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SUBJECT: UPDATE ON PRELIMINARY DISCUSSIONS ON A POTENTIAL STATE TRANSPORTATION REVENUE PACKAGE

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POLICY ISSUE: The City of Bellevue is an active player in promoting local and regional transportation solutions that are multimodal, keep pace with emerging land uses, promote economic development, especially in downtown, and at the same time preserve and protect Bellevue's neighborhoods.

There are a number of groups having informal discussions about the need for new state and local transportation revenue. City-wide surveys consistently show that traffic congestion and transportation are the most often mentioned problems facing Bellevue. Council may wish to weigh in on the early discussions about how to raise additional revenue for local, state and regional transportation solutions.

**DIRECTION
NEEDED FROM
COUNCIL:**

No formal action is being requested by Council tonight; however, Council may wish to provide comments and/or direction to staff on the various proposals under discussion. Staff will provide the Draft 2013 State Legislative Agenda in October and Council will have an opportunity to refine the legislative proposals through November and during the legislative session as various pieces of legislation are introduced.

BACKGROUND:

January 2012, the Connecting Washington Task Force advised the Governor that \$10 billion in additional state and local revenue is needed over the next decade simply *to maintain the existing highway and roadway system*. An additional \$11 billion was recommended for strategic investments in the corridors that hold the key to job creation and economic growth. Without additional funding, the Task Force concluded, the quality of Washington's transportation system will continue to deteriorate, reducing economic competitiveness in the process.

The need to address local transportation needs was also emphasized as urgent by the Task Force. Cities need an estimated \$3.4 billion in the next 10 years to maintain and repair city streets and bridges. Cities have increasingly had to rely more heavily on general fund dollars for transportation. The Task Force also noted that public transit will require an additional \$2 billion

over the next decade to restore transit service to pre-recession levels and counties need an additional \$1.5 billion over the same period to address their needs.

The Task Force pointed out that gas tax revenues are projected to fall by more than \$5 billion between 2007 and 2023. The erosion is largely attributed to the shrinking value of gas tax that does not keep up with inflation, the cost of road construction, greater number of fuel-efficient vehicles and the recent trip reduction observed statewide.

The current state gas tax is 37.5 cents per gallon with 11 cents of that going to cities and counties. There has been a lot of discussion about how best to transition from the gas tax to more reliable sources of revenue, including the Motor Vehicle Excise Tax (MVET) and tolling. There is growing acceptance that toll revenue is needed in the Puget Sound region to supplement the gas tax for large projects. Also under discussion is a possible tax on vehicle miles traveled; however, this appears to be significantly difficult to implement and may be years away from widespread acceptance.

Summary of Preliminary Discussions on a new State Transportation Revenue Package

As noted earlier in this update, there are a number of informal conversations concerning the need for new state and local transportation revenue occurring around the state. A summary of the discussions and possible proposals is included below:

Transportation Revenue Package Being Developed by House Transportation Committee

Chair: Rep. Judy Clibborn, who serves as Chair of the House Transportation Committee, is planning to introduce a transportation revenue package in the next few weeks. Details of the proposal have not yet been released. Staff will keep Council apprised of developments as the details of the proposal become public.

Mayors Transportation Forum: This group was convened last December by Seattle Mayor Mike McGinn and Federal Way Mayor Skip Priest to advocate for new revenue to address local and statewide transportation needs. In advance of the 2012 legislative session, the group, representing 22 mostly larger cities across the state, agreed on a set of funding principles. These principles are consistent with Bellevue's adopted policy guidance. The Legislature made modest but unsuccessful attempts to craft a revenue package in 2012.

