HOUSE BILL REPORT
HB 2751

As Reported by House Committee On:
Transportation

Title: An act relating to local transportation revenue.

Brief Description: Concerning local transportation revenue.

Sponsors: Representatives Clibborn, Liias, Pollet and Ryu.

Brief History:
Committee Activity:
Transportation: 2/6/12, 2/7/12 [DPS].

Brief Summary of Substitute Bill

- Allows a Transportation Benefit District to impose a vehicle fee of up to $40 by a majority vote of the district's governing board.
- Allows a county to impose a local surcharge of up to 1 percent of the value of a motor vehicle registered in the county with the provision that if a county does not implement in one year that the transit system(s) may implement up to one-half of 1 percent of the county authority.
- Changes the local option fuel tax from 10 percent to 1 cent, 2 cents, or 3 cents on each gallon of fuel sold within the boundaries of the county.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Clibborn, Chair; Billig, Vice Chair; Liias, Vice Chair; Angel, Eddy, Finn, Fitzgibbon, Hansen, Jinkins, Ladenburg, Moeller, Morris, Moscoso, Reykdal, Ryu, Takko and Upthegrove.

Minority Report: Do not pass. Signed by 12 members: Representatives Armstrong, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Asay, Johnson, Klippert, Kristiansen, McCune, Overstreet, Rivers, Rodne, Shea and Zeiger.

Staff: Jerry Long (786-7306).

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.

Background:

A transportation benefit district (TBD) 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. Various revenue options are available to a TBD in order to finance the improvements, most of which are subject to voter approval. Voter approval is not required for a TBD governing board to impose a vehicle fee of up to $20 per vehicle, but only if the TBD includes all the territory within the boundaries of the jurisdiction(s) establishing the TBD. When imposing this fee, if the TBD is countywide, the revenues must be distributed to each city within the county by inter-local agreement.

For the purpose of determining any locally imposed motor vehicle excise tax (MVET), the value of a vehicle other than a truck or trailer shall be 85 percent of the manufacturer's base suggested retail price of the vehicle when first offered for sale as a new vehicle, excluding any optional equipment, applicable federal excise taxes, state and local sales or use taxes, transportation or shipping costs, or preparatory or delivery costs, multiplied by the applicable percentage listed in the depreciation schedules established by legislation in 2006. For the purpose of determining any locally imposed MVET, the value of a truck or trailer shall be the latest purchase price of the vehicle, excluding applicable federal excise taxes, state and local sales or use taxes, transportation or shipping costs, or preparatory or delivery costs, multiplied by the following percentage based on year of service of the vehicle since last sale. The latest purchase year shall be considered the first year of service.

Presently, the Regional Transit Authority MVET is 0.3 percent of a vehicle's value and has been applicable since 1996 in King, Pierce, and Snohomish counties. King, Pierce, and Snohomish counties may also impose with voter approval a local MVET of up to 0.3 percent of a vehicle's value to be used for high occupancy vehicle (HOV) systems. These funds can be used for HOV lane development, mitigation of environmental impacts of high occupancy development, support of employer programs to reduce single-occupant commuting, and commuter rail programs.

In 1990 counties were provided the authority to implement a statewide local option motor vehicle and special fuel tax. The tax authorized is 10 percent of the statewide fuel tax which would be at 3.75 cents based on the current fuel tax rate. This is a county imposition with no city levy. Voter approval is required. The tax must be used for 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 sites for such transportation purposes. Revenues are distributed back to the county and cities contained within the county, on a weighted per capita basis (1.5 for population in unincorporated areas; 1.0 for population in incorporated areas).

Summary of Substitute Bill:

Up to a $40 Transportation Benefit District Vehicle Fee.

A TBD that includes all the territory within the boundaries of the jurisdiction, or jurisdictions, establishing the district may impose by a majority vote of the governing board of the district up to $40 of the statutorily authorized vehicle fee for the TBDs. The substitute bill provides an exemption to allow the TBDs that have already implemented a vehicle fee to be able to increase the TBD's original fee of up to $20 to up to $40.

