

HOUSE BILL REPORT

HB 2119

As Reported by House Committee On:
Transportation

Title: An act relating to transportation resources.

Brief Description: Addressing transportation resources.

Sponsors: Representatives Fey, Wylie and Riccelli.

Brief History:

Committee Activity:

Transportation: 2/17/22, 2/22/22 [DPS].

Brief Summary of Substitute Bill

- Provides direction and requirements on the spending for a portion of the funding generated under the Climate Commitment Act.
- Removes the requirement to consider and enact legislation dealing with compliance obligations for emissions-intensive and trade-exposed industries under the Climate Commitment Act.
- Repeals the current motor vehicle fuel tax exemption for exported fuel and replaces it with a fuel tax credit that limits the effective fuel tax rate to 6 cents per gallon or less, depending on the importing state.
- Increases a variety of transportation taxes and fees and provides additional local government taxing authority.
- Removes language requiring passage of an additive transportation package before the Clean Fuel compliance and credit provisions go into effect.
- Makes transfers from the State General Fund and other changes dealing with State General Fund support.
- Creates multiple new transportation accounts and programs.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

- Makes a variety of other changes associated with financing and spending assumptions, and with certain transportation policies, as provided in the Move Ahead WA transportation package.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Fey, Chair; Wylie, 1st Vice Chair; Bronoske, 2nd Vice Chair; Ramos, 2nd Vice Chair; Berry, Chapman, Duerr, Entenman, Hackney, Ramel, Riccelli, Slatter, Taylor, Valdez and Wicks.

Minority Report: Do not pass. Signed by 14 members: Representatives Barkis, Ranking Minority Member; Eslick, Assistant Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Volz, Assistant Ranking Minority Member; Dent, Donaghy, Goehner, Griffey, Klicker, McCaslin, Orcutt, Paul, Sutherland and Walsh.

Staff: David Munnecke (786-7315).

Background:

Climate Commitment Act.

The Climate Commitment Act directed the Department of Ecology (Ecology) to implement a cap and invest program to reduce greenhouse gas (GHG) emissions consistent with the statewide statutory emissions limits. Starting on January 1, 2023, the cap and invest program will cover industrial facilities, certain fuel suppliers, in-state electricity generators, electricity importers, and natural gas distributors with annual GHG emissions above 25,000 metric tons of carbon dioxide equivalent (CO₂e).

Covered entities must either reduce their emissions or obtain allowances to cover any remaining emissions. The total number of allowances will decrease over time to meet statutory limits. Some utilities and industries will be issued free allowances; other allowances will be auctioned. The cap and invest program must track, verify, and enforce compliance through the use of compliance instruments. A compliance instrument is an allowance or offset credit issued by Ecology or a trading program that has linked with Washington's cap and invest program. One compliance instrument is equal to one metric ton of CO₂e.

Except for directly distributed, no-cost allowances allocated to certain entities, allowances under the cap and invest program must be distributed through auctions. Ecology must hold a maximum of four auctions each year, plus any necessary reserve auctions. An auction may include allowances from the annual allowance budget of the current year and allowances from the annual allowances budgets of prior years that remain to be distributed.

Upon completion and verification of auction results, the auction proceeds must be transferred to the State Treasurer for specific deposits first to the Carbon Emissions Reduction Account (CERA) and the remaining auction proceeds to the Climate Investment Account and Air Quality and Health Disparities Improvement Account. The deposits to the CERA are as follows:

- \$127,341,000 for Fiscal Year (FY) 2023;
- \$356,697,000 for FY 2024;
- \$366,558,000 for FY 2025; and
- \$359,117,000 each year for fiscal years 2026 through 2037.

The deposits into the CERA must not exceed \$5.2 billion over the first 16 years. For FY 2038 and each year thereafter, 50 percent of the proceeds must be deposited to the CERA and 50 percent to the Climate Investment Account and Air Quality and Health Disparities Improvement Account.

Expenditures from the CERA may only be used for transportation carbon emissions reducing purposes, including investments in alternatives and reductions to single occupancy passenger vehicle use through alternative fuel infrastructure and incentives, and emission reduction programs for freight, ferries, and port activities. Expenditures may not be used for Eighteenth Amendment highway purposes, other than as specified in the account.

When allocating funds or administering grants funded by the Climate Commitment Act, agencies are required to conduct an environmental justice assessment and establish a minimum of not less than 35 percent, and a goal of 40 percent, of total investments to provide direct and meaningful benefits to vulnerable populations within overburdened communities.

