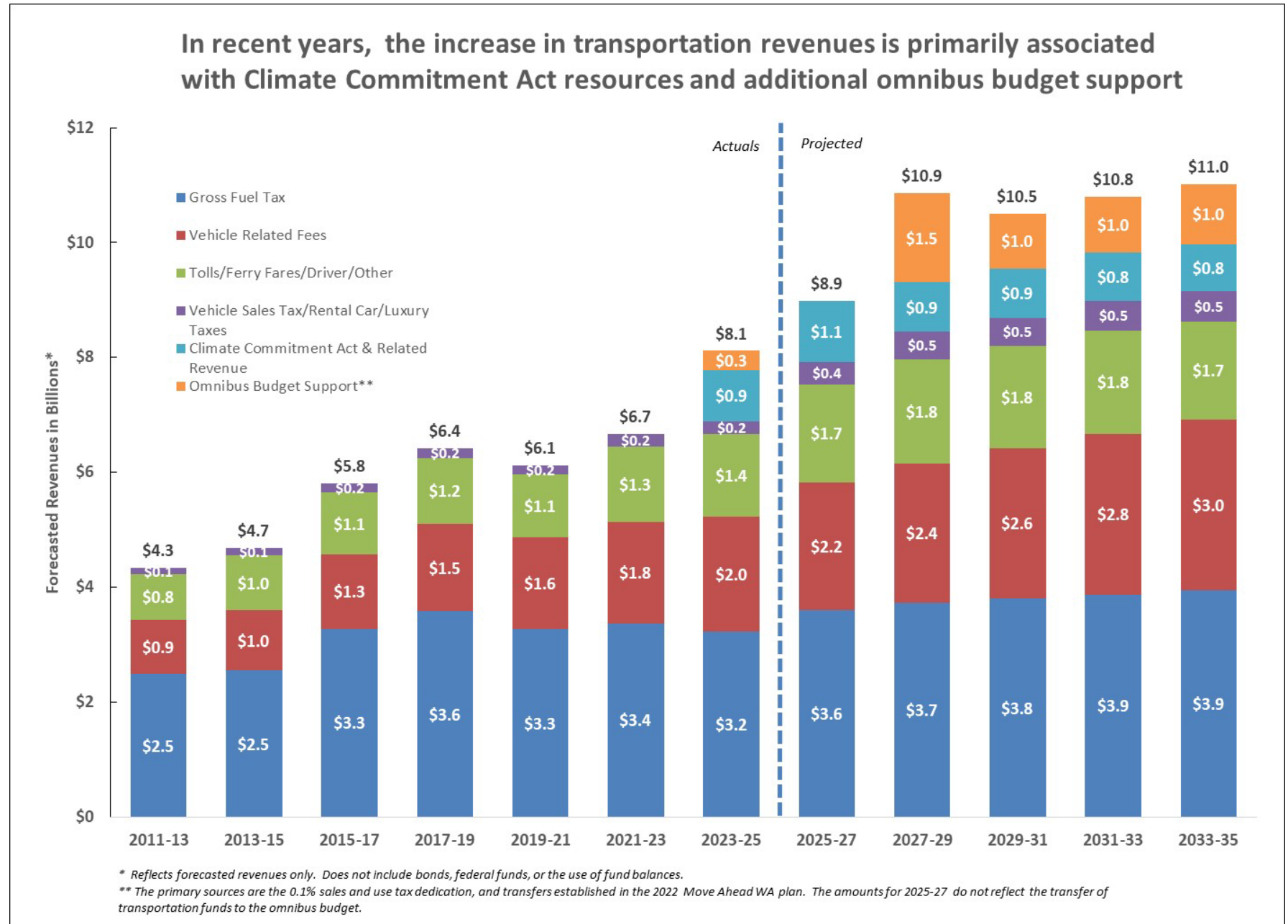
Based on the September 2025 forecast, transportation resources are projected to increase over the next few years due to the new revenues passed in 2025, before returning to slow growth



