

HOUSE BILL REPORT

HB 2053

As Reported by House Committee On:
Transportation

Title: An act relating to additive transportation funding.

Brief Description: Concerning additive transportation funding.

Sponsors: Representatives Clibborn, Morris, Rolfes, Liias, Reykdal, Billig, Ormsby, Finn, Seaquist and Lytton.

Brief History:

Committee Activity:

Transportation: 4/11/11, 4/14/11 [DPS].

Brief Summary of Substitute Bill

- Increases rates on a number of driver and vehicle services fees administered by the Department of Licensing.
- Establishes fees for the original issue of license plates; for each time an exam is given for individuals seeking a driver's instructional permit; for the application for a second or third driver's instructional permit; and on studded tires.
- Appropriates proceeds from the increased and new fees for additional operating activities at the Washington State Patrol and the Washington State Department of Transportation, and for certain capital activities, including construction of a new ferry boat vessel.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Clibborn, Chair; Billig, Vice Chair; Liias, Vice Chair; Eddy, Finn, Fitzgibbon, Jinkins, Ladenburg, Moeller, Morris, Moscoso, Reykdal, Rolfes, Ryu, Takko and Upthegrove.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 13 members: Representatives Armstrong, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Angel, Asay, Johnson, Klippert, Kristiansen, McCune, Overstreet, Rivers, Rodne, Shea and Zeiger.

Staff: Mark Matteson (786-7145).

Background:

Licensing and Fees.

The Department of Licensing (DOL) is responsible for administering a number of licensing programs. Through the Driver and Vehicle Services Division of the DOL, individuals may access various driver- and vehicle-related services. Individuals may:

- apply for a first driver's license or transfer a valid driver's license from another state;
- get a first driver's license or transfer a valid driver's license from another state;
- take a knowledge and/or driving test;
- replace a lost or stolen license;
- update a license;
- renew a driver's license; and
- extend a driver's license expiration date for up to 12 months while out of state.

In addition, individuals may obtain: instruction permits; enhanced driver's licenses or identification cards for the purposes of international ground-based or sea-based travel to Canada and Mexico; identification cards; motorcycle endorsements; commercial driver's licenses; restricted driver's licenses; other special driver's licenses; and copies of one's driving record.

Regarding vehicles, individuals may:

- register vehicles;
- transfer the title to a vehicle or vessel;
- modify a title;
- replace license plates;
- replace license plate tabs;
- obtain a duplicate title or registration;
- pay business-related vehicle fees (such as for driver training schools, tow truck operators, and others);
- apply for business-related vehicle trip permits;
- register motor homes, recreational vehicles, travel trailers, campers, boat trailers, and other types of on-road vehicles and equipment;
- register off-road vehicles; and
- have vehicles inspected.

For most of the various driver and vehicle services provided by the DOL, fees are charged. However, a fee is not charged for the original issuance of license plates. In addition, for instructional permit examination purposes, a \$35 fee is charged only once and an individual may take the exam as many times as is needed until he or she passes. Individuals that choose to apply for an instructional permit a second or third time are not required to pay an application fee.

The requirement to pay the fee for the various driver and vehicle services is established in statute and fee levels are provided either statutorily or by rule. The statutes also provide a revenue distribution framework for the various fees, with the majority deposited to either the Highway Safety Fund or the Motor Vehicle Fund. Fees that are collected as license fees for motor vehicles are subject to the 18th Amendment to the state Constitution and must be spent for highway purposes.

In aggregate, the fees more than pay for the direct administration of collecting the fees themselves and are utilized for the broader administration of the state transportation system.

Fee Studies.

In the 2002 legislative session, the Legislature enacted increases to a number of driver and vehicle fees. As part of the legislation, the Legislature required the DOL to conduct a study biennially on fee levels to evaluate cost recovery for department services.

In 2009 the Joint Transportation Committee contracted for a study that analyzed mid-term and long-term transportation funding mechanisms and methods. The study final report recommended that the Legislature revisit fee levels to determine whether the levels were keeping pace with inflation.

Studded Tires.

Studded tires are vehicle tires with small metal protrusions (studs) inserted to improve tire-road friction in snow or ice conditions. In addition to winter weather friction improvement, studded tires also increase pavement wear.

In 1998 the Legislature and the Governor formed the Blue Ribbon Commission on Transportation (Commission) to assess the state's transportation system and make recommendations. The Commission concluded that one method for preserving the transportation system was to phase out studded tires or establish a surcharge to recognize the cost of studded tire damage to roadways. In a 2008 study, the Washington State Department of Transportation (WSDOT) estimated at that time that damage to concrete pavements due to studded tires was \$18.2 million.

State Transportation Expenditures.