Up to 1 Percent Motor Vehicle Excise Tax.

A county may impose a local vehicle surcharge of up to 1 percent of the value of every motor vehicle registered to a person residing within the county. Exemptions are vehicles registered by weight and over 6,000 pounds; farm vehicles registered based on gross weight; fixed load motor vehicles; and commercial trailers.

Counties imposing a MVET under this section must use the funds for transportation projects, which may include investment in new or existing highways of statewide significance, principal arterials of regional significance, high capacity transportation, public transportation, or other transportation projects and programs of regional or statewide significance, including transportation demand management. Projects may also include the operation, preservation, or maintenance of these facilities or programs.

Counties imposing the surcharge must contract with Department of Licensing (DOL) for the administration and collection of the surcharge and, as appropriate, the DOL will deduct an amount as provided by contract for the expenses incurred by the DOL.

Counties imposing a surcharge under this section must negotiate an inter-local agreement with cities and the transit agencies within the county to distribute a portion of the revenues to the cities and transit agencies. The inter-local agreement must require that the county distribute a maximum of $20 per vehicle in each city to the cities within the county for the cities to use on local road operations and maintenance needs.

The inter-local agreement is effective when: (1) approved by the county and approved by 60 percent of the cities in the county; or (2) approved by the county and approved by the cities that represent 75 percent of the population of the cities within the county.

A county has one year from the effective date of this section to impose a local MVET of up to 1 percent, as authorized in this section. If a county does not impose the full 1 percent of the local MVET authorized under this section within the year, the transit systems within that county may impose up to one-half of the county's 1 percent local MVET.

If there is more than one transit system within the county, all of the transit systems within that county must impose the local MVET in order to be authorized to impose such tax. If all of the transit systems within the county do not impose such tax, none of the transit systems may impose the tax.

If the transit system or systems within the county impose any local MVET, the county may only impose the local MVET to the extent that the county-imposed tax when combined with the transit system-imposed tax is 1 percent or less.

Local Option Fuel Tax.
The rate for the local option fuel tax where a county can levy, by approval of its legislative body and a majority of the registered voters, is changed from 10 percent of the statewide rate to 1 cent, 2 cents, or 3 cents on each gallon of fuel sold within the boundaries of the county.

Substitute Bill Compared to Original Bill:

Up to $40 Vehicle Fee.
The substitute bill removes the two-thirds majority vote of the governing board of the district to impose the $40 fee to a majority vote of the district's governing board. The substitute bill provides an exemption to allow TBDs that have already implemented a vehicle fee to be able to increase the TBD's original fee of $20 to $40.

Up to 1 Percent Vehicle Surcharge.
The substitute bill changes the surcharge to a MVET.

The substitute bill changes the application from "vehicles" to "motor vehicles." The substitute bill provides direction to the counties and transits to use the existing valuation schedules in statute when valuing motor vehicles (RCW 82.44.035).

The inter-local agreement is effective when: (1) approved by the county and approved by 60 percent of the cities in the county; or (2) approved by the county and approved by the cities that represent 75 percent of the population of the cities within the county.

A county has one year from the effective date of this section to impose a local MVET of up to 1 percent, as authorized in this section. If a county does not impose the full 1 percent of the local MVET authorized under this section within the year, the transit systems within that county may impose up to one-half of the county's 1 percent local MVET.

If there is more than one transit system within the county, all of the transit systems within that county must impose the local MVET in order to be authorized to impose such tax. If all of the transit systems within the county do not impose such tax, none of the transit systems may impose the tax.

If the transit system or systems within the county impose any local MVET, the county may only impose the local MVET to the extent that the county-imposed tax when combined with the transit system-imposed tax is 1 percent or less.

Local Option Fuel Tax.
The 1990 local option fuel tax where a county can levy, by approval of its legislative body and a majority of the registered voters, is an additional fuel tax equal to 10 percent of the statewide fuel tax rate. The bill changes the 10 percent to 1 cent, 2 cents, or 3 cents on each gallon of fuel sold within the boundaries of the county.

