

Transportation Committee

HB 1666

Brief Description: *Modifying transportation financing.*

Sponsors: *Representatives Fisher, Mitchell and Poulsen; by request of The Blue Ribbon Commission on Transportation.*

Brief Summary of Bill

- *Implements Blue Ribbon Commission recommendation regarding new transportation revenue.*
- *Authorizes taxes and fees to fund transportation improvements for the state, cities, and counties.*
- *Provides funding for all modes (highways, transit, ferries, local streets, etc.)*

Hearing Date: *2/22/01*

Staff: *Jeff Doyle (786-7322).*

Background:

In December 2000 the Blue Ribbon Commission on Transportation (BRCT) issued its findings and recommendations on ways to improve the transportation system in Washington. In addition to several recommendations related to reforms and efficiencies, the BRCT recommended enhanced funding for transportation. Recommendation 17 requested the Legislature to develop a new package of revenues to fund a comprehensive multimodal set of investments, which, taken together with the efficiency measures and reforms, will ensure a 20-year program of preserving, optimizing, and expanding the state's transportation system.–

To implement this recommendation, the BRCT proposed several specific tax and fee increases. Critical factors in determining which taxes and fees to impose were: 1) the need for both highway (restricted) and non-highway (flexible) funding, to ensure

improvements to all transportation modes; and 2) a desire for the taxes and fees to be strongly linked to a transportation activity, to create a user-fee based- tax structure for transportation.

Summary of Bill:

Several taxes and fees are authorized, falling into three broad categories: revenues restricted to road purposes by the 18th amendment of the state constitution; flexible revenues that can be used for any transportation purpose; and regional/local option flexible revenues.

State revenue sources restricted by 18th Amendment:

The \$30 annual license fee is extended to trailers.

All vehicles must pay a weight fee based upon the unladen (scale) weight. For vehicles under 4,000 pounds (which includes most autos and sport utility vehicles), the weight fee is \$11.25. The revenue derived from the weight fee must be deposited in the motor vehicle fund (MVF). The weight fee does not apply to trailers.

Beginning November 1, 2002 a 25 percent surcharge is assessed on the gross weight portion of the combined license fee for all trucks. The proceeds from the surcharge must be used strictly for freight mobility projects.

By July 1, 2007 ferry fares must provide funding for 80 percent of the total cost of ferry maintenance and operations. By 2021 ferry fares must provide funding for 90 percent of the ferry maintenance and operations costs. Ferry fare increases must be phased in over time.

The motor vehicle fuel tax is increased by 6 cents per gallon, for a total state fuel tax of 29 cents.

State flexible revenue sources:

A sales tax on motor fuel is created. The sales tax is applied and collected at the wholesale (terminal rack) level. The tax rate is equivalent to the statewide sales tax rate, currently 6.5 percent. The tax is based on the wholesale commodity price or 80 cents per gallon, whichever is less.

The state portion of sales and use taxes collected on transportation-related goods must be deposited into the multimodal transportation account. These revenues would no longer be deposited into the state general fund.

Sales and use tax derived from transportation construction-related activities must be deposited into the multimodal transportation account. These revenues would no longer be deposited into the state general fund.

A traffic mitigation fee of \$20 is imposed on passenger vehicles and non-commercial

trucks. The fee is paid annually to the Department of Licensing at the time of vehicle registration or renewal.

An additional business and occupation tax is imposed on the sale of motor vehicles and motor vehicle accessories. The rate of tax is 2 percent of the gross sales receipts on these items.

Regional or Local Option flexible revenue sources:

Property tax revenues that result from a transportation infrastructure improvement to nearby property are reallocated back to the governmental entity that funded the improvement. This is commonly referred to as tax-increment financing. Local governments are authorized to pay for bonds for transportation improvements from the incremental increase in property tax revenues that are attributable to the transportation improvements. The state portion of property taxes dedicated for public schools is held harmless.

The local option vehicle license fee that counties may impose is increased from a maximum of \$15 to a maximum of \$50. The special referendum procedures for this tax are eliminated.

A local option sales and use tax is authorized for counties that are members of the Puget Sound Regional Council. The tax rate is up to two-tenths of 1 percent. The tax must be approved by voters in the region.

The legislative authority of a county, city, or town may impose a vehicle miles traveled (VMT) charge for the miles traveled by a person in a congested region. Congested region is defined as Snohomish, King, and Pierce counties. The VMT charge cannot exceed 2 cents per mile driven. Only the miles traveled in a congested region are subject to the VMT charge.

Appropriation: *None.*

Fiscal Note: *Preliminary Fiscal Note available.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*