

# HOUSE BILL REPORT

## HB 1180

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### As Reported by House Committee On: Transportation

**Title:** An act relating to dedicated funding sources for high capacity transportation service.

**Brief Description:** Concerning dedicated funding sources for high capacity transportation service.

**Sponsors:** Representatives Fey, Farrell, Fitzgibbon, Moscoso, Walkinshaw, Sells, Pollet, Ortiz-Self, Dunshee, Goodman, Bergquist, Tarleton, Ryu, Cody, Clibborn, Kagi, Morris, Peterson, Jinkins, Senn, McBride, Pettigrew, Sawyer, Gregerson, Robinson and Reykdal.

#### **Brief History:**

##### **Committee Activity:**

Transportation: 1/28/15, 2/2/15 [DPS].

#### **Brief Summary of Substitute Bill**

- Allows for the imposition, by a Regional Transit Authority (RTA) that includes a county with a population of 1.5 million or more, of a motor vehicle excise tax of up to 0.8 percent of the value of the vehicle for high capacity transportation (HCT) services.
- Increases the maximum sales and use tax rate that can be imposed by a RTA that includes a county with a population of 1.5 million or more for HCT services to 1.4 percent.
- Allows a RTA that includes a county with a population of 1.5 million or more to impose a property tax levy of up to 25 cents per \$1,000 of assessed value for HCT services.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Moscoso, Vice Chair; Bergquist, Gregerson, McBride, Morris, Ortiz-Self, Riccelli, Sells, Takko and Tarleton.

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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.*

**Minority Report:** Do not pass. Signed by 8 members: Representatives Hargrove, Assistant Ranking Minority Member; Harmsworth, Kochmar, Moeller, Pike, Shea, Wilson and Young.

**Minority Report:** Without recommendation. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Hayes, Rodne and Zeiger.

**Staff:** David Munnecke (786-7315).

## **Background:**

### High Capacity Transportation Systems.

In the central Puget Sound region, high capacity transportation (HCT) systems may be established and financed by a regional transit authority (Sound Transit) or a regional transportation investment district. Outside the central Puget Sound region, the HCT systems may be established by transit agencies in counties containing an interstate highway that have a population greater than 175,000, which are Benton, Clark, Spokane, Thurston, Whatcom, and Yakima counties.

"High capacity transportation system" means a system of public transportation services within an urbanized region operating principally on exclusive rights-of-way, and the supporting services and facilities necessary to implement the system, including interim express services and high occupancy vehicle lanes, which, taken as a whole, provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating principally in general purpose roadways.

Transit agencies authorized to provide the HCT service may seek to finance the system and service with the following voter-approved revenue measures:

- an employer tax of up to \$2 per month per employee;
- rental car sales and use tax not to exceed 2.172 percent; and
- sales and use tax not to exceed 0.9 percent.

In general, most transit agencies, like public transportation benefit areas and county transportation authorities, are authorized to impose a sales and use tax of up to 0.9 percent with voter approval for the purpose of funding public transportation services.

### Sound Transit.

A Regional Transit Authority (RTA) is authorized to use its tax revenues to develop and operate a HCT system. There is currently one RTA, Sound Transit, which operates light rail, commuter rail service, and express bus service in the central Puget Sound. After the approval of the most recent system expansion plan in 2008, Sound Transit imposes a sales and use tax of 0.9 percent, a motor vehicle excise tax of 0.3 percent, and a rental car sales and use tax of 0.8 percent within the boundaries of the Sound Transit district.

### Property Tax Levy.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example, the state levy rate is

limited to \$3.60 per \$1,000 of assessed value, county general levies are limited to \$1.80 per \$1,000 of assessed value, county road levies are limited to \$2.25 per \$1,000 of assessed value, and city levies are limited to \$3.375 per \$1,000 of assessed value. These districts are known as "senior" districts. Junior districts such as fire, library, hospital, and metropolitan park districts each have specific rate limits as well. The tax rates for most of these senior and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. State statutes contain schedules specifying the preferential order in which the various junior taxing district levies will be prorated in the event that the \$5.90 limit is exceeded. Under this prorating system, senior districts are given preference over junior districts.

#### Property Tax "Gap".

A few regular property tax levies are not placed into the \$5.90 aggregate rate limit: emergency medical services, conservation futures, affordable housing, certain metropolitan park districts, county ferry districts, criminal justice, fire districts, and county transit. However, these districts are subject to reduction if the rates for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed the constitutional limit of \$10 per \$1,000 of assessed value. These districts are in what has been called the "gap," the 50 cents remaining after subtracting the \$3.60 state levy and the \$5.90 in local regular levies from the statutory \$10 limit.

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#### **Summary of Substitute Bill:**

The imposition of a motor vehicle excise tax (MVET) of up to 0.8 percent of the value of the vehicle is authorized for RTAs that include a county with a population of 1.5 million or more, for HCT services. The 0.8 percent is in addition to any previously authorized MVET if that MVET will expire when the bond debt to which it is pledged is repaid.

The MVET does not apply to trucks with an unladen weight greater than 6,000 pounds, farm vehicles, and commercial trailers. The depreciation schedule that is used to calculate an MVET imposed by an authorized RTA remains the same as the MVET schedule in effect for any bonds issued by the RTA until those bonds are repaid. After any such bonds are repaid, the MVET schedule for that RTA switches to the schedule in effect at the time the MVET is approved by the voters.