Under the Climate Commitment Act, certain entities are identified as emissions-intensive and trade-exposed (EITE) industries. The EITE facilities receive no cost allowance that decline over time depending on the compliance obligation time period. During the 2022 regular legislative session, Ecology must submit agency-request legislation developed in consultation with EITEs, covered entities, environmental advocates, and overburdened communities that outlines a compliance pathway specific to EITEs for achieving their proportionate share of the state's emission reduction limits through 2050.

If, by April 1, 2023, the Legislature has not considered and enacted Ecology's request legislation, no expenditures may be made from the CERA, the Climate Investment Account, or the Air Quality and Health Disparities Improvement Account.

The Eighteenth Amendment and Fuel Taxes.

Since 1921 the State of Washington has levied a motor vehicle fuel tax (MVFT). Tax is applied to each gallon of fuel that is imported, produced, or delivered from a terminal rack in the state. A terminal rack is the point where the fuel from a refinery, terminal, or pipeline

is delivered into tanker trucks or rail cars for distribution to a retailer or bulk consumer. The current MVFT is 49.4 cents per gallon and is distributed among state highway programs, the state ferry system, and local governments. The state highway programs include revenue packages, such as the 2003 Transportation Nickel package, the 2005 Transportation Partnership, and the Connecting Washington package which the Legislature passed in 2015.

The Eighteenth Amendment to the Washington Constitution requires the state's MVFT, vehicle license fees, and all other state revenue intended to be used for highway purposes be deposited into the Motor Vehicle Fund. Moneys 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.

Under current law, fuel exported from the state is exempt from the entire 49.4 cents per gallon MVFT.

Aircraft Fuel Tax.

The current aircraft fuel tax is 11 cents per gallon. Fuel exempted from this tax includes exported fuel and fuel used for commercial use, research, testing, training, and emergency medical air transport.

License Plate Fee.

The current fee for original and replacement license plates for most vehicles is \$10 per plate. The current fee for original and replacement motorcycle license plates is \$4 per plate.

Dealer Temporary Permits.

The current fee for a dealer temporary permit is \$15. The permit allows for the operation of a vehicle for which an application for registration has been made and is used until the receipt of permanent license plates.

Stolen Vehicle Check Fee.

Vehicles previously titled in another state and applying for a title in Washington for the first time must pay a \$15 fee. Prior to titling in Washington all out-of-state vehicles are subject to a stolen vehicle check, whereby the vehicle is checked against national and state databases for any titling or other issues.

License Service Fee and License Plate Technology Fee.

In addition to other licensing and registration fees, a 50-cent license service fee and a 25-cent license plate technology fee is charged as part of most passenger cars and other vehicle registration transactions. These two fees do not apply to most registrations for light duty truck and larger trucks registered based on weight.

Enhanced Driver Licenses and Indentcards.

An enhanced driver license (EDL) or enhanced identicard (EID) may be issued to a Washington resident who is also a United States citizen if they have confirmed their identity and citizenship. A person applying for an EDL must be at least 18 years old and any age for an EID card. The fee for a six-year EDL or EID is \$24 and the fee for an eight-year EDL or EID is \$32. This fee is in addition to any other fees due for a driver license or identification card.

Auto Dealer Documentary Service Fee.

Auto dealers are allowed to charge an optional fee of up to \$150 for the administrative costs associated with titling, registration, tax collection, and other services. To collect this fee, the auto dealers must take a variety of actions including disclosing to the buyer that the fee is negotiable.

Driver Abstract Fee.

The driver abstract is a summary of an individual's driving record that is often used by employers or prospective employers, data brokers, volunteer organizations, insurance carriers, alcohol and drug assessment or treatment agencies, or other entities. The current fee for a driver abstract is \$13.

Driver License Update Fee.

Individuals who receive a replacement license or identicard to correct or update information, reflect a motorcycle or Commercial Driver's License (CDL) endorsement, or obtain an updated photograph, pay a \$10 fee.

General Fund Backfill for Tax Exemptions and Credits.

Various transportation accounts provide statutory transfers to backfill the State General Fund for revenue loss from the following tax credit or exemption provisions:

- tax credits for employers implementing commute trip reduction incentives and support for their employees;
- alternative fuel vehicle retail sales and use tax exemptions under provisions of Engrossed Second Substitute House Bill 2042 (E2SHB) (green transportation);
- alternative fuel commercial vehicle and infrastructure tax credits under provisions of E2SHB 2042 (green transportation);
- electric vehicle battery and hydrogen fuel cell, infrastructure, and zero-emission bus retail sales and use tax exemptions under provisions of E2SHB 2042 (green transportation); and
- fuel cell electric vehicle retail sales and use tax exemptions program under provisions of Second Substitute Senate Bill 5000 (hydrogen fuel cell vehicles).

