HOUSE BILL REPORT
HB 1959

As Reported by House Committee On:
Transportation

Title: An act relating to local transportation revenue.

Brief Description: Concerning local transportation revenue.

Sponsors: Representatives Farrell, Fitzgibbon, Kagi, Pedersen, Bergquist, Pollet, Tarleton, Cody, Ryu and Fey.

Brief History:
Committee Activity:
Transportation: 2/25/13, 3/1/13 [DPS].

Brief Summary of Substitute Bill

- Allows a transportation benefit district to impose a local annual vehicle fee of up to $40 upon a majority vote of the governing body.
- Allows a county with a population of 1,000,000 or more to impose a motor vehicle excise tax (MVET) of up to 1.5 percent of the value of a vehicle with the approval of the voters or upon a majority vote of the county council.
- Requires 60 percent of the proceeds of the MVET to be used for public transportation systems and 40 percent to be distributed on a pro rate basis to cities, town, and the county for local roads.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Clibborn, Chair; Fey, Vice Chair; Liias, Vice Chair; Moscoso, Vice Chair; Bergquist, Farrell, Fitzgibbon, Habib, Moeller, Morris, Riccelli, Ryu, Sells, Takko, Tarleton and Upthegrove.

Minority Report: Do not pass. Signed by 15 members: Representatives Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Overstreet, Assistant Ranking Minority Member; Angel, Freeman, Hayes, Johnson, Klippert, Kochmar, Kretz, Kristiansen, O'Ban, Rodne, Shea and Zeiger.

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.

Staff: David Munnecke (786-7315).

Background:

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.

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.

Summary of Substitute Bill:

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 Department of Licensing (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.

Substitute Bill Compared to Original Bill:

When valuing vehicles for purposes of the MVET, the DOL is required to use any guidebook or compendium of recognized standing in the automotive industry, such as the Kelley Blue Book, rather than the current statutory scheme.

The legislative intent that local governments provide countywide transportation planning is removed.

Appropriation: None.

Fiscal Note: Preliminary 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.

Staff Summary of Public Testimony:

(In support) King County Metro carries 390,000 passengers each day, so closing it down would be the equivalent of closing a lane and a half on Interstate 90 and would effect the whole state. Metro's fares have increased by 80 percent in the past few years, and the system has been made more efficient. However, people often still have to wait for more than one bus because buses are full to capacity.

It is not every day that cities and counties are in accord on funding. In addition to transit funds, this bill also provides needed funds to repair roads and bridges. Not passing this bill would put the entire transportation system at risk.

This bill is imperative to grow the economy by providing options for employees and employers. Assuming the 115 million boardings that Metro had last year, it saved the economy more than $300 million in congestion costs. Trucks from Eastern Washington also need to get to the ports, and getting people on buses makes it easier for the trucks to do so.

More than 1,000 people testified in favor of the congestion-reduction charge that is currently in place. However, it expires soon, so more money is required. The workers at Metro refused the cost-of-living adjustment they were due under their contracts, have accepted furloughs, and made the system more efficient. Metro currently has a 27 percent fare-box recovery ratio.

There is a crisis in transit funding. As the economy has fallen and gas prices have gone up, demand for transit has gone up as well, increasing by 12 percent between 2005 and 2008. Many people are now forced to stand for the entirety of their trip. Funds need to be made available to address operations and maintenance needs, and locals need to be given the tools to provide these funds based on local decision making. The elderly in particular rely on transit to get around and get to doctors' appointments because many can no longer drive.

(In support with concerns) The intent section should not require countywide transportation planning.

(With concerns) Transit needs funding, but the money needs to come from the general public. Motorists should not be the only ones asked to pay. If the proposed revenue package is passed, motorists will already be asked to pay a gas tax and an MVET.

Increasing vehicle fees has not been popular, and the two-thirds requirement for increasing taxes was just approved. There is no silver bullet for funding, but lodging taxes, property taxes, fare-box increases, and household taxes would all be possibilities for providing transit funding.

(Opposed) This is a massive tax increase. More people will buy cars outside of the MVET counties, and it will lead to more Oregon tabs in the state. This is a horrible tax to push on to the voters, and the MSRP will be increased. You can ignore the voters' initiative votes, but do not think you are doing what the voters want.

Increases to the cost at the time of sale will effect automobile sales. The costs should be put at the time of renewal rather than at the time of sale.

The State of Washington does not need new taxes, the State of Washington needs to do the job with what is available. Wages and pensions are increasing, and the city and county should go to smaller boards to save money.

Persons Testifying: (In support) Representative Farrell, prime sponsor; Bruce Wisheart, Sierra Club; Cody Arledge, Transportation Choices Coalition; Kate Whiting, Transit Riders; Genessee Adkins and Larry Phillips, King County; and Tom Rasmussen, Seattle City Council.

(In support with concerns) Doug Levy, Cities of Renton, Redmond, Kent, and Issaquah.

(With concerns) Dave Overstreet, Automobile Association of America - Washington.

(Opposed) Tim Eyman; Scott Hazlegrove, Washington Auto Dealers Association; and Paul Locke.

Persons Signed In To Testify But Not Testifying: None.