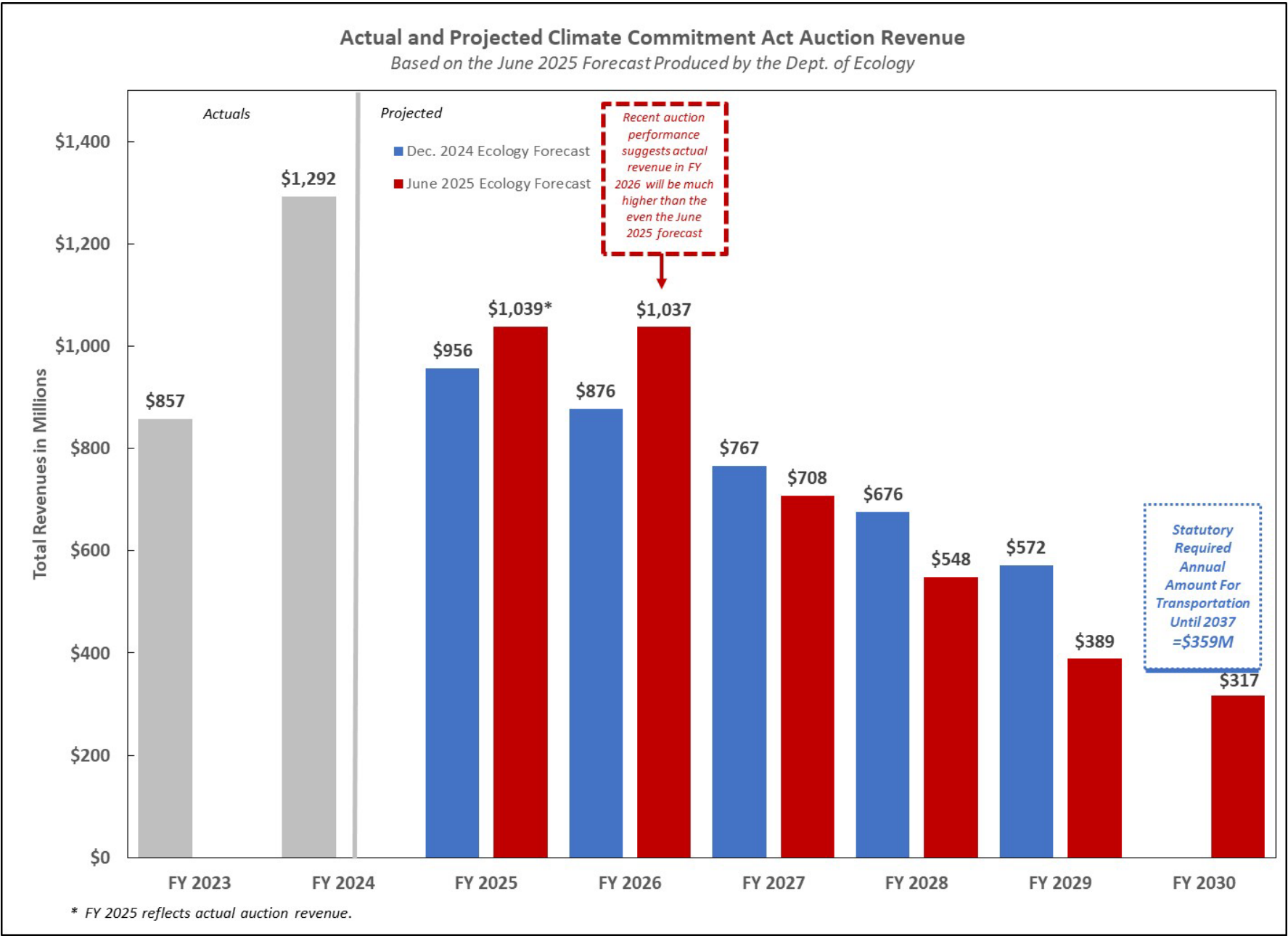
* Reflects forecasted revenues only based on the September 2025 TERFC forecast. Does not include bonds, federal funds, or the use of fund balances.



Non-motor fuel tax sources are becoming much more prominent in overall transportation revenue



Climate Commitment Act revenues are expected to exceed previous projections in FY 2025 and FY 2026, but then decline faster in subsequent years...with revenues not meeting the statutory required amounts for transportation by the early 2030s



Transportation Revenue

A Period of Uncertainty

Select Factors Causing Uncertainty

- Better or worsened economic conditions could impact transportation revenues (e.g. influenced by trade policy, federal funding/shutdown impacts, Russia-Ukraine, Middle East, consumer spending, etc.).
- Fuel consumption and alternative fuel vehicle adoption could be impacted by a variety of factors, including changes in federal policies and funding, the current state zero emission vehicle requirement, other state policies, remote work, and consumer choices.
- The Climate Commitment Act (CCA) revenues in the latest auctions are above projections used in the budget development, but the long term CCA revenues are projected to be insufficient to meet the annual statutory transportation distribution requirements by the early 2030s.
- The current transportation forecast also assumes approximately \$105 million - \$142 million per biennium from SHB 2077 which imposes a new excise tax on the banking and sale of surplus zero-emission vehicle credits. The ability of states to implement Zero-Emissions Vehicle requirements is being litigated.



2026 Supplemental Transportation Budget Agency Requests

2026 total transportation agency requests: \$687M

- Operating Agency Requests total \$96M:
 - WSDOT requests \$51.5M for:
 - \$9.4M for carrying forward WSDOT grants and programs that were not finished in 23-25
 - \$8.8M from WSDOT for new IT related items.
 - \$33.3M in other WSDOT requests, including marine insurance, legal costs, and federal funds authority.
 - WSP requests \$14M for a variety of items including previously requested network improvements, body worn cameras and other technology upgrades.
 - DOL requests \$9.6M for a variety of items including additional call center staffing, additional IT support, and an additional mobile licensing unit.
 - Other transportation agency request \$20.7M with most of this being \$10M from the WTSC for federal funding authority and \$10M from DNR for EV Charging infrastructure.

2026 Supplemental Transportation Budget Agency Requests

Capital Agency requests total \$591M:

- WSDOT Capital adjustments. Approx. \$914M in increases is attributable to reappropriations from 2023-25. Approx. -\$323M in reductions is attributable to re-aging planned 2025-27 projects and grants.
- \$2.3M request from CRAB mainly related to the new County Local Road Grant Program

2023-25 Estimated Capital Underspending vs. Enacted \$s in millions		
Highway Improvements	\$	492
Highway Preservation	\$	49
Hwy Mgmt & Facilities	\$	5
Local Programs	\$	201
Public Transportation	\$	3
Rail	\$	48
Transportation Operations	\$	8
WA State Ferries Cap	\$	109
	\$	914

2026 Supplemental Transportation Budget Agency Requests

Addendum WSDOT supplemental requests:

Maintenance and Operations:

- \$67M in 2025-27 for encampments, materials costs, and third-party damages
- \$400M per biennium ongoing for maintenance, equipment, facilities, electrification, traffic management and incident response

Preservation Program:

- \$170M in 2025-27 for 2026 season paving projects
- \$8B over 10-years to meet asset preservation need

Improvements Program:

- \$4B to fully fund near-term injunction Fish Barrier Removal (Culverts)
- \$500M per biennium ongoing for redesigning urban highways for safety, safety countermeasures on rural highways, and work zone safety program enhancements

2026 Budget other possible areas of focus.

- Existing projects - several with anticipated but unknown cost increases
- Maintenance and preservation programs: additional funding to reach a state of good repair
- Ferry fleet additional replacements? 1 new vessel per year.
- Climate Commitment Act: Planning for anticipated reduction in revenues.

