



POLICY BRIEF

An Overview of Referendum 51

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I. Introduction

In November, the people of Washington will vote on Referendum 51, a statewide ballot measure which increases taxes and fees to pay for transportation reforms and improvements. This report presents a brief overview of the Referendum.

The need for increasing the capacity of the state's 80,000-mile network of roads, highways and bridges is clear. Over the past 30 years Washington's transportation system has not kept pace with the rising transportation needs of a population that has grown nearly 75% during that time.¹ Today, seemingly endless congestion and hazardous safety conditions severely hamper the state's social and economic development.² Attempts to ease congestion through higher public transit spending and strict Growth Management rules have failed. Despite the efforts of planners to alter people's preference for auto travel, Washington residents continue to seek more mobility freedom. Some 92% of all daily person-trips are taken in private vehicles. Public transit accounts for about 3% of daily trips.³ While road improvements are clearly necessary, voters will decide whether Referendum 51, or some future alternative, is the best way to address the state's transportation woes.

In its last session, the legislature was unable to reach agreement on a transportation funding package and so voted to put the matter before state voters. On March 27, 2002 Governor Gary Locke signed Engrossed Substitute House Bill 2969, authorizing a referendum to the people of Washington state. ESHB 2969 directs the Secretary of State to submit the bill to the voters as Referendum 51. The bill also directs the revenue generated by new taxes to be distributed according to the list of projects set out in another bill, Engrossed Senate Substitute Bill 6347.

¹ The state population in 1970 was 3.4 million people. In 2000 it was 5.9 million. Data available from the United States Census Bureau, Washington, D.C., and at www.census.gov.

² An analysis of the impacts of congestion on Washington families can be found in, "Traffic vs. Kids: How Puget Sound Gridlock Hurts Families," published by Washington Policy Center and Families Northwest in October 2000, available online at www.washingtonpolicy.org.

³ "Reduce Congestion Now: A Customer Oriented Approach to Traffic Congestion Relief," prepared by TDA, Inc., October 1999, Seattle, Washington. Other modes of travel include taxi, which makes up about .1% and biking and walking, which make up about 4% of daily person-trips.

The title of the Referendum reads: “The legislature has passed house bill No. 2969, financing transportation improvements through transportation fees and taxes. This bill would improve highway capacity, public transportation, passenger and freight rail, and transportation financing accountability through increased weight fees on trucks and large vehicles, fuel excise taxes, and sales taxes on vehicles.”⁴

This Policy Brief consists of two main parts. The first presents a summary of the main provisions of Referendum 51. The second describes some general economic and funding trends to help the reader understand how Referendum 51 compares with current transportation budgeting.

II. Summary of Referendum 51

PART I - Accountability for Transportation Projects and Programs

Referendum 51 renames the Legislative Transportation Committee the Legislative Transportation *Accountability* Committee. The newly renamed committee would consist of twelve Democratic legislators and twelve Republican legislators. It is intended to ensure accountability by monitoring how tax dollars are spent on projects funded by new transportation taxes. The committee would report to the public and to the legislature at regular intervals. The Referendum also creates a Transportation Accountability Board, with nine members appointed by the Governor and confirmed by the legislature, to assist in monitoring new transportation spending. The new reporting requirements would go into effect if the Referendum is passed, but can be changed by the legislature in the future.

PART II – New License Fees

Truck Weight Fee Increases: 30%
Estimated Revenue: \$232 million

Current law requires privately owned trucks, tractors, buses and for-hire vehicles with capacity of more than six people to pay an annual license fee based on the weight of the vehicle. Referendum 51 would increase the license fee by 30 percent. The planned increase would be phased in over two years. Beginning January 1, 2003 the rate would increase by 15 percent. On January 1, 2004 the rate would increase another 15 percent.⁵ New proceeds from the increased weight fees would be deposited in the motor vehicle account, which is required by the state constitution to support highway construction and maintenance. Existing weight fees support the multi-modal transportation account, the state patrol highway account, Puget Sound ferry operations and the motor vehicle account. The Referendum also would create a new freight mobility account for funds the legislature allocates for freight mobility projects.

PART III – New Fuel Tax

Fuel Tax Increase: 9 cents
Estimated Revenue: \$3.04 billion

Washington state’s current fuel tax is 23 cents per gallon, the thirteenth highest state fuel tax rate in

⁴ Engrossed Substitute House Bill 2969, Part VI, Section 601(3), 57th Legislature, 2002 Regular Session.

