# HOUSE BILL REPORT
# ESSB 6582

**As Passed House - Amended:**
March 3, 2012

**Title**: An act relating to local transportation revenue options.

**Brief Description**: Concerning local transportation revenue options.

**Sponsors**: Senate Committee on Transportation (originally sponsored by Senators Haugen, Eide, Hobbs, Ranker and Shin).

**Brief History:**
**Committee Activity:**
Transportation: 2/21/12, 2/24/12 [DPA].
**Floor Activity:**
Passed House - Amended: 3/3/12, 53-43.

**Brief Summary of Engrossed Substitute Bill**
**(As Amended by House)**

- Allows a city transportation benefit district (TBD) under 500,000 in population to impose a vehicle fee of up to $40 by a majority vote of the district's governing board.
- Allows a county, by a vote of the people, to impose a motor vehicle excise tax (MVET) of up to 1 percent of the value of a motor vehicle registered in the county.
- Allows a transit system, by a vote of the people, to implement an up to one-half of 1 percent MVET if the county does not implement one by January 1, 2014. A county not planning on imposing the MVET may give a transit system a waiver to implement the tax earlier than January 1, 2014.
- Requires that any county that has imposed a congestion reduction charge must sunset the charge prior to imposing a county MVET.
- Allows local governments or transit systems to use part or all of the local option MVET for the amortization of local government bonds issued for transportation purposes.
- Changes the existing local option fuel tax from 10 percent of the state rate to a rate of 1 cent, 2 cents, and 3 cents.

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*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.*

- Allows that a city of more than 500,000 in population, by the vote of the people, may impose a 1-cent local option fuel tax.
- Allows that a county TBD with a population of 1.5 million or more may use the funds from the vehicle fee to purchase air space rights and affordable workforce housing.
- Allows that a county TBD with a population of 1.5 million or more, the Central Puget Sound Regional Transit Authority, and the Washington State ferries may sell, transfer, exchange, lease, or otherwise dispose of air space rights for affordable housing.

## HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report**: Do pass as amended. Signed by 15 members: Representatives Clibborn, Chair; Billig, Vice Chair; Liias, Vice Chair; Eddy, Finn, Fitzgibbon, Hansen, Jinkins, Ladenburg, Moeller, Morris, Moscoso, Reykdal, Takko and Upthegrove.

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

**Staff**: Jerry Long (786-7306).

**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.

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 3.75 cents based on the current fuel tax rate of 37.5 cents. 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 Amended Bill**:

Transportation Benefit District Vehicle Fee.
The amended bill provides that a city transportation benefit district (TBD) with a population of 500,000 or less may increase the vehicle fee from $20 to $40 by a majority vote of the governing board of the district.

A TBD, when imposing a vehicle fee of up to $20 without a vote of the people, must include all the territory within the boundaries of the jurisdiction(s) establishing the TBD, but exclude territory in which a vehicle fee is currently being collected. If the TBD is countywide or less than countywide, the revenues must be distributed to each city within the district by interlocal agreement, which agreement must be effective prior to the imposition of the fee.

The current definition of a transportation improvement project eligible to receive the TBD funds is expanded from certain transportation projects and programs of regional and statewide significance to also include transportation projects and programs of local significance.

A county with a population of 1.5 million or more, as a public authority, may use funds derived from the TBD vehicle fee to purchase air space rights above transit facilities, including parking facilities and ferry terminals, and, at no or reduced cost, to allow nonprofit organizations or public housing authorities, to provide for purchase or lease affordable workforce housing, which means housing for a single person, family, or unrelated persons living together whose income is between 30 and 80 percent of the median income, adjusted for household size, for the county in which the housing is located. Any commercial use located in these facilities must pay a commercial market lease rate when purchasing or leasing in one of these facilities.

In furtherance of the public health and welfare and public transportation purposes, a county TBD with a population of 1.5 million or more, the Central Puget Sound Regional Transit Authority, and the Washington State ferries may sell, transfer, exchange, lease, or otherwise dispose of the air rights or other property interests in any parcel of real property owned by such entities, and used and improved by those entities for public transportation facilities, for the development of and use of the air rights and associated property interests for affordable housing so long as any such sale, transfer, exchange, lease, or other disposition of the air rights or other property interests for affordable housing is compatible with the public transportation use of the underlying property or facility.

Motor Vehicle Excise Tax.
A county may impose, by approval of a majority of the registered voters of the county voting on the proposition at a general or special election, a local motor vehicle excise tax (MVET) of up to 1 percent annually of the value of every motor vehicle registered to a person residing within the county based on the valuation schedules in RCW 82.44.035. No MVET may be imposed on vehicles licensed under RCW 46.17.355, except for motor vehicles with an unladen weight of 6,000 pounds or less, RCW 46.16A.425, 46.17.335, or 46.17.350(1)(c).

Counties imposing a tax under this section shall contract, before the effective date of the resolution or ordinance imposing a MVET, with the Department of Licensing (DOL). The DOL must administer and collect the tax. The DOL must deduct a percentage amount, as provided by contract, not to exceed 1 percent of the taxes collected, for administration and collection expenses incurred by the DOL. The DOL must remit the remaining proceeds to the custody of the State Treasurer. The State Treasurer must distribute the proceeds to the county on a monthly basis. No tax imposed under this section may be collected until six months after approval.