What's next?

November Revenue forecast

December Governor Proposed budget released

January 12th 2026 Session begins!

APPENDIX

2025 Transportation Revenue Related Changes

ESSB 5801

- Increased the fuel tax rate for motor vehicle fuel and special fuel by 6 cents per gallon beginning July 1, 2025, an additional 3 cents per gallon for special fuel beginning July 1, 2025, and 3 cents per gallon for special fuel beginning July 1, 2028, and inflates the fuel tax rate by 2 percent per year.
- Raised passenger and truck vehicle weight fees, the rental car tax, and other smaller vehicle related fees.
- Increased the additional state retail sales and use tax rate applied to motor vehicles, imposed a retail sales and use tax on recreational vessels, and imposed a luxury retail sales and use tax on certain motor vehicles and certain non-commercial aircraft.
- Increased driver's license fees, tire disposal fees, and made changes to ferry related charges, WSDOT work zone violations, and tolling provisions.

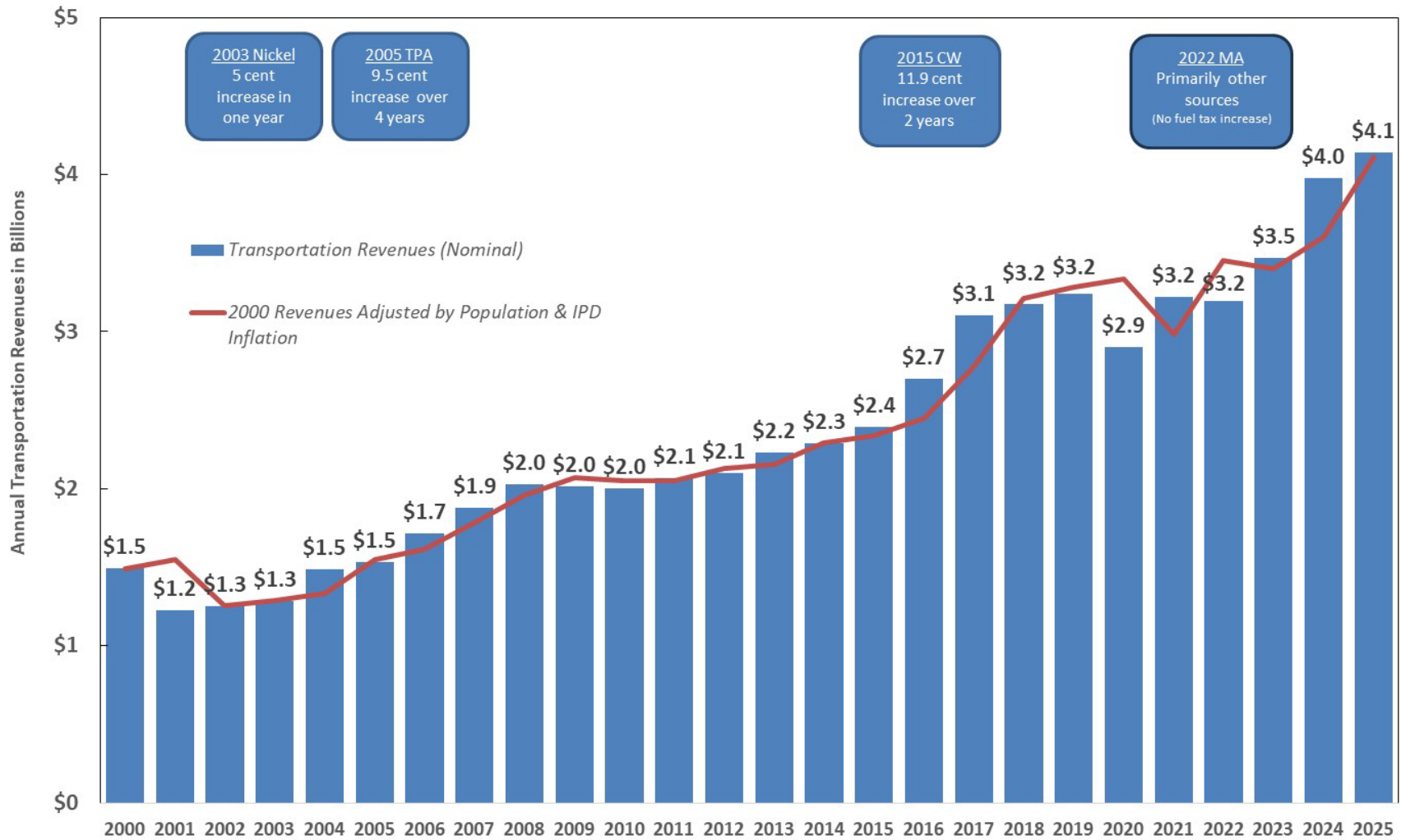
ESSB 5802

- Dedicated 0.1 percent of the state sales and use tax into the Multimodal Transportation Account beginning in the 2027-29 biennium.
- Modified fund transfers associated with the Connecting Washington and Move Ahead Washington transportation packages and included a \$609 million state general fund transfer into the Multimodal Transportation Account in the 2027-29 biennium.
- Changed the timing of repayments related to sales and use tax deferrals for the Tacoma Narrows Bridge and State Route 520 Bridge Replacement projects.



