



ISSUE BRIEF

2021 Transportation Tax Proposals

Summary

- Many transportation tax options were discussed but nothing was finalized during the 2021 session.
- The \$1 billion in federal COVID relief funding for transportation made it so new funding in 2021-23 was not necessary.
- The "Grand Bargain" to decarbonize Washington included [a cap and invest program](#) and [low carbon fuel program](#) that takes effect only after a transportation plan requiring at least a 5 cents gas tax increase has been implemented. The first compliance obligation dates are set for January 2023, so the implication is that the tax increase ought to be adopted before that date. This requirement was vetoed by the governor.

The Debate

Many people are advocating for new revenues for the transportation budget because the activities they want to pay for cost more than the current resources provide. The Democrat majorities passed cap and trade legislation and a low carbon fuel standard that may undermine gas tax revenues if people drive less. The effective date of these decarbonization policies were linked to passage of new transportation revenue legislation that includes at a minimum a 5 cent per gallon gas tax increase. The governor vetoed the language.

The primary source of transportation revenues is drivers and the current budget framework makes it so they subsidize the other modes of transportation. **Many advocates that are involved in the discussions want more funding to:**

- Increase options of public transit and different travel modes
- Create better infrastructure and options for people who are blind or disabled
- Address environmental concerns
- Address health disparities in low-income communities caused by transportation choices
- Help transition to electric vehicles
- Create more subsidy programs, and
- Fund more local government and tribal transportation projects.

Unfortunately, current revenues cannot support the "want list" and the current cost of the existing system. There is a need for new ideas for reforms and revenue sources. Democrats have not been supportive of Republican legislation that would shift funding from the general fund to the transportation budget. Instead, their proposals increase taxes and fees on fuel use, vehicle registrations, private sector provided mobility, and drivers' license issuance.

Key messages

Preservation and safety projects are top priorities and none of the new proposals provides adequate funding.

The Republican solution to shift sales tax revenue paid on vehicles to the transportation budget would be an immediate infusion of needed funding.

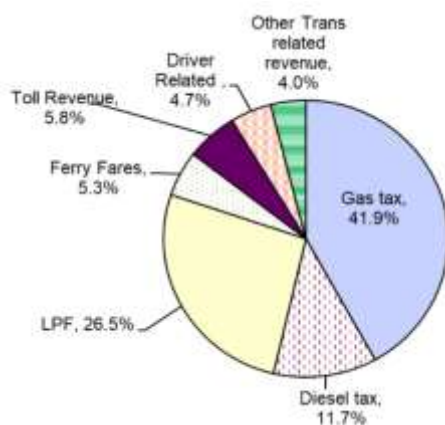
We should prioritize the unfinished projects promised by the Nickel package and Connecting Washington transportation plan.

Background

Current Transportation Revenues

For years, the transportation budget expenditures have outpaced the revenue increases. The system is reliant on financing projects that take decades to pay off. A revenue increase of a few hundred million dollars per biennium does not cover the cost of replacing expensive infrastructure. Examples include: the Alaska Way Viaduct replacement cost \$3.4 billion; the SR 520 bridge replacement is expected to cost \$4.5 billion; and the I-5 replacement bridge over the Columbia River is expected to cost up to \$4.8 billion.

The [revenue forecast](#) projects **\$6.1 billion in state revenues** for 2019-2021 and \$6.6 billion for 2021-23.



This Washington State Department of Transportation (WSDOT) chart shows the percentage of revenues by source for this biennium. The chart lists just 4.7 percent as driver-related. Drivers pay the majority of the gas tax, the diesel tax, the ferry fares, the toll revenues, and a majority of the licenses, permits, and fees (LPF). These are drivers licenses and vehicle registration fees, among other things. The gas tax generates about \$3.3 billion and the LPF accounts for \$1.6 billion per biennium. Ferry fares before the pandemic paid for about 70 percent of the operational costs and nothing towards capital costs. Public transit agencies are their own taxing authority, so they do not pay into the state system. They are eligible for more than \$100 million in funding within the transportation budget.

Bond and debt service costs are estimated to be **\$1.7 billion** for 2019-2021.

Connecting Washington

The [Connecting Washington \(CW\) transportation plan](#) was passed during a June special session in 2015. It is a **16-year plan to spend \$11.5 billion in cash and \$5.3 billion through bond sales**. It included a 11.9¢ gas tax increase and a vehicle registration weight fee increase of \$15-\$35 on July 1, 2016, with a scheduled \$10 additional fee on July 1, 2022. **This plan is currently being implemented by the [transportation budget](#) and its [project list](#).** WSDOT recommends adjustments to the project list to reflect better estimates of project costs and phasing of construction every year.

