POLICY brief

Washington Research Council

BRIEFLY

Referendum 51 represents an important first step toward meeting the state's substantial transportation infrastructure demands. The package matches projects with revenues, and provides an unprecedented level of public accountability.

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Referendum 51 Gets Us Moving, Safely, Again

The voters will write Washington's transportation future November 5, when they determine the fate of Referendum 51. If adopted, the referendum would initiate a $7.7 billion program of investments to improve traffic mobility and safety. Financing for the investments would be provided by an increase in the state gas tax, truck weight fees, a motor vehicle sales tax, and transportation bonds.

Last session, the legislature passed Senate Bill 6347 and House Bill 2969. The former is a detailed spending plan for transportation; the latter provides the money to back it up. Passage of R-51 implements the funding mechanisms spelled out in HB 2969 and causes the spending plan to take effect.

History. For most of the 1990s business, political and civic leaders have grappled with transportation policy. Congestion in the Central Puget Sound region has worsened over the decade, as population growth and increasing commercial activity added thousands of vehicles to constrained roadways. The Texas Transportation Institute (TTI) pegs the costs of congestion in the Seattle area at more than $2 billion annually. Congestion's costs are calculated by estimating the value of time spent in traffic (or lost time) and the cost of fuel used while in traffic.[1]

In 1998, seven years after the last increase in the state gas tax, voters approved Referendum 49, which transferred motor vehicle excise tax (MVET) money from the state general fund to back a $1.9 billion highway bond issue. The next year, the voters approved Initiative 695, and the legislature subsequently repealed the MVET. With the funding source gone, the R-49 investments were likewise eliminated.

Governor Gary Locke appointed the Blue Ribbon Commission on Transportation to address the state's transportation challenges. In November 2000 the commission released its final report and recommendations, identifying $150 billion in needed investments and only $55 billion in available funding. The BRCT also presented a short-term $8-12 billion funding strategy, including a smorgasbord of taxes and fees, and called for increased efficiencies and transportation demand management. Little materialized immediately.

In 2001, the governor appointed the Washington Competitiveness Council, (WCC), which examined a spectrum of business climate issues here. Unsurprisingly, the WCC said that the state's gridlock posed major competitiveness problems. The governor introduced his transportation plan when the Council released its final report in December 2001. He proposed an $8.5 billion, ten-year plan, which included a nine-cent gas tax hike.

The 2002 legislative session simultaneously dealt with a severe budget shortfall and the pressing need to act on transportation. Although the broad outlines of the major transportation projects had been established for several years, details had to be made final: Allocation of program and funding responsibilities between a regional plan for the Central Puget Sound and the statewide plan, the size and shape of the package, the balance between roads and transit, the mix of taxes, whether to refer the matter to the voters or act in Olympia. All combined to slow progress toward legislative resolution.

Ultimately, agreement was reached and lawmakers passed SB 6347 and HB 2969, choosing to place final responsibility in the hands of the state's voters. Lawmakers also provided a means for voters to approve a regional transportation-funding plan, which may be on the ballot in the Puget Sound region next year.

Below we provide a brief overview of the revenues and transportation investments triggered by Referendum 51.

Revenues

Referendum 51 would increase the state gas tax from 23 cents per gallon to 32 cents per gallon, would impose a one percent sales and use tax on retail motor vehicle sales, and increase truck weight fees by 30 percent. In addition, sales and use tax revenues generated from Washington State Department of Transportation (WSDOT) projects will be dedicated to transportation uses. Finally, the referendum authorizes $4.5 billion in gas tax bonds and $100 million in general obligation bonds for non-highway transportation projects (e.g., passenger ferries, transit).

Gas Tax. Washington currently ranks 22nd among the fifty states and the District of Columbia, with a gas tax of 23 cents per gallon. A comprehensive survey of the states conducted by WSDOT and published last June looks at the combined state and local taxes.

