

## LEGISLATIVE CONGESTION

# SHOULDN'T STALL TRANSPORTATION FIX

### BRIEFLY

*It's been eight years since the state raised the gas tax. Since then, demands have grown for maintenance and preservation of our existing transportation system, as well as for the completion of critical projects. Adequately funding transportation infrastructure is a fundamental legislative responsibility, one that should not be neglected in 2013.*

As the state slowly recovers from the great recession, inadequate transportation systems threaten to slow progress. In a remarkable show of unity, business, labor and environmental groups have come together to endorse substantial infrastructure investments.

House Transportation Committee Chairwoman Judy Clibborn, D-Mercer Island, initially introduced a 10-year, \$10 billion plan that included a staged ten-cent gas tax increase, a motor vehicle excise tax (MVET), new licensing fees, and an increase in the hazardous substance tax. Her proposal served as a starting point for negotiations that are ongoing with legislators in both chambers. At the same time, Republicans have outlined a series of reforms they believe must accompany any revenue package. Gov.

Inslee recently weighed in, saying he believes passing a transportation funding plan must be a priority this legislative session. The discussion of ways and means is expected to continue until the closing hours of the 2013 legislative session.

In this brief, we review the state's urgent transportation demands, recent funding history, and the challenges confronting lawmakers as they work toward a solution.

### How Washington Funds Transportation

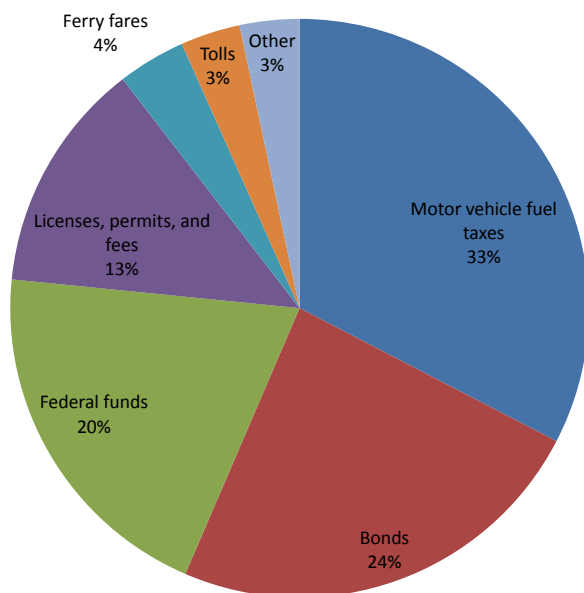
The 2011–13 transportation budget was funded primarily by motor vehicle fuel taxes and bonds.

*Motor Vehicle Fuel Tax.* The gas tax is the largest source of funds, and the revenue from it is restricted to “highway purposes” by the 18th Amendment to Washington's constitution. Currently 37.5 cents per gallon, revenues are distributed to various programs (as shown in Chart 2). One cent of the gas tax brought in \$30.7 million in fiscal year 2012.

Eight years have passed since Washington voters defeated Initiative 912, an attempt to unwind a four-staged 9.5-cent-a-gallon gas tax increase for road improvements approved by the 2005 legislature. Fifty-five percent of the voting public rejected the repeal measure in November.

It was the second transportation package approved that decade. The first, passed in 2003, was a five-cent increase in the gas tax. The 2003 package also included

