

Five guiding principles for funding transportation after voter passage of Initiative 976

By Mariya Frost, Director, Coles Center for Transportation

January 2020

Key Findings:

1. Initiative 976 calls for \$500 million in tax cuts, changes how Sound Transit values vehicles, and ends Transportation Benefit Districts' authority to impose a car tab tax. During the 2020 session, lawmakers should implement both budget and policy elements of Initiative 976 according to the will of voters.
2. Transportation budget cuts should be proportionate to the impact of I-976 as much as possible. The majority of the impact of Initiative 976 is to the state multimodal account, which is where most of the cuts and reprioritization should take place.
3. The zero-based budgeting approach should be used to reduce costs and reprioritize programs and projects for the state accounts that are significantly impacted by Initiative 976, such as the state Multimodal Fund, which receives nearly 75 percent of the impact in fiscal years 2020 and 2021. The account budget should be zeroed out, and programs that are funded should be evaluated based on performance.
4. Projects related to maintenance and preservation of roads and bridges should be fully funded.
5. Projects on WSDOT's deferral list that are funded exclusively with gas tax dollars and are not directly impacted by Initiative 976 should be removed from the list.
6. Implementing the initiative requires difficult cuts that will consume the bulk of session. However, being responsive to the public will help prevent voters expressing their frustration in the future through measures that take an ax rather than a scalpel to the transportation budget.

Background

In November 2019, voters passed Initiative 976, which reduces how much drivers pay in yearly vehicle fees and taxes, with 53 percent statewide approval. The initiative reduces registration and vehicle weight fees. The ballot measure was promoted as the \$30 car-tab initiative.

Immediately after its passage, the City of Seattle, King County, Garfield County Transportation Authority and others sued to overturn the initiative. A King County Superior Court Judge "agreed to temporarily block the measure's implementation, saying the harms of letting the measure go into effect outweigh the harms of pressing pause for now."¹

The effect of the initiative is the reduction of local and state transportation funding, primarily for public transportation.

1 "Judge presses pause on I-976; car-tab cuts won't go into effect for now," by Melissa Santos, Crosscut, November 26, 2019, at <https://crosscut.com/2019/11/judge-presses-pause-i-976-car-tab-cuts-wont-go-effect-now>.

At the local level, Transportation Benefit Districts (TBDs) no longer have the authority to impose their own vehicle fees, whether they are voter-approved or not, and whether or not they pay for local roads or transit. There are five counties and over 100 cities and towns that have created TBDs, and of those, 62 impose vehicle license fees on drivers.² Additionally, Sound Transit’s entire 1.1 percent motor vehicle excise tax (MVET) is conditionally repealed.

At the state level, several transportation accounts are affected, though the majority of the impact is on the state Multimodal Fund, which is a general transportation account that funds public transportation, biking and walking programs, the state’s rail system and other non-highway programs.

According to the Office of Financial Management (OFM), total potential fiscal impact of the initiative on state revenue over the next six years (based on current biennial projections, which could change next biennium) would be as follows:³

Account	Total	% of Total
Multimodal Account	\$1,484,121,700	77.22
Motor Vehicle Account	\$265,553,425	13.82
WSP Highway Account	\$88,573,400	4.61
Transportation Partnership Account	\$45,684,900	2.38
Nickel Account	\$20,745,000	1.08
Puget Sound Ferry Operations	\$5,446,700	0.28
Rural Arterial Trust Account	\$5,013,938	0.26
Transportation Improvement Account	\$4,272,075	0.22
Snowmobile Account	\$2,490,100	0.13
TOTAL		\$1,921,901,238

Looking at just the 2019-2021 biennium, the Washington State Department of Transportation (WSDOT) says the agency will receive \$451 million less than anticipated, which represents about seven percent of WSDOT’s total budget for the same period.⁴

As a result, Governor Jay Inslee directed WSDOT to release a list of projects that would be deferred for six months, delaying the obligation of funds from those projects and freeing the money up for other uses.⁵

This gives lawmakers flexibility to divert money to what they determine are priorities, despite the commitments they previously made to the public to fund specific projects. The list of projects includes those that are funded by gas tax revenues and would increase capacity, mobility and safety on public roadways, as well as local agency projects with either no executed agreement or a portion of funds not yet under agreement.