The operating and capital expenses of state transportation agencies and programs are funded on a biennial basis by an Omnibus Transportation Budget (Transportation Budget) adopted by the Legislature in odd-numbered years. The Transportation Budget provides appropriations to the major transportation agencies including: the WSDOT, the Washington State Patrol (WSP), the DOL, the Washington Traffic Safety Commission, the Transportation Improvement Board (TIB), the County Road Administration Board (CRAB), and the Freight Mobility Strategic Investment Board. The Transportation Budget also provides appropriations out of transportation funds to many smaller agencies with transportation functions.

Summary of Substitute Bill:

Fees are increased on a number of the DOL driver and vehicle services. In addition, a new fee is charged for the issuance of original license plates at \$10 per plate for motor vehicles and \$3.75 per plate for motorcycles. Individuals who apply for an instructional driver's permit for a second or third time must pay an application fee of \$25 each time. Individuals who take the examination for the instructional driver's permit must pay a \$35 fee each time the examination is taken, irrespective of passage or failure. (See House Transportation Committee supporting documents for more detail.)

The revenue generated by the fee increases is used to support the financing for the construction of a 144-car class ferry vessel and to provide additional funding to a number of state transportation programs. The appropriations are in addition to those contained in the Transportation Budget, and include funds provided to: the WSP; the WSDOT for the ferry operating, ferry capital, highway maintenance, highway preservation, public transportation, and local programs; the TIB; and the CRAB. (See House Transportation Committee supporting documents for more detail.)

Substitute Bill Compared to Original Bill:

The substitute bill:

- modifies the class of ferry boat vessel for which funds are provided from a capacity of at least 130 cars to a capacity of at least 144 cars;
- provides the authorization in the Highway Safety Fund statute for transfers in 2011-2013 to the Motor Vehicle Fund and the Multimodal Transportation Account;
- transfers \$7 million from the Highway Safety Fund to the Multimodal Transportation Account;
- increases the amounts provided from the Multimodal Transportation Account for the WSDOT Public Transportation Division from \$8 million to \$19 million. The additional \$11 million is spent on the following projects that appear on the Regional Mobility Grant project list:
 - \$4.5 million for the Lakewood-to-Seattle Commuter Rail Expansion – Vehicles Project (Sound Transit);
 - \$2 million for the Sunday Service Project (Community Transit);
 - \$1.5 million for the Southwest Seattle/Burien Service Improvements Project (King County Metro); and
 - \$3 million for the RapidRide D Line Project (King County Metro);
- reduces the State Patrol Highway Account appropriation for the WSP by \$3 million;
- reduces the Motor Vehicle Account appropriation for ferry operations by \$3 million;
- increases the Motor Vehicle Account appropriation for the Safe Routes to Schools Program by \$3 million;
- restricts \$3 million of the Highway Safety Account appropriation to the TIB for use for grants to address local storm water purposes;
- restricts \$3 million of the Highway Safety Account appropriation to the CRAB for use for grants to address local storm water purposes;
- eliminates proposed increases for the following fees:

- Commercial Vehicle Safety Enforcement fee;
- tow truck operator, original license fee; and
- tow truck operator, license renewal fee;
- makes the following changes in the proposed fee increases:
 - for vehicle dealers, reduces the proposed license renewal increase by \$200, so that the proposed fee level is \$700, not \$900;
 - for vehicle dealers, reduces the proposed replacement plate increase by \$50, so that the proposed fee level is \$50, not \$100;
 - for wrecker operators, reduces the proposed license renewal increase by \$60, so that the proposed fee level is \$15, not \$75; and
 - for any fee that is proposed to be increased, rounds it up to the nearest whole-dollar level;
- subjects certain persons who are disqualified from operating a commercial motor vehicle to the higher requalifying fee level of \$500, analogous to the approach for requalifying for a regular driver's license, if the person is disqualified for:
 - driving any motor vehicle under the influence of alcohol or drugs;
 - driving a commercial motor vehicle if the person's alcohol concentration in his/her blood system is 0.04 or driving a non-commercial vehicle if the concentration is 0.08 or more; and
 - refusing to submit to a test to determine the alcohol concentration or presence of any drug;
- modifies the studded tire fee so that:
 - the fee applies not just to tires that are sold with the studs already embedded, but to tires in which the tire retailer inserts the studs into the tires;
 - the fee applies to retail (and not wholesale) transactions;
 - studded bicycle tires are excluded;
 - it is clarified that the fee is in addition to the general waste tire fee;
 - fee proceeds are to be held in trust and that appropriation of the proceeds for personal or business use is a gross misdemeanor; and
 - the fee is not subject to retail sales and use taxes; and
- makes technical changes.

Appropriation: Various sums.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2011.

