

HOUSE BILL REPORT

HB 2855

As Reported by House Committee On: Transportation

Title: An act relating to providing financing options for the operations and capital needs of transit agencies.

Brief Description: Providing financing options for the operations and capital needs of transit agencies.

Sponsors: Representatives Liias, Clibborn, White, Simpson, Williams, Nelson, Sells, Carlyle, Eddy, Dickerson, Upthegrove, Pedersen, Hunt, Chase, Morris, Darneille, Kenney, Cody, Moeller and Maxwell.

Brief History:

Committee Activity:

Transportation: 1/28/10, 2/8/10 [DPS].

Brief Summary of Substitute Bill

- Temporarily authorizes public transportation systems to impose, by majority vote of the transit agency's governing body, an annual vehicle license fee of up to \$20. Creates a "no stacking" provision for vehicle fees councilmanically imposed after September 1, 2010. Establishes that this authority expires in four years.
- Temporarily authorizes certain public transportation systems to seek voter approval of a vehicle fee of up to \$30. Establishes that this authority expires in four years.
- Requires public transportation systems and transportation benefit districts that choose to impose a vehicle fee to contract with the Department of Licensing (DOL) for the collection of the vehicle fee. Allows the DOL to deduct an amount from the fees collected to reimburse the DOL for its collection costs.
- Directs the Joint Transportation Committee to convene an advisory panel to consider and propose a statewide blueprint for public transportation services.

HOUSE COMMITTEE ON TRANSPORTATION

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Clibborn, Chair; Liias, Vice Chair; Dickerson, Eddy, Finn, Flannigan, Moeller, Morris, Rolfes, Sells, Simpson, Springer, Takko, Upthegrove, Williams and Wood.

Minority Report: Do not pass. Signed by 11 members: Representatives Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Armstrong, Campbell, Driscoll, Ericksen, Johnson, Klippert, Kristiansen, Nealey and Shea.

Staff: Kathryn Leathers (786-7114).

Background:

Public Transit Systems.

There are 28 public transit systems operating in the state. Transit systems can be formed under different governance structures, including public transportation benefit areas (PTBAs), metropolitan municipal corporations (Metros), county transportation authorities, city-owned transit systems (city-owned transits), and regional transit authorities. Transit systems are special purpose districts authorized to provide public transportation services within their respective boundaries. Metros are also authorized to provide a number of other essential public services, including water supply, sewage treatment, and garbage disposal.

Generally speaking, "public transportation service" means the transportation of packages, passengers, and their incidental baggage by means other than by chartered bus or sight-seeing bus, together with the terminals and parking facilities necessary for passenger and vehicular access to and from such systems. For PTBAs, "public transportation service" also includes passenger-only ferry service for those PTBAs eligible to provide passenger-only ferry service.

To fund capital and operating public transportation expenses, public transit systems are authorized to seek voter approval of up to 0.9 percent in sales and use tax. Most transit systems may seek voter approval of a business and occupation tax and a household tax in lieu of a sales and use tax. Fares may be set and increased by the transit agency's governing body without voter approval.

Transportation Benefit Districts.

A transportation benefit district (TBDs) is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district.

When establishing the district's area, the county or city proposing to create the TBD may only include other jurisdictions through interlocal agreements. The TBD may include areas within more than one county, city, port district, county transportation authority, or public transportation benefit area. A TBD may be comprised of less than the entire area within each participating jurisdiction.

A TBD is governed by the legislative authority of the jurisdiction proposing to create it, or by a governance structure prescribed in an interlocal agreement among multiple jurisdictions. If a TBD includes more than one jurisdiction, the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions. Port districts and transit districts may participate in the establishment of a TBD but may not initiate district formation.

A TBD dissolves and ceases to exist 30 days after the financing or debt service on the improvement project is completed and paid. If there is no debt service on the project, the district must dissolve within 30 days from the date construction of the improvement is completed.

Transportation benefit districts may implement the following revenue measures, all of which are subject to voter approval except as otherwise noted:

- a local sales and use tax of up to 0.2 percent;
- a local annual vehicle fee of up to \$100 on vehicle license renewals, \$20 of which may be imposed in certain circumstances without voter approval;
- excess property taxes, for a period of up to one year; and
- tolls, subject to legislative authorization and approval by the Washington State Transportation Commission if imposed on state routes.