⁵ ESHB 2969, Part II, Section 202.

the nation.⁶ The federal government levies an additional 18.4 cents per gallon.⁷ Referendum 51 would increase the existing state tax over two years by nine cents, to 32 cents per gallon, making our state tax the highest in the nation. With the federal tax, Washington residents would pay a total tax of 50.4 cents per gallon by 2004.⁸ The state tax would increase five cents beginning January 1, 2003 and another four cents beginning January 1, 2004.⁹ The new fuel tax would cover gasoline and all specialty fuels. Existing exemptions and refunds for certain fuel uses would remain in place.

PART IV - Sales and Use Tax

Auto Sales Tax Increase: 1 percent Estimated Revenue: \$1.16 billion

New and used auto sales are currently subject to the state's 6.5% retail sales tax. Beginning April 1, 2003 an additional one percent sales tax would be collected on all new and used auto sales in Washington state.¹⁰ The new tax would not apply to farm vehicles, off-road vehicles or snowmobiles. All revenue collected from the new tax would be deposited in the multi-modal transportation account, which is often used to pay for public transit.

PART V - Bond Authorization

New Bonds Issued by the State Estimated Revenue: \$4.6 billion

Referendum 51 would authorize the state to take on new debt by selling \$4.5 billion in bonds to finance new transportation construction projects.¹¹ Proceeds from the sale of bonds would be deposited in the motor vehicle account. The Referendum would also authorize a separate sale of \$100 million in bonds, the proceeds of which would be deposited in the multi-modal transportation account.

An additional source of funding for the state would be the interest earned on new revenue. Transportation taxes are collected and deposited in their respective accounts. As interest accrues, it is transferred to the Department of Transportation and spent on transportation projects. This revenue source is not covered in the Referendum, but the state estimates it would amount to approximately \$78 million over ten years.¹²

⁶ "Motor Fuel Gas Tax Ranking," published by Nebraska Department of Roads, Lincoln, Nebraska, July 2002. The current highest gas tax is levied by New York at 30.25 cents.

⁷ The federal fuel tax varies by type of fuel. The rates per gallon are as follows: gasoline - 18.4 cents; diesel fuel - 24.4 cents; compressed natural gas - 4.3 cents; special fuels - 18.4 cents; ten percent gasohol made with ethanol - 13.0 cents.

⁸ This analysis compares state tax rates. Some local governments around the country impose an additional local gas tax.

⁹ ESHB 2969, Section 301.

¹⁰ ESHB 2969, Section 401.

¹¹ ESHB 2969, Section 501.

¹² "Referendum 51 on Transportation Taxes and Fees (ESHB 2969): Summary of Revenues," produced by the Senate Transportation Committee, Olympia, Washington. Available online at <http://stc.leg.wa.gov/>.

Figure 1

Summary of New Revenues Under Referendum 51

9-cent gas tax phased in over two years	\$ 3,039,269,000
30% increase in vehicle weight fees	\$ 232,989,000
1% sales tax increase on new and used autos	\$ 1,160,178,000
Sales tax on transportation construction	\$ 165,204,000
Interest earnings	\$ 78,106,000
Bond proceeds	\$ 4,600,000,000
Less debt service	\$(1,460,805,000)
Total new revenue	\$ 7,814,941,000

III. Major Projects and Spending

If voters approve Referendum 51 in November, the new tax money would be spent on the transportation projects laid out in Engrossed Senate Substitute Bill 6347 (ESSB 6347). Following is a brief explanation of the planned spending.

Funding by Type of Project

Each project is designed to address one of the diverse needs of the transportation system. The projects can be broken into twelve distinct categories. An explanation of each category is provided below.

Figure 2

Referendum 51 Planned Spending

		% of Total
Roads - GP	\$4,292,776,000	53.2%
Roads - Improvements	\$ 299,781,000	3.7%
Roads - HOV	\$ 733,531,000	9.1%
Public Transit	\$ 819,900,999	10.2%
Planning	\$ 25,315,100	0.3%
Freight Mobility	\$ 133,000,000	1.6%
Safety	\$ 92,622,160	1.1%
Environmental Retrofit	\$ 26,253,000	0.3%
Ferries	\$ 711,192,000	8.8%
Rail - Passenger	\$ 809,938,000	10.0%
Rail - Freight	\$ 96,940,000	1.2%
Economic Development	\$ 30,000,000	0.4%
Total Planned Spending:	\$8,071,249,259	100.0%