The CW process was done by the Senate-led Majority Coalition Caucus and Democrat led House. Transportation leaders went to 10 different communities across the state and heard from 2,500 people at public hearings. All legislators from the district were invited to the meetings, and many did attend. It was a bipartisan effort, and meetings often occurred in the evenings so that working people could participate.

Fish Barrier Replacement

In 2015, there was still some hope that the federal courts would overturn the 2013 order that requires the replacement or correction of state-owned culverts that prevent fish from swimming up-stream. The court thought WSDOT's replacement estimate of \$1.88 billion over 17 years was too much. The requirement is to remove barriers that are blocking 200 linear meters or more of upstream habitat by 2030. Eventually, the U.S. Supreme Court affirmed the obligation in June 2018, which has made it so there is increased attention to funding this obligation. The replacement cost continues to grow, with the expectation of more than \$3.5 billion being paid out to comply with the order. *The amount for 2021-23 is funded in part by federal COVID relief dollars **but there is no funding source for the later years. Without a new funding source, there are likely to be further delays on existing projects.***

Current levels of proposed funding by biennium (in millions) in the transportation budget:

2017-19	2019-21	2021-23	2023-25	2025-27	2027-29	2029-31	Total
\$ 94,000	\$ 275,000	\$ 726,385	\$ 729,905	\$ 732,954	\$ 698,672	\$ 404,740	\$ 3,661,656

Here is a [link](#) to WSDOT's fish passage webpage that includes a list of the barriers and an interactive map.

Preservation Cost of the Current System

In the December 2020 issue of the [Grey Notebook](#), WSDOT's quarterly accountability report, they say **\$1.8 billion each year** is needed to meet maintenance and preservation needs. The 2021-2023 transportation budget provides \$1.369 billion for two years, **falling \$1.1 billion short of the stated need annually**. WSDOT is going to cease pavement preservation work on sections of roads with speed limits below 45 mph, ramps, and shoulders. As new facilities are built, the maintenance and preservation needs also increase. **None of the tax plans provide sufficient funding to address the backlog and provide for the new facilities proposed in the plan.** Secretary Millar and the Office of Financial Management have mentioned the shortcoming when discussing the proposals.

Continued Delays

WSDOT has been delayed in rolling out the Connecting Washington projects due to: [I-976](#) (\$30 car tabs) until the Supreme Court decision was issued October 15, 2020; COVID related delays that continue today; and [Governor Inslee's 2021 stop order on projects](#) that were supposed to go out to bid in early 2021 so that there would be money available to fund his priorities. On January 28, the governor's Office of Financial Management lifted that pause on projects saying an agreement was made with legislative leaders.

As part of the 2021 budget process, WSDOT informed legislative staff that there may be up to a **\$1 billion in reappropriations being pushed into the next biennium on June 30, 2021**. This has been an on-going issue as more and more money is not getting spent in a timely fashion. There is some concern that even if WSDOT were to be given another layer of projects during the same time frame, it could not actually build those projects.

Proposed Tax Plans

Summary

Several different transportation tax plans were discussed during 2020-2021. They are intended to be built at the same time as the Connecting Washington plan. **Senator Hobbs introduced Forward Washington** back in 2019. He has introduced the bills typical of a transportation plan: a revenue bill, a spending bill, and a bond bill. The Senate has had hearings and the bills were voted out the Transportation Committee. **All the other proposals are concepts that typically include information on revenue sources, proposed spending, and project lists but do not have bills that correspond with all the details provided.** Representative Fey and the House Democrats released [Miles Ahead](#) during a press conference in January, and a single bill late in session that received a public hearing. Senator Saldana and Representative Fitzgibbon worked together on an [Evergreen proposal](#) last fall. [Senator King](#) has a vision that is not completely accepted by the Senate Republican Caucus. Senate Republicans tend to support the shifting of the sales tax on motor vehicles from the general fund to the transportation budget. Senator Fortunato's bill does this all at one time. Representative MacEwen's bill, [HB 1010](#), would phase the shifting of revenues 10 percent each year over a 10-year period. No project lists are attached to the shifting of those funds.

OPR created a side-by-side of the differences in the Forward Washington and Miles Ahead project lists. It can be reviewed [here](#). The amounts provided will be subject to negotiation.

