



Road Block: Initiative 912

BRIEFLY

The 2005 transportation funding package was passed to secure at-risk facilities, implement road safety improvements, support local transportation maintenance, and relieve congestion. The major revenue contributor to these projects is a 9.5 cent gasoline tax. Initiative 912 would repeal this tax increase.

In May 2005, the Legislature and Governor enacted a comprehensive transportation funding package to secure at-risk facilities, implement road safety improvements, support local transportation maintenance, and relieve congestion. Reviewing the package, the Washington Alliance for a Competitive Economy concluded that “the capacity added and preserved will prove vital to the state economy” (2005).

The major revenue contributor to these projects is a 9.5 cent gasoline tax increase to be phased in over the next four years. Initiative 912, on the ballot this November, would repeal this tax increase.

INFRASTRUCTURE AT RISK

While population, employment, and road use continue to grow in Washington, gas tax revenue has failed to keep pace with the cost of needed transportation investments. As a result, roads, rails, and bridges throughout Washington have been placed at risk and congestion continues unabated.

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 - a \$95 billion transportation budget gap. The Commission deemed additional funding vital for investing in transportation maintenance, preservation, improvement, and other congestion relief efforts.

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).

In addition to current levels of congestion, many roads are at risk. The Alaskan Way Viaduct, which is critical to regional mobility and economic vitality – carrying more than 103,000 vehicles a day and serving the Port of Seattle – could collapse in the event of another earthquake. The SR 520 Bridge is vulnerable to both earthquakes and storms. Loss of either would significantly increase congestion. The Washington State Department of Transportation (WSDOT) projects that, even with major investments in transit, the congestion cost if the Alaskan Way Viaduct fails would be \$190 million per year (2004).

Many roads also pose serious safety hazards to drivers and pedestrians, especially two-lane rural roads. Almost 600 people were killed on Wash-



ington roadways in 2004 alone (WHD, 2005, p. 10).

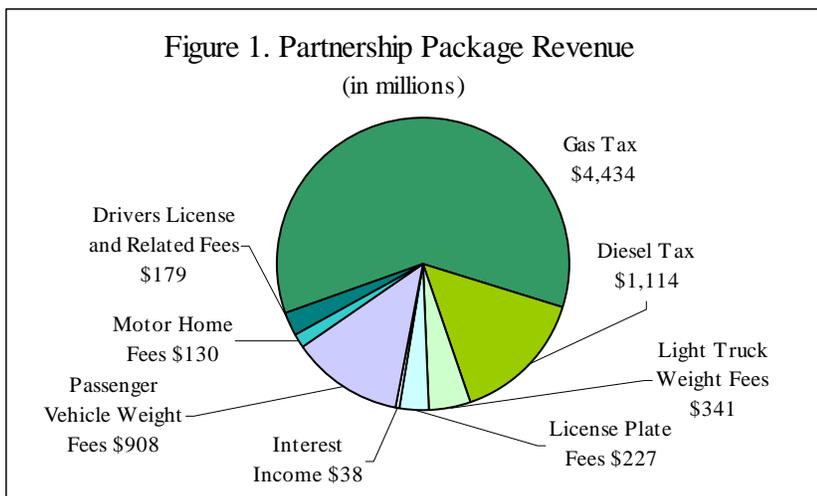
FUNDING TRANSPORTATION

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 tax by 5 cents per gallon and raised selected fees.

2005 Partnership Package (ESSB 6103). While 2003 funding increases allowed for significant improvements, a large transportation funding gap remained. In response, the 2005 Legislature passed the Transportation Partnership Package.

ESSB 6103 enacted additional vehicle licenses, permits and fees. In addition, the state fuel tax was raised 3 cents on July 1, 2005, and will be raised 3 cents on July 1, 2006, 2 cents on July 1, 2007, and 1.5 cents on July 1, 2008. Increases in the gas and diesel taxes are projected to generate \$5.5 billion in new revenue (WSDOT, 2005a). In total, the tax package will collect an estimated \$7.37 billion in revenue over the next 16 years. See Figure 1.

Because the bill allows for bonding, transportation investment will increase by \$8.475 billion.



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). Major projects include improvement of I-90, I-405, SR 520, I-5, and the Alaskan Way Viaduct. See Figure 2.

The Washington State Department of Transportation predicts that these investments will improve infrastructure, enhance the flow of traffic, and reduce the number of injury accidents by over 3000 a year (2005a).

Initiative. Initiative 912 was filed on May 12th and will appear on the ballot this November. The measure, if passed, would repeal the recent gas tax increases enacted in 2005 for transportation improvement purposes. The diesel tax increase will remain intact.

