POLICY brief

Washington Research Council

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From 9 to 5: Transportation 2003

BRIEFLY

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Introduction

Increased funding for transportation was a significant accomplishment of the 2003 Legislature's recently concluded regular session. For the past decade business, political and civic leaders have struggled with the transportation problem. The Texas Transportation Institute identifies the Central Puget Sound region as one of the nation's most congested metropolitan areas. The Washington Competitiveness Council indicates that traffic gridlock is a major competitiveness issue for the state.

This was the second—and more decisive—transportation bill in the last two years.

The 2002 legislature passed an ambitious transportation plan that would have increased spending by $7.7 billion over ten years. Funding for the program would have come from a 9¢ increase in the gasoline tax, a one percent sales and use tax on motor vehicles, a 15 percent surcharge on the gross weight portion of the annual licensing fee paid by vehicles with a gross weight in excess of 10,000 pounds, and transferring to the transportation accounts sales taxes paid on transportation projects.

The legislature made the funding bill (HB 2969) subject to a referendum. It came before the voters last November, as Referendum 51, and was rejected soundly (61.6 percent voted no).

Thus the legislature returned to Olympia for the 2003 session with transportation funding still a major issue. Though many doubted that legislators would be able to agree on a new plan, on the next-to-last day of the regular session negotiators reached a compromise, which then passed both houses. This plan, dubbed Transportation 2003, establishes a $4.2 billion, ten-year transportation investment program, funded largely by a 5¢ increase in the gas tax. Unlike the plan that passed the legislature in 2002, the new plan does not contain a referendum clause.

While the new plan leaves many significant projects unfunded, it is a welcome step forward.

Accountability and efficiency measures

Voters' rejection of R-51 reflected in part their belief that the state transportation system is inefficient and unaccountable. Responding to this belief, the legislature passed three bills intended to enhance efficiency and accountability.

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Chart 1
New Transportation Revenues
FY 2004 - FY 2013

Restricted Revenues		
	5 Cent Gas Tax Increase	1,747,250,000
	15 Percent Increase in Gross Weight Fees	118,224,000
	Title Fee Transfer	58,500,000
	Bond Proceeds	2,600,000,000
	Less Debt Service	(950,471,000)
	Total	3,573,503,000
Flexible Revenues		
	0.3 Percent Sales Tax on Motor Vehicles	347,797,000
	$20 Plate Number Retention Fee	40,000,000
	Bond Proceeds	349,500,000
	Less Debt Service	(132,100,000)
	Total	605,197,000
Grand Total		4,178,700,000

Source: Senate Highway and Transportation Committee

SB 5748 establishes a Transportation Performance Audit Board, which will oversee performance reviews and audits of transportation agencies. The Board will have 11 members including: four legislators, the majority and minority leaders of the House and Senate Transportation Committees; five citizens, nominated by professional associations in transportation fields and appointed by the governor; one additional gubernatorial appointee; and the State Legislative Auditor. The Legislative Transportation Committee will staff the Board.

Audits will be conducted by the Legislative Auditor, or by private sector experts under contract with the Legislative Auditor. The legislation specifies nine elements that may be within the scope of the audits: (1) identification of cost savings; (2) identification of services that can be reduced or eliminated; (3) identification of programs or services that can be transferred to the private sector; (4) analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps; (5) feasibility of pooling information technology systems within the Department of Transportation; (6) analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions; (7) recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions; (8) analysis of departmental performance data, performance measures, and self-assessment systems; and (9) identification of best practices.

