

HOUSE BILL REPORT

HB 1557

As Reported by House Committee On:
Transportation

Title: An act relating to the collection of voter-approved taxes by a city transportation authority.

Brief Description: Collecting voter-approved taxes by a city transportation authority.

Sponsors: Representatives McDermott, Ericksen, Simpson, Armstrong, Lovick, Campbell, Sullivan, Dickerson, Cody and Santos.

Brief History:

Committee Activity:

Transportation: 2/26/03, 3/10/03 [DPS].

Brief Summary of Substitute Bill

- If voters approve dissolution of the monorail authority, taxes may remain in place to retire debt.
- Provides a civil penalty for Seattle residents registering their vehicles outside the city in order to avoid taxes.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Simpson, Vice Chair; Ericksen, Ranking Minority Member; Jarrett, Assistant Ranking Minority Member; Anderson, Armstrong, Bailey, Campbell, Dickerson, Flannigan, Hankins, Hudgins, Kristiansen, Lovick, Mielke, Morris, Romero, Schindler, Shabro and Sullivan.

Minority Report: Do not pass. Signed by 9 members: Representatives Murray, Chair; Rockefeller, Vice Chair; Clibborn, Cooper, Hatfield, Nixon, Wallace, Wood and Woods.

Staff: Gene Baxstrom (786-7303).

Background:

In 1997 voters in the City of Seattle approved a study of an expanded monorail system.

In 2000 voters approved an initiative for the Elevated Transportation Company to develop a monorail expansion plan, which included \$6 million in funding. Members of the governing authority for this planning effort were appointed or confirmed by the Seattle City Council. This governing authority is termed the Interim Monorail Board.

In 2002 the Legislature authorized cities over 300,000 in population to create, with voter approval, a city transportation authority to develop and operate a public monorail transportation system. The state authorizing legislation provided that a governing body of the monorail authority be established and required that a majority of the governing body could not consist of officers of any single city government.

In November 2002 the voters of Seattle approved a plan to develop a 14 mile long first phase of a monorail system. The primary funding source for the approved monorail system is a 1.4 percent motor vehicle excise tax imposed on motor vehicles owned by Seattle residents when vehicle are relicensed. The Department of Licensing does not track the home address of vehicle owners. Concerns have been raised regarding the potential for residents to register their vehicles elsewhere.

Statutes governing a monorail authority provide that it may be dissolved by a vote of those living within its area if the authority is faced with significant financial problems.

It is argued that the uncertainty of tax collections should the authority be dissolved is of concern to potential bond holders. Similarly, the potential for residents to avoid vehicle registration fees by registering their vehicles elsewhere is of concern.

Summary of Substitute Bill:

An exception is made to the dissolution provisions, allowing an authority to sign an agreement with bond holders that should the voters elect to dissolve the authority, the authority will continue to exist solely to collect taxes necessary to repay debt. This debt can not be incurred sooner than 30 days after the final environmental impact statement has been issued for the project for which the bonds are being sold.

It is a violation for a resident of a monorail authority to register a motor vehicle, owned by the resident, outside the area for the purpose of evading the motor vehicle excise tax. The penalty for such violation is a civil penalty equal to three times the amount of the evaded tax. The authority is given power to enforce these provisions. Provisions in statute are clarified so the excise tax is not imposed on initial registrations of out-of-state vehicles.

An eight to 12 member independent oversight panel is required until completion of construction on the initial segment of the monorail system. This panel, appointed by the Governor and the Mayor of the city which the monorail project is being developed, is to

examine administrative and contracting practices as well as project costs, risks, and schedules.

Substitute Bill Compared to Original Bill:

Requirements for the citizen oversight panel and the bonds not being sold until the final environmental impact statement are added. Language clarifies that out of state vehicles are not subject to the tax on initial registration within an authority.

Appropriation: None.

Fiscal Note: Requested on February 18, 2003.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: More security for bond holders will result in lower bond costs and savings on the project. By insuring that the authority will remain in place in order to retire bonds adds such security. Bond interest rates are at their lowest point in over 30 years and the ability to sell bonds now, at low rates, reduces the overall cost and the financial risk of the total project. Insuring that Seattle residents cannot avoid the motor vehicle excise tax by registering their vehicles outside the city is both a tax-payer equity issue and a revenue issue.

Testimony Against: Not enough design has been done to assess whether the project can be built within projected costs. Selling bonds now exposes the taxpayers to significant risk for a project whose costs may prevent it from being built. Don't issue financing for a project that may never be built. Provisions that taxpayers will be held accountable for the bonds is a transfer of risk from bondholders to taxpayers.

Testified: (In support) Barton Potter, Office of the State Treasurer; Charles Hamilton, Capitol Hill Chamber of Commerce; Judith Runstad, Foster Pepper and Shefelman; Maude Daudon, Seattle Northwest Securities; Greg Hanon, Joel Horn, Daniel Malarkey, and Kristina Hill, Seattle Popular Monorail Authority; D. John Coney, Queen Anne Community Council Town and Uptown Alliance; Ron McGahd, King County Labor Council; and Edwin Stone, North Beacon Hills Neighborhood Association.

(Opposed) Howard Anderson, Building Owners and Managers Association; Geoff Logan; Rudi Bertschi; and Patricia Stambon.