Chart 1: 2011–13 State Transportation Budget Funding Sources



Source: Washington Legislature Joint Transportation Committee

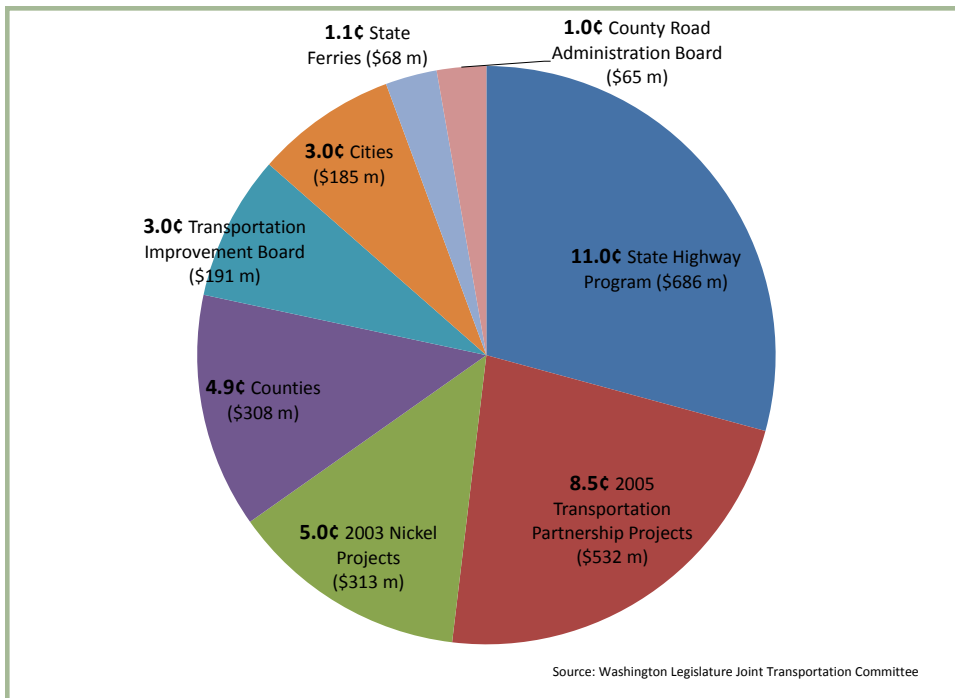


Chart 2: 37.5 Cent Gas Tax Revenue Distribution and 2011–13 Revenues

a 15 percent increase in gross weight fees on heavy trucks and a 0.3 percent increase in the sales tax on motor vehicles.

Before these two increases, the gas tax had not been raised from the 23 cent rate set in 1991. As Chart 4 shows, the rate increases have effectively offset inflation’s eroding effect on revenues.

*Bonds.* The second largest source of transportation funding in 2011–13 was bonds. In 2003 and 2005, the legislature authorized bonds to pay for certain new

Chart 3: Motor Vehicle Fuel/Special Fuel Tax Revenue



projects; the bonds were backed by new revenue from the increases in the gas tax noted above. Debt service on transportation bonds absorbed 43 percent of the state share of the gas tax in 2011. By 2018, debt service is projected to reach 70 percent of the state share of gas tax revenue. (JTC) This means that there will be little gas tax revenue available for debt service on new projects or for other uses.

Motor vehicle fuel tax general obligation (MVFT GO) bonds are backed by both the gas tax and the full faith and credit of the state. They are not subject to the state debt ceiling. Total outstanding MVFT GO bonds at the end of 2012 were \$6.5 billion. (McIntire)

The state funds some projects using triple pledge bonds that are first payable from tolls, then from motor vehicle fuel taxes, and finally backed by the full faith and credit of the state. Such bonds were issued for the SR 520 corridor. As the Treasurer’s Debt Affordability Study notes,

This financing marks a noteworthy change in issuance philosophy towards self-supporting infrastructure finance. Prudent issuance of debt backed by user fees such as tolls is expected to improve the state’s budgetary flexibility and more closely align infrastructure revenues with associated project costs. (McIntire 4)

At the end of 2012, \$518.8 million of these bonds were outstanding.

**The Current Need**

The 2012 report from the Connecting Washington Task Force (which was convened by Gov. Gregoire in 2011) summarizes what the two rate increases made possible and frames today’s challenge:

Fuel tax increases in 2003 and 2005 made it possible to issue bonds to pay for 421 transportation projects throughout the state. That means the funding generated by those increases is fully committed to debt service, and the remaining revenue is not sufficient

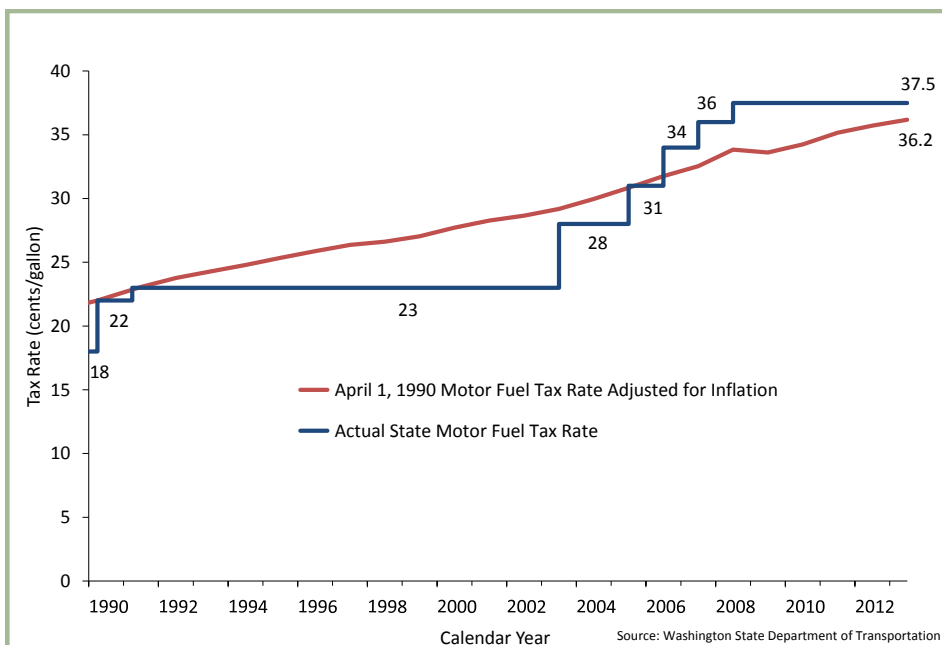
to meet current needs. Since 2001, real funding for maintenance and operations of the system has declined by 49 percent while construction costs have risen 77 percent. (CWTF 2)