Transportation benefits districts may impose the following revenue measures without voter approval:

- transportation impact fees on commercial and industrial development; and
- except for passenger-only ferry improvements, up to \$20 in local annual vehicle license renewals if the boundaries of the TBD are either county-wide or city-wide.

If two or more TBDs have overlapping boundaries, no more than \$20 in councilmanic vehicle fees may be imposed on each vehicle registered to an owner who lives in the shared territory (also known as a "no stacking" provision). If more than \$20 in combined fees is imposed, a credit must be provided to ensure that no more than \$20 in combined councilmanic fees are imposed on any one vehicle. In no event may any single vehicle be subject to vehicle fees in excess of \$100, whether voter-approved or imposed by councilmanic authority of the TBD.

Summary of Substitute Bill:

The governing body of a public transportation system is authorized to impose by majority vote of the governing body up to \$20 in vehicle fees on vehicles registered to owners who reside within the boundaries of the public transportation system. Public transportation systems serving the King, Pierce, Snohomish, and Kitsap counties are also authorized to seek voter approval of up to \$30 in vehicle fees. The authorization to impose councilmanically up to \$20 in vehicle fees and to seek voter approval of up to \$30 in vehicle fees is temporary and expires in four years.

"Public transportation system" is defined to mean public transportation benefit areas, metropolitan municipal corporations, county transportation authorities, and city-owned transit systems.

A "no stacking" provision for councilmanically imposed vehicle fees is established which generally provides that if a public transportation system and a TBD have territory located within both entities' jurisdictional boundaries (shared territory), no more than \$20 in vehicle fees may be imposed councilmanically on any one vehicle within the shared territory. An exception to the "no stacking" provision is created which excludes from the "no stacking" prohibition any councilmanic vehicle fees imposed in the shared territory prior to September 1, 2010. In no event may any single vehicle be subject to combined vehicle fees in excess of \$100, whether voter-approved or imposed by councilmanic authority of a public transportation system or a TBD.

The Department of Licensing (DOL) must administer and collect the vehicle fee. If a public transportation system or a TBD chooses to impose a vehicle fee, the system or TBD must provide any information requested by the DOL necessary for collection of the fees. The DOL must deduct a percentage amount of the fees collected for administration and collection expenses.

The Joint Transportation Committee (JTC) is directed to convene a panel of interested stakeholders to consider and propose a statewide blueprint for public transportation services. The blueprint must, at a minimum, serve to guide future investments in public transportation and establish a plan to significantly improve connectivity between transportation providers and across jurisdictional boundaries. The co-chairs of the JTC must select 18 members to serve on the panel, including four legislators and 14 other stakeholders. Staff support is provided by the JTC and the Washington State Transit Association. By December 1, 2010, the panel must submit an interim progress report to the Transportation Committees of the Legislature. A final report must be submitted by December 1, 2011.

Substitute Bill Compared to Original Bill:

Public transportation systems serving King, Pierce, Snohomish, and Kitsap counties are authorized to seek voter approval of up to \$30 in license fees. The authority to seek voter approval of the vehicle fee is temporary and expires in four years.

For vehicle fees imposed councilmanically, the date establishing the exception to the "no stacking" provision is extended from July 1, 2010, to September 1, 2010.

Public transportation systems and TBDs that choose to impose a vehicle fee must provide the DOL with any information specified by the DOL that is necessary for the collection of the vehicle fees. The DOL must also deduct a percentage amount, as provided in the contract, necessary to reimburse the DOL for its collection costs.

Several changes are made to the JTC study regarding statewide public transportation needs, including: the date by which the advisory panel must be convened is removed; membership in the advisory panel is modified to include 18 members that represent specific areas of interest; staff support to the advisory panel is modified to include support by the Washington

State Transit Association; and the content of the statewide blueprint for public transportation is modified to require, instead of allow, the inclusion of certain elements.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, section 10, relating to the JTC study regulating public transportation, is null and void if not funded in the budget.

