

# HOUSE BILL REPORT

## SHB 1738

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### As Passed Legislature

**Title:** An act relating to marine, off-road recreational vehicle, and snowmobile fuel tax refunds based on actual fuel taxes paid.

**Brief Description:** Concerning marine, off-road recreational vehicle, and snowmobile fuel tax refunds based on actual fuel taxes paid.

**Sponsors:** House Committee on Transportation (originally sponsored by Representatives Orcutt, Clibborn, Hayes, Fey, Hargrove, Farrell, Zeiger, Moscoso, Muri, Condotta, Buys and Harmsworth).

### Brief History:

#### Committee Activity:

Transportation: 2/11/15, 2/16/15 [DPS].

#### Floor Activity:

Passed House: 3/9/15, 98-0.

Passed House: 6/11/15, 89-0.

Passed Senate: 6/27/15, 43-0.

Passed Legislature.

### Brief Summary of Substitute Bill

- Maintains the fuel tax rate for marine, off-road vehicle (ORV), and snowmobile fuel tax refunds and transfers at 23 cents per gallon through June 30, 2031.
- Changes the fuel tax rate for marine, ORV, and snowmobile fuel tax refunds and transfers beginning on July 1, 2031, and thereafter. The refunds and transfers will be based on the state's fuel rate in existence at the time of the fuel purchase.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Moscoso, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Bergquist, Gregerson, Harmsworth, Hayes, Kochmar, McBride,

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*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.*

Moeller, Ortiz-Self, Pike, Riccelli, Rodne, Sells, Shea, Takko, Tarleton, Wilson, Young and Zeiger.

**Staff:** Jerry Long (786-7306).

**Background:**

Non-highway and off-road fuel tax refunds are calculated using a lower fuel tax rate than the actual motor vehicle fuel tax rate. As a result, some fuel taxes paid by non-highway and off-road vehicle (ORV) users are incorporated into the state's transportation budget and used for highway purposes by state agencies, cities, and counties. In 1990 the fuel tax was increased to 23 cents per gallon, and refunds were limited to 18 cents per gallon for off-road and non-highway users. In 2003 when the fuel tax was increased to 28 cents, the refund rate was increased by 1 cent per gallon per biennium, ending at 23 cents per gallon after July 1, 2011. The full 5-cents increase of the "Nickel Package" was dedicated to state projects, and other highway purposes. In 2005 when the fuel tax was increased by 9.5 cents, the refunds remained at 23 cents, and the full 9.5 cents were used for state and local highway projects, and other highway purposes.

Marine Fuel Tax Refunds.

The Revised Code of Washington (RCW) 79A.25.070 directs that, after taking into account past and anticipated claims for refunds, an amount equal to 23 cents per gallon is transferred monthly to the Recreation Resources Account, for administration by the Recreation and Conservation Funding Board, to benefit watercraft recreation.

Off-Road Vehicle Fuel Tax Refunds.

The RCW 46.09.520 directs that 1 percent of the motor vehicle fuel tax revenues, which are paid by ORV users, that is equivalent to 23 cents per gallon of ORV fuel tax, be divided between two accounts:

- the ORV and Non-Highway Vehicle Account—41.5 percent, for the development and maintenance of non-highway roads and recreation facilities, administered by the Department of Natural Resources, the Washington Department of Fish and Wildlife, and the State Parks and Recreation Commission; and
- the NOVA Program Account—58.5 percent, for the development and management of ORV, non-motorized and non-highway road recreation facilities, administered by the Recreation and Conservation Office's Recreation and Conservation Funding Board.

Very few refunds are made.

Snowmobile Fuel Tax Refunds.

The RCW 46.10.530 directs the Department of Licensing to determine the fuel tax paid on snowmobile fuel. The law stipulates that the snowmobile fuel tax refund amount is determined by multiplying the number of registered snowmobiles by 135 gallons as the average yearly amount of fuel used, and a fuel tax rate of 23 cents per gallon. This amount is transferred to the Snowmobile Account administered by the State Parks and Recreation Commission. The funds are used for snowmobile recreational areas. No individual refunds are made.

**Summary of Substitute Bill:**

The substitute bill maintains the fuel tax rate for marine, ORV, and snowmobile fuel tax refunds and transfers at 23 cents per gallon through June 30, 2031. It changes the fuel tax rate for marine, ORV, and snowmobile fuel tax refunds and transfers beginning on July 1, 2031, and thereafter. The refunds and transfers will be based on the state's fuel rate in existence at the time of the fuel purchase.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Full fuel tax refunds begin as the existing debt service lowers when the Nickel and Transportation Partnership bonds begin to retire at 25 years. When the debt service starts reducing, it will not have a negative impact. The ORVs will begin to receive the amount of refund that was actually paid at the time of purchasing the fuel for off-road use.

Snowmobiling should have the full refund of non-highway use. The Washington State Parks and Recreation Commission (State Parks) manages the snowmobile program and they use fuel refunds to groom snowmobile runs to create a snowmobile trail system that is a safe and inviting environment. Snowmobile refunds have been steady, but the costs of maintaining the program has increased. Snowmobile clubs have had to contribute to help with the costs and are operating at 2006 levels with their contributions.

The Joint Transportation Committee looked at unmet ORV needs and reported that over the next 10 years, there are going to be \$320 million in unmet needs. State Parks is using volunteers that have volunteered the equivalent of \$3.2 million in maintenance.

Recreation brings \$22.5 million into the State of Washington every year for recreation.

The Department of Natural Resources has 1,100 miles of ORV trails at 140 locations. The agency is very supportive of the legislation and receives 36 percent of the funding that goes into the ORV account.

This legislation is righting a wrong. The ORV users only receive 23 of the 37.5 cents that is paid on ORV fuel. When the existing debt service starts to be reduced after June 30, 2031, the refunds will go to what is actually being paid when the fuel is purchased.

Marine grants helps the boating community through grants which, in turn, is an economic driver for the economy.

(Opposed) None.

**Persons Testifying:** Representative Orcutt, prime sponsor; Gary Harris, Terry Kohl, and Daniel Fullstrom, Washington State Snowmobile Association; Brock Miller, Department of Natural Resources; Doug Levy, Recreational Boating Association of Washington; and Peter Schrappen, Northwest Marine Trade Association.

**Persons Signed In To Testify But Not Testifying:** None.