



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5607

September 17, 2019

Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5607: State Initiative 976, Limits on Motor Vehicle Taxes and Fees Measures	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive report	<input type="checkbox"/> Action Needed:
		<input type="checkbox"/> Motion
		<input type="checkbox"/> Ordinance
		<input type="checkbox"/> Resolution

DEPARTMENT OF COUNCIL LIAISON	City Manager	Ali Spietz, Assistant to the City Manager
EXHIBITS	1. Initiative Measure No. I-976	
2019-2020 CITY COUNCIL PRIORITY	n/a	

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

[Initiative Measure No. 976](#) (I-976), entitled “AN ACT Relating to limiting state and local taxes, fees, and other charges relating to vehicles; amending RCW 46.17.350, 46.17.355, 46.17.323, 82.08.020, 82.44.065, 81.104.140, and 81.104.160; adding a new section to chapter 46.17 RCW; adding a new section to chapter 82.44 RCW; adding a new section to chapter 81.112 RCW; creating new sections; repealing RCW 46.17.365, 46.68.415, 82.80.130, 82.80.140, 82.44.035, and 81.104.160; and providing an effective date,” has been certified and will be presented to the voters of the State of Washington at the general election on November 5, 2019 (see Exhibit 1).

Initiative Measure No. 976 concerns motor vehicle taxes and fees and is described as follows:

Description: This measure would repeal, reduce, or remove authority to impose certain vehicle taxes and fees; limit annual motor-vehicle-license fees to \$30, except voter-approved charges; and base vehicle taxes on Kelley Blue Book value. Should this measure be enacted into law? Yes No

BACKGROUND

I-976, sponsored by Tim Eyman, was filed in March of 2018 as an initiative to the legislature to repeal, reduce, and remove authority to impose a range of state and local taxes, fees, and other charges relating to vehicles.

I-976 is often described as the “\$30 car tab initiative,” but it also proposes significant changes to many other aspects of the state’s transportation system.

As an initiative to the legislature, the Legislature was allowed three options:

1. Take no action and the initiative will be placed on the November ballot;
2. Propose an alternative and the alternative and the original initiative will be placed on the November ballot; or,
3. Pass the initiative as written into law.

The 2019 legislative session ended on April 28, 2019 without action being taken to approve I-976 or to offer an alternative measure. As a result, the initiative was placed on the November 2019 ballot as a stand-alone measure.

FUNDING IMPACTS OF I-976

The Sound Cities Association (SCA) presented the following information to the Public Issues Committee regarding I-976:

“If passed, the I-976 would reduce funds for state and local government transportation projects by over \$700 million in the 2019-2020 biennium and more than \$4.2 billion in the next 10 years. This includes an estimated annual loss of at least \$124 million in established Transportation Benefit Districts (TBDs). In addition, the measure would eliminate nearly \$7 billion in Sound Transit Revenues forecast through 2041.

Many of the funds proposed to be reduced or eliminated in the Initiative are currently deposited in the state Multimodal account, which provides flexible funding to support a variety of local mobility projects. Mobility investments that would be impacted may include new transit service, park and ride lots, demand management programs, as well as speed and reliability improvements.

I-976 would impact the following state and local funding sources:

- Repeal the authority for Transportation Benefit Districts (TBDs) to impose any vehicle license fee, including voter-approved license fees, eliminating this as a local funding option (TBDs would still be authorized to impose a 0.2% sales tax with voter approval);
- Repeal the authority for Regional Transit Authorities (Sound Transit) to impose motor vehicle excise taxes (MVET);
- Repeal the authority for Public Transportation Benefit Areas to impose an MVET for passenger ferry service and for Sound Transit;
- Limit all other vehicle license and registration fees to \$30, including the electric vehicle fee, commercial trailer and snowmobile fees, and weight-based fees for vehicles up to 10,000 pounds; and,
- Repeal the 0.3% tax on motor vehicle retail sales.

The repeal of authority for TBDs to impose an MVET would eliminate the funding source for 13 TBDs in King County. 18 King County cities have voted to authorize TBDs. Of these, 13 are funded at least in part by MVET. The remaining five are unfunded or are supported by sales tax only.

