



## BRIEFLY

**The 2005 transportation funding package was passed to secure at-risk facilities, implement road safety improvements, support local transportation maintenance, and relieve congestion. Initiative 917 would repeal many recently enacted funding sources in order to return Washington to \$30 car tabs.**

# Initiative Targets Transportation Fees

In 2005, lawmakers enacted a comprehensive transportation funding package to secure at-risk facilities, implement road safety improvements, support local transportation maintenance, and relieve congestion.

The major revenue contributor to these projects, a fuel tax increase, was upheld by voters last November. But a movement is now underway to remove the fee portion of this package. The Transportation Revenue Forecast Council estimates that, if Initiative 917 qualifies for the ballot and gets passed by voters, state revenue would be reduced by \$2.7 billion over the next 16 years.<sup>1</sup> The initiative would also reduce local revenues and restrict funding options.

## INFRASTRUCTURE UNDERFUNDED

While road use continues to grow in Washington, transportation revenue has historically failed to keep pace with the cost of needed transportation investments. In 2000, the Blue Ribbon Commission on Transportation found that existing revenue sources would only provide \$55 billion of the \$150 billion needed between 2001 and 2020. Governor Locke's 2002 Competitiveness Council reached similar conclusions, finding that "Washington's currently overwhelmed transportation system threatens jobs and economic vitality, wastes people's time and money, diminishes quality of life, and degrades our environment" (WCC, 2002, p. 1).

## CURRENT FUNDING

The Legislature responded to transportation funding shortages in 2003 with the "Nickel Funding Package." ESHB 2231, the first major transportation investment package in 13 years, increased the gas and special fuel tax by five cents per gallon and raised selected fees.

Then in 2005 lawmakers passed the Transportation Partnership Package. ESSB 6103 phased in a 9.5 cent state fuel tax increase. The bill also enacted a vehicle weight fee on passenger cars and light trucks, created a new motor home fee, increased fees for various drivers' license services, and raised license plate charges (WSDOT, 2005). In total, the funding package will collect an estimated \$7.37 billion in revenue over the next

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<sup>1</sup> Note: The fiscal analysis was for I-915, an earlier version of the initiative. However, their impact on revenue is identical.



**Figure 1. Overview of I-917  
Changes to Transportation Funding**

- Calculate vehicle taxes and fees using a depreciation schedule based on purchase price and not on manufacturer's base suggested retail price
- Set license tab fees at \$30 per year for vehicles weighing 20,000 pounds or less
- Repeal the \$1 a year fee for each truck, motor truck, truck tractor, road tractor, tractor, bus, auto stage, for hire vehicle with seating capacity of more than six, trailer, semitrailer and pole trailer
- Repeal the vehicle weight fee for motor vehicles, excluding motor homes
- Repeal the \$75 a year vehicle weight fee for motor homes
- Remove the motor vehicle sales tax increase that became effective on July 1, 2003
- Lower the license plate retention fee from \$20 to \$0.50, the reflectorized license plate fee from \$2 to \$0.50, and the application for a new vehicle license number plate fee from \$10 to \$0.50
- Repeal select local and RTID motor vehicle taxes and fees authorized for voter approval
- Retire or defease bonds that have pledged the motor vehicle excise tax

16 years.

Because ESSB 6103 allows for bonding, transportation investment will increase by \$8.475 billion by 2021. Of this total, \$7.1 billion funds 274 projects identified in the Transportation Partnership Project List. The two largest areas of project funding are choke point and congestion relief (69 projects) and at-risk structures (30 projects). The package also includes funding for safety investments, ferries, multi-modal improvements, environmental concerns, and freight mobility.

In addition to state administered projects, a portion of the Transportation Partnership Package revenue is allocated directly to cities and counties.

Local governments can also enact additional fees and taxes to fund regional projects. In 2002, the Legislature established the Regional Transportation Investment District (RTID) to allow residents of King, Pierce and Snohomish Counties to fund transportation investments through local taxes. To move forward, the 2006 Legislature created a regional transportation commission to propose a new governing entity and

transportation finance plan. The results of the study will be submitted to the Legislature by January 1, 2007, after which the commission will be dissolved. Governor Christine Gregoire is expected to sign ESHB 2871 in the following weeks. A local revenue proposal should be on the ballot for residents' approval in 2007.

The 18th amendment to the state Constitution requires that certain funds (including fuel taxes) be dedicated exclusively for highway purposes. Other revenue sources, including many fees, can be spent on a much broader range of transportation related projects.

**INITIATIVE 917**

Initiative 917 was filed on January 9th and, if it receives sufficient signatures to qualify, will appear on the ballot this November. The initiative makes a number of changes to current transportation funding policies, including repealing and amending parts of the 2003 and 2005 transportation legislation. If enacted, the measure would lower motor vehicle registration charges, repeal or reduce a number of fees, change the vehicle valuation method for tax and fee purposes, and retire several outstanding bonds. See Figure 1 for details.



**\$30 car tabs.** Before the 2005 Transportation Partnership Package, passenger cars were charged a \$30 license fee. Now, in addition to this charge, drivers pay a vehicle weight fee. Opponents of this increase argue that lawmakers should respect Washington voters' twice expressed desire for \$30 car tabs.