SNAP SHOT OF HIGHWAY DISCUSSION ISSUES

(amounts in millions)

Description	Hobbs Forward WA	Fey Miles Ahead	King	MacEwen HB 1010*	Fortunato SB 5223*	Saldana Evergreen
Spending Levels	18,000	26,000	10,000	Indeterminate	Indeterminate	14,300
Plan Amount of Years	16	16	8	10-year phased in shift	Starting 2022	12
Preservation & Maintenance Amount	5,857	4,600	5,100	2,696 in first 3 biennia	1,200 +	1,900
Annual average:	366	288	637	N/A	1,200 +	158
Satisfies WSDOT's \$1.8 billion annual P&M need?	No	No	No	In 2025-27 if added to current funding levels	Yes, if added to current funding levels	No
US 2 Trestle - WSDOT estimate: \$1.4 billion plus west end connections to be determined	1,802	800	700	N/A	N/A	1,400
I-5 Columbia River Bridge - Cost \$4.2 to \$4.8 billion (Split with OR)	3,140	1,000	500	N/A	N/A	450
Fish Culverts^ - Need \$2,566	2,356	2,566	2,235	N/A	N/A	3,200
Ferry Capital/Electrification	1,240	1,369	N/A	N/A	N/A	Part of 3,200 for electrification

*The numbers are based on fiscal notes which only calculate revenues for 3 biennia.

^ The fish culvert need amount was established in May 2020 once the transportation budget was completed but is subject to change as the replacement projects are designed.

Senate Forward Washington - \$18 billion over 16-years

Senator Hobbs has been developing the Forward Washington proposal for multiple years. He has released project lists and bills and held multiple hearings on this topic. Reports indicate the most current proposal includes **33 different tax and fee increases**, including a **9.8¢ per gallon gas tax increase, \$5.2 billion from cap and trade, new taxes on new construction, and 50¢ per trip on food deliveries, taxis, and ride-hailing services**. It provides extensive funding for transitions to electrification of vehicles and grant programs.

Here are the recent versions of the plan:

- [Spending Summary Sheet](#)
- [Tax & Fee Summary](#)
- [Project List](#)
- [SB 5481](#) - This bill authorizes \$5.5 billion in bond issuance for projects in the Forward Washington transportation plan.
- [SB 5482](#) - This bill authorizes \$18 billion in spending on transportation-related projects and programs.
- [SB 5432](#) - This bill imposes many fee increases and taxes that are estimated to generate more than \$15 billion during a 16-year period, with \$5.2 billion from the cap-and-trade program.

House Miles Ahead - \$26 billion over 16 years

In the House, Democrats [Miles Ahead plan](#) was explained in January at a press conference. Revenues are to be generated from an increase of 18¢ of the gas tax indexed for inflation, a \$15 carbon fee, and 26 other fee and tax increases, mostly linked to drivers and vehicles. Late in session, they introduced the spending bill, [HB 1564 \(spending summary sheet, project list\)](#) and held a hearing on it. The proposed spending was slightly different than introduced in January. It was not voted out of committee.

During the opening statements of the bill, sponsors claimed unprecedented outreach with over 70 meetings with stakeholders. Those meetings did not include Republicans and were not public meetings. Some special interest groups were contacted that did not participate during Connecting Washington and have made statements about participating like they had never done before. The implication is that this insider-only process was more inclusive than the 10 public meetings across the state attended by dozens of legislators who heard from more than 2,500 Washingtonians in their communities that occurred prior to the negotiations of Connecting Washington.

This plan continues to direct funding towards many smaller projects throughout the state, more subsidies for public transit and local programs, while underfunding some of what Republicans view as big issues on the state system. There is not sufficient funding in this plan to cover the I-5 bridge replacement over the Columbia River, adequately address the preservation and maintenance backlog, and fully fund the US 2 trestle replacement. It does pay for fish culvert replacement and three to five ferries depending on ferry price negotiations.

They propose \$2.133 billion for transit grants [excluding special needs grants] when ridership for transit and van pools is down and may not return to former levels for many years. It directs \$809 million towards local projects.

A carbon tax bill that referenced Miles Ahead was introduced late in session -- [HB 1577](#). It would create a \$25 carbon tax starting in 2022 that would increase annually to pay for projects to reduce emissions, focusing on highly impacted communities, rural communities, and tribal lands. While a significant portion is directed towards transportation, it is controlled by Department of Commerce and an Environmental Justice and Economic Equity panel instead of WSDOT so it is unlikely to successfully backfill transportation service needs that are currently supported by gas tax revenues. It was referred to the House Environment & Energy Committee.

