

HOUSE BILL REPORT

ESHB 2969

As Passed Legislature

Title: An act relating to transportation improvement and financing.

Brief Description: Addressing transportation improvement and financing.

Sponsors: By House Committee on Transportation (originally sponsored by Representative Fisher).

Brief History:

Committee Activity:

Transportation: 2/21/02, 2/27/02 [DPS].

Floor Activity:

Passed House: 3/1/02, 54-44.

Senate Amended.

Passed Senate: 3/14/02, 34-15.

House Refused to Concur.

Senate Receded.

Senate Amended.

Passed Senate: 3/14/02, 30-17.

House Concurred.

Passed House: 3/14/02, 75-23.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Establishes a transportation accountability board appointed by the Legislative Transportation Accountability Committee to monitor the efficient use of additional revenue proposed under the bill.
- Proposes the following taxes:
 - 9-cent-per-gallon increase in fuel tax phased in over two years;
 - 1 percent sales tax on retail sale of motor vehicles; and
 - 30 percent increase in gross weight fee portion of combined licensing fee phased in over two years.
- Authorizes \$4.5 billion in bonds supported by the fuel tax.
- Authorizes \$100 million in general obligation bonds which may be used for multimodal projects.

- Sales and use tax collected on construction projects funded through the Department of Transportation's (DOT) improvement program are transferred from the general fund for the multimodal transportation fund beginning with fiscal year 2006.
- Revises distribution of motor vehicle fuel tax refunds to the off-road vehicle account, the snowmobile account, and the recreation resource account.
- Sets a public referendum on the proposed transportation tax increases at the next general election.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Fisher, Chair; Cooper, Vice Chair; Lovick, Vice Chair; Edwards, Haigh, Hatfield, Jackley, Murray, Ogden, Reardon, Rockefeller, Romero, Simpson, Sullivan and Wood.

Minority Report: Do not pass. Signed by 11 members: Representatives Mitchell, Ranking Minority Member; Anderson, Armstrong, Ericksen, Hankins, Holmquist, Jarrett, Mielke, Morell, Schindler and Woods.

Staff: Paul Neal (786-7315).

Background:

Transportation funding in Washington is supported by a variety of taxes and fees. The majority of statewide transportation revenue comes from a 23-cent-per-gallon tax on motor vehicle and special fuel, vehicle licensing fees, and gross weight fees. Transportation funding can be divided into two general categories.

- Motor Vehicle Fund: The 18th Amendment to the Washington State Constitution requires that fuel tax and vehicle licensing fees be deposited in the Motor Vehicle Fund (MVF). Monies in that fund may only be spent for highway purposes. "Highway purposes" include highways and ferries but exclude transit and rail.
- Multimodal Fund: Other transportation funding is not restricted by the 18th Amendment and may be spent for any transportation purposes, including transit and rail.

The Legislature and the Governor formed the Blue Ribbon Commission on Transportation (BRCT) in 1998 to assess the local, regional, and state transportation system; ensure that current and future money is spent wisely; make the system more accountable and

predictable; and prepare a 20-year plan for funding and investing in the transportation system.

Among the recommendations of the BRCT were:

- Recommendation 2: "Establish a single point of accountability at the state level, strengthening the role of the state in ensuring accountability of the statewide transportation system;" and
- Recommendation 17: "Develop a package of new revenues to fund a comprehensive multimodal set of investments, which, taken together with the recommended efficiency measures and reforms, will ensure a 20-year program of preserving, optimizing and expanding the state's transportation system."

The state annually refunds a portion of motor vehicle fuel tax revenue to the general fund to the Off-Road Vehicle (ORV) and Nonhighway Vehicle Account and the ORV and Nonhighway Vehicle Activities Program Account. The amount of the refund is 1 percent of the revenue collected from the 18-cents-per-gallon fuel tax in effect on January 1, 2000.

