

SENATE BILL REPORT

SSB 6856

As Reported By Senate Committee On:
Transportation, March 10, 2000

Title: An act relating to transportation funding.

Brief Description: Revising transportation funding.

Sponsors: Senate Committee on Transportation (originally sponsored by Senators Goings, Gardner, Haugen, Prentice and Jacobsen).

Brief History:

Committee Activity: Transportation: 2/24/2000, 3/4/2000, 3/5/2000 [DPS, DNP];
3/10/2000 [DP2S, DNP].

Passed Senate, 3/5/2000, 29-19.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Second Substitute Senate Bill No. 6856 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Haugen, Chair; Gardner, Vice Chair; Goings, Vice Chair; Costa, Eide, Heavey, Jacobsen, Patterson, Prentice, T. Sheldon and Shin.

Minority Report: Do not pass.

Signed by Senators Benton, Horn, Johnson, Morton and Sheahan.

Staff: Brad Lovaas (786-7307)

Background: The passage of Initiative 695 created a loss of revenue flowing into the transportation budget. This bill partially implements the Senate Transportation financial plan for dealing with the loss of revenue.

The transportation fund was created in 1990. Expenditures from the fund were to be used for transportation purposes. Traditionally, expenditures from this fund were for nonhighway purposes. Initiative 695 repealed the transportation fund.

The State Patrol highway account was created in 1981 as an account within the motor vehicle fund. The primary revenue stream that supports the State Patrol highway account is the vehicle license fee.

The bicycle and pedestrian account and the school zone safety account were created to exclusively address traffic safety.

The Interagency Revenue Task Force is involved in developing economic and revenue forecasts, and developing six-year programs and financial plans for all transportation activities under each agency's jurisdiction.

Under current law, public transit systems are authorized to impose a local sales and use tax of up to 0.6 percent. Voter approval is required to impose this tax.

Federal law permits public transit agencies to transfer tax attributes of an asset to a private investor through a sale and lease-back arrangement. This process involves a public agency acquiring large capital assets, selling or leasing those assets to a private investor who can write off those investments for tax purposes, and lease those assets back to the public agency. The public agency receives an up-front payment for the transaction.

A motor vehicle fuel tax of 23 cents per gallon applies to the sale, distribution, and use of motor vehicle fuel. Revenue from this tax is distributed to both the state and local governments.

Summary of Second Substitute Bill: Creation of Multimodal Fund. The multimodal fund is created. Revenue from rental car taxes is deposited in the multimodal fund. Expenditures from the multimodal fund may be used only for transportation purposes.

The Legislature intends that car rental tax revenues be placed in the multimodal fund.

The multimodal fund must receive 80 percent of its proportionate share of earnings based upon the fund's average daily balance.

Fees from applications for certificates of title are deposited in the multimodal fund.

Two dollars of each combined vehicle licensing fee are deposited in the multimodal fund.

Penalties for evading payment of motor vehicle and special fuel taxes are deposited in the multimodal fund.

State Patrol Highway Account. Beginning January 1, 2000, the increase between \$20.35 and \$30 in license fees and renewal license fees is deposited in the motor vehicle fund.

The State Patrol highway account is abolished at the end of the 1999-2001 biennium and all funds are transferred to the motor vehicle fund.

Starting July 1, 2001, all references to the State Patrol highway account are changed to the motor vehicle fund.

Traffic Safety Improvement Account. The bicycle and pedestrian safety account and the school zone safety account are combined into a single traffic safety improvement account (TSIA) to provide funding through the Washington Traffic Safety Commission for programs that improve traffic safety. Revenues in the new traffic safety improvement account includes:

- 50 percent of fine revenues for speeding in school/playground zones and construction zones;
- \$10 additional penalty for traffic violations; and
- \$50 additional penalty for traffic crimes.

Transportation Revenue Forecast Council. The title and composition of the Interagency Revenue Task Force is changed, but the role or function of the task force remains the same. The Interagency Revenue Task Force is renamed the Transportation Revenue Forecast Council. The Senate and House Transportation committees are designated as members of the council and the council is no longer required to consult with the Legislative Transportation Committee.

Local Transit Sales Tax. The 0.6 percent cap on locally-imposed sales tax for public transit systems is raised to 0.9 percent. Any proposed increase in the transit sales tax must be authorized by a majority of the voters.