Transportation Benefit Districts Sales Tax.

A transportation benefit district (TBD) is an independent taxing district and quasi-municipal corporation. A TBD may be created to acquire, construct, improve, provide, and fund transportation improvement projects within a district. The legislative authority of a city or county may create a TBD, and other jurisdictions may be incorporated via interlocal

agreements. Transportation benefit districts have the authority to raise revenue in a variety of ways, including a local sales and use tax of up to 0.2 percent subject to voter approval. A TBD may only impose a sales and use tax for 10 years unless the proceeds are dedicated to the repayment of indebtedness. A sales and use tax may also be extended for an additional 10 years with voter approval.

Border Area Fuel Tax.

Cities and towns within 10 miles of an international border crossing, and TBDs that have an international border crossing within their boundaries, are eligible to impose a border area fuel tax. This tax may be up to 1 cent per gallon on the retail sale of motor vehicle and special fuel, and may be imposed only after it is approved by a majority vote of the registered voters of the jurisdiction.

Hazardous Substance Tax Distribution.

The hazardous substance tax is imposed on the first possession of hazardous substances in the state. The tax is generally imposed on a per-barrel basis and applies to petroleum products, certain pesticides, and certain chemicals.

Until the biennium after the enactment of an additive transportation funding act, \$50 million per biennium is transferred from hazardous substance tax collections to the Motor Vehicle Fund for stormwater activities. An "additive transportation funding act" means an act in which the combined total of new revenues deposited into the Motor Vehicle Fund and the Multimodal Transportation Account exceed \$2 billion per biennium.

Clean Fuels Program.

Ecology has been directed to adopt a rule establishing a Clean Fuels Program (CFP) limiting the GHG emissions attributable to each unit of transportation fuel, or the carbon intensity, to 20 percent below 2017 levels by 2038. The rule must reduce the overall, aggregate carbon intensity of transportation fuels used in Washington. The rule may only require aggregate carbon intensity reductions, and may not require a reduction in carbon intensity to be achieved by any individual type of transportation fuel. The rule must establish a start date for the program of no later than January 1, 2023.

A subsection of the bill establishing the CFP specified that it may not begin assigning compliance obligations or allowing the generation of credits until the Legislature enacts an increase in the state motor vehicle and special fuel tax of at least 5 cents per gallon. This subsection was vetoed by the Governor.

Interstate 405/State Route 167 Corridor Toll Lane Performance.

The Washington State Transportation Commission (Commission) is the state's tolling authority with responsibility for setting toll rates, including the schedule of toll rates for the Interstate 405 (I-405) and State Route 167 (SR 167) corridor. The current minimum toll rate is 75 cents and the maximum toll rate is \$10. The Washington State Department of Transportation (WSDOT) establishes performance standards for travel time, speed, and

reliability for the corridor and its tolling system automatically adjusts the toll rate within the schedule established by the Commission, using dynamic tolling, to maintain the goal that average vehicle speeds in the toll lanes remain above 45 miles per hour at least 90 percent of the time during peak hours.

Automated Traffic Safety Cameras.

Automated traffic safety cameras may be used to detect various traffic violations, specifically stoplight, railroad crossing, school speed zone violations, or speed violations in certain cities that meet very narrow criteria (there is currently one camera that meets these criteria). Revenue generated from the cameras is treated in the same manner as a parking infraction and remains with the local government, with the exception of the automated traffic safety camera pilot program currently underway (see below for details).

In 2020 the Legislature authorized a pilot program through 2023 regarding the use of automated traffic safety cameras to detect certain stopping and restricted lane violations within cities with a population of greater than 500,000—currently the City of Seattle. One half of the revenue, after costs, generated under the pilot program must be deposited in the state Cooper Jones Active Transportation Safety Account to be used for bicycle, pedestrian, and nonmotorist safety improvement projects administered by the Washington Traffic Safety Commission. The other 50 percent of revenue generated must be used by the city only for improvements to transportation that support equitable access and mobility for persons with disabilities.

Electric Vehicle Grants and Programs.

A number of agencies of state government play a role in administering electric vehicle (EV) related grants and programs, including the Department of Commerce (Commerce) and the WSDOT.

The Federal Infrastructure Investment and Jobs Act (Act) enacted in 2021, invests in the nation's infrastructure, including EV infrastructure. The Act authorizes new spending to build out a national network of EV charging infrastructure along the national highway system. The Act also expands eligibility under the existing Surface Transportation Block Program to include the installation of EV charging infrastructure.

Complete Streets Grant Program.