The rental car sales and use tax that can be imposed is limited to the same ratio as the MVET that is imposed bears to the amount of the MVET that is allowed.

The maximum sales and use tax rate that can be imposed for HCT services is increased to 1.4 percent for RTAs that include a county with a population of 1.5 million or more.

A RTA that includes a county with a population of 1.5 million or more is authorized to impose a property tax levy of up to 25 cents per \$1,000 of assessed value for HCT services.

#### **Substitute Bill Compared to Original Bill:**

The MVET imposition, sales and use tax increase, and property tax imposition, are all limited to RTAs that include a county with a population of 1.5 million or more.

A single property tax imposition is authorized for certain RTAs.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for sections 6 and 8 relating to property tax levies, which take effect January 1, 2018.

**Staff Summary of Public Testimony:**

(In support) This bill will allow for the expansion of transit from Everett to Tacoma. We don't generally hear about successes, but Sound Transit is a success and the members of the Sound Transit board are dedicated to insuring that the needs of the state and the Puget Sound are met. Allowing Sound Transit to expand would be good for commuters, good for jobs, and good for the state.

Seattle is the fastest growing city in the country. Every business choosing to expand or locate in Seattle or any of the three counties in Sound Transit is asking about transit options. In order to compete, we need Sound Transit 3 (ST3) to be passed. It is a regional approach to improve a regional system.

Snohomish County is in need of increased transit to connect its manufacturing centers. Traffic has worsened considerably and people are having to stand on many of the buses. Paine Field is one of the largest manufacturing areas in the country and it needs to be connected to the region.

Seattle is fortunate to be on the current light rail line, and the people near that line are fortunate to have the access to the jobs and entertainment that it provides. People elsewhere are looking forward to being able to ride the light rail from Everett to Tacoma.

This bill will allow for system expansion and improve mobility and connections throughout the region. We need to support the transit system and allow the voters to approve more transit.

The system needs to go from Tacoma to Everett. Tourists need to be able to take the light rail to get to Tacoma. This proposal connects all three Sound Transit regions and empowers the voters to say yes to ST3.

We are building a transit system for the next 100 years, and it won't get cheaper to build it in the future. The delay factor on Interstate 5 has increased substantially, and building an integrated system that will keep the economy moving will bring benefits to the whole state.

The free space on the road that will be created by mass transit riders can be used to make the system more reliable, to get goods to market, and to thus improve the economy of the entire state.

Ridership on the Link light rail has been growing by double digits every year since it opened, and the demand for all forms of high-capacity transit will continue to grow. Link is an antidote to congestion, and it will appeal to both low-income workers and job creators deciding where to locate those jobs.

The system for funding Sound Transit is designed so that new proposals are brought forward as needed. This new taxing authority will allow for completion of the spine of the system and expansion of the Seattle system. Voter approval will be required for all the potential tax increases.

Kirkland has zoned for livable walkable communities that are served by transit. The ST3 is needed to make this possible. The eastside rail corridor is a place where benefits can be brought to communities that won't be served by light rail. Sound Transit should have options to fund multimodal connections, which will make it more relevant to more people.

If we want to protect farms and forests from development, then we need thriving communities, which need mass transit. This will attract people to the urban areas, improve their lives in those areas, and allow for the preservation of the rural areas.

Sound Transit projects have been one of the biggest sources of jobs for the building trades in recent years, and people have developed new skills while working on these projects. The projects have come in under budget, and the apprenticeship utilization and community hiring requirements have brought more people in to the trades and locals. Out-of-work people have been brought into the workforce, and so have former juvenile offenders.

Younger workers want to use transit and so do conventioners trying to get around town.

When people come to America, they wish there was more transit available. Refugees often don't have enough income to afford a car, and need thus need transit.

This bill is important for people of color who are more reliant on transit to get where they need to go. Growth in the Puget Sound will be in part in the low-income communities, and these regressive taxes are needed to fund a less-expensive option for getting around.

(With concerns) Light rail is like Percy Harvin in that it is expensive and ineffectual. Sound Transit receives 30 percent of the transportation funding but only 0.25 percent of the trips. Sound Transit is the equivalent of only half a lane on a freeway, and there should be restrictions placed on its spending.

(Other) People throughout the Sound Transit region have expressed concerns about the current Sound Transit taxes, as well as any increases in these taxes.

The ST3 could increase the sales tax to over 10 percent in some areas, and transit agencies in the Puget Sound already collect over \$1.2 billion per year. Washington has the country's most regressive tax structure, and this bill could make it worse.

(Opposed) None.

**Persons Testifying:** (In support) Representative Fey, prime sponsor; Ed Murray, City of Seattle; John Lovick, Snohomish County; Mike O'Brien, Seattle City Council; Dow Constantine, King County; Marilyn Strickland, City of Tacoma; Paul Roberts, Everett City Council; Dave Asher, City of Kirkland; Leda Chahim, Forterra; Lee Newgent, Washington Building and Construction Trades Council; Mohamud Yussof and Ellicott Dandy, One America; Bryce Yadon, Futurewise; Andrew Austin, Transportation Choices; George Allen, Seattle Chamber of Commerce; Glenn Coil, Economic Alliance Snohomish County; and Andrew Villeneuve, Northwest Progressive Institute.

(With concerns) Todd Woosley, Eastside Transit Association.

(Other) Bob Pishue, Washington Policy Center.

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