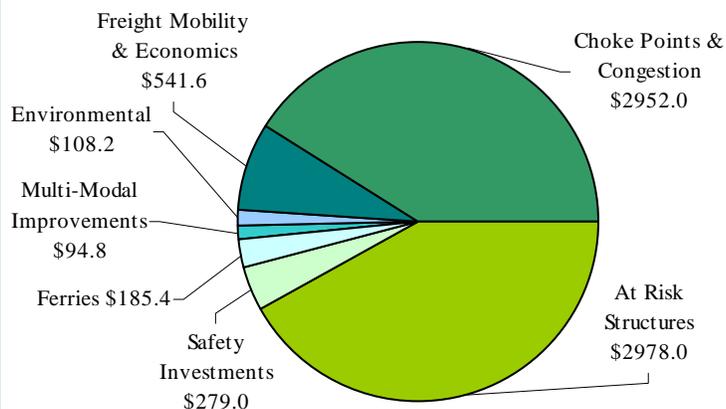
Under the current transportation package, fuel tax revenues are pledged to repay bonds. If the gas tax is removed, the majority of bond revenue will be eliminated.

To receive advance notice of Washington Research Council publications by e-mail send your e-mail address to wrc@researchcouncil.org

In total, the State of Washington Office of Financial Management estimates that the Initiative would reduce state transportation spending by \$5.475 billion over 16 years. In addition, approximately \$562 million of city and county funding would be cut (2005).



Figure 2. 2005 Transportation Partnership Funding (in millions)



Roadway Safety and At Risk Structures (137 projects)	\$3,258
Alaskan Way Viaduct & Seawall Replacement Project	2,000
SR 520 Bridge Replacement & HOV Project	500
Bridge Seismic Retrofit	87
Bridge Replacements	391
Safety Investments	279
Ferries (4 projects)	\$185
Preserve Fauntleroy Ferry Terminal	24
Add capacity to Bainbridge Island Terminal	81
Construct a new ferry vessel to replace MV Hyak	66
Improve Port Townsend Ferry Terminal	13
Multi-Modal Improvements (8 projects)	\$95
Capacity Improvements	25
Travel Time Reductions	46
Restoration	17
Temporary rail service and train station	7
Environmental (21 projects)	\$108
Fix/control slides, erosion and debris problems	45
Noise barriers and walls	33
Storm water treatment facilities and runoff controls	4
River and fish habitation preservation and barrier removal	27
Freight Mobility & Economics (35 projects)	\$541
Railroad construction and improvement	80
Roadway and bridge construction and improvement	74
I-90 Snoqualmie Pass East	388
Choke Points & Congestion (69 projects)	\$2,952
I-5/SR 16 and SR 167/Tacoma HOV Improvements	425
New North Spokane Corridor on US 395	152
SR 9 Corridor Improvements in Snohomish County	123
Northbound lane added on I-405 between NE 124th and NE 160th	170
Eliminate weave congestion on I-405 and SR 520 intersection	250
Widen I-5 in Lewis and Thurston Counties	160
Additional choke point and congestion relief	1,672
TOTAL (274 projects)	\$7.1 billion
Source: WSDOT	* Note: totals may not add due to rounding

Early momentum for the initiative has been strong - organizers gathered nearly twice the necessary signatures in about a month. A continued increase in the cost of fuel has also led many to oppose any additional fees at the pump.

THE DEBATE

Nonewgastax.com, the main supporter of Initiative 912, claims citizens were denied a right to be heard on the transportation funding package and that the fuel tax hike passed with little debate or thoughtful deliberation (2005).

As a counter, Washington Defense maintains that the legislative process was both open and extensive (2005). Keep Washington Rolling, another I-912 opposition group, argues, "We've got a lot riding on our roads. Like our families...our jobs...our future. And for literally pennies a day we can make them safer and more functional" (2005).

Tax. In 2004, Washington imposed a 28 cents per gallon gas tax. In July 2008, the tax will increase to 37.5 cents. A comparatively large gas tax increase occurred in the 1980s. The tax increased from 12 cents per gallon in 1981 to 18 cents per gallon in 1984, a 50 percent increase.