The Transportation Improvement Board (TIB) administers the Complete Streets Grant Program. One of the eligibility requirements for the grant is that a local government must have an adopted complete streets ordinance. The TIB selects grant recipients each biennium based on a nomination process of local governments implementing project plans and designing streets to accommodate all users, including pedestrians, access to transit, cyclists, and motorists of all ages and abilities.

Rail/Amtrak Fares.

Fares for Amtrak Cascades are governed at a national level through the Amtrak ticketing

and fare structure. The WSDOT and the Oregon Department of Transportation (ODOT) are cosponsors of Amtrak Cascades service. Current youth discounts include:

- infant age 0-2—free, if not occupying a seat (one per adult);
- children age 2-12—50 percent off with an adult for each child (exceptions and limitations apply);
- children with disability—as above plus an additional 10 percent discount;
- students ages 17-24 years old—15 percent discount on purchases made one day in advance (exceptions and limitations apply);
- age 13 to 18 years old—25 percent discount with 14-day advance purchase when available (all passengers ages 13 and older are eligible); and
- the Schools on Trains program for school or community groups of 20 or more offers students in grades kindergarten through 12—and their designated chaperones—a group trip price of \$17 per person (up to 72 students)—round-trip or one-way—anywhere between Bellingham and Portland, or between Portland and Eugene, Monday through Thursday.

Ferry Fares.

The Commission is responsible for adopting fares and pricing policies for the Washington State Ferries. The Commission adopts fares and pricing on September 1 of each year for the ensuing year.

Summary of Substitute Bill:

Climate Commitment Act.

The provision is removed that would have required the Legislature to consider and enact Ecology's request legislation dealing with the compliance pathway for EITEs by April 1, 2023, in order for expenditures to continue from the CERA, the Climate Investment Account, or the Air Quality and Health Disparities Improvement Account.

The Carbon Emissions Reduction Account appropriations in the Omnibus Transportation Appropriations Act are limited to the following categories of spending:

- active transportation;
- transit programs and projects;
- alternative fuel and electrification;
- ferries; and
- rail.

The Climate Active Transportation Account (CATA) is created as an appropriated account in the State Treasury, and the account receives 24 percent of the revenues accruing each year to the CERA. The allowable uses from the CATA are limited to:

- Safe Routes to Schools;
- school-based bike programs;
- bicycle and pedestrian grants;

- the Complete Streets Grant Program;
- the Connecting Communities Grant Program; and
- pedestrian and bicycle, or other active transportation projects identified in an omnibus transportation appropriations act.

The Climate Transit Programs Account (CTPA) is created as an appropriated account in the State Treasury and the account receives 56 percent of the revenues accruing each year to the CERA. The allowable uses from CTPA are limited to:

- Transit Support grants;
- Tribal Transit Mobility grants;
- Transit Coordination grants;
- Special Needs Transit grants;
- Bus and Bus Facility grant program;
- Green transit grants;
- Transportation Demand Management grants; and
- transit projects identified in an omnibus transportation appropriations act.

The Legislature intends to program funding from the CERA, the CATA, and the CTPA for the activities identified in Legislative Evaluation and Accountability Program (LEAP) Transportation Document 2022-A as developed February 8, 2022.

The expenditures from the CATA and CTPA are made subject to the same environmental justice assessment and investment for vulnerable populations within overburdened communities requirements as other Climate Commitment Act funding, and intent regarding expenditures for vulnerable populations within overburdened communities and Indian tribes.

Exported Fuel Taxes.

Effective July 1, 2023, the 49.4 cents per gallon MVFT exemption, as it applies to fuel produced in Washington and exported to other states within the United States, is repealed and replaced with a partial fuel tax credit for fuel produced in Washington and exported to other states. Removal at the refinery rack or by bulk transfer for delivery to another state is a taxable activity. The credit is limited to 43.4 cents per gallon, with a higher credit applying where an importing state's motor vehicle fuel tax rate is higher in order to provide a credit up to the amount of that state's motor vehicle fuel tax rate. The MVFT imposed on fuel exported from the state would be 6 cents per gallon or less, depending on the importing state. The Department of Licensing is required to adopt rules to ensure compliance with administration of the fuel tax for fuel exported from the state. Biofuels that are exported to other states are exempt from the MVFT.

The increased revenue from the replacement of this fuel tax exemption with a partial fuel tax credit will be deposited in the Move Ahead WA Account within the Motor Vehicle Fund.

Aircraft Fuel Tax.

Beginning July 1, 2022, the aircraft fuel tax is increased from 11 cents per gallon to 18 cents per gallon. The revenue is deposited in the Aeronautics Account.

