# Revenue Committee

**Final Meeting Summary**
**April 20, 1999**

*Approved May 12, 1999*

**Committee members present**: Skip Rowley, Chair, Bob Helsell, Vice-Chair, Roger Dormaier, Councilmember Dave Earling, Jim Fitzgerald, Mike Roberts, Commissioner Judy Wilson

**Committee members not present**: Governor Booth Gardner, Representative Ed Murray, Neil Peterson, Larry Pursley, Senator George Sellar

The Revenue Committee convened at 8:35 am at the Sea-Tac Airport small auditorium. Chairman Skip Rowley called the meeting to order.

A motion to adopt the March 16 meeting summary was made and seconded and the motion was approved.

The Chair asked whether any members of the public wished to address the committee. Bob Smith, Mayor Pro Tem of the City of Sequim, introduced himself and passed out a letter to the Blue Ribbon Commission. Attached to it was a resolution adopted by the Sequim City Council opposing the imposition of tolls on the Hood Canal Bridge. Mr. Smith stated that Highways 101 and 104 and the Hood Canal Bridge are vital to the economy of the north Olympic Peninsula and the City was firmly in support of treating the pending bridge repairs as a maintenance and preservation project which in no way warranted the imposition of tolls.

**Presentation on Transit Funding**

Dan Snow, the Executive Director of the Washington State Transit Association, was introduced. He in turn introduced co-presenters Joyce Olson, Executive Director of Community Transit (CT), and King Cushman, Director of Transportation Planning at the Puget Sound Regional Council.

Transit districts are allocated about 30% of the motor vehicles excise tax (MVET) generated in the state. In the most recent biennium the total was $398 million. MVET is also distributed to the General

Fund, Transportation Fund, Ferry System, cities and criminal justice purposes. Beginning in the 99-01 biennium, R-49 shifts MVET from the General Fund to transportation purposes. The tax is imposed annually on each registered automobile in the state at a rate of 2.2% of the vehicle value. For example, a car valued at $10,000 pays $220 a year, of which $72.50 goes to the transit district. Transit agencies are allocated MVET dollars up to the amount collected in each district that they are able to match with local sales tax dollars. The sales tax is authorized up to .6% and requires a vote of the people in the district to be imposed. Only Metro and CT impose the full .6% sales tax for transit.

Dan reported that transit MVET has been eroding. In 1990 the transit match rate was reduced from 1.0% to .815% and in 1991 it was reduced again to .725%. The difference was made available on a competitive basis through two statewide transit accounts, the Public Transportation Account and the Central Puget Sound Public Transportation Account, administered by the TIB. In 1998 R-49 lowered the depreciation rate, resulting in a net loss to transit of about $6 million, primarily to King County Metro and Community Transit (CT). About 12% of total transit MVET is left unallocated each year by districts unable to generate the necessary local match.

The unfunded statewide transit needs projected for the years 2000 to 2013 are $8.3 billion. When asked how federal funding plays in, Joyce Olson responded that CT is hoping to get about 10% of its capital needs from the federal government. It was noted that the federal funding pot has become increasingly diluted and that CT has received only $1 million of the $3 million requested.

Committee members asked about the effects of Initiative 695 and the answer given was that it would represent a loss of $1.5 billion statewide, posing enormous concerns for transit agencies. Additionally, there would be serious repercussions to the Ferry System and to the state's ability to pay the debt on R-49 bonds. A representative of Island Transit stated that I-695 would represent 66% of its budget. MVET represents 30% of CT's budget. CT carries 40% of all Snohomish County commuters who travel to Seattle daily.

Joyce described SB 5929 which was proposed in the current legislative session. The bill would have reallocated the difference between .725% and .815% MVET back to transit. Also, the residuals or unallocated MVET not used by transit agencies would flow into a competitive account. For CT, the amount would mean the ability to provide an additional 15 to 18 thousand hours of service. The bill would also allow farebox and advertising revenues to be used as local match. The bill passed in the Senate but was not considered in the House.

King Cushman provided a perspective on where transit fits into the Puget Sound region's future. With no action, congestion on freeways will increase from 27% to 45% by 2020, leaving plenty of room for congestion to spill over onto city and county arterials. The Metropolitan Transportation Plan (MTP) estimates a shortfall of funds by 2020 in an amount of $15.8 billion, of which $4.9 billion are transit needs. With a no-action strategy afternoon peak travel delays will increase from 130 to 660 thousand

hours by 2020; with the adopted MTP, delays will increase to 513 thousand hours, and with an optimal performance strategy that includes road pricing and aggressive parking charges, delays would increase to 189 thousand hours (a rate comparable to the projected population growth rate). The corresponding increases in transit ridership would be a 61% increase with no action, 177% with the MTP and 287% with the optimal strategy.