I-695, passed by voters in 1999, eliminated the state motor vehicle excise tax (MVET) effective January 1, 2000 and established a \$30 state license tab fee. After the initiative was found to be unconstitutional for violating the "single subject" rule, the Legislature enacted portions of the initiative during the 2000 session. However, the legislation did not repeal the authority to impose a voter-approved MVET or the authority to impose a local option vehicle license fee.

In 2002, voters passed a second transportation funding initiative. I-776 capped motor vehicle (including light truck) license tab fees at \$30, repealed state laws governing how vehicles are valued for the purpose of excise taxation, eliminated the authorization for a voter-approved local option MVET, and repealed the local option vehicle license fee.

In 2005, lawmakers effectively removed the \$30 cap by imposing a weight-based surcharge. Still, according to the Washington State Department of Transportation (WSDOT), 84 percent of passenger vehicles are only charged an additional \$10 a year (2005).

Many motorists also pay additional charges to fund local mass-transit projects such as Sound Transit.

In total, WSDOT estimates that the average spending per passenger car is approximately \$309 a year. (This estimate includes spending on the state gas tax, the federal gas tax, and the state license tab fees.)

**Restricting Revenue.** In addition to eliminating the vehicle weight fee, Initiative 917 removes authorization for the local option vehicle license fee and the local motor vehicle excise tax. Both of these revenue sources are currently authorized for voter approval.

Since the initiative was filed, several changes have been made to the taxes and fees authorized for regional transportation purposes. ESHB 2871, passed by the Legislature on March 8th and currently awaiting the Governor's signature, lowers the maximum optional regional sales and use tax from 0.5 percent to 0.1 percent and raises the maximum regional transportation investment district MVET to 0.8 percent.

**Lowering Fees.** Initiative 917 lowers the license plate retention fee from \$20 to \$0.50, the reflectorized license plate fee from \$2.00 to \$0.50, and the application for a new vehicle license number plate fee from \$10.00 to \$0.50.

The license plate retention fee was established in 2003 under ESHB 2231. In 2005, ESSB 6103 raised the reflectorized license plate fee from \$0.50 to \$2.00 and increased the application for a new vehicle license number plate fee from \$3.00 to \$10.00.

**Retiring Bonds.** Sound Transit continues to levy an MVET, claiming that Initiative 776 did not eliminate its MVET because the proceeds are



**Figure 2. Summary of I-917  
Impact on State Revenue, 2005 - 2021**

\$ in million

Trailer License Fee (\$30)	(140.71)
Truck License Fee	(650.12)
Passenger Vehicle Weight Fees	(885.85)
Motor Home Weight Fees	(111.45)
Plate Reflectivity	(68.06)
Plate Replacement Fees	(197.83)
Retail Sales Tax on Motor Vehicles	(672.54)
Motor Vehicle Filing Fees	(0.52)
Plate Number Retention Fee	(5.53)
Total	(2,732.60)

Source: Transportation Revenue Forecast Council

pledged to service outstanding bonds. This interpretation is currently under consideration by the court. Initiative 917 mandates retirement or defeasance of these Sound Transit bonds. (Defeasance is a process in which the borrower sets aside cash or bonds sufficient enough to service the debt, thereby effectively voiding the obligation.)

**Sales Tax.** The Nickel Funding Package imposed an additional retail sales tax of three-tenths of one percent of the selling price of a motor vehicle. Initiative 917 would remove this tax.

**Vehicle Valuation.** The initiative would also change the calculation method for vehicle taxes and fees from the manufacturer’s base suggested retail price to a depreciation schedule based on the purchase price. The current calculation method has been criticized for overvaluing vehicles.

Since the initiative was proposed, the 2006 Legislature has taken steps to bring vehicle valuations more in line with actual values. SSB 6247, passed by the Legislature and delivered to the Governor on March 8th, establishes a standard administrative structure for the calculation of any future, locally imposed MVET. The locally imposed MVET for a truck-type power or trailing unit will be based on the latest purchase price. For all other vehicles, calculations continue to be based off of the manufacturer’s suggested retail price. But the tax is now calculated at 85 percent of the manufacturer’s base suggested retail price multiplied by a depreciation schedule based off of a vehicle’s years of service.

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**Infrastructure.** If passed, Initiative 917 would reduce state and local transportation revenue. Unless alternate funding is secured, some transportation projects could be placed on hold or cancelled. This, in turn, would slow economic development in Washington. “Roadways, airports, ferries, ports, and railways are all necessary for a strong economy, providing access to businesses, jobs, and world markets, as well as moving freight, commerce and commuters” (WHD, 2005, p. 12). See Figure 2.

**Flexibility.** In addition to reducing revenues, I-917 would reduce transportation spending flexibility by repealing several of the more open-ended funding sources. The initiative would also limit local government’s and the RTID’s funding options by removing some of the taxes and fees authorized for voter approval.

**DISCUSSION**

The recently enacted – and voter approved – taxes and fees were in response to longstanding concerns regarding Washington’s transportation and competitiveness. If Initiative 917 qualifies for the ballot and passes, transportation funding will be reduced.

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