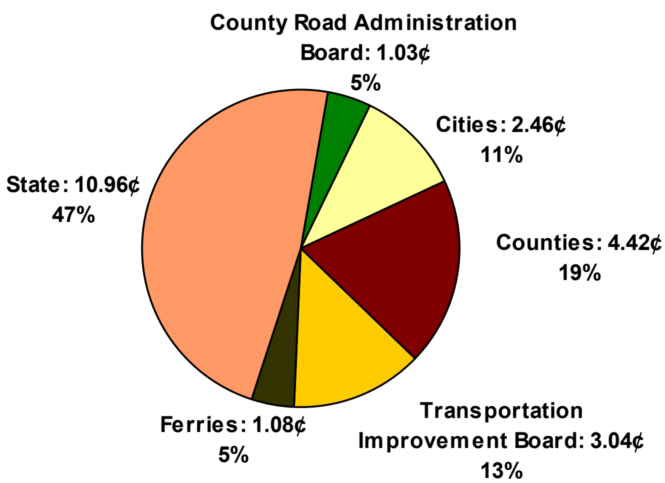
The top ten states are:

1. Illinois (38.7 cents per gallon)
2. Hawaii (37.94 cents)
3. Nevada (34.6 cents)
4. Wisconsin (31.1 cents)
5. New York (30.22 cents)
6. California (29.04 cents)
7. Rhode Island (29.0 cents)
8. Florida (28.59 cents)
9. Montana (27.75 cents)
10. Oregon (27.0 cents)

In 1990, the legislature passed a five-cent gas tax increase, beginning with a four-cent hike effective in 1990 and a one-cent bump in 1991. Since 1991 there has been no increase, the longest period without an adjustment in the history of the tax.[2] The current gas tax of 23 cents per gallon is distributed as shown in Figure 1.

FIGURE 1

Current Gas Tax Distribution
Gas Tax = 23¢ per gallon
2001-2003 Biennial Revenue =$1,463 million



Source: OFM

As we have previously noted (ePB01-6: *Governor's Transportation Budget Reflects Blue Ribbon Recommendations*), the gas tax, unlike the sales tax, does not increase when inflation boosts the price of the underlying commodity. Periodic rate increases are necessary to maintain purchasing power. Gains in fuel efficiency have resulted in declining tax revenues per vehicle mile traveled, further reducing funds available for road improvements even as traffic has increased.

The 18th amendment to the state constitution limits gas tax revenues to highway purposes. That means the money must be spent on construction, maintenance and repair of highways, county roads, bridges, and streets. Because the ferry system is considered an extension of the state highways, vehicle-carrying ferries may also receive support from the gas tax. Gas tax money may not be spent for public transit systems or passenger-only ferries.

FIGURE 2

R-51 Projected sources of funds by calendar year

(millions)

Source of funds	2003	2004	2005	10-yr total 2003-2012
Motor fuel tax	$105	$240	$307	$2,962
Vehicle sales/use tax	$54	$84	$90	$1,118
Weight fee surcharge	$11	$23	$23	$227
Sales tax on construction	-	-	-	$204
Interest earnings	$2	$5	$6	$83
Bond proceeds	$100	$250	$318	$4,600
Estimated debt service	($5)	($22)	($45)	($1,489)
Total revenues	**$266**	**$579**	**$699**	**$7,706**

Source: OFM

Under R-51, the gas tax would be increased by 5 cents per gallon beginning January 1, 2003, with an additional 4cents per gallon increase taking effect January 1, 2004. Over ten years, the gas tax increases are projected to raise nearly $3 billion. (See Figure 2)

For a commuter traveling about 20,000 miles per year in a car getting 24 miles per gallon, the annual cost of the full 9-cent increase is about $75, or about $6.25 a month. The more you drive, and the lower your fuel efficiency, the more you pay.

Assuming no other state imposes a similar increase, the 32-cent per gallon tax would rank fourth in the nation. As nearly every state, and all urban areas, continually confront the problems of aging infrastructure, increased congestion, and the declining productivity of the gas tax, it's unlikely that three years will go by without other states making additional transportation investments and adjusting their gas taxes accordingly.