Impacts to the State Multimodal Account

In addition to impacting local TBD’s, much of the funding proposed to be reduced or eliminated

by I-976 is currently deposited in the state Multimodal Account, which provides flexible funding to support a variety of local mobility projects. The specific impacts of the elimination of these funds on local projects and services is difficult to project as reductions would have to be determined by the Legislature. However, if the Legislature were to choose to make an across-the-board reduction in programs, Metro estimates the region would lose approximately \$134 million in Metro services between 2020 and 2025, including:

- \$22.8 million in grant funds to support Metro projects, including RapidRide expansion, bus layover facilities, transit access, transit integration, transportation demand management, speed and reliability projects, and 10,000 annual service hours on the Route 101 in Renton;
- \$29.2 million in cuts to grants awarded to the cities of Burien, Kent, Tukwila, and Seattle for RapidRide investments, access to transit, and speed and reliability improvements;
- \$12.2 million in cuts to the Access paratransit program;
- \$30 million in cuts to replace Metro vanpool vans;
- \$2 million in cuts to Metro/Sound Transit coordination programs, including one for affordability and accessibility improvements for low-income passengers;
- \$485,000 in cuts to the ORCA Summer Program, which provides passes to income-qualified high school students in the Lake Washington and Highline districts;
- \$1 million in cuts to a program to provide incentives to non-profits and small businesses in King, Pierce, and Snohomish County to provide ORCA passes to their employees;
- \$350,000 for the transit-oriented development pilot project at the Kirkland Kingsgate Park and Ride; and,
- \$36 million to support electrification of the bus fleet.

Impacts to Sound Transit

I-976 would require the retirement or refinancing of all Sound Transit bonds that have MVET revenue pledged to them. The agency indicates this will likely lead to other fund sources Sound Transit collects being diverted away from local projects to repay bonds that are currently being repaid with MVET funds. The agency estimates I-976 will have a \$20 billion total impact through 2041, which includes approximately \$7 billion in lost revenue and \$13 billion in increased interest and construction costs.”

IMPACTS OF I-976 FOR THE CITY OF MERCER ISLAND

In 1987, the State Legislature created Transportation Benefit Districts (TBD) as an option for local governments to fund transportation improvements. A TBD is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district. It is an independent taxing authority. Since 2005, the legislature has amended the TBD statute to expand its uses and revenue authority. In 2015, the legislature amended the TBD statute to increase the amount of vehicle license fees that may be imposed without a public vote.

Mercer Island’s TBD (MI TBD) was formed in 2014 and assumed by the City Council in 2015. In November 2014, the MI TBD Board (the City Council) adopted [Ordinance No. 1](#) to authorize a new and renewing vehicle license fee of \$20 to meet the City’s responsibility for funding the preservation and maintenance of the City’s transportation infrastructure, consistent with chapter 36.73 RCW, to:

- Protect the City’s long-term investments in City’s transportation infrastructure,

- Reduce the risk of transportation facility failures and improve safety,
- Continue optimal performance of the infrastructure over time, and
- Avoid more expensive infrastructure replacements in the future.

If passed, I-976 would repeal the authority for TBDs to impose vehicle fees. This would result in a loss of \$375,000 in annual revenues for the City of Mercer Island for preservation and maintenance of the City's transportation infrastructure.

TAKING A POSITION

State statute prohibits the use of public facilities for the promotion of or opposition to any ballot measure except in limited instances. However, [RCW 42.17A.555](#) allows the Council to express a collective position or vote to support or oppose a ballot proposition if (a) any required notice of the meeting includes the title and number of the ballot proposition; and (b) the members of the legislative body or members of the public are afforded an approximately equal opportunity for the expression of an opposing view.

If the City Council desires to take an official position on I-976, the Council can direct staff to generate a resolution stating its support for/opposition to the initiative. In addition to preparing the resolution, staff will schedule a public hearing on October 7 to ensure equal opportunity is provided to those with an opposing view to express their opinion.

RECOMMENDATION

In compliance with state law, staff makes no recommendation regarding Initiative Measure No. 976.