2 “Transportation Benefit Districts,” Municipal Research and Services Center (MRSC), 2019, at <http://mrsc.org/Home/ExploreTopics/Governance/Forms-of-Government-and-Organization/Special-Purpose-Districts-in-Washington/TransportationBenefit-Districts.aspx>.

3 “Fiscal Impact Statement for Initiative 976,” Washington State Office of Financial Management, 2019, at <https://ofm.wa.gov/sites/default/files/public/budget/ballot/2019/I-976-fiscal-impact-statement.pdf>.

4 Washington State Department of Transportation letter dated November 26, 2019,” at <https://www.wsdot.wa.gov/sites/default/files/2019/11/26/I-976-Update-20191126.pdf>.

5 Ibid.

WSDOT officials chose to exempt “preservation, specific safety-related projects, fish passage, or specific grant projects designed to serve or keep vulnerable populations safe.”⁶ Grant projects include things like bike and pedestrian safety grants, which are funded by Multimodal Account dollars that are impacted by Initiative 976.

As the final outcome of Initiative 976 remains unknown due to the pending lawsuit, and may remain that way for many months to come, lawmakers are planning to balance the transportation budget during the 2020 legislative session by making cuts and delaying promised projects, as well as potentially imposing new taxes, despite voters overwhelmingly rejecting higher taxes in their support of Initiative 976.

To assist lawmakers in making decisions that keep faith with the voters, this Legislative Memo outlines guiding principles and policy recommendations that would be responsive to the public’s desire for state officials to be more respectful of and accountable to Washington taxpayers.

Guiding Principles

1. Even if the initiative is struck down in court, the legislature should implement the will of voters, just as they did when Initiative 695 passed in 1999

Before 1999, Washington state charged car owners a tax of 2.2 percent of a vehicle’s value on top of annual car tab fees. This motor vehicle excise tax (MVET) was not based on a car’s fair market value, but on a vehicle depreciation schedule that inflated the value of vehicles. Both the state tax and the valuation method were considered arbitrary and unfair. In response, voters passed Initiative 695 in 1999.

The popular measure passed with 56 percent support and repealed the state MVET as well as the inflated depreciation schedule. The initiative imposed a flat \$30 annual car tab fee and required any future tax increases to be voter approved. Despite support from voters, the state Supreme Court overturned Initiative 695 in early 2000.⁷

Governor Gary Locke and Republicans and Democrats in the state legislature re-enacted \$30 car tabs to “remove any uncertainty in the minds of the citizens of the state of Washington, to make it very clear that we will carry out Initiative 695” and enact the tax cut voters approved.⁸

Lawmakers also repealed the state MVET and the inflated depreciation schedule, effectively passing Initiative 695 by changing the original statute.

Some lawmakers have recently expressed they have wisdom that voters do not and have implied that the Legislature’s decision to implement Initiative 695 was wrong. They reason that “if we did what we did years ago, which is to just say, ‘The people voted for

6 Ibid.

7 “Single-subject rule,” Ballotpedia, 2019, at https://ballotpedia.org/Single-subject_rule.

8 “I-695 ruling saves \$30 tabs, sets off scramble in Olympia,” by David Postman, et al., The Seattle Times, March 15, 2000, at <http://community.seattletimes.nwsourc.com/archive/?date=20000315&slug=4010166>.

this, and we're going to do what the people want...if we do that, we are sabotaging our economic future.”⁹

This attitude to lawmaking fundamentally undermines the purpose of voting. The validity of voting should not be conditioned upon what elected officials decide is acceptable.