Senator King's Proposal - \$10 billion over 8 years

Senator King's plan covers the immediate pressing needs for preservation and maintenance, culverts, and major projects. **\$8.2 billion is presumed from a five-year phase in of the shift of motor vehicle and use tax from the operating budget to the transportation budget.** It includes a 3¢ gas tax increase and a controversial property tax assessment for transportation, among other driver and vehicle related fee increases. He also suggests a 20¢ surcharge on transit and light rail, which is a fee that is not included in any of the Democrat proposals. Such a charge may create issues for transit agencies that choose not to have riders pay anything for trips.

Senator King stated that transportation efforts have been supporting the operating budget for 60 years. He believes that new transportation projects can become economic generators for state coffers as new development starts paying taxes that would replace the amount that is getting shifted from the general fund to the transportation budget in this proposal.

The balance sheet of this plan can be found [here](#).

Evergreen - \$15.3 billion over 12 years

Senator Saldaña worked with Representative Fitzgibbon and a group of stakeholders called the Evergreen Transportation Cohort to create [a transportation plan](#) that was intended to reduce use of fossil fuels. It includes \$5.1 billion connected to a \$15 carbon fee, \$4.3 billion connected to a vehicle emissions fee (air quality surcharge on new vehicles), a 3¢ gas tax increase *indexed for inflation and reduced consumption*, and a transition of electric vehicles and hybrids to a road usage charge instead of fuel taxes, among other fees.

The only bill connected to this plan is [SB 5444](#) to establish a road use charge for electric, hybrid, and state owned vehicles starting July 1, 2026 at a price of 2 1/2¢ per mile. It was placed on the Senate Floor Calendar and returned to Senate Rules at the end of session.

House Republican's Non-tax Position

Members of the House Republican caucus have been skeptical of putting more fees and taxes on the drivers of Washington because many of the people in their districts have voted many times for \$30 car tabs and are still waiting for promised projects under the Connecting Washington plan. Due to COVID shutdowns, there is even less interest in imposing new transportation taxes and fees. The transportation budget is primarily paid for by people that drive while many of the other modes are coming asking for more money. A shift in funding from the general fund to the transportation budget of taxes collected on various transportation related activities could address some of the immediate transportation funding issues. Democrats continue to reject this option.

Here are House Republican bills:

- Rep. McCaslin's [HB 1137](#) makes preservation, maintenance, and safety transportation priorities. This new law becomes effective July 25, 2021.
- Rep. MacEwen's [HB 1010](#) directs motor and sales tax paid on motor vehicles to preservation and maintenance of the existing transportation system.
- Rep. Orcutt's [HB 1249](#) would have sales tax paid on transportation projects return to the transportation budget.
- Rep. Dent's [HB 1290](#) would allow a portion of sales tax on aviation fuel be used to fund aviation needs.
- Rep. Robertson's [HB 1528](#) would put a pause on the commute trip reduction program in light of COVID.

Key Stakeholders

The transportation revenue plan received support from organizations that would directly benefit from new funding. WSDOT Secretary Millar indicated the proposed preservation funding levels are still not adequate for the system needs. The plan was opposed by unaffiliated citizens and organizations that would be newly taxed under the plans. Some environmental groups were opposed to having revenues generated by the cap and trade bill be used for transportation projects that did not have a nexus to emission reductions, such as being used for stormwater and fish barrier replacement, or replacing roadways.

Additional information

- <https://washingtonstatewire.com/122707-2/>
- <https://washingtonstatewire.com/ofm-sends-letter-to-hobbs-outlining-areas-of-concern-in-transportation-package/>
- <https://www.heraldnet.com/news/after-weeks-of-talk-a-transportation-package-is-rolling/>
- <https://www.chronline.com/stories/33-transportation-fees-and-taxes-on-the-menu-in-washington-legislature,262529>
- <https://crosscut.com/politics/2021/04/future-wa-transportation-hinges-carbon-pricing-debate>
- <https://www.seattletimes.com/seattle-news/politics/washington-state-legislature-considers-clean-fuels-standard-as-part-of-climate-change-grand-bargain/>
- <https://www.seattletimes.com/seattle-news/inslee-signs-climate-bills-but-vetoes-parts-tying-them-to-transportation-package/>