License Plate Fees.

Beginning July 1, 2022, the original plate fee is increased from \$10 to \$50 for new cars and to \$40 for used cars, and the replacement plate fee is increased from \$10 to \$30. Beginning July 1, 2022, the original motorcycle plate fee is increased from \$4 to \$20 and the motorcycle replacement plate fee is increased from \$4 to \$12. The plate fee increases are deposited in the Move Ahead WA Account.

Stolen Vehicle Check Fee.

Beginning July 1, 2022, the stolen vehicle check fee is increased from \$15 to \$50. The revenue from the fee increase is deposited in the Move Ahead WA Account.

Dealer Temporary Permits.

Beginning July 1, 2022, the dealer temporary permit is increased from \$15 to \$40. The revenue from the fee increase is deposited in the Move Ahead WA Account.

Enhanced Driver Licenses and Identical Cards.

Beginning October 1, 2022, the enhanced driver license or enhanced ID card fee is increased from \$24 to \$42 for a six-year license and from \$32 to \$56 for an eight-year license. The revenue from the fee increase is deposited in the Move Ahead WA Flexible Account.

Driver Abstract Fee.

The driver abstract fee is increased from \$13 to \$15 on October 1, 2022, and then increased again to \$17 on July 1, 2029. The revenue from the fee increase is deposited in the Move Ahead WA Flexible Account.

License Service Fee and License Plate Technology Fee.

Beginning July 1, 2022, light, medium, and heavy duty trucks are made subject to the 50-cent license service fee and the 25-cent license plate technology fee. The additional license service fee revenue and the additional license plate technology fee revenue is deposited in the Move Ahead WA Account.

Driver License Update Fee.

Beginning October 1, 2022, the fee for individuals who receive a replacement license or identocard to correct or update information, reflect a motorcycle or CDL endorsement, or obtain an updated photograph, is increased from \$10 to \$20. The revenue from the fee increase is deposited in the Move Ahead WA Flexible Account.

Auto Dealer Documentary Service Fee.

Beginning July 1, 2022, the maximum authorized level for the optional auto dealer

document service fee is increased from \$150 to \$200.

Sales and Use Tax Equivalent on Construction to Transportation.

For FY 2026 through FY 2038, the State Treasurer must make annual transfers of \$31 million from the State General Fund to the Move Ahead WA Flexible Account. This represents an estimate of the state sales and use tax generated off of the construction projects in the Move Ahead WA transportation package over 16 years.

General Fund Backfill for Tax Exemptions and Credits.

Beginning July 1, 2022, the transfer from transportation accounts to backfill the State General Fund for revenue loss from the following tax credit or exemption provisions is eliminated. The actual provisions around these tax credit and exemptions remain unchanged, but the source supporting them changes from transportation accounts to the State General Fund. These are:

- tax credits for large employers implementing commute trip reduction incentives and support for their employees;
- alternative fuel vehicle retail sales and use tax exemptions under provisions of E2SHB 2042 (green transportation);
- alternative fuel commercial vehicle and infrastructure tax credits under provisions of E2SHB 2042 (green transportation);
- electric vehicle battery and hydrogen fuel cell, infrastructure, and zero-emission bus retail sales and use tax exemptions under provisions of E2SHB 2042 (green transportation); and
- fuel cell electric vehicle retail sales and use tax exemptions program under provisions of 2SSB 5000 (hydrogen fuel cell vehicles).

Hazardous Substance Tax Distribution.

The passage of the Move Ahead WA or any other additive transportation act enacted before July 1, 2023, is exempted from the provision requiring termination of the \$50 million per biennium transfer from hazardous substance tax collections to the Motor Vehicle Fund for stormwater activities.

Transportation Benefit Districts Sales Tax.

The TBD sales tax authority is increased to 0.3 percent, most of which is subject to voter approval. However, within the 0.3 percent authority, TBDs that include all the territory within the boundaries of the establishing jurisdictions may councilmanically impose a sales and use tax of up to 0.1 percent.

Border Area Fuel Tax.

The authority for cities and towns within 10 miles of an international border crossing, and TBDs that have an international border crossing within their boundaries, to impose a border area fuel tax is increased from 1 cent to 2 cents, subject to voter approval. After calendar year 2022, the maximum 2-cent authority may be increased by inflation.

Clean Fuels Program.

A new section is added in statute that is identical to the original CFP section, except for the vetoed subsection which specified that the CFP could not begin assigning compliance obligations or allowing the generation of credits until the Legislature enacted an increase in the state motor vehicle and special fuel tax of at least 5 cents per gallon. Other sections law are amended to update references to the new section.