The decline in fuel consumption has been offset by revenue rate increases and other policy decisions... causing transportation revenues to increase at roughly the rate of population & inflation

During the last 25 years, the Legislature enacted four major transportation revenue packages which more than doubled the state fuel tax rate, imposed/increased a variety of other taxes and fees, and more recently dedicated new sources to transportation

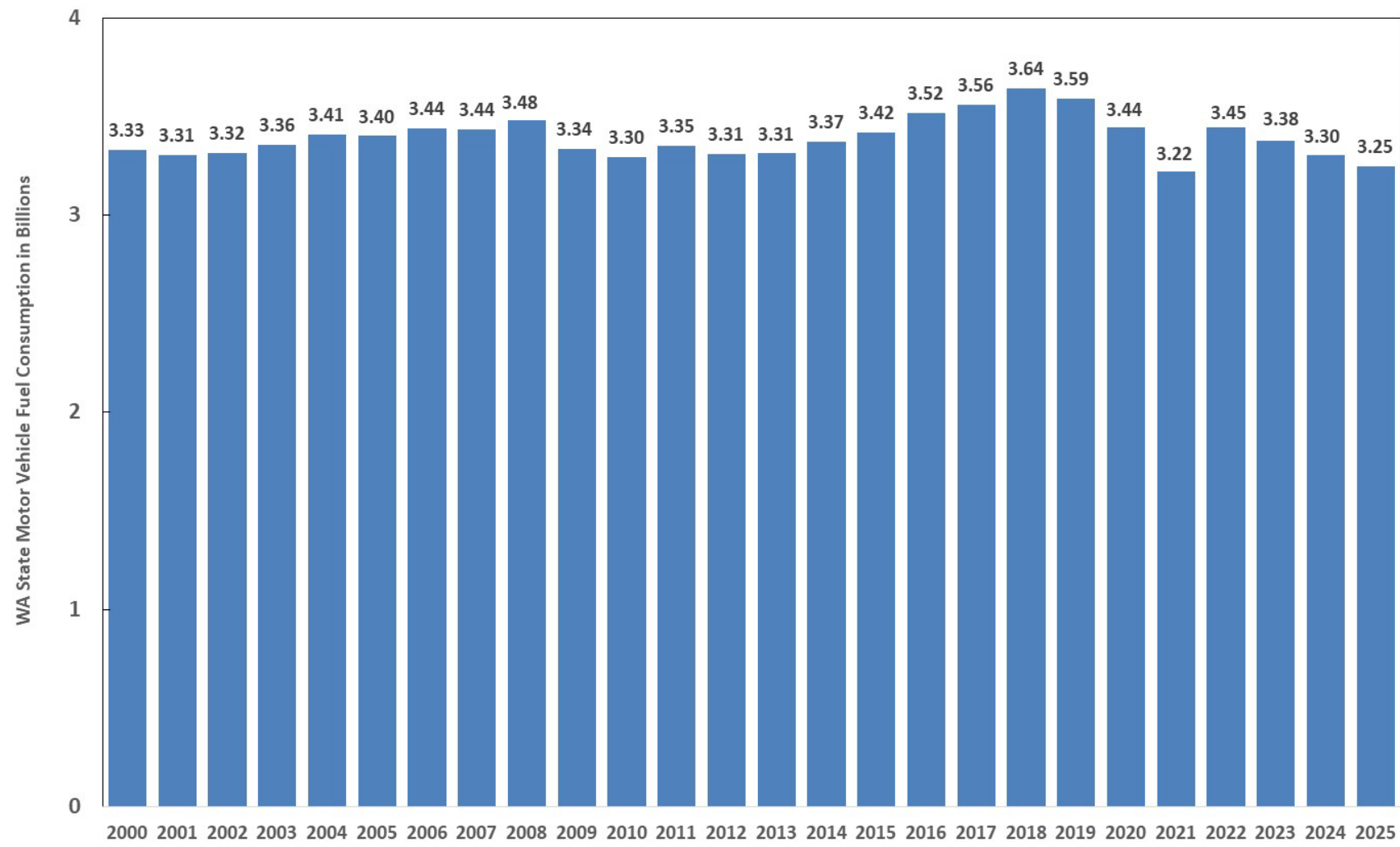


* Reflects forecasted revenues only based on the September 2025 TERFC forecast. Does not include bonds, federal funds, or the use of fund balances.



Fuel consumption has been relatively flat because of improved vehicle fuel economy, alternative fuel vehicle adoption, remote work, and other factors

Over the last 25 years, fuel consumption has been relatively flat and is now lower than pre-pandemic levels



Source: TERFC September 2025 Forecast



ESSB 5801 – Revenue Related Provisions

(Dollars in Millions)