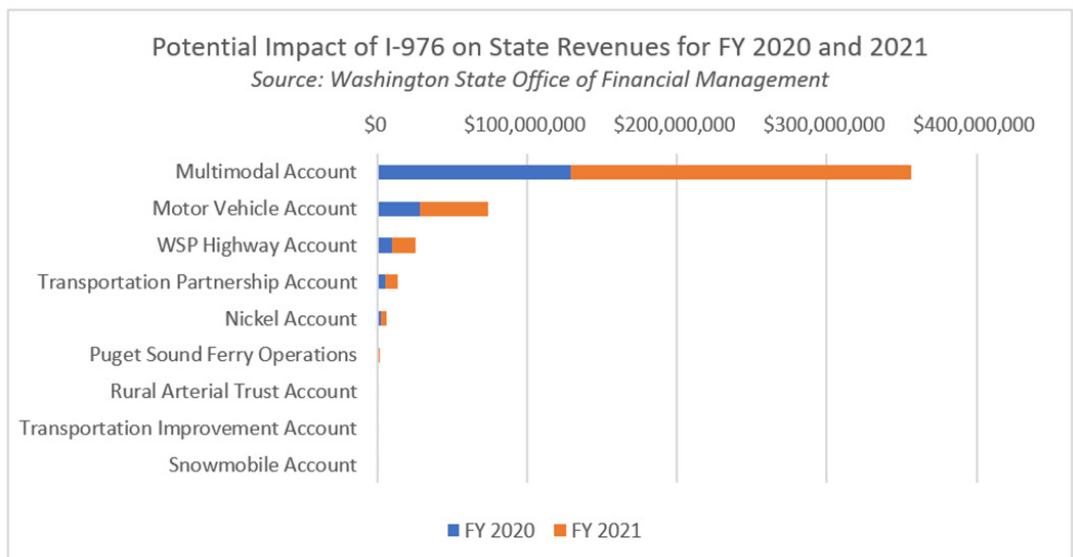
During the 2020 legislative session, lawmakers will likely consider including language in authorizing transportation legislation that would allow transportation funding to continue as normal if Initiative 976 is struck down in court. This would disregard the public’s expressed desire, in supporting Initiative 976, for tax relief and reforms to transportation funding. A more defensible and moral approach is for lawmakers to listen to the public and represent constituent interests, rather than their own.

The voter-approved initiative calls for \$500 million in tax cuts, changes how Sound Transit values vehicles, and ends Transportation Benefit Districts’ authority to impose a car tab tax. During the 2020 session, lawmakers should implement both budget and policy elements of Initiative 976 according to the will of voters.

2. Transportation budget cuts should be proportionate to the impact of I-976 as much as possible

For fiscal years 2020 and 2021, the potential effect on state revenue is projected by the state Office of Financial Management as follows:

Account	FY 2020	FY 2021	% of 2020-2021 Total
Multimodal Account	\$128,650,600	\$227,504,000	74.49%
Motor Vehicle Account	\$28,223,075	\$45,210,500	15.36%
WSP Highway Account	\$9,916,900	\$15,661,000	5.35%
Transportation Partnership Account	\$5,115,000	\$8,077,700	2.76%
Nickel Account	\$2,322,700	\$3,668,000	1.25%
Puget Sound Ferry Operations	\$609,800	\$963,000	0.33%
Rural Arterial Trust Account	\$202,163	\$539,700	0.16%
Transportation Improvement Account	\$202,163	\$539,700	0.16%
Snowmobile Account	\$240,300	\$447,200	0.14%
Total	\$175,482,701	\$302,610,800	\$478,093,501



⁹ “Lawmakers differ on next steps for voter-approved \$30 car tabs,” by Jeffrey Mize, The Columbian, December 15, 2019, at <https://www.columbian.com/news/2019/dec/15/lawmakers-differ-on-next-steps-for-voter-approved-30-car-tabs/?fbclid=IwAR2bI7IOjwcAhV2dySO71232wEwBM7nxIbH7xDxz7LTCQkVlhApFqMH1464>.

