

Transportation Committee

HB 2660

Brief Description: Addressing transportation revenue.

Sponsors: Representatives Clibborn, Ryu, Moeller, Finn, Billig, Eddy, Fitzgibbon and Moscoso; by request of Governor Gregoire.

Brief Summary of Bill

- Increases the passenger vehicle weight fee by \$15 and the license fee for large trucks by 15 percent.
- Imposes a \$1.50 fee on each barrel of petroleum products used for transportation purposes, dedicates the proceeds to 18th Amendment purposes, and places the proceeds in the Motor Vehicle Account.
- Creates the State Transportation and Maintenance Account in the Motor Vehicle Fund and restricts the use of funds in the account to operations and maintenance of roads, highways, and ferries.
- Creates the Transit Service Mitigation Account to provide grants to preserve transit service.
- Allows transportation benefit districts to impose an annual \$40 vehicle fee with a two-thirds vote of the governing body.
- Allows counties to impose an annual motor vehicle excise tax of up to 1 percent of the value of the vehicle.
- Imposes a studded tire fee of \$5 per tire.
- Imposes an annual electric vehicle fee of \$100.

Hearing Date: 1/24/12

Staff: David Munnecke (786-7315).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Connecting Washington

In July 2011 Governor Gregoire convened the Connecting Washington Task Force (Task Force), which consisted of 31 members representing business, local government, labor, and environmental interests, with the purpose of creating a 10-year strategy to maintain and improve the state's transportation system. As part of its final report, the Task Force made the following findings:

- The transportation system is the backbone of Washington's economy, providing the vital connections that link our homes to our work places and carry our products to market.
- Our state's population is projected to grow by more than 28 percent during the next decade, placing greater demands upon our transportation system.
- At the same time the demands on our transportation system are growing, we are losing the purchasing power we need to maintain and improve the system.
- Past actions by the Legislature have provided funding to finance critical construction projects, but there is not enough ongoing funding for maintenance and operations, or for future improvements.
- Without additional funding, the quality of our transportation system will decline.

As part of its final report, the Task Force also made the following recommendations:

- The Legislature adopt a 10-year strategy to make transportation investments that will strengthen our economy and protect and create jobs. The investments should be guided by the following principles: (1) preserve existing transportation systems and services; (2) improve mobility for people and commerce; (3) enhance the safety and efficiency of the transportation system; and (4) provide community and environmental improvements that help attract, keep, and expand private businesses and a highly skilled work force.
- The Governor and Legislature select specific investments to meet the following performance objectives: (1) *System Preservation* – Investments to repair and maintain our statewide system of roads, streets and bridges, and to operate and maintain ferries and transit services; (2) *Strategic Mobility Improvements* – Investments in projects and services that will relieve congestion in specific corridors, improving the movement of people and goods; (3) *System Efficiency* – Investments that improve connections among modes (e.g., rail-truck, ferry-transit, car-transit), enhance speed and reliability, and improve the cost effectiveness of our existing transportation system; and (4) *Safety* – Investments that reduce fatalities and serious injuries across all modes.
- An investment of \$21 billion in state funding during the next 10 years to preserve the transportation system and make strategic investments in the corridors that hold the key to job creation and economic growth.
- The Legislature consider the potential funding options identified in the final report to pay for the needed investments. The options fall into two categories: fee increases that could be enacted by the Legislature by a simple majority vote; and increases in taxes that require either a two-thirds vote of the Legislature or a majority vote of the people.
- The Legislature expand the funding options that can be enacted at the local level to support the transportation system.
- The state begin planning now for a transition to more sustainable funding sources for transportation. This could include mechanisms such as a direct user fee that is based on miles traveled, wear-and-tear on the roadways, or other direct impact upon the transportation system, allowing the system to be managed and funded as a statewide transportation utility, with rates based upon use.

- That state and local transportation agencies ensure accountability for their performance in meeting these objectives by: (1) improving coordination; (2) developing performance management systems that improve the functioning of the transportation system, streamline decision-making, and reduce costs; (3) tying resource allocations and grant programs to quality standards; and (4) developing clear and concise metrics to measure progress and provide the Legislature and the public with the means to monitor the performance of the transportation system as a whole.
- The Legislature to act now on these recommendations.

Licensing and Fees

Generally, all motor vehicles used on public highways are required to be registered with the Department of Licensing annually. The annual cost for a passenger vehicle includes a \$30 license tab fee; a weight fee of \$10, \$20, or \$30 based on the weight of the vehicle; and various other fees totaling \$3.75. For commercial vehicles, the combined license fee ranges from \$60 for a 10,000 pound vehicle to \$3,400 for a 105,500 pound vehicle.

Vehicles that are powered by natural gas or propane pay an annual license fee in lieu of fuel tax. The annual license fee is calculated using a formula that includes, among other factors, a fee based on weight and the current rate of fuel tax. The current annual license fee is \$145.63.

18th Amendment

The 18th Amendment to the Washington Constitution requires that the state's motor vehicle fuel taxes, which are currently 37.5 cents per gallon, vehicle licensing fees, and all other state revenue intended to be used for highway purposes be deposited into the Motor Vehicle Fund. Monies in that fund may only be spent for highway purposes, which are defined to include expenditures on construction, preservation, maintenance, operation, and administration of highways and ferries. Other transportation funding is not restricted by the 18th Amendment. Often referred to as "multimodal" or "flexible" funding, these monies may be spent for any transportation purposes.

