

SENATE BILL REPORT

SB 6016

As Reported By Senate Committee On:
Transportation, March 3, 2005

Title: An act relating to local transportation funding options.

Brief Description: Providing local transportation funding options.

Sponsors: Senators Jacobsen, Poulsen and Kohl-Welles.

Brief History:

Committee Activity: Transportation: 2/23/05, 3/3/05 [DPS, MMR].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 6016 be substituted therefor, and the substitute bill do pass.

Signed by Senators Haugen, Chair; Jacobsen, Vice Chair; Swecker, Ranking Minority Member; Eide, Kastama, Oke, Spanel and Weinstein.

Minority Report: Multiple Minority Reports.

Signed by Senators Benson, Esser and Mulliken.

Staff: David Ward (786-7341)

Background: In 1990, the Legislature authorized local option taxes for transportation purposes. The options included: a local option fuel tax, 10 percent of state rate; a vehicle license fee, up to \$15; commercial parking tax, no fixed rate; a street utility charge, up to \$2 per employee or household; an employer tax, up to \$2 per employee; a motor vehicle excise tax (MVET) for high occupancy vehicle lanes, up to 15 percent of state base rate; an MVET for high capacity transportation systems, 0.8 percent of vehicle value; and, a sales and use tax for high capacity transportation systems, 1 percent of purchase price.

In 1995 the Washington Supreme Court considered the constitutionality of the city street utility charge in *Covell v. City of Seattle*. The court concluded that the street utility charge was not a valid fee, but rather a tax on property that violated the state constitution's uniformity clause.

On November 5, 2002, I-776 repealed the local option vehicle license fee and the MVET for high capacity transportation systems.

Summary of Substitute Bill: The following local option taxes are authorized:

Annual Vehicle Fee. A county may impose by ordinance or a majority vote, an annual vehicle fee as follows:

- fee not to exceed \$20 between January 1, 2006 and January 1, 2010;

- fee not to exceed \$25 between January 1, 2010 and January 1, 2015; and
- fee not to exceed \$30 after December 31, 2014.

Household Excise Tax. A county may impose by ordinance or a majority vote, a household excise tax not to exceed one dollar per month per housing unit.

Employer Excise Tax. A county may impose by ordinance or a majority vote, an excise tax on employers not to exceed two dollars per month per employee.

Transportation Improvement Assessment. A county may impose by ordinance or a majority vote, an annual transportation improvement assessment not to exceed fifty dollars per lot. The rate authorized must be applied uniformly to all lots within the county.

Certain exemptions from the vehicle license fees are authorized including persons with a physical disability and persons at least sixty two years old with a household income less than an amount set by the county, city, or town.

Revenue from all four options is to be distributed to the levying county and all cities and towns within the county based on relative per capita population.

Revenue from the four options shall be used for transportation purposes only, including, but not limited to: the operation and preservation of roads, streets, and other transportation improvements; new construction, reconstruction, and expansion of city streets, county roads, and state highways and other transportation improvements; development and implementation of public transportation and high capacity transit improvements and programs; and planning, design, and acquisition of right of way and site for such transportation purposes.

Substitute Bill Compared to Original Bill: Language authorizing vehicle weight fees, local option gas tax increases, and street utility authorities are removed from the bill. The effective date is changed to January 1, 2006.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: January 1, 2006.

Testimony For: Transportation is one of cities' greatest funding challenges. Revenue deficits in transportation funding are being backfilled with general fund and other non-transportation revenues. Cities need new local funding authorities and direct funding from a statewide package to fill the gap. Give local government the tools to address unique local needs based on local priorities. Street utility authority is of particular interest as, like a utility, streets should be billed on a usage basis. The loss of the vehicle license fee with passage of Initiative 776 left citizens in counties who supported the fee stunned when the authority was taken away. In counties where the vehicle license fee was utilized, citizens were supportive of the fee as they saw real progress in the building of roads, flood control, and farm-to-market infrastructure. Counties would prefer to have the vehicle license fee levied at the county level as a way to save cities and towns duplicative administrative cost associated with having the Department of Licensing collect and remit fees.

Testimony Against: We are not opposed to local options but are opposed to the street utility authority and increasing the local option gas tax. We would, however, support a statewide gas tax increase. The appeal burden on the former street utility authority was an unbelievable hardship and allows too much discretion in how it is calculated and applied. The street utility authority also drives people away from main street. Low margin businesses such as restaurants would be especially hard hit by the street utility authority.

Who Testified: PRO: Michael Shaw, Washington Association of Counties; Dane Keane; Douglas County; George Walk, Pierce County; Greg Nickels, City of Seattle; Dan Tonkovich, City of Vancouver; Diana Wilhite, Spokane Valley; Paul George, Yakima.

CON: Greg Hanon, Western State's Petroleum Association; Tom McBride, Association of Washington Business; Denny Eliason, Washington State Bankers Association and Washington State Restaurant Association; Charlie Brown, Washington Oil Marketer's Association; Jan Gee, Washington Food Industry and Washington Retail Association; Gary Smith, Independent Business Association.