#	Section	Provision & Summary	6-Year Total	Implement. Date
Fuel-Related				
1	101-103	Fuel Tax Increase + Indexing <i>- Imposes a 6 cent increase to the current 49.4 cent rate in FY 2026. The entire higher rate is inflated by 2% each year starting in FY 2027. Of the increased amounts, 2.5% is distributed to cities and 2.5% is distributed to counties.</i>	\$1,448	Jul 1, 2025
2	101-103	Special Fuel (Diesel) Differential Tax Rate <i>- Imposes a 3 cent increase to the Special Fuel Tax rate above the gasoline rate in FY 2026, another 3 cent increase in FY 2028, and then the 6 cent increase is inflated by 2% each year starting in FY 2029. Of the increased amounts, 2.5% is distributed to cities and 2.5% is distributed to counties.</i>	\$166	Jul 1, 2025
Fees Due at Time of Vehicle Registration				
3	104	Truck Weight Fees <i>- Sets gross weight fees at \$30 per ton up to 40,000 lbs. for schedule B trucks and 52,000 lbs. for schedule A trucks, including the freight project fee and additional fee in the calculation. Gross weight fees are inflated by 2% each year starting in FY 2027.</i>	\$317	Jan 1, 2026
4	105-106	Passenger Weight Fees <i>- Increases the Passenger Weight Fee for heavier vehicles as follows: - 0 - 4,000 lbs.: \$35 -> \$35; - 4,001 - 6,000 lbs.: \$55 -> \$75; - 6,001 - 8,000 lbs.: \$75 -> \$90; and - 8,001 lbs. and over: \$82 -> \$110. Half of this increase occurs Jan 1, 2026; the remainder occurs Jan 1, 2029.</i>	\$131	Jan 1, 2026, Jan 1, 2029
5	107	Filing Fees <i>- Increases the \$4.50 registration filing fee to \$6 and the \$5.50 title filing fee to \$6.50. The majority of the funds (\$89 million) from these fee increases is retained by counties, but \$5 million is to be deposited in the Highway Safety Account.</i>	\$5	Jan 1, 2026
6	108	Title and Registration Service Fees <i>- Increases the \$15 title fee to \$18 and the \$8 registration service fee to \$11. The majority of the funds (\$160 million) from these fee increases is retained by subagents, but \$41 million is deposited into the Capital Vessel Replacement Account over the 6-year time period.</i>	\$40	Jan 1, 2026
7	109-110	Abandoned Recreational Vehicle Fee <i>- Increases the Abandoned RV fee from \$6 to \$8 and changes the administrative allocation to up to 10 percent.</i>	\$3	Jan 1, 2026

ESSB 5801 – Revenue Related Provisions

(Dollars in Millions)

#	Section	Provision & Summary	6-Year Total	Implement. Date
Sales and Use Taxes				
8	201 (3)	Motor Vehicle Sales and Use Taxes - Increases the additional sales tax assessment on motor vehicles from 0.3% to 0.5%.	\$257	Jan 1, 2026
9	201 (2)	Rental Car Tax & Corporate Peer to Peer Car Sharing - (1) the 5.9% additional rental car tax is increased to 11.9% on January 1, 2026 and then adjusted down to 9.9% on January 1, 2027 and thereafter; and (2) applies these rates to peer-to-peer car transaction involving a vehicle exempted from retail sales or use tax. True peer-to-peer transactions involving personal car sharing by individuals would not be subject to taxation.	\$205	Jan 1, 2026 RCT, Jan 1, 2027 CP2P
10	201 (4), 202 (6)	Recreational Vessels Tax - Imposes a 0.5% sales and use tax on recreational vessels.	\$7	Jul 1, 2026
11	203 - 206	Luxury Vehicle Tax - Imposes a luxury tax of 8% on a portion of the retail sale, lease, or transfer of a vehicle. Applies to the portion of the selling price or value that exceeds \$100,000. The deduction of \$100,000 is increased by 2% per year. Does not apply to motor vehicles that have a gross vehicle weight rating above 10,000 lbs. other than motor homes. Does not apply to commercial motor vehicles. There is no exception for the value of a trade-in vehicle.	\$202	Jan 1, 2026
12	207-211, 206	Luxury Aircraft - Imposes a luxury tax of 10% on a portion of the retail sale, lease, or transfer on an aircraft. Applies to the portion of the selling price or value that exceeds \$500,000 of non-commercial aircraft. There is no exception for the value of a trade-in aircraft.	\$21	Apr 1, 2026

ESSB 5801 – Revenue Related Provisions

(Dollars in Millions)

#	Section	Provision & Summary	6-Year Total	Implement. Date
Other Taxes and Fees				
13	301-303	Tire Disposal Fee - Increases the existing \$1 tire replacement fee to \$5 and increases the amount retained by the retailer to 25 cents. Distribution of the tire fee proceeds are changed.	\$117	Jan 1, 2026
14	304	WSDOT Work Zone Violations - WSDOT is beginning implementation of a speed safety camera in work zone pilot program that ends in FY 2030 (unless extended). Current policy provides a \$0 fine for the 1st offense. Increases the fine for the first offense to \$125 beginning July 1, 2026 through the pilot termination.	\$138	Jul 1, 2026
15	305-307	Standard Driver's License and Identicals - Increases the current \$9 per year fee for driver's licenses and identicals to \$10 per year in FY 2026. The per year fee amounts are increased by \$1 per year every three years in the future to approximate inflation.	\$74	Oct 1, 2025
16	501-502	Remove Toll Exemption for Transit and Ride Share Vehicles - Directs WSTC to remove current toll exemption for public and private transit buses, vans, and rideshare vehicles on bridges. Public and private school buses may be exempted.	\$6	Oct 1, 2025
Washington State Ferries (WSF) Specific Increases				
17	401-402	Capital Vessel Surcharge - Increases the current 50 cent fee to \$1 in Oct 2025. Requires an additional 10 cent increase in Oct 2027 and an additional 10 cent increase in Oct 2029.	\$47	Oct 1, 2025
18	405	Impose Credit Card Surcharge on Riders - Imposes a rider surcharge to cover credit card transaction costs currently paid by Washington State Ferries.	\$24	Mar 1, 2026
Total Revenue Raised Over 6 Years			\$3,208	

Fund Transfers and Other Provisions of 2SSB 5802

2SSB 5802 - Statutory Fund Transfers and Revenue Dedications for Transportation

Table Depicts Impacts Only on Transportation Budget Resources *

(Dollars in Millions)