Definitions for Figure 2

- Roads - GP: These are General Purpose (GP) lanes open to all traffic.
- Roads - Improvements: These are upgrades of existing roads, such as better surfaces, road widening, adding climbing lanes on steep grades, etc.
- Roads - HOV: New High Occupancy Vehicle lanes.
- Public Transit: Government operated transit services.
- Planning: Planning includes engineering, environmental studies and other regulatory requirements that must be completed before road construction can begin.
- Freight Mobility: Projects designed to improve the movement of freight.
- Safety: Projects designed specifically to improve the safety of certain roadways and transportation corridors.
- Environmental Retrofit: Upgrades to meet current environmental regulations.
- Ferries: Dock improvements and new ferries for the State Ferry System.
- Rail - Passenger: Rail projects designed for passenger rail improvements, primarily high-speed commuter rail corridors in the Puget Sound region.
- Rail - Freight: Projects designed to improve the movement of freight by rail.
- Economic Development: Projects intended to spur economic growth in certain areas.

Difference Between Revenue and Spending Estimates

There is a \$257 million difference in the revenue projections for new taxes authorized by Referendum 51 and the amount of spending authorized by ESSB 6347. Spending projections in ESSB 6347 do not match new revenue projections for a number of reasons. First, Department of Transportation revenue projections are for a term of ten years. Some spending projections for projects listed in ESSB 6347 are for more than ten years. Also, for some projects – specifically passenger rail capital improvements – budget planners assume the state will receive a high level of funding from federal taxes. Finally, for many local programs, the authorizing legislation for Referendum 51 mandates certain spending levels that are not covered by the funding appropriated under ESSB 6347.

Major Projects That Would Be Funded by Referendum 51

Of the 93 line items funded by Referendum 51, some deserve particular attention because they represent major changes to the existing transportation system. Following is a list of the ten largest projects authorized by the Referendum, ranked by the amount of dollars allocated.¹³ According to transportation officials, some of these projects would require additional funding before they could be completed.

¹³ Projects are ranked based on total spending estimates per line item, as recorded in ESSB 6347. For a complete list of projects contact Washington Policy Center or visit the Senate Transportation Committee's website at <http://stc.leg.wa.gov/>.

Figure 3

Referendum 51 Major Projects Top 10 by Total New Funding

Project:	Cost:
I-405 - new lanes from Renton to Everett	\$1,770,000,000
Statewide passenger rail capital improvements	\$ 809,938,000
State Route 509 - SeaTac to Federal Way	\$ 500,000,000
New funding for local public transit agencies	\$ 450,000,000
State Route 99 - Alaskan Way Viaduct replacement	\$ 450,000,000
I-5/SR16 - New HOV lanes to Tacoma Narrows Bridge	\$ 357,000,000
State Route 167 - Tacoma to Puyallup	\$ 343,600,000
Four replacement auto/passenger ferries	\$ 321,889,000
I-5 in Everett - SR526 to US Hwy 2, add 2 HOV lanes	\$ 230,000,000
State Route 395 in Spokane – North/South Freeway	\$ 206,619,000

New Funding by County

Referendum 51 would impose new taxes on all Washington drivers. Those tax dollars would be spent on high priority projects across the state. As the table on the next page shows, people in some counties would pay more in taxes than would be spent directly on projects in their area. Referendum 51 opponents say that residents in most counties will pay more in new taxes than they will receive in new road projects. Supporters of Referendum 51 respond that all state residents, no matter where they live, will benefit from new transportation spending.



Figure 4 shows how much residents in each county would pay in new taxes, the amount that would be spent in each county on new projects, and the difference between the two.

Figure 4

Referendum 51 Revenues and Spending by County¹⁴
(in millions of dollars)

County	New Taxes	New Spending	Difference (numbers in parenthesis are negative)
Adams	27	4	(24)
Asotin	20	1	(19)
Benton	203	101	(102)
Chelan	92	18	(74)
Clallam	82	13	(68)
Clark	411	277	(133)
Columbia	2	5	3
Cowlitz	147	50	(97)
Douglas	30	12	(18)
Ferry	6	0	(5)
Franklin	96	12	(84)
Garfield	3	0	(2)
Grant	107	34	(72)
Grays Harbor	85	14	(71)
Island	43	105	62
Jefferson	34	88	55
King	2,284	3,591	1,306
Kitsap	255	169	(86)
Kittitas	60	117	57
Klickitat	23	2	(21)
Lewis	98	84	(14)
Lincoln	12	8	(4)
Mason	48	15	(32)
Okanogan	57	6	(52)
Pacific	23	4	(20)
Pend Oreille	8	19	12
Pierce	832	919	88
San Juan	11	49	38
Skagit	188	185	(3)
Skamania	6	1	(5)
Snohomish	680	687	7
Spokane	531	285	(245)
Stevens	29	3	(26)
Thurston	242	95	(147)
Wahkiakum	2	6	4
Walla Walla	48	47	(1)
Whatcom	240	140	(100)

¹⁴ Numbers may not add up due to rounding. Evaluation provided by Department of Transportation staff in a report titled, "Percent Return by County," September 2002. A map of where the proposed projects are located is available on the Senate Transportation Committee's website at <http://stc.leg.wa.gov/>.

