

# HOUSE BILL REPORT

## E2SSB 6856

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**As Reported By House Committee On:**  
Transportation

**Title:** An act relating to transportation funding.

**Brief Description:** Revising transportation funding.

**Sponsors:** Senate Committee on Transportation (originally sponsored by Senators Goings, Gardner, Haugen, Prentice and Jacobsen).

**Brief History:**

**Committee Activity:**

Transportation: 3/22/00 [DPA].

### Brief Summary of Engrossed Second Substitute Bill (As Amended by House Committee)

- Provides transportation revenue for multimodal transportation programs.
- Provides transit agencies authority to seek voter approval for an increase in local transit taxes.
- Authorizes regional transit authorities to obtain cost savings through blanket insurance policies and lease-back agreements.
- Authorizes redevelopment of King Street Station.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass as amended. Signed by 25 members: Representatives Fisher, Democratic Co-Chair; Mitchell, Republican Co-Chair; Cooper, Democratic 1st Vice Chair; Edwards, Democratic 2nd Vice Chair; Hankins, Republican Vice Chair; Buck; G. Chandler; DeBolt; Haigh; Hatfield; Hurst; Lovick; McDonald; Morris; Murray; Ogden; Pflug; Radcliff; Romero; Schindler; Schual-Berke; Scott; Skinner; Wood and Woods.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Ericksen, Republican Vice Chair; Fortunato and Mielke.

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

**Background:**

Transportation Fund

The Transportation Fund was originally created in 1990 to serve as the repository account for non-highway revenues. Unlike Motor Vehicle Fund revenues, which must be spent strictly for highway purposes, Transportation Fund revenues may be spent on any transportation purpose, including passenger rail, passenger ferries, high capacity transit, bicycle and pedestrian programs, etc. Transportation Fund revenues were also used for highway purposes. Prior to passage of Initiative 695 (I-695), approximately \$197 million from the Transportation Fund, or 60 percent of the total fund balance, was earmarked for highway construction in the 1999-01 biennium.

I-695 repealed most of the motor vehicle excise tax (MVET)-related statutes (including the statute that had created the Transportation Fund). The state does not have an equivalent account to use to keep non-restricted transportation funds segregated from constitutionally-protected highway funds.

Car Rental Tax

I-695 also repealed the statutory distribution formula for the sales and use tax imposed on car rentals. Prior to passage of I-695, these revenues had been distributed in the same manner as the MVET. However, as of January 1, 2000, the car rental tax has been held in the state treasury, pending legislative and gubernatorial determination on where the revenues should be deposited.

Public Transit Taxing Authority

Public transit systems are authorized to impose a local sales and use tax of up to 0.6 of a percent. Voter approval is required to impose this tax. Revenues derived from this tax had been used as local matching funds against a portion of the state MVET collected within the boundaries of the public transit system. No portion of these revenues can be used for road improvements.

Of the 25 public transit systems in Washington, 24 of them impose the transit sales tax. Two of the largest transit systems, King County- Metro and Community Transit in Snohomish County, currently impose the full 0.6 percent transit sales tax. A third system, Kitsap Transit, is levying 0.5 percent. A majority of the remaining transit systems levy 0.3 percent transit sales tax.

Effective January 1, 2000, I-695 eliminated the state MVET. This had the effect of eliminating the state MVET matching dollars available for transit districts.

### City-County-Transit Interlocal Agreements

In 1988 the Attorney General opined that public transportation agencies are not authorized to enter into agreements with cities and counties for the purpose of making improvements to streets and roads impacted by transit buses. To enter into agreements or undertake necessary improvements to streets or roads requires a change in state law.

### Federal Tax Benefits for Transit

Federal law permits public transit agencies to transfer tax attributes of an asset to a private investor through a sale and lease-back arrangement. This process involves a public agency acquiring large capital assets, selling or leasing those assets to a private investor who can write off those investments for tax purposes, and leasing those assets back to the public agency. The public agency receives an up-front payment for the transaction.

### Insurance for Regional Transit Projects

Current law does not authorize Sound Transit to obtain a blanket insurance policy covering all contractors having responsibility for constructing various portions of Sound Transit's regional transportation system. Thus, each contractor must separately purchase insurance for that contractor's portion of the project. This could result in higher costs to Sound Transit than would otherwise be incurred if Sound Transit had authority to obtain a "wrap-around" insurance policy.

### Transportation Revenue Forecasts

The Interagency Revenue Task Force consists of administrators representing state agencies that receive funding for transportation-related programs. The task force is responsible for reviewing assumptions concerning the state's economic and revenue forecasts, and reviewing each transportation agency's six-year program and financial plan. Any recommendations of the task force are forwarded to the state's Economic Forecast Council for their consideration in developing the official economic forecasts for the state.

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## **Summary of Amended Bill:**

### Multimodal Transportation Account

The Multimodal Transportation Account is created in the state treasury. Funds may only be used for transportation purposes, including (but not limited to) rail, ferries, high capacity transit, highway construction, and other multimodal purposes.

### Car Rental Tax

The sales and use tax on rental cars is deposited into the multimodal transportation account, effective retroactive to January 1, 2000. Eighty percent of interest earnings

are retained in the account, which is the same retention rate as other transportation-related funds and accounts.

#### Public Transit Taxing Authority

All public transportation districts (except regional transit authorities) are authorized to impose up to 0.9 percent local sales tax for public transportation purposes. Voter approval is required to impose this tax.

