

HOUSE BILL REPORT

ESHB 2969

As Amended by the Senate

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.

Brief Summary of Engrossed Substitute Bill

- Establishes a transportation accountability board to monitor the efficient use of additional revenue proposed under the bill.
- Proposes the following taxes:
 - 8-cent-per-gallon increase in fuel tax phased in over two years;
 - 1 percent sales tax on retail sale of motor vehicles; and
 - 20 percent increase in gross weight fee portion of combined licensing fee.
- Authorizes \$3.5 billion in bonds supported by the fuel tax.
- Authorizes \$250 million in general obligation bonds which may be used for multimodal projects.
- Revises distribution of motor vehicle fuel tax refunds to the off-road vehicle account, the snowmobile account, and the recreation resource account.

- Sets a special election for June 20, 2002, for a public referendum on the proposed transportation tax increases.

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 Transportation Accountability Board (TAB) is established. The board's primary focus is on ensuring the efficient expenditure of additional revenues raised by the taxes authorized in the bill.

The Governor is directed to appoint five to nine members to the TAB with specific expertise in major civil engineering and construction works and facilities. Staff support for the board is provided by the Joint Legislative Audit and Review Committee.

The TAB will be responsible for monitoring the Department of Transportation's (DOT) performance in delivering projects funded by the revenue authorized by this bill. The DOT is required to submit quarterly progress reports to the TAB 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 Legislature and to the Office of Financial Management.

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

- Gas tax: 8-cent-per-gallon increase in the statewide motor vehicle and special fuel tax. The increase is phased in two annual increases of 4 cents each on October 1, 2002, and October 1, 2003. 7 cents per gallon is distributed to the state MVF. Of the remaining 1 cent, 1/3 cent per gallon each is distributed to the Transportation Improvement Account, cities and counties.
- 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: 20 percent increase in gross weight fees for trucks over 10,000 pounds. The increase is phased in with two annual increases of 10 percent each on October 1,

2002, and October 1, 2003. Revenue from the increase is distributed to the Freight Mobility Strategic Investment Account (FMSIA), which is created in the bill. Money in the FMSIA must be spent for improving the freight transportation highway system.

- Bond authorization: \$3.5 billion in bonds supported by gas tax revenues; \$250 million in general obligation bonds which may be used for multimodal projects.

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.

The bill includes a referendum section that sets a special election for June 20, 2002, for a public vote on the bill. The referendum will be the only item on the ballot at that election. The bill includes an emergency clause applicable to the referendum section. The change in the ORV distribution is exempted from the referendum clause. It is null and void if the underlying bill is not ratified by the voters.

EFFECT OF SENATE AMENDMENT(S):

The tax provisions were amended as follows:

- The motor vehicle fuel tax increase was changed from eight cents phased in over two years to nine cents phased in over two years;
- The gross weight fee increase for vehicles over 10,000 pounds gross weight was changed from 20% phased in over two years to 30% phased in over two years;
- Sales and use tax collected on construction projects funded through DOT's improvement program are transferred from the general fund to the multimodal transportation fund beginning with fiscal year 2006;
- The referendum election was changed from June to November; effective date of the initial tax increases was changed from October 1, 2002, to January 1, 2003;
- The bond authorizations were changed as follows: motor vehicle fuel tax bond was increased to \$4.5 billion, multimodal bond was decreased to \$100 million; and
- Disbursement of the increased distribution to the off-road vehicle account was delayed pending amendment of the distribution formula.

Appropriation: None.

Fiscal Note: Requested on March 1, 2002.

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.