Staff Summary of Public Testimony:

(In support) Transit agencies are very dependent on sales tax, which has decreased significantly. Due to sales tax shortfalls, King County Metro has cut over \$160 million in investments, has doubled fares since 2008, and has looked for efficiencies in the system. Voters have already approved the maximum amount of sales tax that can be imposed in the service area. Despite these efforts, King County Metro will still need to cut about 600,000 hours of service. The City of Seattle has also approved the Transit Now Program, but there is no money to support this program. A \$20 vehicle fee is not a lot and would only buy back about 350,000 hours of service. It would take about a \$50 vehicle fee to pay for the full 600,000 hours of service, and about \$60 in vehicle fees to also support the Transit Now Program. Currently, there is great demand for increased transit service from both businesses and riders.

Transit agencies are very supportive of this bill. Transit agencies are finding themselves forced to make some tough choices due to the decrease in sales tax. This is a good short-term solution for transits to get through the next year or two, and would be a life saver for some.

Community Transit built reserves in the good years. When it was clear in 2008 that we would be facing economic challenges, Community Transit cut \$12 million in expenses without impacting service and increased fares. In 2009 Community Transit cut another \$2 million in expenses. Thanks to a one-time federal funding contribution, Community Transit did not have to make cuts in 2010. The agency tapped into its reserves and has done everything possible to maintain service. Still, revenues are down 18 percent. Voters have already approved the maximum authorized sales tax. This authority would help avert some of the painful cuts that transit agencies are making or are going to make. Community Transit is facing \$5 million in service cuts, which will increase to \$11 million in service cuts next year. Although the authority granted in this bill is critical, it is a bandaid. Community Transit is looking at making 15 percent cuts in June 2010, which includes cutting all service on Sundays and holidays. This bill would help avoid these cuts. It could be instituted by the transit agency board quickly, which is important.

Pierce Transit has been hit very hard by the reduction in sales tax revenues, and is facing a potential 60 percent reduction in service over the next couple of years. That would decrease

the number of routes by 50 percent. Some areas would lose all service. The agency is trying to help itself by being far more efficient than ever, including considering getting rid of some capital facilities, but the cuts will still be required. These cuts also affect jobs. This bill helps to fill our short-term funding gap. Pierce Transit is currently at ridership capacity. Reducing service will cause even more challenges for persons trying to get on the bus.

This is a crisis. Without sufficient transit service, citizens can't get to their doctors, jobs, and grocery stores. Reduced transit service will affect the state's economic recovery. By 2030 it is anticipated that the state's population will increase to 2.6 million. Transit is needed to accommodate this growing community. This bill is about jobs. It is about retention and creation of jobs and economic stimulus. This bill could soften the blow to existing predicted union job loss. It also helps meet greenhouse gas emissions reduction goals. The federal government may adopt new ozone rules, and if transit service is not supported many areas of the state may not be in compliance with those rules. If transit service is discontinued, people must find alternate options; however, not all riders will necessarily come back once the crisis is over.

Members of the community would be willing to pay \$20 per year to get a parking spot at work and to support the mobility needs of neighbors who no longer drive a car.

In the last 10 years, the state has let down the people of the state because of lack of support for public transportation. Sales tax is not a good single source of funding. Legislators don't have to take this vote; the transit agencies have to take the vote, but the Legislature needs to give the transit agencies that option. The JTC panel is the most important component of the bill. It is important to establish a long-term plan for public transit.

(In support with amendment) Cities support this bill but several cities are currently in the process of creating a TBD and they would like to see an amendment to the bill that extends the "no stacking" prohibition out to a later date.

(Opposed) The Legislature must make transit agencies get the job done with the money they have already been given. We can not afford to give transit agencies more money.

Persons Testifying: (In support) Representative Liias, prime sponsor; Fred Jarrett, King County; Geri Beardsley, Washington State Transit Association; Joyce Eleanor, Community Transit; Jessyn Ferrell, Pierce Transit; Andrew Austin, Transit Choices Coalition; April Putney, Futurewise; Cody Aldridge, Amalgamated Transit Union Legislative Council; Melanie Mayock, Sierra Club; Larry Brown, Aerospace Machinists; Don McGrady, Vulcan, Inc.; Jacob Struicksma; Kristin Kinnamon; Warren Bare; Brian Bradford; Patty Ceis, Amalgamated Transit Union; Chris Karnes, Tacoma Streetcar; and Greg Rock, The Green Car Company.

(In support with amendment) Ashley Probart, Association of Washington Cities.

(Opposed) Paul Locke.

Persons Signed In To Testify But Not Testifying: None.