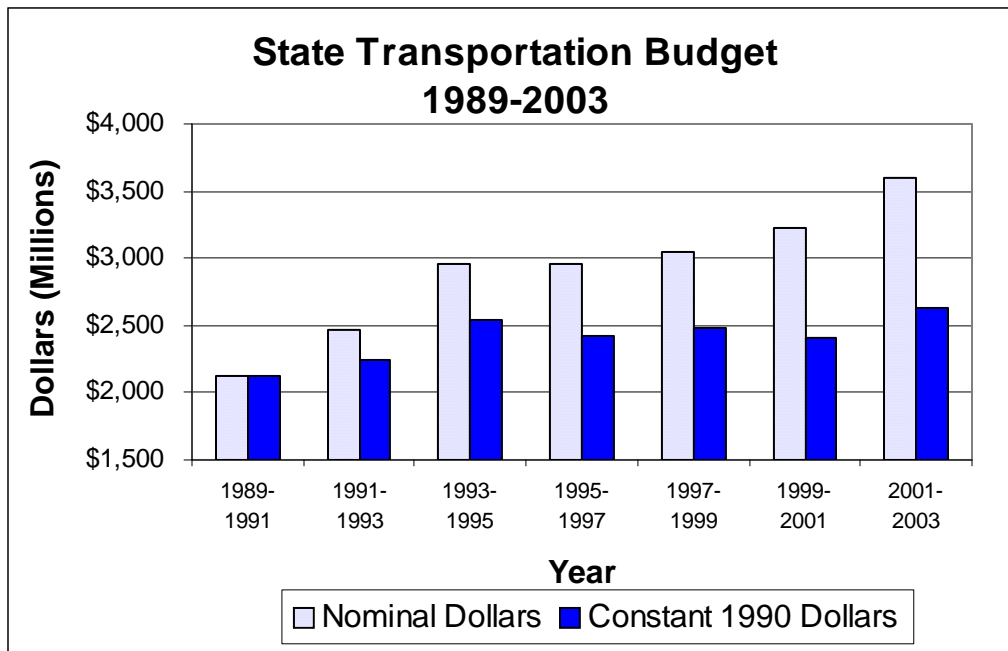
Whitman	37	57	21
Yakima	236	109	(127)

IV. Analysis of the Impacts of Referendum 51

Historic Funding Levels for Department of Transportation

In understanding Referendum 51 it is helpful to view the proposed package in the context of longer transportation budget trends. Funding for the state Department of Transportation increased \$1.5 billion over the past 10 years, rising from \$2.1 billion in 1989-91 to \$3.6 billion in the current biennium. When adjusted for inflation, the state’s transportation spending increased \$500 million during the 10-year period. Between 1993 and 2002, inflation-adjusted spending remained nearly static, hovering around \$2.5 billion in constant 1990 dollars. The chart below shows transportation spending since the 1989-91 biennium.¹⁵

Figure 5



Three factors played a pivotal roll in determining funding growth for the Department of Transportation. First, legislators facing increased budget pressure have been hesitant to increase discretionary expenditures from general fund revenue. Second, the legislature did not approve a proposed seven-cent statewide gas tax increase in 1997. And finally, the Motor Vehicle Excise Tax was lowered in 2000, which reduced the transportation budget by \$920 million.

¹⁵ Historical budget figures from “Historical Budget Reports for 1989-91 through 2001-03,” published by Legislative Evaluation and Accountability Program Committee and available on the web at <http://leap.leg.wa.gov/>. Inflation adjustment uses U.S. Department of Labor Consumer Price Index for All Urban Consumers (CPI-U), available online at <http://www.bls.gov/cpi/>.