Metropolitan municipal corporations are provided with an alternative sales tax for transit of up to 0.3 percent, with up to 20 percent of the revenues available for improvements to city or county-owned sidewalks, streets, and roads. Voter approval is required to impose the tax. This alternative taxing authority, when combined with the general local transit sales tax authorized for transit systems, cannot exceed 0.9 percent. Metropolitan municipal corporations are also provided authority to enter into interlocal agreements with cities and counties for necessary repair, maintenance and improvements to sidewalks, streets, and roads.

#### Use of Alternative Transit Sales Tax by Cities

If the metropolitan municipal corporation fails to obtain voter approval for the alternative sales and use tax by December 31, 2000, cities located within the metropolitan municipal corporation boundaries are granted authority to impose the alternative transit sales tax within the city's incorporated area, subject to approval by voters within the city. The tax rate, when combined with the general local transit sales tax, cannot exceed 0.9 percent.

A city imposing the alternative local transit sales tax is required to place the proceeds in a fund or account separate from all other transportation or general funds. Revenues derived from this tax may be used for operation, maintenance, or capital needs of public transportation, and up to 20 percent of the proceeds can be used for engineering, construction, maintenance, and repair costs for sidewalks, streets, and roads. Revenues derived from the tax may not supplant existing city transportation funding levels.

Cities are authorized to enter into agreements with the metropolitan municipal corporation for the provision of public transportation services.

#### Federal Tax Benefits for Transit

Regional transit authorities are authorized to enter into sale and lease-back, lease-out and lease-back, and similar transactions with respect to equipment, facilities, and other real and personal property.

The sale and lease-back agreement must provide that: (1) the financial institution must have a credit rating in the top two grades; and (2) the set aside of funds for the regional transit authority, together with interest or earnings, must pay for rent or debt

service for the full term of the transaction plus purchase options. Parties to the agreement must agree that Washington State courts have jurisdiction.

Regional transit authorities may create a public corporation which may undertake activities of an authority, and an authority has powers and rights granted to any city, town, or county under the public corporation statutes necessary to implement sale and lease-back transactions.

A regional transit authority must report to the State Finance Committee and the Legislature details on sale and lease-back type transactions. No transactions may be initiated after June 30, 2007, but transactions in existence at that time are not affected; however, a transaction may be refinanced or replaced after that date.

#### Regional Transit Authority Insurance Coverage on Projects

Regional transit authorities are authorized to obtain insurance under a single policy consistent with the risks, hazards, and liabilities of their projects, including operations and administration. Insurance for construction of projects whose cost exceeds \$100 million may be acquired by bid or negotiation through December 31, 2006.

Regional transit authorities are exempt from laws that prohibit public agencies from soliciting bids or negotiating directly with a single insurer.

#### Transportation Revenue Forecast Council

The title and composition of the Interagency Revenue Task Force is changed, but the role or function of the task force remains the same. The Interagency Revenue Task Force is renamed the Transportation Revenue Forecast Council. The Senate and House Transportation Committees are designated as entities receiving reports of the council and the council is no longer required to consult with the Legislative Transportation Committee.

#### King Street Station Redevelopment

The Department of Transportation is authorized to acquire and lease out King Street Station and its adjacent properties to a public or private redevelopment corporation. All funding that has been received by the Department for the purpose of redeveloping King Street Station must be placed in a restricted account to be used solely for redevelopment purposes. The public or private entity may incur debt for the purpose of redeveloping the station. Any funding provided for the project and any revenues derived from operation of the station must first be used to repay the debt incurred by the redevelopment corporation.

**Amended Bill Compared to Engrossed Second Substitute Bill:** Senate version contained the following provisions that are not contained in the House version:

- Depositing the \$1.25 vehicle title application fee, the \$2 combined license fee, and the monetary penalties from tax evasion into the Multimodal Transportation account.
- Abolishing the State Patrol Highway account.
- Permanently diverting additional revenue from the \$30 car tab fee away from the State Patrol Highway account and into the Motor Vehicle Fund.
- Eliminating the school zone safety account, the pedestrian and bicycle safety accounts, and creating a new Traffic Safety Improvement account.
- Creating a new \$50 surcharge for traffic crimes, and a new \$10 surcharge on traffic tickets, to be deposited into the new Traffic Safety Improvement account.
- Requiring stickers to be placed on all gas pumps instructing motorists that gas taxes are allocated to both cities and the state.
- Repealing MVET statutes made obsolete by I-695.

The House version adds the following provisions to the Senate version:

- Clearer direction on how car rental sales taxes are to be deposited.
- Alternative transit sales tax authority for metropolitan municipal corporations (King County- Metro), permitting 20 percent of the proceeds to be used on road-related projects.
- Limited authority for transit sales taxes to be used by cities within King County- Metro.
- Authorizes DOT to acquire and lease out King Street Station to a public or private redevelopment corporation.

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**Appropriation:** None.

**Fiscal Note:** Requested on March 19, 2000.

**Effective Date of Amended Bill:** The bill contains several effective dates. Please refer to the bill.

**Testimony For:** Provides local transit the opportunity to seek voter approval for transit taxes to off-set Initiative 695 impacts. Allows Washington State Patrol to

maintain safety operations without having to compete against highway projects for funding.

**Testimony Against:** None.

**Testified:** John Moffat, Washington Traffic Safety Commission; Sophia Byrd, Association of Counties; Michael Shaw, Association of Cities; Eric Robertson, Washington State Patrol; Dan Snow, Washington State Transit Association; and Randy Scott, Sound Transit.