Changes Reducing Transportation Resources		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Multimodal Transfer (2023-25 Connecting WA Transfers)	(\$111.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2	Multimodal Transfer (2023-25 Move Ahead Flex WA Transfers)	(\$114.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
3	Eliminate Move Ahead WA Flex Transfers (FY 2026 & FY 2027)	(\$57.0)	(\$57.0)	\$0.0	\$0.0	\$0.0	\$0.0
4	Eliminate Public Works Transfers (FY 2026 and FY 2027)	(\$57.0)	(\$57.0)	\$0.0	\$0.0	\$0.0	\$0.0
5	Accelerate TNB Sales Tax Deferral Repayment to FY 2026 **	(\$57.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6	Accelerate SR 520 Bridge Sales Tax Deferral Repayment to FY 2026 **	(\$159.5)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Changes Reducing Transportation Resources		(\$557.0)	(\$114.0)	\$0.0	\$0.0	\$0.0	\$0.0
Changes Increasing Transportation Resources							
7	.1% of 6.5% Sales and Use Tax (includes estimated base expansion)***	\$0.0	\$0.0	\$297.0	\$308.0	\$319.3	\$331.0
8	GF-S Transfers to Multimodal Transportation Account	\$0.0	\$0.0	\$304.7	\$304.7	\$0.0	\$0.0
Net Change to Transportation Budget Resources		(\$557.0)	(\$114.0)	\$601.7	\$612.7	\$319.3	\$331.0

Notes

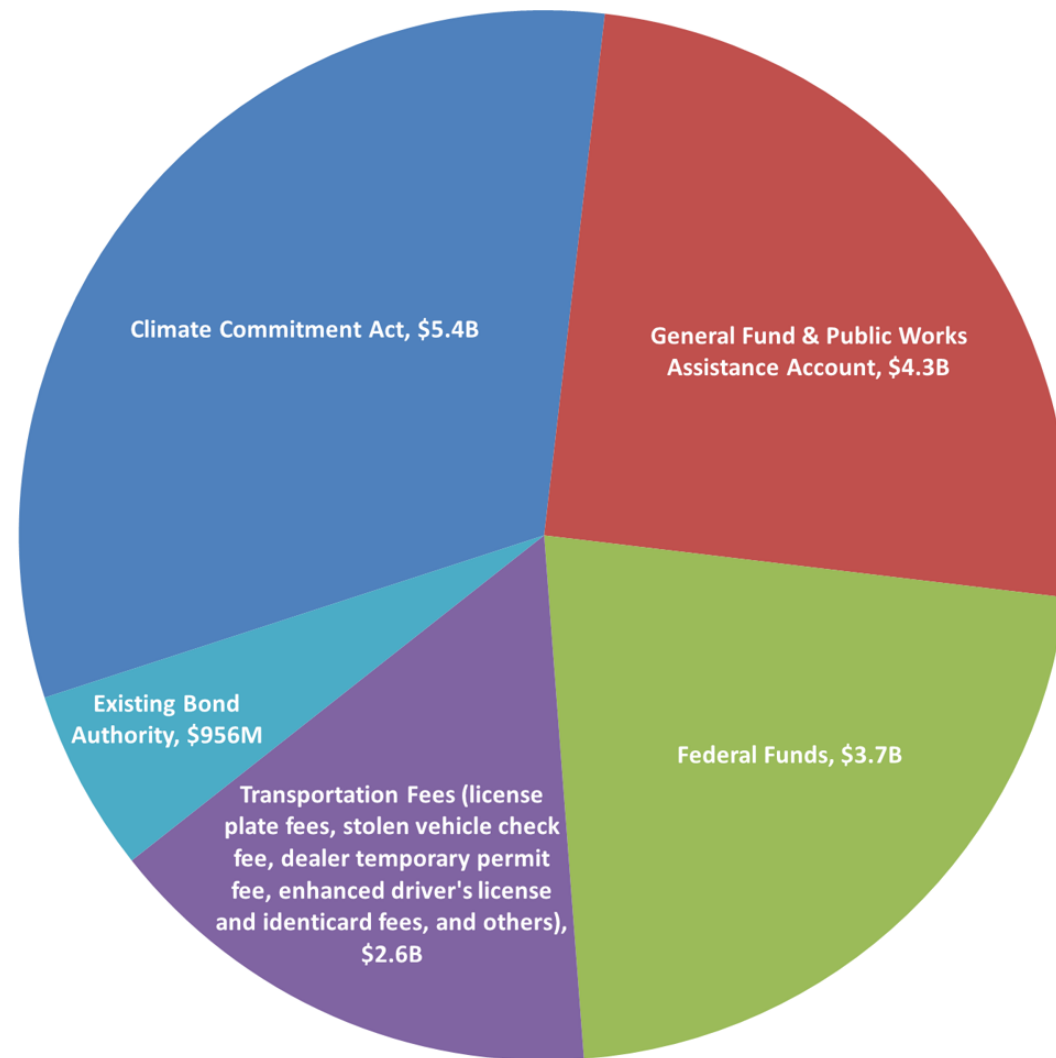
* This table reflects impacts on transportation budget resources from 2SSB 5802. There are other provisions which impact the omnibus operating budget and omnibus capital budgets which are not depicted on this table.

** Amounts reflect the total estimated state and local sales and use deferral amount repayment.

*** Based on March 2025 revenue forecast incorporating the rough estimated impacts of SB 5814. FY 2030 forward is based on trend analysis since no official forecast is available for this time period. Actual amounts are likely to be slightly different. Amounts deposited in Multimodal Transportation Account.