Staff Summary of Public Testimony:

(In support) The WSDOT fully supports this proposal. The WSDOT is at a crossroads. Of previous funding packages, which were close to 100 percent bonded, 83 percent of the projects are complete. The revenue increases that were enacted are committed for debt service for the next 25 years. The budgetary outlook beyond the next biennium is bleak. Compared to earlier forecasts, the state is losing about \$240 million per biennium. Over \$1.2

billion will be lost over the next 10 years due to decreased travel and to increased fuel efficiencies. The ferry system has been patched along. However, fuel alone has gone up \$1.10 per gallon since last biennium. Regarding the ferry fuel budget, the WSDOT is \$40 million out of whack between last biennium and this biennium. This bill helps stop the leakage and includes a very balanced spending plan.

Ferry advisory committees believe that the bonding for the 144-car class vessel is critically important. The Evergreen class was built in the 1950s, and as the ferries age, there is an urgent need to replace obsolete systems. Custom built parts cost a lot; preservation of the existing boats has its costs and risks. Earlier legislatures were assured that the refurbished steel electrics would extend the life of the vessels, but in the end this was not true.

Starting late on the construction of the 144-car class vessels has resulted in increased costs. Do not delay further. In addition, on the operating side, the service cuts in the proposed budget keep ferry-dependent riders from getting to work in a timely way, and the fare hikes proposed in the budget bill are problematic. The hikes would drive low-income people away from taking the ferries. This bill helps mitigate that outcome.

Many of these individual fees have not been increased since 1999 and 2002. The Associated General Contractors supports the funds put into local government. The preservation programs for those local communities and at the WSDOT are a big deal. Unemployment in this state is at 9 percent, but in the construction industry, it is twice as high. The industry is kind of a shadow of what it used to be. At 16 jobs per \$1 million of spending, that is about 1,000 jobs. This proposal would be a big help.

This proposal implements many of the recommendations of the Joint Transportation Committee financing study. The preservation and maintenance money for local governments is needed; the amount going to the CRAB will roughly double the amount distributed currently for local preservation. The ferry system is critical to those nine counties with terminals. Those communities' economic livelihoods rely on the ferries. The Washington State Association of Counties encourages the Legislature to work on this bill to put money back into the ferry system.

The freight projects that would be made available through the Freight Mobility Strategic Investment Board are great. For each \$1 allocated, there is \$5 generated. This is big for economic development.

The Washington State Patrol Trooper's Association is in favor of the money for the WSP Auto Theft Division. This WSP division is the only statewide service that investigates auto theft. This division helps to recover tens of millions of dollars of personal property. The funding here would have an impact on insurance rates.

The WSP supports this and would like to make clear two issues. Contrary to popular belief, the WSP does not receive revenue from infractions. The WSP has a fund balance issue over time. The narrow banding package that is proposed in the budget is costly. The WSP has emergency communication issues, but the revenue is not there for us.

The operating cost relief for ferries is a big deal to the Association of Washington Cities. The TIB funding is very welcome. The additional \$3 million for the Freight Mobility Strategic Investment Board is great for the big queue of projects. The need in the Safe Routes to School Program is huge, and the additional \$2 million is a big help.

The issue of maintenance and preservation needs is ongoing at the local level. Cities that function as employment centers need this because in those areas there are such heavy demands on the transportation system. There has been talk about running government more like business. But businesses have not thought twice about adjusting fees since 1999.

It is axiomatic that the continuous production of ferries is the most cost-effective way for the state ferry system to acquire vessels. Extraordinary efficiencies will be achieved. The state will get some money back. For the most recent vessels built and planned, there is \$20 million in tax revenues realized and 603 jobs created. The average salary per worker is \$78,000. This proposal falls within parameters of what has been expected. Besides the direct jobs, another 1,000 indirect jobs would be created.

Incoming revenues have dropped, which makes it hard for the TIB. This proposal improves the reliability of available funding. Projects will be awarded later this year.

(With concerns) Several of the fees that impact the trucking industry are increased significantly. The Commercial Vehicle Safety Enforcement fee goes from \$16 to \$25. A carrier that has 1,000 trucks would pay \$25,000. Fees are not prorated for the in-state carrier, but are prorated for the out-of-state fee. This makes it difficult for the Washington Trucking Association. Proposals like this make it hard to support a larger package.

Sound Transit agrees that the need for funding is critical. The challenge is to find an approach that meets the needs for all. Sound Transit is excluded from receiving any of these funds in this proposal. There is a perception that Sound Transit is taken care of. This is not true. Sound Transit has seen a tremendous drop in funding, which mainly is hurting us on the operating side. Sound Transit has chosen to partner with several other providers for services; these agencies are the ones that suffer when services are cut. The reality is that jobs are cut from Pierce Transit, Community Transit, and others.

The Washington State Transit Association (WSTA) likes the general effort. Earlier alternative financing studies have shown that, because the fees are flat, the average payer would pay \$241 in 2025. The purchasing power that is lost is 45 percent. Some transit users are very dependent on providers for mobility. The WSTA serves some folks that really need this, like the elderly and those with special needs. Smaller transit systems have big problems and would like to see bigger increases to the Regional Mobility Grant and Rural Mobility Grant programs.