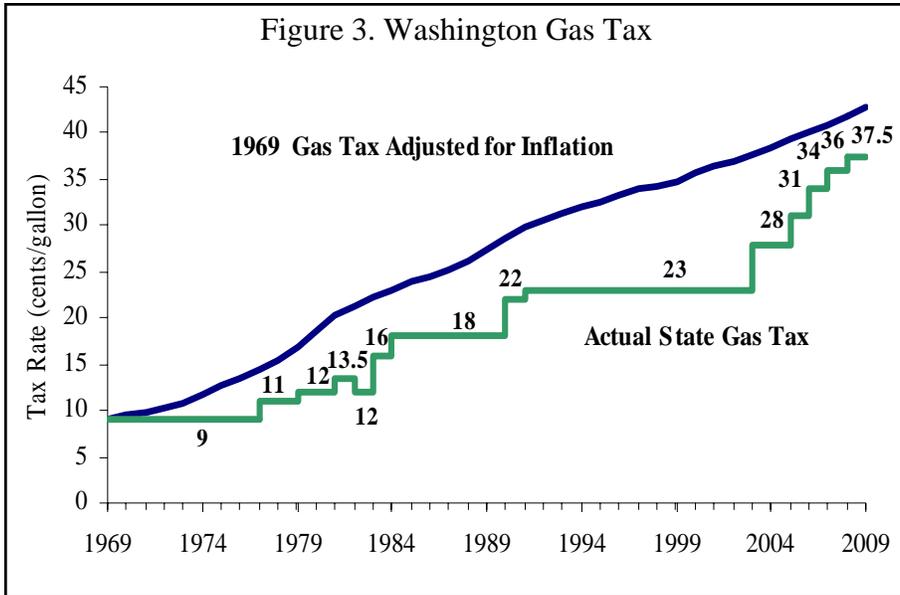
Washington's gas tax rate, though above average, is not the highest in the country. Even with the 3 cent increase that went into effect on July 1, Washington is tied for 8th (WSDOT, 2005a). In fact, the gas tax rate in 2009 will still be below that of 1969 adjusted for inflation. See Figure 3.

Costs. While the number of vehicles and the miles driven have increased, gas tax revenue per capita, when adjusted for inflation, is less in 2005 than it was in the early 1970s and



gas tax revenue as a share of personal income has decreased significantly. In 1966, gas tax revenue represented 0.91 percent of personal income. By 2005, gas tax revenue decreased to 0.41 percent. See Figure 4.

According to WSDOT, the average driver will spend approximately \$269 on gas taxes in 2005 (including \$100 in federal gas taxes) - \$16 more than what was paid in 2004 (WSDOT, 2005a). Even after all the taxes are phased in, drivers will only pay \$52 more in 2008 than in 2004. When inflation is factored in, the tax becomes even less severe.



Compared to other states, Washington ranked 32nd highest in state highway expenditure per capita in fiscal year 2003 and 36th in state highway expenditure as a percent of personal income. (Spending levels calculated using Census data.)

Funding. Supporters of I-912 call the tax hike a “down payment on the real cost of the projects involved” and argue that many of the ventures are not fully funded (Nonewgastax.com, 2005). However, 87 percent of the transportation projects are expected to be completed using the 2005 transportation package funds (Washington Defense, 2005). The remaining

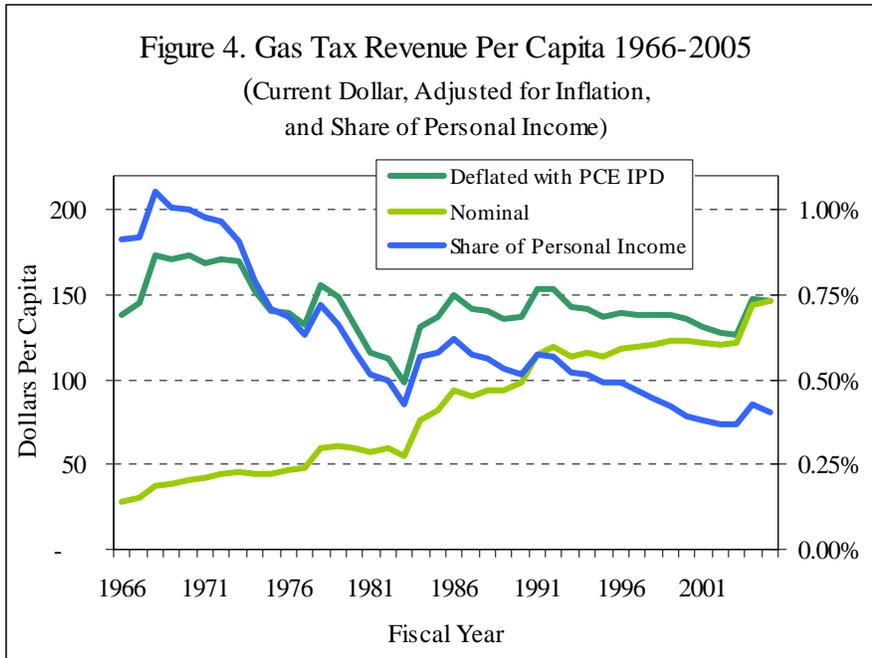
revenue will be provided by local governments for region-specific projects.