Summary of Bill:

The Legislative Transportation Committee is re-designated the Legislative Transportation Accountability Committee (LTAC). The Transportation Accountability Board is established. The LTAC and TAB will monitor the efficient expenditure of additional revenues raised by the taxes authorized in the bill.

The Governor is directed to nominate five to nine members to the TAB with specific expertise in major civil engineering and construction works and facilities. The LTAC appoints the members based upon the Governor's nomination.

The TAB and LTAC will be responsible for monitoring the DOT's performance in delivering projects funded by the revenue authorized by this bill. The DOT is required to submit quarterly progress reports to the TAB and LTAC after first allowing for review by the Transportation Commission. The board either accepts or rejects the report. Upon acceptance, the reports are forwarded to the transportation committees of the LTAC and to the Office of Financial Management.

The following transportation-related taxes are proposed, subject to referendum:

- Gas tax: 9-cent-per-gallon increase in the statewide motor vehicle and special fuel tax. The increase is phased in two annual increases: 5 cents on January 1, 2003, and 4 cents on January 1, 2004.

- Vehicle sales tax: 1 percent increase in the sales tax on new and used vehicles. Revenue from the increase is distributed to the Multimodal Fund.
- Weight fees: 30 percent increase in gross weight fees for trucks over 10,000 pounds. The increase is phased in with two annual increases of 15 percent each on January 1, 2003, and January 1, 2004.
- Bond authorization: \$4.5 billion in bonds supported by gas tax revenues; \$100 million in general obligation bonds which may be used for multimodal projects.

In addition, sales and use tax paid on projects funded through DOT's improvement program are transferred from the general fund to the multimodal transportation fund beginning in fiscal year 2006.

The refund to the ORV and Nonhighway Vehicle Account and the ORV and Nonhighway Vehicle Activities Program Account is increased such that it is 1 percent of the revenues from the 23-cent-per-gallon fuel tax in effect on July 1, 2001. Distribution of the increased amount is deferred until a new formula is adopted.

The bill includes a referendum section providing for a public vote on the bill at the next general election. The referendum clause takes effect immediately.

Appropriation: None.

Fiscal Note: Requested.

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

Testimony For: The bill provides much needed investment in the transportation infrastructure of Washington. We can no longer afford not to invest in improving the state's highways to facilitate freight and passenger mobility. The bill is an important first step in providing the needed level of transportation investment.

Testimony Against: Not enough revenue is provided for transit services. Many people depend on transit as their sole means of transportation. Most transit systems have not recovered from the revenue they lost with the passage of Initiative 695. This bill does not do enough to replace that revenue. Concern was expressed about the additional sales tax on the retail sale of motor vehicles. Concern was also expressed about the language directing the Attorney General to monitor gas prices in response to the proposed fuel tax increase.

Testified: (In support) Doug MacDonald, Department of Transportation; Steve Gorcester, Transportation Improvement Board; Pat Jones, Washington Public Ports

Association; Terry Finn, Port of Seattle; Rick Wickman, Ports of Longview, Woodland, Vancouver, and Kalama; Jackie White, Washington State Association of Counties; Ashley Probart, Association of Washington Cities; Larry Pursley, Washington Trucking Association; Stephanie Bowman, Greater Seattle Chamber of Commerce; and Louis Mitchell, Bremerton Area Chamber of Commerce.

(In support with concerns) Amber Balch, Association of Washington Business; Charlie Brown, Washington State Potato Commission/Washington Oil Marketers Association; and Greg Hanon, Western States Petroleum Association.

(With concerns) Sharon Case, Community Residential Services Association; Mike Harbour and Peter Thein, Washington State Transit Association; Mary Jo Wilcox, Association of Retarded Citizens of Washington; and Susan Crowley, city of Seattle.

(Opposed) Peter Hurley, Transportation Choices Coalition; Steve Stewart, 1000 Friends of Washington; Marc Auerbach, Amalgamated Transit Union Legislative Council; Jim Boldt, Washington Auto Dealers; Paul W. Locke; and Craig Engelking, Sierra Club.