Move Ahead WA Account.

The Move Ahead WA Account is created in the Motor Vehicle Fund and is thus subject to the requirements of the Eighteenth Amendment. The account is appropriated and can be used only for projects or improvements identified as Move Ahead WA projects or improvements in a transportation appropriations act, including any principal and interest on bonds authorized for the projects or improvements. The account is allowed to retain its own interest.

Move Ahead WA Flexible Account.

The Move Ahead WA Flexible Account is created in the State Treasury. The account is appropriated and can only be used only for transportation projects, programs, or activities identified as Move Ahead WA flexible projects, programs, or activities in a transportation appropriations act. The account is allowed to retain its own interest.

Interstate 405/State Route 167 Corridor Toll Lane Performance.

The Legislature finds that toll lane performance on the I-405/SR 167 corridors has not met the goal that average vehicle speeds in the express toll lanes remain above 45 miles per hour at least 90 percent of the time during peak hours. Therefore, the Legislature intends that the Washington State Transportation Commission reevaluate options, pursuant to its toll setting authority, at least every two years to improve performance on the I-405 and SR 167 corridors.

Electric Vehicle Goal.

A target is established that all passenger and light duty vehicles of model year 2030 or later be electric vehicles, and requires the Interagency Electric Vehicle Coordinating Council to complete a scoping plan for achieving the 2030 target.

Automated Traffic Safety Cameras.

The use of automated traffic safety cameras is expanded to allow cameras to detect speed violations in school walk areas, public park speed zones, and hospital speed zones. Additionally, cities may operate at least one automated traffic safety camera to detect speed violations, and an additional automated traffic safety camera to detect speed violations for every 10,000 residents, at specified location types outside of school speed zones after completion of an equity analysis. Signage that meets the specified requirements must be posted for the expanded locations where automated traffic safety cameras may now be placed. One half of the revenues generated from the expanded use of automated traffic safety cameras to detect speed violations, after cost, must be directed to the state Cooper

Jones Active Transportation Safety Account, with the other half, after cost, remaining with the local government. Finally, the Seattle automated traffic safety camera pilot program is extended by two years to June 30, 2025.

Interagency Electric Vehicle Coordinating Council.

The Interagency Electric Vehicle Coordinating Council (Council) is created, to be jointly led by the WSDOT and Commerce. The Council must develop a statewide electrification strategy to ensure readiness for all new vehicle sales; identify all electric vehicle infrastructure existing and future grant-related funding opportunities; coordinate electric vehicle grant funding criteria across agency grant programs; develop a public and private outreach plan; create an industry electric vehicle advisory committee; and ensure that activities related to transportation electrification benefit vulnerable and overburdened communities. An annual report must be provided to the appropriation committees of the Legislature summarizing electric vehicle implementation progress, gaps, and resource needs.

Bus and Bus Facilities Grants.

The WSDOT must create a competitive bus and bus facility grant program to provide grants for replacement, rehabilitation, construction, or modification of transit rolling stock and facilities. Transit rolling stock is defined to include, but not limited to, buses, ferries, and vans. No grantee of the program may receive more than 35 percent of the total amount and fuel type may not be a factor. The WSDOT must create an advisory committee to establish grant criteria.

Connecting Communities.

The Connecting Communities grant program is created at the WSDOT to reconnect communities that have been bisected by transportation facilities. Grant funds are eligible to be used for active transportation connections to transit facilities, commercial centers or other community identified assets, as well as improvement planning and development for active transportation facilities.

Incorporate Complete Street Concepts into Highway Projects.

All state transportation projects starting design on or after July 1, 2022, that are \$500,000 or more must incorporate principles of complete streets design. The WSDOT must identify locations on state rights of way that have inadequate bicycle and pedestrian facilities, consult with local jurisdictions to confirm existing and planned active transportation connections for integration of the state route to the local network, and modify speed limits appropriate to roadway design and local context.

School Based Bike Safety Program.

The School Based Bike Safety Grant program is created at the WSDOT to increase access to cycling and provide bicycle safety education, with separate approaches targeted at two age groups. A program for elementary and middle school must partner with school districts to provide in-school bike and pedestrian safety education, with eligibility of school grades

3-6. Participating youth will have the opportunity to receive a bike, lock, helmet, and lights free of charge with program participation. A junior high and high school program, for youths between 14-18 years of age, will deploy a bicycling and road safety education curriculum with the goal of increasing diversity and representation in the cycling community.

Rail/Amtrak Fares.