State vs. Regional. Some supporters of I-912 feel that the distribution of funds are unfairly concentrated in the Seattle area. However, while the majority of funds will go to the Puget Sound region, projects are funded throughout the state and a portion of the revenue is allocated directly to cities and counties. In addition, many of the Western Washington projects will indirectly benefit the entire state by supporting the economy and insuring that businesses have a place to ship their products.

Although new funding is skewed towards the Puget Sound, past revenues were not. According to WSDOT, between fiscal years 1984 and 2003, Puget Sound residents received \$0.98 in return per dollar contributed while the rest of the state had a return rate of \$1.11 (2005b). If 2005 funds remain intact, the return rate for Puget Sound between 2004 and 2015 will be \$1.02 while the rest of the state will have a return rate of \$0.97 (2005b).

Furthermore, many of the projects will be partly funded by local governments. In 2002, the Legislature established the Regional Transportation Improvement District (RTID) to allow residents of King, Pierce and Snohomish Counties to fund transportation investments of regional significance through local taxes. The 2005 Transportation Partnership Funding Package was crafted to work with the RTID and will match state revenue to locally raised funds in order to complete several critical projects.

In 2004 the RTID Executive Board adopted a preliminary revenue plan and project list to enhance traffic flow and improve earthquake safety. Their proposals should be on the ballot for residents' approval in 2006.



Accountability. Initiative 912 supporters want the Department of Transportation to do a better job of managing the funds it already has. However, the Legislature has recently enacted a number of measures to enhance accountability. For example, the 2003 Legislature established the Transportation Performance Audit Board to conduct performance measure reviews and performance audits. In addition, WSDOT's website now provides extensive information on its performance (<http://www.wsdot.wa.gov/accountability/default.htm>). The 2005 transportation package requires further enhances accountability by requiring the state auditor to conduct independent audits of the Department of Transportation.

Economic Vitality. The passage of I-912 could 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). If the gas tax is repealed, many needed projects may be placed on hold indefinitely.

In addition to restoring roadways and preserving economic vitality, we have estimated using the Washington Research Council REMI model that construction projects will create an average of 8,800 jobs per year for the next ten years (WashACE, 2005, p. 1).

CONCLUSION

Although the first fuel tax increase took effect in July, most transportation improvement projects are on hold until voters decide to either keep or reverse the funding package. If voters pass I-912, remaining revenue sources will still finance some projects. But since the majority of funding comes from the gas tax increases, many projects will be cancelled or placed on hold.

The recently enacted taxes were in response to longstanding concerns regarding Washington's transportation and competitiveness. And surveys show that voters consider a gas tax the most acceptable revenue generating option for transportation (Blue Ribbon Commission on Transportation, 2000, p. 28).



In 2003, the Research Council described the Nickel Funding Package as “a modest step forward,” noting that “more revenue will be needed if the state is to keep momentum up in subsequent years” (Washington Research Council, 2003). With the Transportation Partnership Package, the Legislature acted to provide additional revenue. The voters of the state will now decide whether to sustain the momentum.

###

REFERENCES

- The Blue Ribbon Commission on Transportation (2000). *Transportation Action: final recommendations to the governor and legislature*.
- Keep Washington Rolling (2005). *Keep Washington Rolling!* Retrieved September 19, 2005, from <http://www.keepwashingtonrolling.com/>
- NoNewGasTax.com (2005). *Yes on I-912*. Retrieved September 19, 2005, from <http://www.nonewgastax.com>
- State of Washington Office of Financial Management (2005). Potential Fiscal Impacts of I-912. In *2005 Initiatives and Referendums*.
- U.S. Census Bureau (2005). 2003 State Government Finance Data. In *Federal, State, and Local Governments: State Government Finances*.
- Washington Alliance for a Competitive Economy (2005). *Another Step Forward on Transportation*. Competitiveness Brief, CB 05-06.
- Washington Competitiveness Council (2002). *Phase I Documents: Competitiveness Council Executive Summary*.
- Washington Defense (2005). *No on I-912*. Retrieved September 19, 2005, from <http://www.washingtondefense.org/>
- Washington House Democrats (2005). *The Transportation Partnership Act of 2005: Saving Lives, Moving People, Delivering Goods*.
- Washington Research Council (2003). *From 9 to 5: Transportation 2003*. Policy Brief PB 03-08.
- Washington State Department of Transportation (2004). Why Invest in the Alaskan Way Viaduct: It Costs Less to Replace the Viaduct Than to Lose it. In *Alaskan Way Viaduct and Seawall Replacement - Library*.
- Washington State Department of Transportation (2005a). 2005 Transportation Tax Package. In *Project Funding*.
- Washington State Department of Transportation (2005b). *County-By-County Comparison: Return Per Dollar Contributed by Citizens within Each County*.