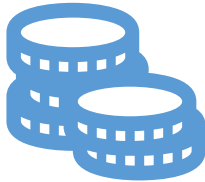
The Move Ahead WA 16 Year Plan

Move Ahead WA Revenue Summary
16 Year Plan



Total Revenues for 16 Year Plan = \$17.0 billion

Other Recent Transportation Revenue Packages



2003 Nickel Package

\$4.2bn over 10 years

5 cent gas tax and fees (gas tax will be repealed when bonds paid off)

Included a 15% increase in vehicle weight fees and a .3% sales tax on motor vehicles.

\$134M for highway preservation, operations & maint. (3%)

\$600 in multimodal investments (14%)

Accountability and efficiency reforms bills.



2005 Transportation Partnership Act

\$8.5bn over 16 years

9.5 cent gas tax and fees.

Included vehicle weight fee increases with the majority of passenger vehicles paying an additional \$10 per year and light trucks paying an additional \$20 per year.

\$509M for highway preservation, operations & maint. (6%)

\$814 in multimodal investments (10%)

I-912 proposed repealing 2005 gas tax (failed)

Governance (WSDOT becomes cabinet agency) and performance bills.



2015 Connecting Washington

\$16bn over 16 years

11.9 cent gas tax and fees.

Included vehicle weight fee increases, a new heavy truck freight project fee, and electric vehicles fee increases.

\$1.4bn for highway preservation, operations & maint. (9%)

Almost \$1bn in multimodal investments (6%)

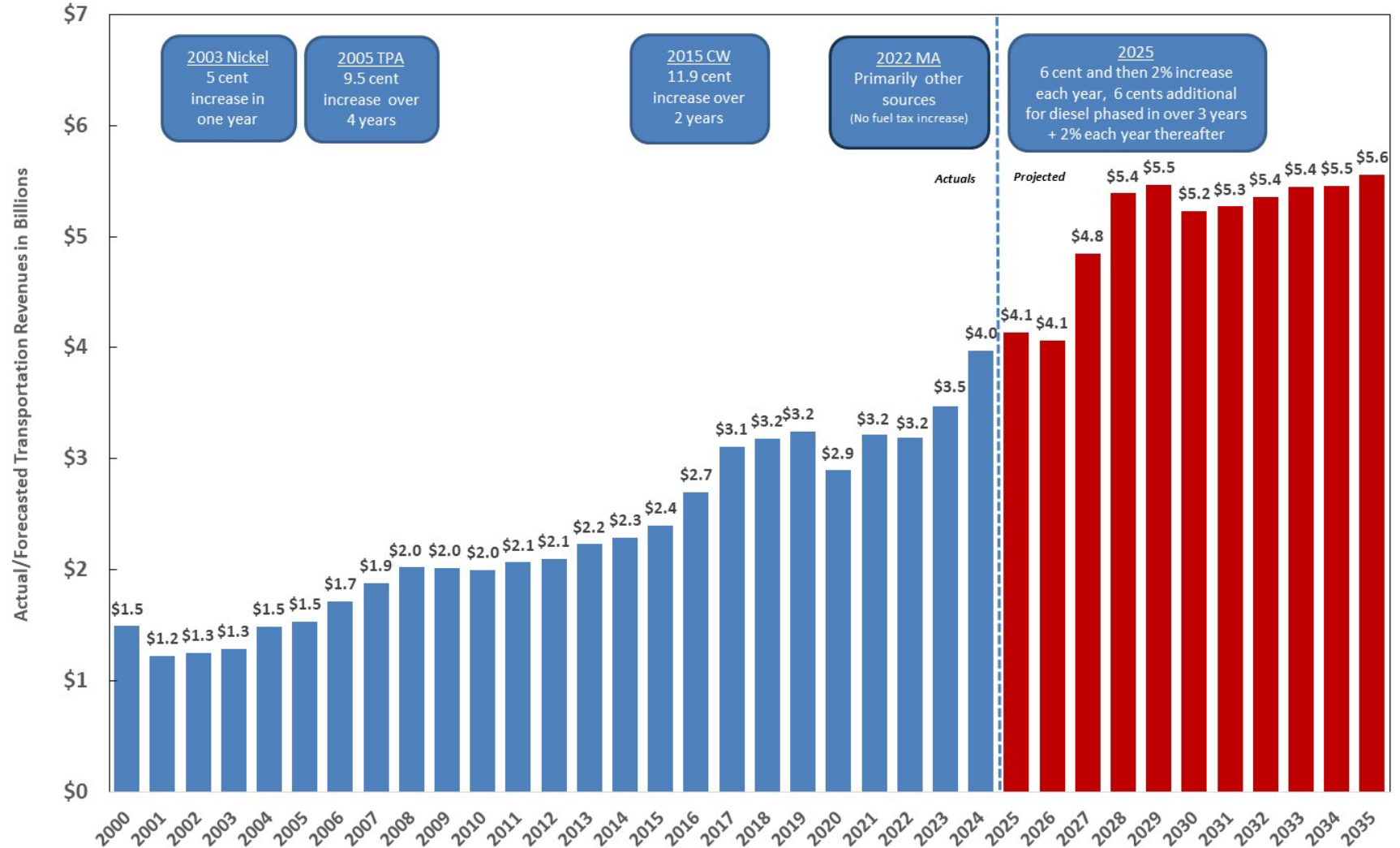
I-960 required non-binding advisory vote on repealing gas tax (supported repeal @ 64%)

Authorized a variety of local revenue options, including for Sound Transit and Transportation Benefit Districts.

