Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Transportation Committee

HB 1954

Brief Description: Concerning transportation revenue.

Sponsors: Representatives Clibborn, Moscoso, Fey, Ryu, Riccelli, Farrell, Liias, Pollet, Ormsby, Tarleton, Roberts, Wylie, Morris, Bergquist and Moeller.

Brief Summary of Bill

- Increases the motor fuel taxes by 10 cents over five years, by means of yearly 2-cent increments and increases certain refunds in corresponding amounts.
- Distributes the increased fuel tax revenue to two new accounts, the Connecting Washington Account and the Maintenance, Operations, and Preservation Account; the Transportation Improvement Board; the County Road Administration Board; the Puget Sound Ferry Operations Account; and the cities and counties.
- Establishes the distribution of the increases in various fees that were raised during the 2012 legislative session.
- Creates a freight project fee equal to 15 percent of the current gross weight fee to be used for freight projects, and a bike fee of $25 for Complete Streets projects.
- Increases the Hazardous Substances Tax by 0.3 percent and distributes the proceeds to various accounts for stormwater and fish passage barrier projects.
- Implements a motor vehicle excise tax of 0.7 percent of the value of motor vehicles weighing less than 10,000 pounds and distributes the proceeds to transit authorities, cities and counties, the Transportation Improvement Board, and the Connecting Washington Account.
- Imposes a service fee of $5 for every vehicle registration renewal and $12 for every certificate of title transaction conducted by a county auditor or other agent and the Department of Licensing.
- Provides a variety of local revenue options.

Hearing Date: 4/19/13

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.

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Background:

Licensing and Fees.
Generally, all motor vehicles used on public highways are required to be registered with the Department of Licensing (DOL) annually. The annual cost for a passenger vehicle includes a $30 license tab fee; a weight fee of $10, $20, or $30 based on the weight of the vehicle; and various other fees totaling $3.75. For commercial vehicles, the combined license fee ranges from $60 for a 10,000 pound vehicle to $3,400 for a 105,500 pound vehicle.

Vehicles that are powered by natural gas or propane pay an annual license fee in lieu of fuel tax. The annual license fee is calculated using a formula that includes, among other factors, a fee based on weight and the current rate of fuel tax. The current annual license fee is $145.63.

18th Amendment.
The 18th Amendment to the Washington Constitution requires that the state's motor vehicle fuel taxes, which are currently 37.5 cents per gallon, vehicle licensing fees, and all other state revenue intended to be used for highway purposes be deposited into the Motor Vehicle Fund. Monies in that fund may only be spent for highway purposes, which are defined to include expenditures on construction, preservation, maintenance, operation, and administration of highways and ferries. Other transportation funding is not restricted by the 18th Amendment. Often referred to as "multimodal" or "flexible" funding, these monies may be spent for any transportation purposes.

Motor Vehicle Excise Tax.
A motor vehicle excise tax (MVET) is a tax paid on the value of a motor vehicle. For the purpose of determining any locally imposed MVET, the value of a vehicle other than a truck or trailer is 85 percent of the manufacturer's base suggested retail price (MSRP) 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. For the purpose of determining any locally imposed MVET, the value of a truck or trailer is 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 applicable percentage listed in the depreciation schedules based on year of service of the vehicle since last sale. The latest purchase year is considered the first year of service.

Transportation Benefit District.
A transportation benefit district (TBD or district) 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 has independent taxing authority to implement the following revenue measures, all of which are subject to voter approval:

- 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 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.

A TBD may impose the following revenue measures without voter approval through a majority vote of the governing body:

- transportation impact fees on commercial and industrial development; and
- except for passenger-only ferry improvements, up to $20 in local annual vehicle fees 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 interlocal agreement.

<u>Public Transportation Benefit Area</u>.
A public transportation benefit area (PTBA) is a special-purpose district authorized to provide public transportation service within all or a portion of a county or counties. 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. It also means passenger-only ferry service for those PTBAs eligible to provide passenger-only ferry service. A PTBA may collect fares for service and, with approval of the majority of the voters within the area, impose up to a 0.9 percent sales and use tax within the area.

A PTBA is created through a conference process attended by elected representatives selected by the legislative body of each city within the boundaries of the PTBA as well as the county legislative authority or authorities. Within 60 days of establishment, the county legislative body or bodies provide for the selection of a governing body of not more than nine elected officials (or, in the case of a multi-county PTBA, not more than 15 members) selected by and serving at the pleasure of the governments of the cities and counties in the PTBA. Cities within the PTBA that are excluded from direct membership on the authority are permitted to designate a member of the PTBA who is entitled to represent the interests of those cities.

The corporate authority of any municipality is authorized to acquire, construct, operate, and maintain a public transportation system.

Summary of Bill:

<u>State Taxes and Fees</u>.

The motor vehicle fuel tax and the special fuel tax are each increased by 10 cents over five years, by means of yearly 2-cent increments. The off-road vehicle and snowmobile refunds are increased in corresponding amounts in the corresponding time frame.

