

FINAL BILL REPORT

2E2SSB 6856

PARTIAL VETO

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Synopsis as Enacted

Brief Description: Revising transportation funding.

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

Senate Committee on Transportation

House Committee on Transportation

Background: The passage of Initiative 695 created a loss of revenue flowing into the transportation budget.

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 Initiative 695 repealed the transportation fund.

Initiative 695 also repealed the statutory distribution formula for the sales and use tax imposed on car rentals. Prior to passage of I-695, these revenues had been distributed in the same manner as the MVET. However, as of January 1, 2000, the car rental tax has been held in the state treasury, pending legislative and gubernatorial determination on where the revenues should be deposited.

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.

Summary: Creation of Multimodal Transportation Account. The multimodal transportation account is created. Funds from the multimodal transportation account may be used only for transportation purposes, including rail, ferries, high capacity transit, highway construction, and other multimodal purposes.

Car Rental Tax. The sales and use tax on rental cars is deposited into the multimodal transportation account, effective retroactive to January 1, 2000. Eighty percent of interest

earnings are retained in the account, which is the same retention rate as transportation-related funds and accounts.

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

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

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.

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.

Votes on Final Passage:

Senate 29 19

First Special Session

Senate 27 18

House 84 14 (House amended)

Second Special Session

Senate 31 15

House 87 10

House 87 11 (House reconsidered)

Effective: May 2, 2000 (Sections 1-3, 20)

July 1, 2000 (Sections 4, 7-10)

July 28, 2000

September 1, 2000 (Section 5)

March 1, 2002 (Section 6)

Partial Veto Summary: Section 8(2) was vetoed by the Governor. This section would have redirected the portion of combined vehicle licensing fee revenues that are currently distributed to the State Patrol Highway Account to the Motor Vehicle Fund. This would have caused a deficit in the State Patrol Highway Account. Therefore, the Governor vetoed the section to avoid fund balance problems in the State Patrol Highway Account.

Section 15 would have codified the membership of the Revenue Forecast Council to include only transportation agencies. It further required the Revenue Forecast Council to be

responsible for adopting a comprehensive six-year program and financial plan for state agency transportation activities. The section was vetoed because the Governor does not support the exclusion of non-transportation agencies from the council and he believes that development and adoption of six-year transportation expenditure and revenue plans should remain with the agencies.