

# HOUSE BILL ANALYSIS

## HB 3168

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**Title:** An act relating to providing funding for transportation and ferry purposes.

**Brief Description:** Providing funding for transportation and ferry purposes.

**Sponsors:** Representatives Huff, H. Sommers, Mitchell, Fisher, Hankins, Haigh, Woods, Kenney, D. Schmidt, Murray, Alexander, Edmonds, Miloscia, Schindler, Schual-Berke, Anderson, Stensen, Dickerson, McIntire, Rockefeller, Linville, Kessler, Ogden, Cody, Barlean, Scott, Keiser, Cooper, Edwards, O'Brien, Lovick, Lantz, Morris, Benson, Sullivan, Talcott, Ballasiotes and Esser.

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### **Background:**

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state if the acquisition of the item or service has not been subject to sales tax. The combined state and local sales and use tax rate is between 7 and 8.6 percent, depending on location. These revenues are deposited in the General Fund.

I-601, enacted by the voters in 1993, establishes a state General Fund expenditure limit. I-601 requires that the expenditure limit be decreased if moneys are transferred from the state General Fund to another fund or account. Examples of transfers that would decrease the limit include direct transfers from the state General Fund to another state fund or account, and revenue transfers, where revenue that was previously deposited in the General Fund is deposited in another state fund or account.

Under I-601, the expenditure limit is increased annually by the fiscal growth factor, which is the average of sum of inflation and state population growth for the prior three fiscal years.

Legislation currently pending creates the multimodal transportation account, which may be used for transportation purposes.

A statutory debt limit prohibits the state from incurring aggregate debt that would result in debt service payments that exceed seven percent of the average of general state revenues for the previous three years.

**Summary:**

After July 1, 2000, 4.52 percent of automobile-related sales and use tax will be deposited in the Multimodal Transportation Account, and the remainder will continue to be deposited in the General Fund. During fiscal year 2001, this will result in the deposit of approximately \$40 million in the Multimodal Transportation Account.

Automobile related sales and use tax revenue is defined as sales and use tax revenue reported on returns by persons engaged in a variety of automobile-related businesses, including new and used car dealers, auto parts, auto repair services, and wholesalers of motor vehicles and motor vehicle supplies and parts.

For each of the four fiscal years beginning with fiscal year 2002 and ending with fiscal year 2005, the treasurer must transfer \$20 million from the state General Fund to the Multimodal Transportation Account for the regional transit authority.

Beginning in fiscal year 2001, the treasurer must transfer \$20 million each year to the Puget Sound Ferry Operations Account. This transfer is ongoing and will increase each year by the fiscal growth factor.

Initiative 601 is amended to provide that the transfer of automobile-related sales tax revenue and the money transfers to the Multimodal Transportation Account and the Puget Sound Ferry Account do not result in a reduction of the state expenditure limit.

The sales tax revenue transfer and the money transfers to the Multimodal Transportation Account and the Puget Sound Ferry Operations Account will not be deducted from general state revenues for purposes of calculating the debt limit

**Appropriation:** None.

**Effective Date:** July 1, 2000.

**Fiscal Note:** Not requested.