Regional Transit Authority Sale and Lease-back. Regional transit authorities are authorized to enter into sale and lease-back, lease-out and lease-back, and similar transactions with respect to equipment, facilities, and other real and personal property.

A payment undertaking agreement is defined as agreements or arrangements to which funds generated by a sale and lease-back or similar transaction are paid over to a financial institution which agrees to meet all or part of the obligations of a regional transit authority to make future rent, debt service or purchase installment payments in connection with the transaction.

These transactions must provide that: (1) the financial institution must have a credit rating in the top two grades; and (2) the set aside of funds for the regional transit authority, together with interest or earnings must pay for rent or debt service for the full term of the transaction plus purchase options. Parties to the agreements must agree that Washington State courts have jurisdiction.

Regional transit authorities may create a public corporation which may undertake activities of an authority, and an authority has powers and rights granted to any city, town or county under the public corporation statutes necessary to implement sale and lease-back transactions.

A sale, lease or transfer of property to or by the regional transit authority under a sale and lease-back or similar transaction is exempt from real estate excise, leasehold excise, sales, use, business and occupation, and ad valorem real and personal property taxes. These exemptions, however, do not apply to taxes, payable upon first acquisition or use by an authority.

A regional transit authority must report to the State Finance Committee and the Legislature details on sale and lease-back type transactions. No transactions may be initiated after June 30, 2007, but transactions in existence at that time are not affected; however, a transaction may be refinanced or replaced after that date.

Authority provided under this act is in addition to preexisting authority and does not limit other powers. Legislative intent is that additional funds and other benefits can be made available to regional transit authorities though facilitating entry into sale and lease-back, and that while authorities have necessary statutory authority, a clear statement of that authority and tax exemptions is helpful.

Financial benefits achieved are dedicated for the extension of the Sound Transit Link light-rail system from the current proposed terminus near the University of Washington to a terminus in the vicinity of Northgate.

Regional Transit Authority Insurance Coverage on Projects. Regional transit authorities are granted the authority to obtain insurance consistent with the risks, hazards, and liabilities of their projects. Also, regional transit authorities are authorized to purchase insurance to benefit their board members, authority officers, and employees to insure against liability for acts they perform in good faith as part of their official duties. Insurance for construction of projects whose cost exceeds \$100 million may be acquired by bid or negotiation through December 31, 2006.

Regional transit authorities are exempt from provisions of law restricting public agencies from (1) requiring a bidder to apply for insurance or surety bonds from a particular insurer; or (2) negotiating or obtaining insurance or surety bonds which can be obtained by the bidder.

Savings achieved are dedicated for the extension of the Sound Transit Link light-rail system from the current proposed terminus near the University of Washington to a terminus in the vicinity of Northgate.

State and Local Motor Vehicle Fuel Tax. The motor vehicle fuel tax is designated as a state and local motor vehicle fuel tax.

The Department of Agriculture must place a sticker on all retail motor vehicle fuel pumps which indicate where the state portion of the fuel tax is being appropriated.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Testimony For: This bill provides the first step to enable counties to replace lost revenues due to the passage of I-695. The bill provides the first step to keep highway construction going.

Testimony Against: The elimination of the State Patrol highway account creates concern regarding the safety of the public. Do not sacrifice the future; public safety is paramount. The State Patrol have been good stewards of this dedicated account.

Testified: Gary Nelson, Snohomish County Council/Community Transit (pro); Dan Snow, Washington State Transit Association (pro); Ian MacGowan, Pierce Transit (pro); Jeff Larsen, Deaf Blind Service Coalition/Lighthouse for the Blind/United Cerebral Palsy of King and Snohomish Counties (pro); Rick Wickman, Association of Washington Business (pro); Bill Laborde, Transportation Choices Coalition (pro); Sophia Byrd, Washington State Association of Counties (pro); Michael Shaw, Association of Washington Cities (pro); Ron Shultz, National Audubon Society (pro); Lonnie Johns-Brown, Washington Coalition of

Sexual Assault Programs (pro); Steve Lind, Traffic Safety Commission (pro); Captain Eric Robertson, Washington State Patrol (con); Randy Scott, Sound Transit (pro).