



BRIEFLY

Most MVET funds support transportation and transit services. Last year, voters authorized use of MVET funds to support a \$1.9 billion bond issue as part of a six-year, \$2.4 billion transportation improvement package.

Passage of I-695 would cancel that program.

Transit funding would be reduced by about 25%.

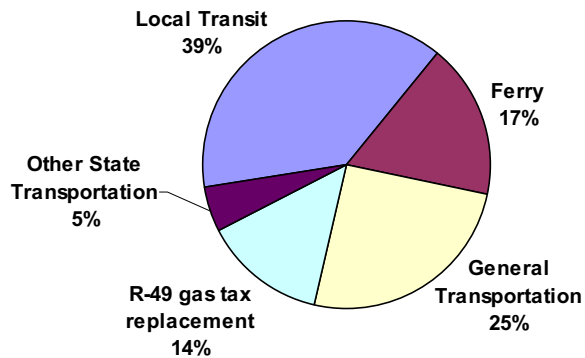
Transportation and Transit Lose Plenty

Transportation and transit programs receive more than three-fourths of motor vehicle excise tax revenues. Passage of Initiative 695 would eliminate these funds and lead to the cancellation or reduction of major highway, ferry, and transit projects and services.

In particular, voter approval of the initiative will wipe out the funding behind the \$2.4 billion six-year highway and road construction program authorized in last year's Referendum 49 and reduce support for transit services statewide by one-fourth.

In the 1999-2001 budget, about \$1.17 billion of MVET funds flow to transit, ferry and transportation projects. (See pie chart.)

\$1.17 Billion in MVET Funds for Transit and Transportation in 1999-2001 Budget



The state's current transportation budget is \$4 billion, of which \$3.3 billion is appropriated to the Department of Transportation (WSDOT). Initiative 695 cuts the WSDOT budget by \$1.2 billion in 1999-2001, or a little more than one-third. The revenue losses include \$558 million in direct MVET funding and \$686 million in Referendum 49 bond proceeds. The bond proceeds evaporate with passage of I-695, as they will not be issued once the debt service source, the MVET, dries up.

The biennial impact represents just a fraction of the total adverse effect on transportation improvement. The MVET transfer authorized when voters



approved R-49 last year funded a \$1.9 billion bond issue for construction to be completed over the next six years. Passage of the initiative would nullify that decision and erase more than \$2 billion in planned highway improvements.

The R-49 revenue loss in the 1999-01 budget includes \$512 million in highway construction, \$120 million in freight mobility programs, \$115 million for ferry construction and \$50 million for rail capital. Freight mobility projects affected include SR 519 Intermodal Access, I-90 (Snoqualmie Pass) Snowshed Improvements, and SR 509 to I-5. Other at-risk projects include lane widening, HOV lanes, capacity improvements, environmental mitigation, and railroad track upgrades.

While WSDOT officials acknowledge that a realignment of priorities would have to take place if the initiative passes and some projects from the R-49 list might still be funded, a few outcomes seem certain.

The Puget Sound Regional Council (PSRC) develops and monitors the regional Metropolitan Transportation Plan for an area already ranked as sixth most congested in the nation by the Texas Transportation Institute. In analyzing the performance under a "No-MVET" scenario, PSRC staff identified the following outcomes:

- Congestion increases by 24% during the afternoon peak period and 16% during the off-peak hours.
- The share of freeways experiencing congestion grows by 17%.
- The region fails air quality conformity requirements.

Other outcomes seem certain as well. The freight mobility program will be scaled back, planned passenger-only ferry service from Southworth and Kingston will be canceled, and highway construction will be delayed as maintenance absorbs most WSDOT capital spending.

The state ferry system in the Puget Sound region stands to lose substantial revenues. From 1989-1996, just under one-third of ferry revenues came from the MVET, according to the PSRC. The ferries' reliance on MVET funding had been expected to grow to more than 40% by 2020.

Transit Impacts

By statute, the MVET is expected to send \$455 million to local transit agencies in the 1999-01 biennium, plus \$103 million for Sound Transit. It works this way. Public transit districts can levy a local MVET of 0.725%. That local levy is credited against the state MVET of 2.2%, so the overall rate remains unchanged. In addition, with passage of the RTA levy, Sound Transit imposes a 0.3% MVET, which is not matched by a state credit, so most residents of King, Pierce and Snohomish Counties pay a 2.5% MVET.

Although I-695 does not repeal the local MVET, it does repeal the valuation statutes. The implications for local transit systems and Sound Transit are murky. If the local levy is retained, most transit districts will collect an MVET of 0.725% and taxpayers subject to the Sound Transit levy would pay a 1.025% MVET (i.e., 0.725% plus 0.3%). If the local MVET could not be collected, as is more likely, the revenue loss for local transit districts would be \$428 million for the eighteen-month balance of the 1999-01 biennium, of which \$78 million is associated with Sound Transit. The impact in the following biennium would be about \$623 million, \$115 million for Sound Transit.

Focus on 695
contains eight Policy Briefs:

1. *Introduction & Growth of MVET*
2. *Surplus Won't Cover Shortfall*
3. *Not Much Discretion in the \$45 Billion Budget*
4. *MVET Off, Property Tax On & Other Tax Consequences*
5. *Let's Vote on It*
6. *City and County Impacts Vary Widely*
7. *Transit and Transportation Would Take Major Hit*
8. *Summing It Up*

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