**Presentation on Truck Fees**

The Chair introduced Jay Lawley of the Washington Trucking Association. Jay described the three kinds of taxes on trucks: fuel taxes, excise taxes and use fees or gross weight fees. In Washington the amounts are a 23 cent diesel fuel tax, a 2.78% annual MVET and a gross weight fee that is about $37.00 for a 4,000-lb. truck up to $2,973 for a 105,500-lb. truck. Additionally, federal taxes are imposed at 24.4 cents per gallon of diesel fuel, a 12% excise tax on the sales price and a $550 annual flat fee heavy vehicle use tax. A typical new 80,000-lb. truck costing $87,000 with a $20,000 trailer would pay $7,151 annually in taxes to the state. A comparable used truck would pay $6,044.

Trucks pay 29.4% of all Washington state highway user taxes, comparable to the 30% average nationally. Trucks only account for about 4% of all vehicles on US highways and about 4% to 7% of all vehicle miles traveled.

Committee members asked about the comparable fees and about weight limits on trucks in Washington and in other states. Congress has mandated no increases in weight limits. Four or five states allow triple trailer rigs, but most do not due to safety concerns. In terms of fees, Washington is similar to surrounding states. Oregon uses a ton/mile fee but imposes no fuel tax, however it is phasing this system out and going to a gross weight fee.

The Chair asked Jay to provide the committee with a listing of other states' fees. He also asked for information on whether the gross weight fee is dedicated to transportation. Jay stated that the Trucking Association supported R-49 and recent increases in the motor fuel tax. Asked whether the Association was proposing any changes to the current truck fee system or had any legislation pending, the reply given was no changes are being proposed.

Asked to comment on the issue of additional maintenance to roads caused by heavy trucks, the answer was that it is debatable what impacts are caused by trucks. It was noted that transit agencies have been asked to contribute additional fees due to wear and tear caused by buses. It was also noted that the asphalt grade used in the roadway overlay is key in level of rutting impact.

**Presentation on Federal Funding**

Denny Ingham, the Director of WSDOT's TransAid office, was introduced. He listed the main federal funding programs and the amounts allocated to Washington by Congress under ISTEA and the new TEA-21. The programs are: interstate completion (IC); interstate maintenance and national highway system (IM/NHS) applicable to significant roadways serving ports and military facilities; bridge replacement and rehabilitation; congestion management air quality (CMAQ) applicable in non-attainment areas including King, Pierce, Snohomish, Spokane, Yakima and Clark Counties; surface transportation program (STP) offering the greatest flexibility and providing local governments with access to federal funds; enhancement for non-traditional projects such as bicycle, pedestrian and streetscape improvements and historic railroad stations; safety; research and planning; and demonstration funds which Congress earmarks.

Fund amounts shown are as appropriated by Congress and are not inflation-adjusted. Inflation has been low and the highway trust fund will be spent down as funds accumulate. As road building has become more efficient, per mile costs have stayed about the same. Washington used to be a recipient state; now it is guaranteed a minimum of 90.5% of the amount generated in the state. For the next 6 years the projected funds are highly predictable unless there is an economic downturn and the federal gas tax comes in lower than forecast.

Overall, the focus of federal funds is on urban areas and congestion. Washington has also been active in using discretionary funds in developing its freight corridors and border crossings. The FAST Corridor projects requested $90 million in federal funding and are hoping to get $30 million. The state has also gotten a significant share of ITS funds and emergency relief funds for roads affected by flooding and slides.

The state and regions have the greatest flexibility in allocating the NHS funds, bridge funds, CMAQ and STP programs. For federal fiscal years 1998 to 2003, the state has developed a number of alternatives for allocating the STP program funds. WSDOT, MPOs, the Governor, Transit Association, Legislature and Association of Counties have each offered proposals. The current Senate proposal would allocate 22% to rural economic development, 22% to a statewide competitive program, 22% to regions and 34% to WSDOT.

Denny offered his own view of policies for the Commission to consider:

- Buy out city and county federal dollars at 90 cents on the dollar and let local government get out of the business of having to meet federal requirements.
- Combine similar state and federal programs such as enhancement and TIB pedestrian programs or STP competitive and TIA.
- Create a solid base of funds for local maintenance and preservation so local government no longer needs to divert funds to match federal grant awards.
- Block grants as an alternative to programmatic funds.

Potential areas for future focus are: setting aside funds to acquire right-of-way for future corridors; focus any new programs on identified needs and then terminate after implementation; move toward programmatic environmental mitigation as project-by-project is too inefficient; develop a small city pavement preservation program; and improve partnership processes.

Denny was asked about the 18th amendment to the state constitution and whether it needs to be tweaked. His reply was no as there is more highway work that the limitation.

With no more business to come before the Committee, the meeting was adjourned at 11:45 am.