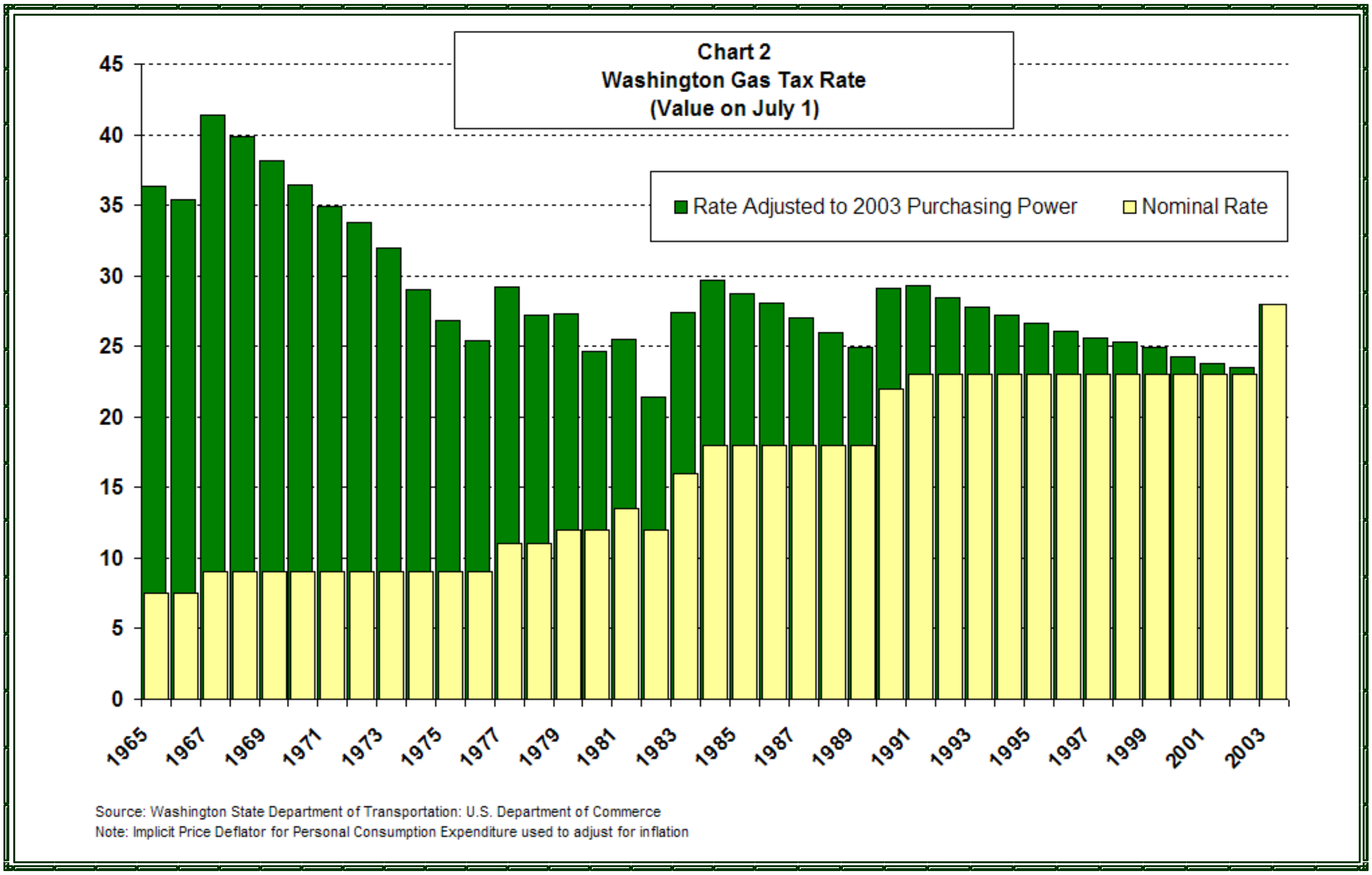
SB 5248 allows the Department of Transportation to acquire construction-engineering services from private firms to augment—but not replace—the services of department staff. The bill also requires the Department of Labor & Industries to assess the accuracy of the prevailing wage rates that apply to transportation construction projects.

SB 5279 extends the life of the Transportation Permit Efficiency and Accountability Committee, which was established in 2001. This committee is to develop a one-stop permit decision-making process to streamline and expedite permit decision-making.

New revenue

Most of the new revenue for the ten-year Transportation 2003 investment program comes from taxes and fees raised by HB 2231. (See Chart 1.)

Gas tax. The tax on motor vehicle fuels (gasoline and gasohol) will increase by 5¢ per gallon, from 23¢ to 28¢, on July 1. Similarly the tax



on special fuels will increase by 5¢ per gallon (in the case of diesel) and 5¢ per 100 cubic feet (in the case of compressed natural gas). These increases are expected to generate $1.75 billion over ten years, which will be deposited in a special account (the Transportation 2003 Account) within the Motor Vehicle Fund.

