

HOUSE BILL REPORT

ESHB 2231

As Amended by the Senate

Title: An act relating to transportation and financing.

Brief Description: Authorizing transportation financing alternatives.

Sponsors: By House Committee on Transportation (originally sponsored by Representatives Murray, Wallace, Cooper, Clibborn, Rockefeller, Simpson, Hudgins and Hankins).

Brief History:

Committee Activity:

Transportation: 3/26/03, 3/28/03 [DPS].

Floor Activity:

Passed House: 4/8/03, 51-46.

Senate Amended.

Passed Senate: 4/17/03, 29-20.

Brief Summary of Engrossed Substitute Bill

- Incremental increase to the motor vehicle and special fuel by 1 cent per year over four years.
- Increases the gross weight fees 15 percent for trucks over 10,000 pounds.
- Implements a vehicle transfer tax of .46 percent.
- Implements a clean air fee of \$2 on vehicle registration renewals.
- Increases the calculation amount for off road distributions from 18 cents to 20 cents.
- Implements fees for license plate designs and criteria for special license plates along with the option of retaining a license plate number for \$20.
- Implements a tire recycling fee of 75 cents per tire.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Murray, Chair; Rockefeller, Vice Chair; Simpson, Vice Chair; Jarrett, Assistant Ranking Minority Member; Clibborn, Cooper,

Dickerson, Flannigan, Hankins, Hatfield, Hudgins, Lovick, Morris, Romero, Sullivan, Wallace, Wood and Woods.

Minority Report: Do not pass. Signed by 8 members: Representatives Ericksen, Ranking Minority Member; Anderson, Armstrong, Bailey, Campbell, Kristiansen, Nixon and Shabro.

Staff: Jerry Long (786-7306).

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.

The 18th Amendment to the Washington State Constitution requires that the motor fuel tax, which is currently 23 cents, and vehicle licensing fees be deposited into the Motor Vehicle Fund. Monies in that fund may only be spent for highway purposes. "Highway purposes" includes highways, ferries, and park-and-ride lots, but excludes transit and rail.

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 which would include transit and rail.

Prior to 2000 each owner of a motor vehicle paid a \$2 per vehicle clean air excise tax at the time of initial vehicle registration or renewal. Funds from this fee were used to implement provisions of the Clean Air Act.

Summary of Engrossed Substitute Bill:

Beginning July 1, 2003, and for the next three years there after, the statewide motor vehicle fuel tax and special fuel tax is increased 1 cent per gallon each July 1. Revenues generated from this increase must be deposited into the Motor Vehicle Account to be used for highway purposes.

Beginning July 1, 2003, the gross weight fee is increased 15 percent for trucks over 10,000 pounds. Revenues generated by the increase must be deposited in the Motor Vehicle Account to be used for transportation projects that directly benefit the movement of freight.

Beginning July 1, 2003, a vehicle transfer tax of .46 percent is imposed upon the sales price or value of a vehicle when an ownership change occurs. The proceeds are deposited into the Multimodal Transportation Account and must be used for transportation purposes.

Beginning January 1, 2004, the Department of Licensing (DOL) must offer motorists the

option of retaining their current license plate number. The retention fee is \$20 to be deposited in the Multimodal Transportation Account. An additional 25 cents is added to the current \$3.50 filing fee paid by all vehicle owners at the time of registration. Proceeds from this fee are to be deposited into the newly created license plate technology account. Expenditures from this account must support current and future license plate technologies. DOL must offer license plate design services to organizations sponsoring new plates. DOL must charge \$1,500 for this service, which would include one original license design and up to five renditions and DOL must charge \$500 per additional rendition. Revenue generated by the design service must be deposited into the Multimodal Transportation Account.

Beginning July 1, 2003, a clean air fee of \$2 is imposed on motor vehicles at the time of registration renewal. Funds from this fee must be deposited in the Air Pollution Control Account. Eight percent of the money must be distributed in direct proportion with the amount of the fees except for counties in which no air pollution control authority exists and those funds are distributed to Department of Ecology. Twenty percent of the fees will be distributed to Department of Ecology for retrofitting vehicles with exhaust emission control devices, reducing air pollution, funding for differential costs of cleaner fuels and the administrative and operating costs of the air pollution control authorities and where there is no air pollution control agency, Department of Ecology to develop and oversee the air pollution cleanup programs. The \$2 clean air fee expires on June 30, 2030.