Role of the Gas Tax

The legislature instituted Washington state's first gas tax in 1921 with a one-cent-per-gallon levy dedicated to highway construction. Since that time it has been increased fifteen times, reaching 23 cents in 1991 when the legislature raised the tax by one cent. The chart below shows how the existing 23-cent gas tax is allocated.¹⁶

Figure 6

23 Cent Gas Tax Breakdown

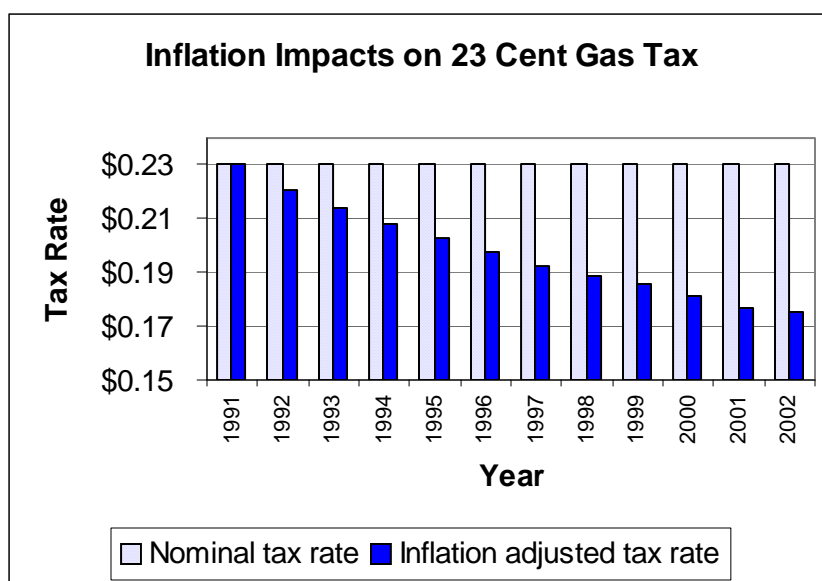
State Highways (Motor Vehicle Fund)	¢ 10.21
Special Category C Account	¢ 0.75
Ferry Operations Account	¢ 0.54
Ferry Capital Construction Account	¢ 0.55
Urban Arterial Trust Account	¢ 1.74
Transportation Improvement Account	¢ 1.30
Cities	¢ 2.46
Counties - Regular Distribution	¢ 4.42
Counties - Arterial Preservation Account	¢ 0.45
Rural Arterial Trust Account	¢ 0.58
Total	¢ 23.00

Because the gas tax is a set monetary value, inflation reduces the real value of the tax over time. Although a higher gas tax is only one component, it is the major part of Referendum 51 and over the years inflation will gradually reduce the purchasing power of the tax. The chart below shows the changing value of the existing 23-cent gas tax since its enactment in 1991.¹⁷

Figure 7

¹⁶ The allocation of gas tax revenue is directed by RCW 46.68.090.

¹⁷ Inflation adjustment uses U.S. Department of Labor Consumer Price Index for All Urban Consumers (CPI-U), available online at <http://www.bls.gov/cpi/>.



Public Transit Funding

More than 10% of new revenue in Referendum 51 is dedicated to public transit. Studies and experience show that public transit does not reduce congestion, except in urban areas with density levels similar to those in New York City or Hong Kong. The only areas of our state that meet the necessary density requirement of 30,000 people per square mile are a small tract on the west side of Seattle’s Capital Hill neighborhood and the downtown Seattle corridor.¹⁸

Public transit today only carries about 3% of the daily trips in the Puget Sound area, and even less across the rest of the state. Buying more buses and building more HOV lanes will not increase that percentage enough to reduce congestion. Even with the significant investment in public transit proposed by the Referendum, transit usage is unlikely to climb high enough to have a measurable impact on congestion.

V. Conclusion

Referendum 51 is not a complete solution to our state’s congestion problems. While significant improvements would occur in certain major problem areas, overall congestion rates in some parts of the state will continue to climb. The Referendum would fund major new projects and would help transportation spending keep up with inflation, but by itself the measure would not allow the state to build its way out of traffic congestion. Determining whether Referendum 51 offers the best solution, or whether legislators will have to tackle the issue afresh when they meet in January, will be up to Washington voters.

¹⁸ “Reduce Congestion Now: A Customer Oriented Approach to Traffic Congestion Relief,” prepared by TDA, Inc., October 1999, Seattle, Washington.

About the Author



Eric Montague is a Policy Analyst for Washington Policy Center. He is the author of, “The Small Business Climate in Washington State,” “Ideas for Balancing the State Budget Without Raising Taxes” and “Roads in the Right Places: A New Plan to Ease Congestion.” He has also written on topics including growth management, tax reform and labor issues. He holds a degree in Political Science from Pacific Lutheran University in Tacoma. Before joining the Policy Center he was a procurement contract analyst for Intel Corporation and Boeing Commercial Airplane Group.

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