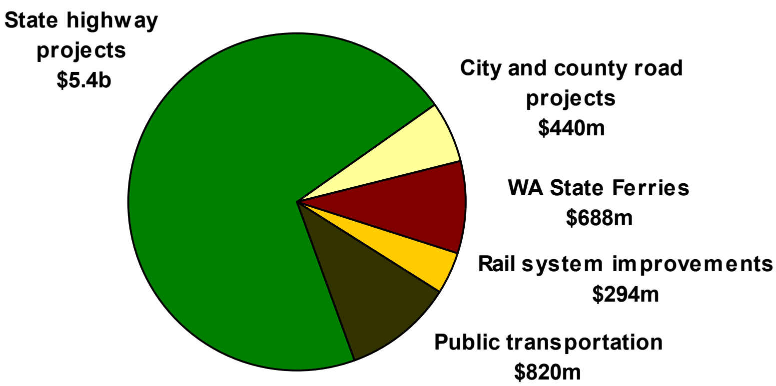
Motor Vehicle Sales and Use Tax. Effective April 1, 2003, a new one percent sales and use tax would be imposed on retail sales of motor vehicles, excluding farm vehicles, snowmobiles, off-road and non-highway vehicles. The tax is expected to generate a ten-year total of about $1.1 billion.

As the sales tax is not subject to the restrictions imposed by the Constitution on the gas tax, the funds generated by the new one-percent tax can be used to support non-highway projects.

Truck weight fees. Truck license fees include a gross weight fee. When the state increased the gas tax in 1990, lawmakers also increased the gross weight fee by 40 percent. Effective January 1, 2003, Referendum 51 would impose a 15 percent surcharge on the gross weight portion of the licensing fee in effect January 1, 2002 for vehicles with a licensed gross weight over 10,000 pounds. Effective January 1, 2004, the surcharge climbs to 30 percent. The proceeds of the surcharge are to be deposited in the state motor vehicle account. Over ten

FIGURE 3

R-51 10-year expenditures
$7.7 billion



Source: OFM & Senate

FIGURE 4

Review of 10-year transportation expenditures

	Planned Ten Year Investment
State Highway Projects	**$5,441,353,000**
Major Projects	3,520,236,000
Mobility and Economic Initiatives Improvement Projects*	1,093,511,000
HOV Lanes (I-5, SR 16, SR 167)	693,431,000
Safety Improvements	101,922,000
Roadway and Structure Preservation Projects	6,000,000
Environmental Retrofit (noise walls & fish passage barrier removal)	26,253,000
City and County Road Projects	**$440,000,000**
City & County Direct Distributions	144,000,000
Main Street Pavement Program	25,000,000
City & County Corridor Congestion Relief	110,000,000
Rural Economic Vitality – CERB*	30,000,000
School Safety Enhancements	15,000,000
Local Freight Mobility Strategic Investment Board Projects	116,000,000
Washington State Ferries	**$688,126,000**
Four New Automobile Ferries	321,889,000
Multimodal Terminal and Vessel Preservation	273,486,000
Passenger-Only Ferries: Terminals and Vessels	51,257,000
Passenger-Only Ferries Operating	41,494,000
Rail System Improvements	**$294,026,000**
Passenger Rail – Capital & Operating Projects (state share)	166,086,000
Freight Rail Assistance Program*	94,640,000
Seattle to Everett Track Improvements (state share)	31,000,000
Washington Fruit Express	2,300,000
Public Transportation	**$819,800,000**
Park and Ride Lots (restricted and non-18th Amendment restricted)	80,000,000
Commute Trip Reduction Grants	100,000,000
Van Pools	39,800,000
Rural Mobility Grants	75,000,000
Paratransit	75,000,000
Transit Direct Distributions	450,000,000
TOTAL	**$7,683,305,000**

Source: OFM. * Denotes Rural Economic Development initiative funding.

years, the weight fee surcharge is estimated to bring in about $227 million, about $23 million a year at the 30 percent level. The effect of the surcharge on a truck with a registered gross weight of 60,000 pounds would bring the weight fee from $840 a year to $1,057, an increase of $217.

Transportation-related sales tax transfer. Currently, sales taxes are paid on WSDOT transportation projects, and the money goes into the general fund. The BRCT recommended transferring the sales tax generated by transportation projects back to transportation accounts. Referendum 51 authorizes such transfers after July 1, 2005. The sales taxes on WSDOT construction projects are expected to generate an additional $204 million to support R-51 projects by 2012.