The Mayors Forum met in early September and is working to gain support for a new transportation revenue package in the 2013 legislative session. Mayor Lee has attended some of the forum meetings and Bellevue staff is also monitoring the work of the Forum. A preliminary funding proposal was outlined at the September meeting. Elements of the proposal included the following:

- Increase the statewide gas tax by 8 cents. This would raise an estimated \$2.56 billion over 10 years. The proposal would split the funding with 65% (\$1.66 billion) going to the state and 35% (\$896 million) going to local governments. This part of the proposal represents a very modest level of revenue when you consider that the cost of expanding I-405 south of Bellevue through SR 167 is \$1.7 billion. Gas tax is attractive in so far as it is a user fee, a principle supported by Council over the years. However, to address major corridors like I-405, the statewide gas tax level would need to be much higher.
- Impose a Statewide Motor Vehicle Excise Tax (MVET): The proposal includes a 1% MVET option that counties could enact for local transportation needs, either by public

vote or by councilmanic action. 65% of the MVET revenues would go to counties for transit and roads and 35% would go to cities for maintenance and construction of arterials. This mechanism has the potential to generate \$324 million annually statewide, though it may not be used by all jurisdictions. In King County, the MVET would generate about \$75 million for transportation projects per year; \$51 million would go to the County for transit and roads, and \$24 million would go to cities.

From a revenue generation perspective, MVET is attractive given its flexibility to be used for all transportation purposes and its ability to keep pace with inflation, whereas the gas tax must be used for roadway purposes only and is not indexed to inflation. MVET is also considered to be a more progressive tax in that it is tied to the value of the vehicle. The MVET was rolled back to \$30 as a result of passage of Initiative 695 in 1999 and subsequent action by the State Legislature.

- Increase Vehicle License Fees. The proposal would raise the Vehicle License Fee (VLF) from the \$20 per year fee allowed under current law to \$40. The increase could be enacted through a public vote or by councilmanic action through a local Transportation Benefit District (TBD). If a countywide TBD is enacted, the proposed distribution would follow the 65/35 formula, with 65% going to counties and 35% going to cities. The \$40 fee has the potential to generate \$273 million statewide, though actual usage will vary by locality. If Bellevue were to enact a citywide TBD, the current \$20 VLF option would raise roughly \$2.2 million annually in Bellevue. The VLF is attractive as a user fee but is considered regressive in that everyone pays the same flat rate regardless of the value of their vehicle.
- Impose an Annual Electric Vehicle Fee: A \$200 annual fee would be imposed that would approximate an average fuel tax per vehicle of \$216.

Some mayors expressed strong support for the proposals. In general, without endorsing the proposals in total, the mayors attending the September meeting agreed that they would take the proposals to their respective city councils for discussion. The next meeting of the Mayors Transportation Forum is scheduled for late November.

Eastside Transportation Partnership's (ETP) Draft 2013 State Legislative Agenda: At the local level, the ETP, which is composed of East King County cities including Bellevue, is considering how best to communicate local transportation funding needs. At its September 14 meeting, ETP received a Draft Legislative Agenda prepared by ETP's Legislative Subcommittee, where Councilmembers Wallace and Balducci represent Bellevue. The draft language will be considered for action at the October or November ETP meeting. The draft urges the 2013 State Legislature to:

- 1) Develop and fund a transportation package through an increase in the state gas tax and/or other revenue sources to pay for critical safety and mobility improvements identified for SR 520 east of I-405, I-405, I-90 and SR 522.
- 2) Increase funding options for local transportation needs and maintain funding for transportation programs that support mobility and economic vitality at the local level.

- 3) Continue to evaluate tolling as a tool to help manage and finance specific projects in key corridors. Additionally, continue to monitor for impacts on other roadways as a result of SR 520 tolling and consider appropriate mitigation where necessary.

PSRC's State Legislative Agenda: The Puget Sound Regional Council, the four-county Metropolitan Planning Organization required by federal law to provide long-range development and supportive transportation plans, will take up its state legislative agenda beginning in November. Direction or comments from Council on Bellevue's priorities will be provided to PSRC staff to help inform PSRC's legislative agenda

RECOMMENDATION: NA

ALTERNATIVES: NA

ATTACHMENTS: NA