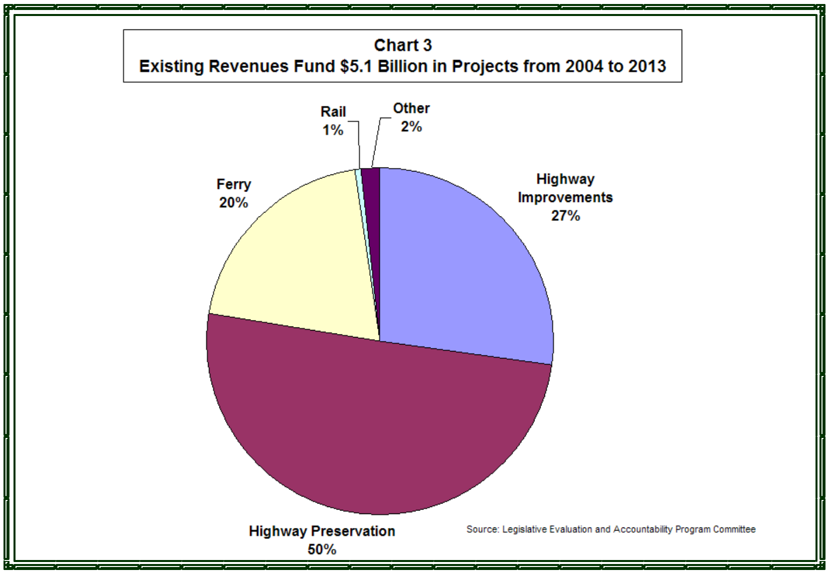
Gas tax bonds. The new fuel taxes will back $2.6 billion bonds. When these bonds are eventually retired, the 5¢ taxes on fuels expire. Over ten years, there will be $950 million in debt service on these bonds.

Gross weight fees. The gross weight portion of the combined license fee for trucks, trucks, tractors and buses increases by 15 percent. The annual fee for a gross vehicle weight of 105,500 pounds (the maximum allowed) will then be $3,402. The increase in gross weight fees is expected to generate $118 million over ten years, which will be deposited in the Transportation 2003 Account.

Title Fee. $59 million in motor vehicle title fees will be deposited in the Transportation 2003 Account. (This provision is in SB 6072.)

Sales tax on vehicles. The state will levy additional retail sales and use taxes of 0.3 percent on motor vehicles, raising the state tax from 6.5 percent to 6.8 percent. Farm tractors and vehicles, off-road and non-highway vehicles, and snowmobiles are exempt from the additional tax. These funds will be deposited in the Multimodal Transportation Account.

License plate numbers. To assure vehicle license plates' legibility and reflectivity, the state replaces the plates periodically. Under current practice, a vehicle owner is issued a new number when his or her plate is replaced. Beginning November 1, for a fee of $20, vehicle owners



will have the option to retain the old license number on the replacement plate. Over ten years, 2 million owners are expected to pay the fee, generating $40 million. These funds will be deposited in the Multimodal Transportation Account.

Multimodal bonds. The state will issue $349.5 million in bonds, the debt service for which will be covered from the Multimodal Transportation Account. Against this there will be $132 million in debt service over ten years.

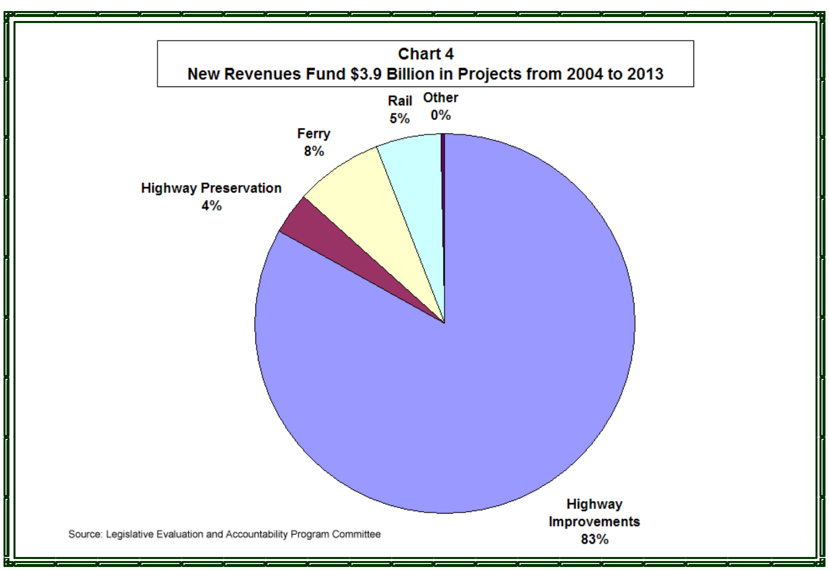
The legislature thus has provided a total of $4,179 million to fund the ten-year transportation investment plan. Of this, $3,573 million falls under the restrictions of the 18th amendment to the state constitution, which dedicates fuel taxes and license fees to highway purposes, while $605 million can be used for any transportation purpose.