Appropriation: None.

Fiscal Note: Available on original bill. New fiscal note requested February 9, 2012.

Effective Date of Substitute Bill: The bill takes effect January 1, 2013.

Staff Summary of Public Testimony:

(In support) The state's transportation system is the backbone of the state's economy and funding needs to keep up with the growing needs. This bill provides sustainable solutions and will help with the maintenance and preservation of the local roadways. Local governments (locals) appreciate the effort that has been shown in moving this bill forward. Removing the two-thirds vote for a TBD to implement the additional $20 vehicle fee is a great improvement and will make it easier for the locals to take advantage of the $40 vehicle fee option. These are additional tools in the tool box for the locals to use.

The local option gas tax is much easier for the public to understand at 1 cent, 2 cents or 3 cents. It is a reduction since the counties can impose 10 percent of the existing state gas tax, which would be 3.75 cents. These local options will be used to preserve and maintain transportation infrastructure at the local level. Rural counties have a tough time getting the votes for new taxes and, even if passed, the revenue option may not produce a lot of revenue. There are maintenance backlogs at the local level due to the downturn in the economy and reduction in the sales tax revenue.

Having the MVET be councilmatic is really appreciated. Presently there are 27 TBDs, 14 that have implemented the vehicle fee and six that have implemented the sales tax option. The locals are taking advantage of the local option. The last two new TBDs were Grandview and Mabton. Stakeholders would recommend direct distributions to cities instead of the inter-local agreements. It is important for the locals to implement revenue options to fund their needs and priorities. Locals have a process and requirements, even though the options are councilmatic, to have a robust public outreach and report on how well the TBD is performing. Counties always have the option to go to the ballot instead of levying a tax councilmatic. Going to the ballot costs a local around $80,000.

Freight mobility is needed at the local level since many of the goods actually begin and end on local roads. Transits are in great need. For example, Community Transit has reduced service by 37 percent and has laid off 206 employees. When a person goes to catch a bus, in many cases, there is no room on the buses for persons to board.

The $40 vehicle fee will really help Seattle where the congestion fee is only temporary. The additional $20 will help fill in when the congestion fee expires in two years.

Thousands of people use the transit systems to go to work in Seattle every day, which removes thousands of vehicles from the roadways. Every $1 investment in transit returns $8.35. Bus service in Seattle, in many cases, is the only option for people needing to get somewhere. There needs to be more authority at the local level to increase transit services.

There is strong support from the students at the University of Washington for funding public transportation. The students initiated a transportation fee on themselves to assist in supporting the students using public transportation to get to and from the campus. If there was no public transportation, there would be 40,000 cars traveling to and from the campus.

(In support with concerns) There is a need for transit for persons that are older, have disabilities, or are disadvantaged. Transit, in many cases, is a lifeline for individuals. The TBDs do not provide assistance for transit in most cases. The percentages by which the cities need to be in support could make this MVET option unfeasible if just a few cities do not support the MVET. Stakeholders would recommend removing the ceiling of $20 that a county can negotiate in an inter-local agreement.

(With concerns) The ferry system is not being addressed in the bill even though many counties and cities have a local ferry or the Washington State Ferry in their jurisdiction. Transits need a MVET option that can be exercised by the transit system. There should be a direct distribution to transits and cities.

(Opposed) None.

Persons Testifying: (In support) Representative Clibborn, prime sponsor; Scott Merriman, Washington Association of Counties; Ashley Probart, Association of Washington Cities; Reid Shockey, Snohomish County Committee for Improved Transportation; Davor Gjurask, Community Transit; Christie Scheffer, Paratransit Services; Jon Scholes, Downtown Seattle Association; and Adam Sherman, University of Washington Graduate and Professional Students Senate.

(In support with concerns) Carrie Dolwick, Transportation Choices Coalition; Randi Abrams-Caras, Cascade Bicycle Club; Bruce Wishart, Sierra Club; and Genesee Adkins, King County.

(With concerns) Michael Shaw, Washington State Transit Association.

Persons Signed In To Testify But Not Testifying: None.