Investments

Referendum 51 allocates $7.7 billion in revenue to be spent for multiple projects over the first ten years of the plan. The Office of Financial Management has grouped this phase of spending into five categories, shown in Figure 3. A detailed list of expenditures is shown in Figure 4.

State Highways

State highway projects receive $5.4 billion. Major projects are detailed below and account for $3.5 billion. The mobility and economic initiatives category totals just over $1 billion and funds 55 projects. The largest project is $85 million, and adds lanes and flood control measures to I-5 between Chehalis and Maytown. The smallest project is $350,000 for a feasibility study on toll roads at Mount St. Helens.

Other projects in this category include: new/improved interchanges; additional automobile, HOV and truck lanes; new bridges; design and planning; purchasing right-of-way; and EIS preparation. HOV funds total $693 million, with 85 percent of funds dedicated to projects in Pierce and Snohomish counties. Funds dedicated to road safety total $102 million. An additional $15 million in school safety is included in the county and city category.

City and County Roads

One-third of all funds in this category are directly distributed to city and county government. Local freight mobility funds total $116 million and are used for increasing commercial vehicle mobility across the state. Projects include construction of bridges over rail crossings, separating rail and road facilities, and improving commercial arterial roads. Projects range from $520,000 to $25 million.

Ferries

New automobile ferries receive just under half (47 percent) of total ferry dollars. Passenger only ferries funds total $93 million.

Rail

Passenger rail receives $166 million, benefiting train capacity in the Western Washington corridor. Freight rail funds total $95 million, boosting economic development initiatives across the state.

Transit

Public transportation receives $820 million. Just over half (55 percent) of these dollars are allocated directly to transit agencies themselves, $450 million.

Major Projects

There are eight major highway projects which account for $3.5 billion spent on state highways, or just under half the total investments identified in the referendum. Five of the projects are in King County, two in other parts of Western Washington and one in Spokane. Below is a brief description of each of the major projects outlined in R-51.[3] Each of these major projects is expensive and lengthy in duration. R-51 provides the funding needed to complete stages of each project. As is indicated below, however, most projects will require substantial additional funding, most likely through a combination of federal, state and local sources.

1) SR-18 Maple Valley to I-90 project receives $50,000,000. This multi-phase project will ultimately result in increasing SR-18 to four-lanes, adding new interchanges and a bridge. The $50 million provided by R-51 covers the environmental and design processes for the Issaquah Hobart Road to I-90 interchange and right-of-way purchases. The SR-18 project needs approximately $100 million in additional funds for remaining phases.

2) I-90 at Snoqualmie Pass East receives $100,000,000. This staged-project increases lanes and replaces the road surface on I-90. The project also re-routes the road and builds containment facilities to avoid avalanche and landslide road closures. Funds provided by R-51 cover the Environmental Impact Statement (EIS) completion, portions of environmental mitigation and potentially fund bridge replacement over Keechelus Lake. Funds also cover truck lane extensions near Easton. The I-90 project needs approximately $750 million in additional funds for remaining phases.

3) SR-99 Alaskan Way Viaduct Replacement receives $450,000,000. Currently four scenarios for replacing or rebuilding the viaduct are on the table, because of bridge and seawall earthquake vulnerability. Funds provided by R-51 cover phase-one design costs and the environmental process. Funds also include partial payment for utility relocation and right-of-way purchases. Replacing the viaduct and the seawall is a phase of a larger project. The viaduct replacement project will cost between $3.3 and $4 billion depending on which option is approved. Further enhancements could bring overall project costs to $11.6 billion.

4) SR-167 Tacoma to Edgewood New Freeway receives $343,600,000. The project creates six miles of new highway and interchanges from SR-509 at the Port of Tacoma to SR-167 near Puyallup. Funds provided by R-51 will cover the environmental and design processes, right-of-way purchases and a portion of construction costs to I-5. The SR-167 project needs approximately $1.38 billion for remaining construction.