It is the intent of the Legislature to eliminate fares for passengers 18 years of age and younger for service on the Amtrak Cascades corridor. The WSDOT is directed to negotiate with the ODOT to determine the ridership, revenue, and policy impacts of elimination of these fares, and to report back to the transportation committees of the Legislature with results of the negotiations with the ODOT and the status of fare policy requests submitted to Amtrak by December 1, 2022.

Ferry Fares.

The Commission is directed to adopt a fare-free policy for the Washington State Ferries (WSF) for all passengers 18 years of age and younger. The policy must be enacted by October 1, 2022, and would apply to both walk-on riders and passengers in vehicles.

Ferry Funding.

The Legislature declares its intent regarding fully funding various ferry activities in accordance with the WSF 2040 Long Range Plan, including that the Legislature will secure funding to enact the terminal and electrification program in accordance with the plan.

Transit Support Grants.

A Transit Support Grant program is established within the WSDOT to provide operating and capital support to transit agencies statewide that provide a fare-free policy for all passengers 18 years of age and younger. The grant program must be prorated based on the most recently published version of the WSDOT's "Summary of Public Transportation" report. No transit agency may receive more than 35 percent of the distribution, and fuel type cannot be a factor for grant selection. In order to be eligible for the grant, public transportation agencies must maintain or increase their local sales tax authority on or after January 1, 2022.

Reducing Rural Roadway Departures Program.

A Reducing Rural Roadway Departures Program (Program) is created in the WSDOT to provide funding for safety improvements to prevent lane departures in areas where the departure is likely to cause serious injuries or death, if an appropriation is provided. The WSDOT is required to provide a list of the locations receiving funding from the Program with a description of the safety improvements to the transportation committees and the Washington Traffic Safety Commission by December 31 of each year. The highway safety fund statute is amended to allow funds in the account to be used to implement the Program.

Substitute Bill Compared to Original Bill:

Biofuel is defined as fuel that is derived from biomass that has at least 40 percent lower GHG emissions based on a full life-cycle analysis when compared to petroleum fuel for which biofuel is capable of serving as a substitute, and is exempted from the MVFT on exported fuel.

Revenues from the MVFT on exported fuel are required to be deposited into the Move Ahead WA account, rather than the Motor Vehicle Fund.

The increased original license plate fee for used cars is reduced from \$50 to \$40.

The Office of Financial Management is added to the agencies participating in the Interagency Electric Vehicle Coordinating Council. The responsibilities assigned to the Electric Vehicle Coordinating Council are expanded to include the development of a public and private outreach plan, creation of an industry electric vehicle advisory committee, and ensuring that activities related to transportation electrification benefit vulnerable and overburdened communities.

An exemption is provided from the driver's abstract fee to city attorneys and county prosecuting attorneys when they are using the document in a criminal proceeding.

The Cooper Jones Active Transportation Safety Account expenditure restriction, limiting expenditures from this account to grant projects or programs for bicycle, pedestrian, and nonmotorist safety improvements administered by the Washington Traffic Safety Commission, is modified to allow for the administration of these grant projects or programs by any state agency.

The Climate Transit Programs Account and the Climate Active Transportation Account, which are created in the bill, are added to the list of accounts for which the Legislature has previously established its intent to achieve certain investment outcomes relative to vulnerable populations and Indian tribes.

A Reducing Rural Roadway Departures Program (Program) is created in the WSDOT to provide funding for safety improvements to prevent lane departures in areas where the departure is likely to cause serious injuries or death, if an appropriation is provided. The WSDOT is required to provide a list of the locations receiving funding from the Program with a description of the safety improvements to the transportation committees and the Washington Traffic Safety Commission by December 31 of each year. The highway safety fund statute is amended to allow funds in the account to be used to implement the Program.

The Legislature declares its intent regarding fully funding various ferry activities in accordance with the WSF 2040 Long Range Plan, including that the Legislature will secure funding to enact the terminal and electrification program in accordance with the plan.

The removal of the fuel tax exemption and replacement of it with a partial fuel tax credit for

fuel produced in Washington and exported to other states, and related provisions, is delayed by five months until July 1, 2023.

Other technical changes are also made regarding the deposit of funds, application of new provisions, and effective dates.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill contains multiple effective dates.

Staff Summary of Public Testimony:

Please refer to the February 17, 2022, recording of the public hearing on the bill.

