

SENATE BILL REPORT

ESSB 6582

As Amended by House, 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: 2/02/12, 2/06/12, 2/07/12 [DPS, DNP].

Passed Senate: 2/13/12, 25-24.

Passed House: 3/03/12, 53-43.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 6582 be substituted therefor, and the substitute bill do pass.

Signed by Senators Haugen, Chair; Eide, Vice Chair; Frockt, Hobbs, Prentice, Ranker, Rolfes, Shin and Swecker.

Minority Report: Do not pass.

Signed by Senators King, Ranking Minority Member; Fain, Assistant Ranking Minority Member; Delvin, Erickson and Sheldon.

Staff: Amanda Cecil (786-7429)

Background: Cities and counties are authorized to impose various taxes and fees through their existing governance structure or by forming a taxing district.

One such taxing district is a transportation benefit district (TBD), which is a quasi-municipal corporation and independent taxing authority that may be established by a county or city for the purpose of funding transportation improvements within the district. Transportation improvement can include investments in city streets, county roads, new or existing highways of statewide significance, principal arterials of regional significance, high capacity transportation, and public transportation. TBD may include areas within one or more than one county, city, port district, county transportation authority, or public transportation benefit area.

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.

TBD is authorized to impose a vehicle fee of up to \$20.00 with approval of a majority of the governing board or up to \$100.00 with approval of a majority of the voters in the district. TBD may also impose impact fees on the construction of commercial buildings; a sales and use tax of up to 0.2 percent with approval of a majority of the voters in the district; and vehicle tolls on state routes, city streets, or county roads within the boundary with approval of a majority of the voters in the district.

In addition to other taxes and fees, counties are authorized to impose:

- A property tax for county roads of up to \$2.25 per \$1,000 of assessed value. Each year a county can impose up to 101 percent of the previous year's levy, or it may impose an amount in excess of 101 percent with approval of a vote of the people.
- A fuel tax of 10 percent of the statewide fuel tax rate on each gallon of fuel sold within the county. The current statewide fuel tax rate is \$0.375 per gallon, making the amount a county can impose \$0.0375 per gallon.

Summary of Engrossed Substitute Bill: TBD is authorized to impose:

- a vehicle fee of up to \$40.00 with a majority vote of the district's governing board; or
- a motor vehicle excise tax (MVET) of up to 1 percent of the value of the vehicle with a vote of the people.

A TBD may impose a vehicle fee or a MVET and may not impose both.

The existing county wide fuel tax authority of 10 percent of the statewide fuel tax rate is changed to \$0.01, \$0.02, or \$0.03 per gallon of fuel. A county may only impose the tax with a vote of the people.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: Transportation benefit districts are one of the most viable tools for funding local transportation. The existing \$20 councilmanic authority generally buys back about 20 percent of a city's maintenance budget, so going to \$40 is a significant step forward. The local option gas tax is also a viable option. In Beaverton, Oregon, there was an attempt to roll their locally imposed gas tax back, and they were not able to get enough votes at the ballot to do that. The local option fuel tax for cities also already exists for border cities, so this is just expanding that authority to the rest of the cities in the state.

Local option funding tools that work are critical to funding local transportation needs. King county was able to imposed the \$20 local option congestion reduction charge, which was granted by the Legislature last year, with a bipartisan vote of the council. That has allowed them to keep buses on the road, but it is a temporary fix. They need a long-term, sustainable

solution that is easy to implement, such as a 1 percent councilmanic MVET for King county. Even the taxes and fees that can be imposed by a council include a public process through public hearings so there will be a lot of opportunities for public input.

In addition to the options in this bill, the Legislature should consider further expanding the options that are available for county and city councils to impose, and local governments should have the freedom and flexibility to determine how to address their transportation needs.

CON: Car tab taxes are radioactive, and this bill violates four different citizen initiatives: I-695, I-776, I-695 and I-1053. Every time voters have voted on higher car tab taxes since 2002 they have rejected it by wide margins. Even in Seattle, it was rejected by a margin of 60 percent this last election. The new MVET has the same fatal flaw that the statewide MVET had, which is that it artificially inflates the value of a vehicle by basing it on the MSRP. Just because the counties and cities want this does not mean that you should give it to them.

There have been a number of attempts in recent years to impose local option gas taxes, and they have been unsuccessful. These are also funds that could be diverted by cash-strapped local governments to general government purposes. It will be expensive to collect because there is no system in place and it undermines the state's ability to impose additional statewide gas taxes in the future.

Persons Testifying: PRO: Randi Abrams-Caras, Cascade Bicycle Club; Adam Sherman, GPSS, UW; Sarah Round, ASUW, UW; Harold Tanaguchi, King County DOT; Scott Merriman, Assn of Counties; Ashley Probart, Assn. of Cities; Michael Groesch, Microsoft, ACEC; Carrie Dolwick, Transportation Choices Coalition.

CON: Amber Carter, AWB; Tim Eyman; Greg Hanon, Western States Petroleum Assn.

House Amendment(s): The authorization for a TBD to increase the vehicle fee from \$20 to \$40 with approval of the governing board is limited to include only a city TBD with a population of 500,000 or less, as opposed to any TBD.

Until June 30, 2015, the additional revenue generated by the fee may not be used to supplant existing local transportation funding for local road operations and maintenance.

A county TBD with a population of 1.5 million or more may use funds derived from the vehicle fee to purchase air space rights above transit facilities that include parking facilities and ferry terminals and provide affordable workforce housing for people whose income is between 30 percent 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.

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.

A county is authorized to impose a local MVET as opposed to a TBD. A county that intends to impose an MVET it must do the following:

- meet with representatives of each city and transit system located within the county to establishing a collaborative process that will provide a framework for the adoption of a ballot measure;
- if it has implemented a congestion reduction charge, sunset the charge prior to the implementation of an MVET; and
- use the funds in a manner consistent with transportation planning requirements in statute.

The vehicle valuation (depreciation) schedules in current law are retained and the new schedules included as the bill passed the Senate are removed.

If a county has not imposed an MVET by December 31, 2013, a transit system within that county may impose up to one-half of 1 percent of the MVET. A county may waive the December 31, 2013, deadline and allow transit agencies in that county to proceed with imposing a MVET.

There are no provisions preventing a vehicle fee and an MVET from being imposed in the same jurisdiction.

A county or transit agency may use all or a part of the MVET revenues for the amortization of local government general obligations and revenue bonds issued for transportation purposes.

A city with a population of over 500,000 may impose, by voter approval, \$0.01 on each gallon of motor vehicle fuel sold within the boundaries of the city.