The increased fuel tax revenue is distributed in the following manner:

- 20 percent to the Maintenance, Operations, and Preservation Account, which is created by the act;
- 1.9 percent to the Transportation Improvement Board;
- 1.1 percent to the County Road Administration Board;
- 16 percent to the Puget Sound Ferry Operations Account;
- 6.5 percent to the cities through the established distribution process;
- 6.5 percent to the countiesthrough the established distribution process; and
- 48 percent to the Connecting Washington Account, which is created by the act.

- The distribution of the following fees that were raised during the 2012 legislative session is established in statute for 10 years:
  - original issue license plate fee;
  - original issue motorcycle license plate fee;
  - motorcycle replacement license plate fee;
  - abstract of driver's record fee;
  - driver's license, instruction permit, and identicard fees;
  - vehicle dealer original license fee;
  - vehicle dealer license renewal;
  - licensing examination fee; and
  - hearing request fee.

A freight project fee equal to 15 percent of the current gross weight fee is established and required to be used for freight projects. A bike fee of $25 is imposed on the sale of any new bicycle with a purchase price of greater than $500, with the proceeds directed to Complete Streets projects.

The state hazardous substances tax is increase by 0.3 percent and the proceeds are distributed to various new accounts to pay for stormwater and fish passage barrier projects constructed by the Washington State Department of Transportation (WSDOT), the Transportation Improvement Board, and the County Road Administration Board. The Department of Ecology also receives funds for grants or loans to cities, counties, and the WSDOT to pay for stormwater retrofit projects.

A motor vehicle excise tax of 0.7 percent of the value of motor vehicles weighing less than 10,000 pounds is imposed, and the proceeds are distributed to transit authorities, cities and counties, the Transportation Improvement Board, and the Connecting Washington Account.

A service fee of $5 for every vehicle registration renewal and $12 for every certificate of title transaction conducted by a county auditor or other agent and the DOL is imposed, with the proceeds deposited in the Capital Vessel Replacement Account.

<u>Local Revenue Options</u>.

A TBD is allowed to impose a local annual vehicle fee of up to $40 upon a majority vote of the governing body.

A county with a population of 1,000,000 or more may impose an MVET with the approval of the voters or upon a majority vote of the county council. The MVET may be up to 1.5 percent of the value of the vehicle and may be imposed on all the vehicles within the county, except for trucks with an unladen weight of 6,000 pounds or more, farm vehicles, and commercial trailers. Sixty percent of the net funds collected from the MVET must be used for the operation, maintenance, and capital needs of public transportation systems. Forty percent of the net funds from the MVET must be used for the operations and maintenance of local roads. These funds must be distributed on a pro rata basis to the county and incorporated cities and towns within the county based on the population of the unincorporated areas of the county and the population of cities and towns as a percentage of the total population of the county. A county imposing the MVET must contract, before the imposition of the MVET, with the DOL for the administration and collection of the MVET. The DOL is required to deduct an amount from the MVET collections to cover its administration and collection expenses.

A PTBA in a county with a population of 700,000 or more, that also contains a city with a population of 75,000 or more that operates a transit system, may impose an MVET with the approval of the voters within the area. The MVET may be up to 1 percent of the value of the vehicle and may be imposed on all the vehicles within the county, with certain limited exceptions for vehicles carrying an exempt license, vehicles not designed primarily for use upon public highways, mobile homes and travel trailers, and motor vehicles owned by nonresident military personnel.

All transit agencies, except a Regional Transit Authority, may establish an enhanced public transportation zone (Zone) within the transit agencies' boundaries. A transit agency may put to the voters within a Zone a sales and use tax increase for the purpose of providing enhanced transit service solely within the Zone, and funds collected from the tax may not supplant existing revenue expended in the Zone. A sales and use tax imposed on a Zone, when combined with a transit agency's existing sales and use taxing authority, may not exceed the existing limit of 0.9 percent. When establishing the boundaries of a Zone, the establishing agency must consult with the Department of Revenue on sales tax collection methods, and boundaries must follow election precinct lines if possible. A Zone may cover only a portion of an area within a transit agency's boundaries, including portions of a city or town, and may not include more than 49 percent of the population of the transit agency's area. Also, the Zone must include 55 percent of the low-income or minority populations, designated as such for the purposes of Title VI of the federal Civil Rights Act, within the transit agency's boundaries. The establishing transit agency must adopt an ordinance that finds that the Zone warrants consistent and sustainable transportation service levels of passenger capacity, speed, and service frequency to serve persons within the Zone that would otherwise be substantially disadvantaged if the Zone were not created. A baseline level of service must be established prior to creation of the Zone, and service within the Zone must increase in proportion to the additional revenue collected. A sales and use tax imposed on a Zone expires after five years, unless reauthorized by the voters of the Zone.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on August 1, 2013, except for sections 6 through 11, which take effect July 1, 2015, and sections 26 through 32, which take effect January 1, 2014. Sections 6 through 11 expire July 1, 2022.