Suite of reform bills (apprenticeship, permitting, competitive bidding etc.)

*A longer term
look at
transportation
revenue*

Over the last 25 years, the Legislature has enacted five major transportation revenue packages which more than doubled the state fuel tax rate, imposed/increased a variety of other taxes and fees, and more recently dedicated new sources to transportation



2003 Nickel
5 cent
increase in
one year

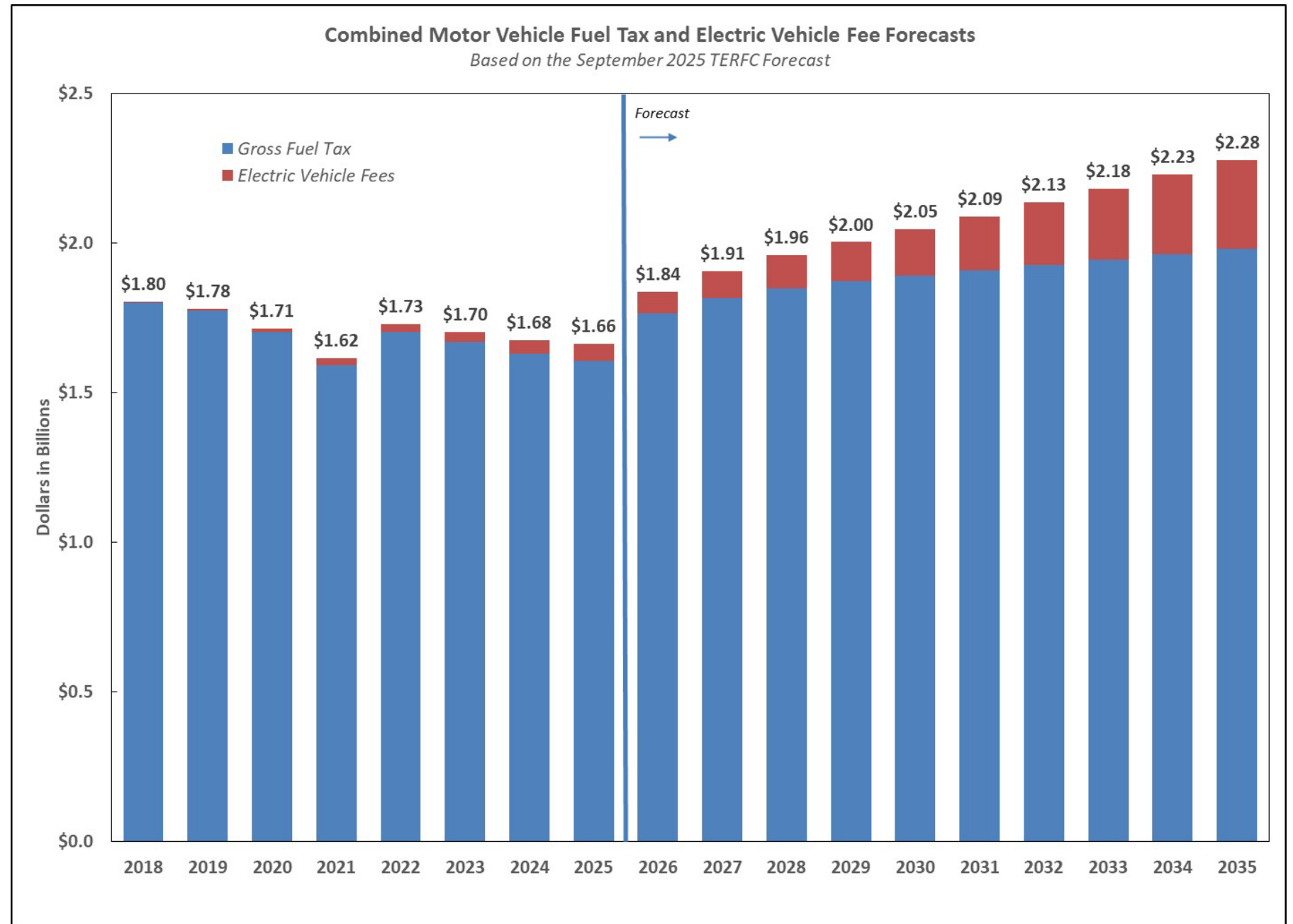
2005 TPA
9.5 cent
increase over
4 years

2015 CW
11.9 cent
increase over
2 years

2022 MA
Primarily other
sources
(No fuel tax increase)

2025
6 cent and then 2% increase
each year, 6 cents additional
for diesel phased in over 3 years
+ 2% each year thereafter

The increases in fuel tax rates and annual 2% adjustment requirements from the 2025 legislation coupled with projected growth in electric vehicles adoption more than offsets the projected decline in fuel consumption



State Fuel Tax Rates

For the Next
5 Years

Effective Fuel Tax Rates and Increases from ESSB 5801				
Effective Rates		Gasoline		Diesel
Current	\$	0.494	\$	0.494
July 1, 2025 Rate	\$	0.554	\$	0.584
July 1, 2026 Rate	\$	0.565	\$	0.595
July 1, 2027 Rate	\$	0.576	\$	0.636
July 1, 2028 Rate	\$	0.588	\$	0.649
July 1, 2029 Rate	\$	0.600	\$	0.662
Increased Rate from Current Law		Gasoline		Diesel
July 1, 2025	\$	0.060	\$	0.090
July 1, 2026	\$	0.071	\$	0.101
July 1, 2027	\$	0.082	\$	0.142
July 1, 2028	\$	0.094	\$	0.155
July 1, 2029	\$	0.106	\$	0.168