Persons Testifying: (In support) Representative Jake Fey, prime sponsor; Joe A Kunzler; Jeff DeVere, Nichols Brothers Boat Builders/Everett Ship Repair; Kelli Refer, Move Redmond; Dana Ralph, City of Kent; Leah Missik, Climate Solutions; Cliff Traisman, Washington Environmental Council/Washington Conservation Voters; Ramiro Chavez, Thurston County; Bill Adamson, South Sound Military and Communities Partnership; Ryan Mello, Pierce County Council; Leigh Spruce; Angie Peters, Valley Transit (Walla Walla County); Mike Griffus, Pierce Transit; Les Reardanz, Whatcom Transportation Authority; Sean Eagan, The Northwest Seaport Alliance; Kevin Gallagher; Justin Allegro, The Nature Conservancy; Kim Roscoe, City of Fife; Jerry VanderWood, Associated General Contractors; Mark Russell, City of Olympia; Geoffrey Thomas and Heather Fulcher, City of Monroe; Brandy DeLange, Association of Washington; Quinn Majeski, City of Seattle; Mike Nelson, City of Edmonds; Alicia Teel, Seattle Metropolitan Chamber of Commerce; Jill Mackie, Vigor; Catherine Ushka, City of Tacoma; Ryan McIrvin, Renton City Council; Keith Scully, City of Shoreline; Todd Morrow, Island Transit; Kevin Gallacci, Clallam Transit; Susan Meyer, Spokane Transit; Shawn Donaghy, C-TRAN; Richard de Sam Lazaro, Government and Community, Expedia Group; Lori S. Dunn, PreK-12 Physical Education and Health Literacy Program, Seattle Public Schools; Sawyer Alston; Mary Lou Pauly, City of Issaquah; Ben Lane, Eastside Fire and Rescue; Irene Plenefisch, Microsoft Corporation; Greg Wheeler, City of Bremerton; Faye Flemister, The Charleston Business Association; Kristina Walker, Sound Transit; Ryan Lukson and Peter Rogalsky, City of Richland; Lora Rathbone; Toshiko Hasegawa, Port of Seattle; Rick Hughes, Ray's Pharmacy, Orcas Island; Ron Arp, Identity Clark County; Ashley Probart, Transportation Improvement Board; Maham Khan; Angela Birney, City of Redmond; Charles Knutson, Amazon; Olga Lucia; Mason Thompson, City of Bothell; Laila Ghan, Sustainable Tri-Cities; Mark Riker, Washington State Building and Construction Trades Council; Alex Hudson, Transportation Choices Coalition; Neil Strege, Washington Roundtable; Vicki Lowe, City of Sequim; Addie Trask; Raven Cruz; Tom McBride, Kitsap County; Misha

Lujan, Economic Alliance Snohomish County; Terry White, King County Metro Transit; Janice Zahn, City of Bellevue; Grace Hoffer; Luke Esser, Kalispel Tribe; and Raymond Paolella.

(Opposed) Greg Hanon, Washington State Pharmacy Association; Tom Wolf, bp America; Jeff Gombosky, CTIA—The Wireless Association; Lauren Smith, Oregon Farm Bureau; Jana Jarvis; Bill Moyer, Solutionary Rail; Dan Kirschner, Northwest Gas Association; Philip Talmadge, Talmadge Fitzpatrick; Shelly Boshart-Davis and David Brock Smith, State of Oregon; John Rothlin, Avista; Terri Dow; Jeff TenPas, BAI Environmental Services; and Curtiss Chamberlain, Calista Corporation.

(Other) Anna Zivarts, Disability Rights Washington; Guillermo Rogel and Paulo Nunes-Ueno, Front and Centered; Andrew Kidde and Ingrid Elliott, 350 Washington; Scott Korthuis, City of Lynden; Arvia Morris; Jane Wall, County Road Administration Board; Craig Maloney, City of Pasco; Isaac Kastama, Clean and Prosperous Washington; Molly Keenan, Center for Sustainable Energy; Curt Augustine, Alliance for Automotive Innovation; Alec Cervenka, Kenworth Truck Company; Nick Sams, GreenPower Motor Company; Warren Hendrickson, Washington State Aviation Alliance; Axel Swanson, Washington State Association of County Engineers; Matt Miller, Puget Sound Energy; Matt Ransom, Southwest Washington Regional Transportation Council; Amber Carter, Portland Vancouver Junction Railroad; Arne Woodard, City of Spokane Valley City; Luis Moscoso, All Aboard Washington; Thomas White; Chris Herman, Washington Public Ports Association; Will Knedlik, Washington State Good Roads and Transportation Association; Alan Borning; Tim Gould and Lael White, Rail Can't Wait Campaign for Climate Rail Alliance; Carolyn Logue, South Sound Chamber of Commerce Legislative Coalition; Mike Ennis, Association of Washington Business; Mara Machulsky, Hoh Tribe; and Maxine Herbert-Hill, State Route 162 Community Group.

Persons Signed In To Testify But Not Testifying: None.