Transportation Benefit Districts

A transportation benefit district (TBD or district) is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district. When establishing the district's area, the county or city proposing to create the TBD may only include other jurisdictions through interlocal agreements. The TBD may include areas within more than one county, city, port district, county transportation authority, or public transportation benefit area. A TBD may be comprised of less than the entire area within each participating jurisdiction. A TBD is governed by the legislative authority of the jurisdiction proposing to create it, or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. If a TBD includes more than one jurisdiction, the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions. Port districts and transit districts may participate in the establishment of a TBD but may not initiate district formation.

A TBD has independent taxing authority to implement the following revenue measures, all of which are subject to voter approval:

- a local sales and use tax of up to 0.2 percent;

- a local annual vehicle fee of up to \$100 on vehicle license renewals, \$20 of which may be imposed without voter approval;
- excess property taxes, for a period of up to one year; and
- tolls, subject to legislative authorization and approval by the Washington State Transportation Commission if imposed on state routes.

A TBD may impose the following revenue measures without voter approval through a majority vote of the governing body:

- transportation impact fees on commercial and industrial development; and
- except for passenger-only ferry improvements, up to \$20 in local annual vehicle fees.

Studded Tires

Studded tires are vehicle tires with small metal protrusions (studs) inserted to improve tire-road friction in snow or ice conditions. In addition to winter weather friction improvement, studded tires also increase pavement wear. In 1998 the Legislature and the Governor formed the Blue Ribbon Commission on Transportation (Commission) to assess the state's transportation system and make recommendations. The Commission concluded that one method for preserving the transportation system was to phase out studded tires or establish a surcharge to recognize the cost of studded tire damage to roadways. In a 2008 study, the Washington State Department of Transportation estimated that damage to concrete pavements due to studded tires was \$18.2 million.

Summary of Bill:

The intent section states that the barrel fee constitutes a dedicated source of funds for operating and maintaining the state's highway and ferry system. The intent section also states that the barrel fee constitutes revenue intended to be used for highway purposes under the 18th Amendment and is specifically placed in the Motor Vehicle Fund for highway purposes.

Vehicle Fees

The combined license fee for large trucks is increased 15 percent. Thirty million dollars of the proceeds of the combined license fee is dedicated to pavement preservation.

The motor vehicle weight fee is increased by \$15 for each vehicle weight classification, and the number of classifications is increased. The proceeds of the increased motor vehicle weight fee are distributed to the State Patrol Highway Account, the Transit Service Mitigation Account, the County Arterial Preservation Account, the Transportation Improvement Account, and the Small City Pavement and Sidewalk Account. The remaining portion of the increase is required to be deposited in the multimodal fund, and the purposes for which the motor vehicle weight fee may be used are expanded to include passenger rail service.

Barrel Fee

A barrel fee of \$1.50 is imposed on every person who refines petroleum products used for transportation purposes in this state. The barrel fee is imposed to mitigate the impact of the transportation of oil on state roads and highways and the use of petroleum product for transportation purposes on public roads or on Puget Sound. "Used for transportation purposes" is defined as a source to propel motor vehicles on public roads, to propel watercraft on waters of

the state, to propel aircraft, a source for the delivery of petroleum product, and an ingredient or component of substances used to operate, build, repair, improve or maintain public roads.

The proceeds of the barrel fee may only be used for maintaining and operating the state transportation system, which includes \$25 million annually for stormwater retrofit projects. The barrel fee may not be used for the general support of state government and constitutes revenue intended to be used for highway purposes under the 18th Amendment to the Washington Constitution.

Accounts

The State Transportation Operations and Maintenance Account is created. Expenditures from the account may only be spent for 18th Amendment purposes and may only be used for the operations and maintenance of state roads and highways and state ferries.

The Transit Service Mitigation Account is created. The Washington State Department of Transportation must establish a transit service mitigation grant program to provide grants to public transit agencies to preserve transit service, and the expenditures from the Transit Service Mitigation Account may only be used for these grants. The grants must be based on factors that ensure mobility and connectivity, including the number of passengers served, miles driven, and hours operated.

Local Revenue Options

Transportation benefit districts are authorized to impose up to a \$40 vehicle license fee upon a two-thirds majority vote of the governing board of the district.

Counties are authorized to impose a motor vehicle excise tax of up to 1 percent of the value of the vehicle. Counties imposing this tax must negotiate an interlocal agreement with cities and the transit agency within the county to distribute a portion of the revenue to the cities and transit agencies. The interlocal agreement must distribute a maximum of \$20 per vehicle in each city to the cities within the county for local road operation and maintenance needs.

Studded Tire Fee

A studded tire fee of \$5 is imposed on the sale of each new tire that contains studs or is pinned for studs. The fees collected must be deposited in the State Transportation Operations and Maintenance Account.

Electric Vehicle Fee

A motor vehicle that is powered solely by electricity and is capable of traveling at speeds of more than 35 miles per hour must pay a \$100 fee annually when the vehicle registration is renewed in order to mitigate the impact of electric vehicles on state roads and highways. This fee is effective on vehicle registration renewals that are due on or after March 1, 2013, and would expire on the effective date of legislation establishing a vehicle miles travelled fee or tax.

Proceeds from this fee are to be deposited into the Motor Vehicle Fund and used for highway purposes. One and one-half million dollars of the fee must be used for a pilot project to test the administrative and technical feasibility of a mileage-based user fee system for electric vehicles to conclude by July 2015. After collections reach \$1 million, revenues within the Motor Vehicle Fund must be distributed as follows: 70 percent to the Motor Vehicle Account, 15 percent to the Transportation Improvement Account, and 15 percent to the Rural Arterial Preservation Account.

Appropriation: None.

Fiscal Note: Requested on January 23, 2012.

Effective Date: The bill takes effect on October 1, 2012.