The majority of the impact of Initiative 976 is to the state multimodal account, which is where most of the cuts and reprioritization should take place, in alignment with the will of voters. If lawmakers choose to make equal cuts across the board, they should be prepared to explain to the public why they are overriding voters' wishes.

3. Use the zero-based budgeting approach to reduce costs to taxpayers

Proportionate cuts, as described previously, would also encourage the use of zero-based budgeting and reprioritization of projects and programs.

Currently, lawmakers use the previous year's budget as a baseline and assume that the previous year's funding amounts will continue at the same levels (called incremental budgeting). This leads to a bloated budget with many projects being over-funded and, in some cases, receiving more funding when they no longer need it.

Alternatively, a zero-based budget approach can be used, zeroing out each budget at the beginning of the process and requiring that funding amounts be re-justified for each project in every budget cycle. This would provide a critical, ongoing review of projects.

Washington Policy Center recommends the zero-based budgeting approach to reduce costs and reprioritize programs and projects for the state accounts that are significantly impacted by Initiative 976, such as the state Multimodal Fund, which receives nearly 75 percent of the impact in fiscal years 2020 and 2021. The account budget should be zeroed out, and programs that are funded should be evaluated based on performance.

In the public transportation program, lawmakers should prioritize special needs transportation while reducing or temporarily deferring programs related to trip reduction (strategies to reduce drive-alone rates) or transit expansion in areas where declining ridership does not merit it.¹⁰

More broadly, zero-based budgeting within initiative-affected accounts presents an opportunity for lawmakers to engage in the type of budgeting they should be doing every two years anyway.

4. Fully fund projects related to maintenance and preservation of roads and bridges

The public, WSDOT and lawmakers seem to agree that taking care of existing roads and bridges is a top priority. To that end, lawmakers should fully fund projects related to maintenance and preservation.

The Governor's budget would reduce funding for the preservation of structurally deficient bridges.¹¹ This is the wrong approach, particularly when WSDOT officials say they lack funding to rebuild bridges from which concrete is falling and hitting cars and

¹⁰ "The state role in public transportation," Joint Transportation Committee, Washington State Legislature, February 7, 2011, at <http://leg.wa.gov/JTC/Documents/Studies/TransitAdvisoryPanel/4PageStudySummary.pdf>.

¹¹ House Bill 2322, Washington State Legislature, introduced January 13, 2020, at <http://lawfilesexternal.wa.gov/biennium/2019-20/Pdf/Bills/House%20Bills/2322.pdf>.

boats.¹² Maintenance is necessary to keep our existing infrastructure working and has a larger impact on reducing congestion than new projects. Two problems contribute to the lack of funding.

First, many of our transportation projects are funded by the state borrowing money through the sale of bonds, backed by the taxpayers of Washington. Since the Legislature uses its debt capacity to borrow money for new projects, very little operating budget is left for maintenance. It mostly goes to debt payments. In fact, in 2015, only 17 percent of the annual transportation budget was directed to road maintenance and preservation, and it is only getting worse.¹³

Second, officials spend disproportionately more on transit than on roads. This leaves a gap in funding for adding and maintaining public road miles. Estimates from WSDOT indicate the state is falling behind every year and that officials will soon find that repair costs dwarf the cost of building anything new.¹⁴ Allocating transportation dollars based on trips taken would allow WSDOT to fix the current problems without imposing a tax increase.