5) US-395 Spokane – Hawthorne to Wandermere receives $206,619,000. This project constructs a new north/south freeway in Spokane. The project includes park and ride lots, HOV lanes and expanded pedestrian/ bicycle facilities. It also reserves rights-of-way for future light-rail use. Funds provided by R-51 cover continued right-of-way acquisition and design and completed portion from Hawthorne Road to Wandermere. Additional funding of $1.0 billion to $1.2 billion will be required to complete the project.

6) I-405 Tukwila to Lynnwood receives $1,770,000,000. The project will increase lanes in both directions along the entire I-405 corridor. This includes HOV ramps, truck and auxiliary lanes and new interchanges. Funds provided by R-51 cover additional lane construction at six points and rebuilding the SR-167 interchange. The I-405 project needs between $7.3 and $9.1 billion for remaining phases.

7) I-5 SR-509 Federal Way to SeaTac South Access/Corridor receives $500,000,000. The project constructs a new freeway connecting SR-509 in SeaTac to I-5. It creates a direct access road to the airport from the south and adds lanes to I-5 between SeaTac and Federal Way. Kent-Des Moines interchanges will be improved. Funds provided by R-51 cover total right-of-way costs and extension of SR-509 to an interim intersection on SR-99 in SeaTac. The I-5 SR-509 project needs between $420 and $500 million for remaining phases.

8) SR-520 Seattle to Bellevue Translake receives $100,000,000. Three options are on the table to replace the floating bridge, considered vulnerable to earthquake damage. The options include 4, 6, or 8 lane replacements. Funds provided by R-51 cover completed environmental documents and floating bridge designs, partial right-of-way purchases and potential early mitigation costs. The SR-520 Translake project needs between $4.8 and $5.8 billion for remaining phases.

Accountability

Referendum 51 would also put in place a strict new accountability regimen for transportation projects. The referendum creates the legislative transportation accountability committee, which would review mandatory quarterly audits submitted by the Department of Transportation. The audits must include project costs and date of completion estimates, status of projects and any changes, effectiveness evaluations, future outlook and mitigation efforts.

The new accountability committee replaces the existing legislative transportation committee, and would be responsible for project monitoring and review. It will consist of 12 senators appointed by the senate president and 12 members from the house of representatives appointed by the speaker.

The committee would:

- Provide annual progress reports on each transportation project to the governor and legislature;
- Make policy recommendations regarding efficiencies or improvements;
- Recommend project delivery strategies, oversight or efficiency measures;
- Appoint transportation accountability board members as nominated by the governor; and
- Conduct studies on legislative bills.

Supporting the committee's activity would be a newly created accountability board, which would sign off on the audits. This board would consist of five to nine individuals – engineering, policy and transportation experts – nominated by the governor and selected by the accountability committee, each serving a four-year term.

The accountability measures are derived straight from the BRCT policy recommendations presented to the governor two years ago. Spending is tied to specific projects, not categories. If costs or timelines get out of balance, the accountability committee is authorized to ask for changes. Revenues and spending will be closely monitored and audits will be available for general public review.

Balancing the Books

Because many of the major projects initiated by R-51 are located in the Puget Sound metropolitan region, some have suggested that the referendum transfers money from rural Washington to the Seattle region. Such suggestions miss the point, for several reasons.

First, the Puget Sound corridor represents a major transportation channel for the entire state, not simply Seattle area residents. The ports of Seattle and Tacoma, including SeaTac airport, serve businesses and individuals located throughout the state. Statewide commerce continually flows through King County and improvements in the region will have widespread benefits.

Second, the state's most expensive and critical transportation needs are located in the metropolitan Puget Sound area, so most of the money will be spent where the need is the greatest. Lawmakers from all over the state recognized that fact when they endorsed the projects enumerated in the legislation. Nonetheless, money is provided for critical investments statewide, recognizing that every region of the state has problems in need of attention.

Third, the three most populous Puget Sound area counties – King, Snohomish, and Pierce – have long exported transportation funds to other parts of the state. In considering the geographic distribution of transportation investments, it is appropriate to consider all WSDOT spending and revenues, not just the new money. The department has prepared an extensive analysis of how transportation funds are raised and spent. A twenty-year perspective, from 1994 through 2013 (i.e., looking back ten years and forward ten years) shows that under current law the three metropolitan Puget Sound counties generate 51 percent of all WSDOT transportation revenues, but receive only 39 percent of transportation spending. (See Figures 5 and 6).