Auto dealers have long partnered with the state for an efficient and effective transportation system. Much of the bill funds many of the activities that we utilize. However, a number of the changes in the bill are of concern. The auto dealers have the dubious distinction of facing the largest dollar increase and the largest percentage increase. A number of these fees call for a significant increase, and should be adjusted in a more moderate way.

The Washington State Motor Sports Dealers' Association is supportive of intent. However, the increase in the renewal fee for dealers goes from \$250 to \$900. This is more than tripling the fee, and is more than just your proverbial "latte per day." For motorcycle dealers, these are close to 400 percent increases. Plates are increased to \$100 per plate. There are increases, not just on renewals, but on each section represented. Margins are not that great right now, and the industry is still contracting. The Legislature should take a more moderate view.

Using the Consumer Price Index would suggest a much lower fee increase. In addition, there are many non-registered tow truckers, who pay no fee, and are not regulated. This is unfair, and effort should be directed to deal with those that do not pay.

The Association of Washington Business has members on both sides of this issue. This effort may be premature in light of the need for a larger revenue package. To run this through now could hurt the effort for a larger package in the future. The cost-recovery issue is important. There is a question of whether this would be piled on top of other fees in the General Fund budget. The relationship between the service received and the fee paid is important.

(Commented) King County is aware of how far short local governments are in preserving and maintaining infrastructure. The funding for local government maintenance and preservation is desperately needed. King County appreciates the TIB and the CRAB investments and the bump up in special needs transportation funding. The proposal would help King County with its community access services. For the long-term package, a solution is needed that augments local efforts. The ferry efforts are very important.

(Opposed) Futurewise applauds the notion of this proposal, but does not like the way funding is allocated. This bill should set the state on a path toward economic recovery. There have been devastating cuts in every corner of the state. The allocations in the proposal do not make it easier for Washingtonians to get back and forth from work and other places.

The Washington Environmental Council (Council) is concerned about the mix of projects, and specifically stormwater, in the bill. The Council believes that any significant transportation package should have a stormwater component. Stormwater is a transportation issue. In order to address the issue, transportation infrastructure must be addressed. Local governments have desperate needs for stopgap stormwater funding. Greater investments are needed.

The equity in distribution is improving but is not yet there. Currently, bicycling and pedestrian activities only get about 0.3 percent of budgeted funds. In Safe Routes to Schools, the state can only fund 29 projects out of 140 projects.

The Sierra Club supports funding that provides transportation users more choices and would like to see a different distribution. The proposed substitute is an improvement, but is not quite there.

The need is appreciated, but a more balanced approach is sought. There are five transportation policy goals. A more balanced proposal would provide increased money for transit, stormwater, bicycles, and pedestrians. Transportation choices are important.

For independent auto dealers, which covers previously owned vehicles, the percentage increases are too much. Those who pay the bills are also struggling. Every last straw that is added to the camel's back comes close to breaking the industry. A modest cost-of-living adjustment would make more sense.

Persons Testifying: (In support) Representative Clibborn, prime sponsor; Paula Hammond, Washington State Department of Transportation; Walt Elliott, Ferry Advisory Committees; Duke Schaub, Associated General Contractors; Scott Merriman, Association of Counties; Brian Ziegler, Freight Mobility Strategic Investment Board; Rick Jensen, Washington State Patrol Trooper's Association; Jason Berry, Washington State Patrol; Ashley Probart, Association of Washington Cities; Doug Levy, Cities of Renton, Kent, Redmond and Puyallup; Linda Hull, Todd Shipyards; Brad Jurkovich, Washington Ferry Coalition; and Steve Gorcester, Washington Transportation Improvement Board.

(With concerns) Larry Pursley, Washington Trucking Association; Celia Kupersmith, Sound Transit; Michael Shaw, Washington State Transit Association; Scott Hazlegrove, Washington State Automobile Dealers' Association; Stu Halsan, Towing and Recovery Association; Susie Tracy, Small and Midsize Transit Alliance; and Amber Carter, Association of Washington Business; and Pat Halstad and Vicki Gray, Washington State Motor Sports Dealers' Association.

(Commented) Genesee Adkins, King County.

(Opposed) April Putney, Futurewise; Mo McBroom, Washington Environmental Council; David Hiller, Cascade Bicycle Club; Dave Janis, Bicycle Alliance of Washington and Childhood Obesity Prevention Coalition; Peter Thein, Sierra Club; T.K. Bentler, Washington State Independent Automobile Dealers; Jim King, Independent Business Association; and Carrie Dolwick, Transportation Choices Coalition.

Persons Signed In To Testify But Not Testifying: None.