Counties imposing a tax under this section must use the funds in a manner consistent with transportation planning requirements in statute.

The legislative authority of each county must convene a meeting with representatives of each city and town located within the county for the purpose of establishing a collaborative process that will provide a framework for the adoption of a ballot measure pursuant to chapter 29A.36 RCW.

The legislative authority of each county that includes a public transit system must convene a meeting with representatives of the respective transit system for the purpose of establishing a collaborative process that will provide a framework for the adoption of a ballot measure pursuant to chapter 29A.36 RCW.

A county has until December 31, 2013, 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 this time period, the transit systems within that county may impose up to one-half of the county's 1 percent local MVET. A county may waive the December 31, 2013, deadline and allow transit agencies in that county to proceed with imposing a MVET.

Any county that has implemented a congestion reduction charge under RCW 82.80.055 must sunset the congestion reduction charge prior to the implementation date of the county MVET imposed in accordance with this section.

Local governments may use all or a part of the local option MVET revenues for the amortization of local government general obligation and revenue bonds issued for transportation purposes.

Beginning January 1, 2014, a transit system may impose, by approval of a majority of the registered voters within the boundaries of the transit system voting on the proposition at a general or special election, a local MVET or greater of up to one-half of 1 percent annually under section 4 of this act on the value of every motor vehicle registered to a person residing within the transit boundaries based on the valuation schedules in RCW 82.44.035. No MVET may be imposed on vehicles licensed under RCW 46.17.355, except for motor vehicles with an unladen weight of 6,000 pounds or less, RCW 46.16A.425, 46.17.335, or 46.17.350(1)(c).

Transit systems may use all or a part of the local option MVET revenues authorized in this section for the amortization of local government general obligation and revenue bonds issued for transportation purposes.

Local Option Fuel Tax.
The amended bill changes the existing county local option fuel tax from the current 10 percent of the statewide rate to 1 cent, 2 cents, and 3 cents.

Any city with a population of over 500,000 may levy, by approval of its legislative body and a majority of the registered voters of the city voting on the proposition at a general or special election, additional excise taxes equal to 1 cent on each gallon of motor vehicle fuel sold within the boundaries of the city.

**Appropriation**: None.

**Fiscal Note**: Available.

**Effective Date of Amended Bill**: The bill takes effect on July 1, 2012.

**Staff Summary of Public Testimony**:

(In support) A county could impose a MVET based on a cooperative process.

There is a great need for local funding options. Communities need better funding tools that work for cities and transits. The students at the University of Washington have purchased transit passes and support the transit services. The greatest need is for stable funding sources at the local level which, hopefully, help to keep user fees at a reasonable level. This is an opportunity to help local government with transportation needs, which also includes walking and bicycling needs.

The congestion relief fee has really helped the City of Seattle. For King County, a councilmatic approval is recommended for the local MVET. King County Metro just experienced its second largest demand for service. With the decline of the sales tax revenue in King County, there is a shortfall of $60 million a year for the transit system. There is a need for a $70 to $75 million need in roadway preservation for King County per year. A 1 percent on an annual 1 percent MVET would be needed to cover these needs. These are common sense funding options. There are a lot of county needs and there is a letter signed by 14 cities in King County where this would help deal with transportation needs.

There is an issue with the MVET tables and it is recommended that the bill use the tables already in statute that were redone in 2006 to more accurately reflect the actually value of a vehicle. The DOL does not capture the data required to calculate the MVET based on the tables based on last purchase price.

Community Transit has had to cut 37 percent of their routes and have had a reduction of 206 jobs. The transit agency has raised fares twice, but with a downturn in sales tax collections, transits really need help in having a stable revenue base to restore some of the services lost. Many people rely on transit services, especially with 40 percent of Seattle commuting on transit every day. Transits are struggling to keep up with the current demand.

(With concerns) Vehicles for hire may be over valued since the vehicles are driven a lot more than an average vehicle. There are concerns about basing commercial vehicles being exempted at 6,000 pounds, when there are a lot of commercial vehicles under 6,000 pounds that should also be exempted, for example, for-hire vehicles.

(Opposed) Stakeholders are opposed to the local option gas tax because it makes it easier for the locals to implement this revenue option. Voters said no to increasing car tabs. The issue is that it is a regressive fee. The fees should be based on a user fee rather than on a fee that does not relate to usage. Stakeholders recommend eliminating the $20 councilmatic vehicle fee.

**Persons Testifying**: (In support) Tom Rasmussen, City of Seattle; Ashley Probart, Association of Washington Cities; Don Gerend, City of Sammamish and Association of Washington Cities; Doug Levy; Davor Gjurasic, Community Transit; Fred Jarrett, King County; Harold Tamiguchi, King County Department of Transportation; and Andrew Lewis, Associated Students - University of Washington.

(With concerns) Rob Johnson, Transportation Choices Coalition; Craig Benjamin, Cascade Bicycle Club; and Bruce Wishart, Sierra Club.

(Opposed) James Fricke, Capital Aeroporter; John Fox, Citizens Against Raising Our Car Tabs; and Amber Carter, Association of Washington Business.

**Persons Signed In To Testify But Not Testifying**: None.