The gas tax last increased (to 23¢) in April of 1991, making this the longest span without a gas tax increase since the 1950s. Inflation has eroded the purchasing power of the tax collected on each gallon. It would have taken an increase to 29.3¢ to fully offset the effect of inflation since 1991. And the tax would need to rise to 41.4¢ per gallon to have the same purchasing power it had in 1967. (See Chart 2.)

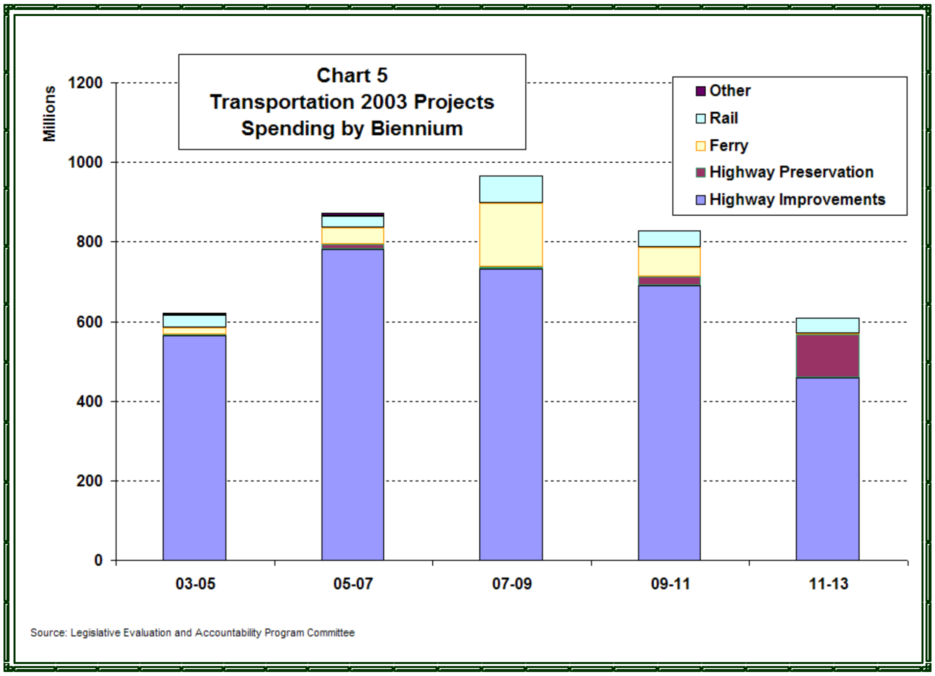
Projects

The new revenues will significantly expand the state's ability to invest in highway improvements over the next ten years.

Existing revenues will fund $5.1 billion in projects from FY 2004 to FY 2013. (This excludes the $534 million to be spent on the Second Tacoma Narrows Bridge. The bonds issued to fund the bridge will be paid from toll proceeds.) State policy gives the preservation of existing transportation infrastructure priority over addition of new capacity. As a consequence, preservation accounts for 50 percent of the projects that existing revenues will fund over the next ten years, while improvements account for only 27 percent. (See Chart 3.)



The new revenues will fund an additional $3,912 million capital projects, according to a list that the legislature has identified. Of the $3,231 million, 83 percent, will go for highway improvements; $145 million, 4 percent, will go to highway preservation; $278 million, 8 percent, will go to ferry projects; $210 million, 5 percent, to rail projects, and $12 million will go to other projects. (See Chart 4.)