If Referendum 51 were to pass, the three counties would still generate 51 percent of all revenues over the same twenty-year period, but receive 47 percent of the money. (Figures 7 and 8)

In other words, when all WSDOT spending is considered – not just the increment represented by R-51 – the metropolitan Puget Sound counties will still be net exporters of transportation dollars with passage of the referendum.

Conclusion

In assembling the components of R-51, lawmakers recognized that the program represents an important first step toward meeting the state's substantial transportation infrastructure demands. The package matches projects with revenues, and provides an unprecedented level of public accountability.

FIGURE 5

Distribution of WSDOT Transportation Revenues Without Referendum 51 1994-2013

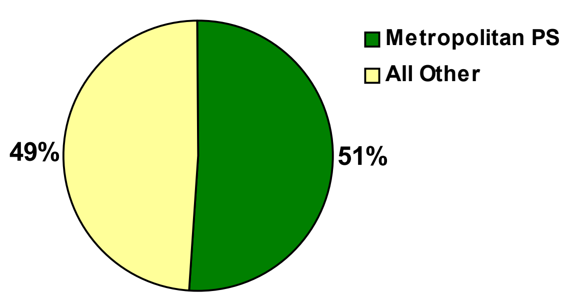


FIGURE 6

Distribution of WSDOT Transportation Spending Without Referendum 51 1994-2013

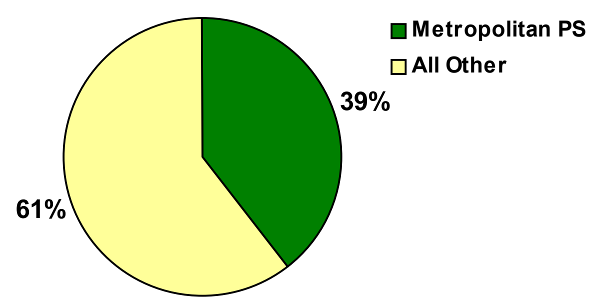


FIGURE 7

Distribution of WSDOT Transportation Revenues if Referendum 51 Passes 1994-2013

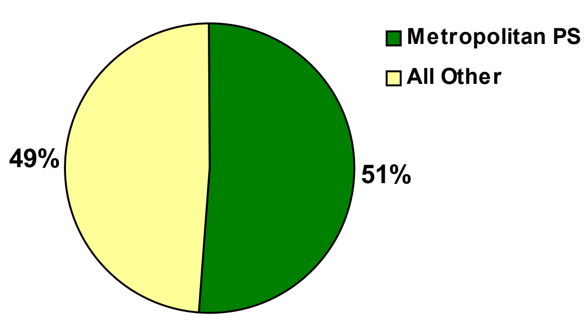
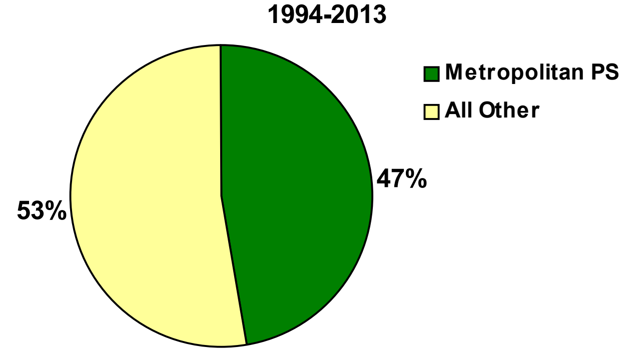


FIGURE 8

Distribution of WSDOT Transportation Spending if Referendum 51 Passes 1994-2013



It has been suggested that our state's transportation challenge, particularly in the Central Puget Sound, should be viewed not as a problem to be solved, but as a condition to be mitigated. Referendum 51 is the first, major attempt at mitigation in more than a decade.

(Footnotes)

[1] *2002 Urban Mobility Study*, Texas Transportation Institute. http://mobility.tamu.edu/ums/

[2] *Potential Financial Impacts of R-51.* Office of Financial Management. 2002.

[3] Project information provided by WSDOT.

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