The Task Force (CWTF) recommended that the state commit \$21 billion over the next decade for preservation and new investment. The full cost of meeting transportation needs, they said, was \$50 billion, but “the difficult economic conditions” faced by the state led them to recommend less.

While gas tax funding has increased, infrastructure funding continues to suffer from the loss of MVET revenues that ensued from passage of Initiative 695 in 1999. The state Supreme Court ruled that I-695 was unconstitutional, but the legislature chose to adopt the initiative’s MVET repeal. At the time, the MVET generated about \$750 million a year. The money went for a variety of uses, including local transit agencies, ferries, and, as part of a 1998 referendum, support for a six-year, \$2.4 billion highway and road construction program. (WRC)

Compounding the problem, as the CWTF reports, Washington continues to see growth in population and freight volumes. Over the next decade, Washington will see its population increase by 28 percent, and “annual freight volumes are expected to triple by 2035” (CWTF 1).

Chart 4: Washington Motor Vehicle Fuel Tax Rate



### Broad Agreement

There’s uncommon agreement regarding what must be done and done quickly.

As the AWB Institute report “Transportation Infrastructure in Washington” notes,

[I]t is crucial that the business and regulatory environment in the state of Washington support the transportation industry in order to continue providing infrastructure that will support business and global transportation needs necessary to support the state’s economy. (AWB Institute 1)

More money is part of that equation, according to the report:

The Legislature must work with private industry to develop a multi-faceted funding package that will provide funding for new projects, supplement the revenue deficit [in current programs] and maintenance and operation of existing and future transportation infrastructure. (AWB Institute 1)

The Washington Roundtable has also called on lawmakers to invest in transportation, recommending a 10-year, \$6.5 billion program providing funding for maintenance, operations and preservation (\$3.1 billion) and completion of “critical projects” (\$3.4 billion). To fund the investment, the Roundtable recommends a nine-cent fuel tax increase (five cents in 2014, four cents in 2015), a value based vehicle license fee of 0.6 percent (excluding commercial trucks), and a weight fee on trucks weighing more than 12,000 pounds. Critical projects identified by the group include SR 520, I-405 from Bellevue to Renton, I-90 through Snoqualmie Pass, I-5 Columbia River Crossing, SR 395 in Spokane, I-5 Central Puget Sound improvements, and SR 167 extension. (WRT)

Organized labor also strongly supports additional infrastructure investment. A 2013 report from the Washington State Labor Council and other groups specifically calls for funding to “maintain what we have now” and to complete “critical corridors,” including SR 509, the Co-

lumbia River Crossing, SR 520, I-405, I-90, SR 395, SR 167, and SR 519. While no funding plan is specified, the brief report says the unions will work with a broad coalition “to put together a significant and viable ten-year transportation funding package.” (WSLC)

In a demonstration of that common cause, Washington State Labor Council president Jeff Johnson, executive director of Transportation Choices Coalition Rob Johnson, and Washington Roundtable president Steve Mullin collaborated on an op-ed supporting a “comprehensive statewide plan for funding critical transportation investments in the 2013 legislative session” to make a “significant down payment” on the \$50 billion in needs identified by the CWTF. (Johnson et al.)

### Comment

Maintaining the state’s transportation infrastructure is a fundamental legislative responsibility. Meeting that obligation will require increased funding as well as adopting sensible reforms to assure that the money is spent wisely. In the 2013 legislative session, legislators have the opportunity to do both, with solid bipartisan approval. They should.

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