

HOUSE BILL REPORT

HB 1553

As Reported By House Committee On:
Transportation Policy & Budget

Title: An act relating to city and town transportation funding.

Brief Description: Authorizing city and town transportation funding.

Sponsors: Representatives Skinner, Hankins, Murray, Fisher, Mielke, O'Brien, Mitchell, Constantine, Mastin, Cooper, Chopp, Blalock, H. Sommers, Conway, Mason, Wood and Scott.

Brief History:

Committee Activity:

Transportation Policy & Budget: 2/3/98, 2/9/98 [DPS].

HOUSE COMMITTEE ON TRANSPORTATION POLICY & BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives K. Schmidt, Chairman; Hankins, Vice Chairman; Mitchell, Vice Chairman; Fisher, Ranking Minority Member; Cooper, Assistant Ranking Minority Member; Backlund; Cairnes; Chandler; Constantine; DeBolt; Gardner; Hatfield; Johnson; Murray; Ogden; Radcliff; Robertson; Romero; Scott; Skinner; Wood and Zellinsky.

Minority Report: Do not pass. Signed by 4 members: Representatives Buck; McCune; O'Brien and Sterk.

Staff: Jeff Doyle (786-7322).

Background: In 1990 the Legislature authorized several local option transportation taxes, including a street utility fee, which allowed the cities to charge up to \$2 per residential household per month for the purpose of maintaining and upgrading city streets.

The city of Seattle was one of 18 jurisdictions to adopt a local street utility fee ordinance. This fee was subsequently challenged in a class action lawsuit by several city residents.

The Washington Supreme Court ruled the street utility fee unconstitutional. The city of Seattle and other cities having a similar ordinance have experienced a substantial loss of transportation revenue as a result of the court case.

Other local option transportation taxes that currently exist in state law include a motor vehicle fuel tax, a vehicle license fee, a county road levy, and a commercial parking tax. Currently, only counties have the authority to impose these taxes, except for the commercial parking tax, which may be imposed by cities.

Summary of Substitute Bill: Local option taxes for transportation purposes are authorized for use by cities.

Cities are authorized to establish city street districts contiguous with city boundaries for purposes of levying a city street tax, similar to a county road levy currently authorized in statute. The amount of the city levy may not exceed 50 cents per \$1,000 of assessed property value. This amount counts against the local \$5.90 property tax limit currently authorized for junior taxing districts. If other junior district tax levies are imposed, the city street levy shall be reduced to ensure that the \$5.90 local limit is not exceeded.

Revenue raised by the levy must be used strictly for transportation purposes. In order to create a city street district and impose the tax, the measure must be approved by a majority of the voters at a special or general election.

Cities may impose a local sales and use tax at the rate of 0.1 percent. Voter approval is required to impose this sales and use tax. Revenue raised by the additional tax must be used strictly for transportation purposes.

Upon approval by a majority of voters, counties may impose, on behalf of cities, a local vehicle registration license fee for up to \$15. The fee would be levied upon vehicles registered within the less-than-countywide boundary. If the county is already imposing any portion of the local option vehicle registration fee, the city may impose only the amount remaining under the \$15 maximum, ensuring that no vehicle's combined local option license fee exceeds \$15.

If the city fee is imposed and a county later wishes to impose the fee, the city's fee would be reduced by an amount necessary to ensure that the \$15 maximum is not exceeded. The fee must be used strictly for transportation purposes. A public vote is required to impose the \$15 local option vehicle registration fee.

The local option vehicle registration fee is extended to pickup trucks with a gross weight of 6,000 pounds or less, which are considered passenger-type pickup trucks.

The authority of a city or county to impose a commercial parking tax is extended to include taxation of employer-provided parking. The city or county legislative body

levying the tax sets the rate of the tax. The proceeds from this parking tax must be used strictly for transportation purposes.

Substitute Bill Compared to Original Bill: The local option B&O tax and the local option motor fuel tax authorizations are removed. The local option vehicle registration fee is modified to require cities to obtain taxing authority through the county. Voter approval is required for each of the local option taxes authorized in this bill.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This legislation is needed to give cities the tools to replace lost street utility fee revenue.

Testimony Against: The commercial parking tax provisions are too broadly applied. The B&O tax and motor fuel tax provisions would cause "double taxation" of fuel distributors.

Testified: Scott Staples, city manager, city of Walla Walla (pro); Councilmember Carol Moser, city of Richland (pro); Councilmember Richard McIver, city of Seattle (pro); Greg Hanon, Western States Petroleum Association (con); Mark Brown, city of Vancouver (pro); Maryanne Tagney Jones, The Tresaith Company (pro); and Celia Fritz, VIP Airport Parking (con).