Beginning July 1, 2003, the calculation amount for off road distributions increases from 18 cents to 20 cents. The funds are used for off road vehicle recreation, snowmobile facilities and marine facilities.

Beginning July 1, 2003, a fee of 75 cents is imposed on the retail sale of new and used tires. Tire retailers collect the fee: 90 percent (68 cents) goes to the Department of Revenue (DOR), and 10 percent (7 cents) goes to the retailer. Twenty-five cents must be distributed to the Department of Transportation for road maintenance. The remaining amount (42 cents) is deposited into the newly created Vehicle Tire Recycling Account (VTRA). The VTRA is administered by the Department of Ecology DOE and the funds in the account may be used for: state and local removal of illegal tire piles; a public education program; marketing studies for recycled tires; scrap tire demonstration projects; local scrap tire amnesty events; and tracking, reporting, and enforcement of the movement of tires within the state. This fee expires on December 31, 2005.

EFFECT OF SENATE AMENDMENT(S):

The Engrossed Substitute House Bill 2231 was not consider and a striker to ESHB 2231 was introduced and passed with the following provisions:

The transportation 2003 account is created in the Motor Vehicle Fund. Money in the account may only be spent on projects identified as Transportation 2003 projects and the debt service on the bonds sold to fund the projects. Once the projects have been completed, moneys in the account can only be spent on the debt service to pay off the bonds, and if there are additional funds in the account, they may be spent on maintenance of the transportation 2003 projects.

Beginning July 1, 2003, the state gas tax and special fuel tax are increased by 5 cents per gallon. All of the revenue generated by the increase is deposited into the Transportation 2003 Account. The increase in the gas tax expires when the bonds sold to pay for the Transportation 2003 projects are retired.

Beginning August 1, 2003, the gross weight portion of the combined licensing fee paid by trucks, tractors, and buses is increased by 15 percent for vehicles over 10,000 pounds. Motor homes are added to the list of vehicles that are subject to the combined licensing fee. The proceeds from the increased percentage and the fees collected from motor homes must be deposited in the Transportation 2003 account.

Beginning July 1, 2003, the sales and use tax applicable to motor vehicles is increased by three tenths of 1 percent. The revenues collected from the increase in the tax on motor vehicles must be deposited in the Multimodal Transportation account. Farm tractors, farm vehicles, off road and nonhighway vehicles and snowmobiles are not included.

The rate at which refund distributions are calculated for off-road vehicles, snowmobiles, marine usage is increased by one cent in each of the next five bienniums.

Appropriation: None.

Fiscal Note: Requested on March 25, 2003.

Effective Date: The bill takes effect on July 1, 2003.

Testimony For: The bill is supportive of the revenue package, a movement forward, but does not address the total transportation needs in the state. There was testimony that it was a start in the right direction and would like to see a larger revenue package. The additional revenue would increase jobs in the state.

Testimony Against: The association could not support the package in its current form due to the proposed .6 percent vehicle transfer tax in addition to the existing taxes on vehicle sales.

Testified: (In support) Representative Murray, prime sponsor; Larry Pursley, Washington Trucking Association; Pat Jones, Washington Public Ports Association; Randy Ray, Puget Sound Steamship Operators Association; Rick Nickman, Identity

Clark County and Seattle Mariners; Gene Schlatter, Vulcan Northwest and Port Blakely Tree Farms; Duke Schaub, Association of General Contractors of Washington; Mike Ryherd, Puget Sound Clean Air Agency; Kevin Shively, Transportation Choices Coalition; Robert Pregulman, Washington Public Interest Research Groups; Genesee Adkins, 1000 Friends of Washington; Donna Ewing, Washington League of Women Voters; Clifford Traisman, Washington Conservation Voters and Washington Environmental Council; Bill Stauffacher, Burlington Northern Santa Fe Railroad; Tom Parker, Union Pacific; Doug Levy, Cities of Everett and Kent; and Jackie White, Association of Cities.

(Opposed) Jim Boldt, Washington Auto Dealers Association.