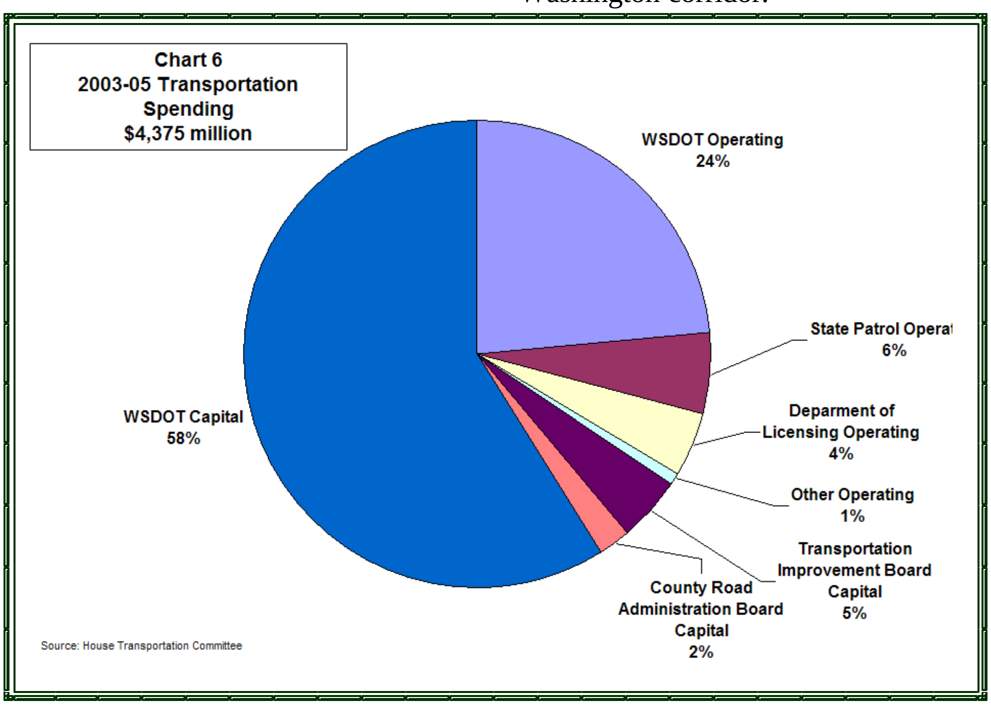


Two-thirds of the highway improvement funding, $2,220 million, is directed to highly congested King, Pierce and Snohomish counties. Included in King County are $55 million to extend HOV lanes near Federal Way, $485 million to add lanes to I-405, $177 million for the Alaska Way Viaduct, and $56 million for the SR 520 (floating bridge) project. Pierce County will see improvements to I-5, SR 16, SR 161, SR 167, and SR 410. In Snohomish County, lanes will be added to segments of I-5, SR 9, SR 522, and SR 527.

Outside of the three counties, notable highway improvement projects include improvements to I-5 between Olympia and Vancouver, to US 12 between SR 124 and the Walla Walla River, to SR 270 between Pullman and the Idaho border, and to SR 240 in the Tri-Cities. In Spokane County, the North Spokane Corridor will get $189 million. This will construct 2 lanes between Francis Avenue and Farwell Road and four lanes from Farwell Road to Wandermere.

The single preservation project funded involves concrete rehabilitation on I-5 in King, Pierce, and Snohomish counties ($145 million).

For the ferry system, the two largest projects are the replacement of an automobile ferry and construction of a new multimodal terminal in Mukilteo. For rail, $44 million is allocated to freight improvements and $165 million to passenger improvements Bellingham–Vancouver Washington corridor.



Although Transportation 2003 is a ten-year plan, the peak rate of spending under the program will occur within six years. Chart 5 shows how spending will phase over the next five biennia, if the Department of Transportation can keep to the planned schedule. Overall spending will peak at $966 million in the 2007–09 biennium, when the rail and ferry projects peak. Spending on highway improvements will peak at $782 million in the 2005–07 biennium.

Chart 7
New Transportation Revenues 2003-2005
(millions of dollars)

5 Cent Gas Tax Increase	301
15 Percent Increase in Gross Weight Fees	21
0.3 Percent Sales Tax on Motor Vehicles	58
$20 Plate Number Retention Fee	8
Bond Proceeds	327
Less Debt Service	(28)
Total	687

Source: Senate Highway and Transportation Committee

The 2003–05 Transportation Budget

The 2003–05 transportation budget approved by the legislature spends $1,509 million on operations, $2,866 million on capital investments, and $350 million on debt service. As Chart 6 indicated most of the capital and operating expenditures occur through the Department of Transportation.

The new revenue package adds $687 million in funding for operations and capital for the biennium (see Chart 7), with $621 million of that spent on the projects discussed above.

The new revenues allowed state spending for public transit to increase by 243 percent, from $14 million in the 2001–03 biennium to $49 million in 2003–05. The new spending includes $18 million for paratransit, $9 million for rural mobility grants, $4 million for vanpools, $6 million for commute trip reduction, and $3 million for the proposed streetcar in Seattle's South Lake Union neighborhood.

The legislature provides $5 million to operate the Seattle-Vashon passenger-only ferry through the 2003-05 biennium and $1 million to operate the Seattle-Bremerton passenger-only ferry through September 2003.

Discussion

The new transportation plan is a modest step forward. It will not solve the state's congestion problem. But, then, as has been said, congestion is not a problem that can be solved; rather it is a chronic condition that can and must be mitigated. The new plan will provide some needed mitigation.

The gas tax increase does not fully offset the purchasing power lost to inflation since the last increase in 1991. Spending on highways under the new investment plan peaks within four years. More revenue will be needed if the state is to keep momentum up in subsequent years. While the forthcoming Central Puget Sound regional funding package will help, we cannot afford to wait another 12 years for the next increase in state funding.

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