5. Remove projects from WSDOT’s deferral list that are funded exclusively with gas tax dollars and are not directly impacted by I-976

As noted, WSDOT released a list of transportation projects that would be deferred. The WSDOT Secretary defended this political decision, saying the purpose of delaying projects that are not yet underway is to provide “the Governor and Legislature more funding flexibility” as they tackle the transportation budget during the 2020 legislative session.¹⁵

It would also allow lawmakers to use Motor Vehicle Fund dollars, which are protected for highway purposes only, on programs that can be legally funded with money from this fund, such as ferries and Washington State Patrol. Using Motor Vehicle Fund money to backfill impacted programs like ferries and Washington State Patrol allows lawmakers to preserve programs in the Multimodal Account, and avoid some of the drastic cuts that, though painful, the public has approved in Initiative 976.

Though some of the projects on the deferral list may be funded with sources of revenue that are affected by Initiative 976, some are funded exclusively by state gas tax revenue from the 2015 Connecting Washington transportation package. This includes the North South Freeway, a part of the larger North Spokane Corridor project, which is

12 “Ship Canal Bridge hole patched, but I-5 traffic still clogged from Northgate to Sodo,” by Mike Lindblom, The Seattle Times, August 29, 2018, at <https://www.seattletimes.com/seattle-news/transportation/traffic-alert-hole-in-i-5-ship-canal-bridge-deck-causes-a-five-mile-traffic-jam/?fbclid=IwAR1x5Hv282XA3sEm-n0b7hJaFUGioBLGDuk3azwPuIBXK2Ljd3AyMfi03KE>.

13 “WSDOT can provide reliable long-term pavement estimates, but accuracy of bridge estimates is uncertain,” Washington State Joint Legislative Audit and Review Committee, January 14, 2015, at http://leg.wa.gov/jlarc/reports/WSDOTCostEst/f/default.htm?fbclid=IwAR1n9Bmxf1Uq_1EGqylwcGWtMR8FnRpjie05rqoHD363T68vkJpXcgmj7bc#Report.

14 “2017-2019 Capital Improvement and Preservation Program,” Washington State Department of Transportation, September 2016, at https://www.wsdot.wa.gov/sites/default/files/2016/08/17/2017_CIPP_full_report%20_9_7_16_1.pdf.

15 Letter from Washington State Department of Transportation Secretary Roger Millar, November 26, 2019, at <https://www.wsdot.wa.gov/sites/default/files/2019/11/26/I-976-Update-20191126.pdf>.

of regional significance and was explicitly promised to Spokane residents.¹⁶ This project, and any others that are funded by gas tax and not car tab revenue, and therefore not directly affected by Initiative 976, should be removed from the deferral list.

In order to help lawmakers make informed decisions about which projects should be removed, WSDOT should provide lawmakers a detailed explanation of how projects were selected for the deferral list and exactly how they are funded.

Conclusion

When voters approved Initiative 976 last fall, they did not just want to lower taxes. They also wanted better management of government programs. The passage of the initiative, and its effect on the transportation budget, presents an opportunity for policymakers to increase public trust. After all, it was the loss of public trust that led to the passage of Initiative 976 in the first place. Implementing the initiative is not an easy task – it requires difficult cuts that will consume the bulk of session. However, being responsive to the public will help prevent voters from expressing their frustration in the future through measures that take an ax rather than a scalpel to the transportation budget.

Instead of trying to evade the budget and policy implications of Initiative 976, implementing the will of voters would demonstrate that voting matters, that government officials can be more cost-effective and respectful of public money, and that WSDOT officials can reprioritize and do their primary job of increasing mobility for Washington state residents.

*Mariya Frost is the director
of Washington Policy
Center Coles Center for
Transportation.*

*Nothing here should be
construed as an attempt to
aid or hinder the passage of
any legislation before any
legislative body.*

*Published by
Washington Policy Center
© 2020*

Visit washingtonpolicy.org

¹⁶ “WSDOT confirms gas tax – not car tabs – fund Spokane’s halted North-South Freeway,” by Mariya Frost, Blog Post, Washington Policy Center, December 17, 2019, at <https://www.washingtonpolicy.org/publications/detail/wsdot-confirms-gas-tax-not-car-tabs-fund-spokanes-now-halted-north-south-freeway>.