



BRIEFLY

Governor Locke's "new law" transportation budget would substantially boost investment for highway purposes. His proposal, tied to the Blue Ribbon Transportation Commission's comprehensive reform package, requires nearly \$5 billion in new revenues over the next six years.

Governor's Transportation Budget Reflects Blue Ribbon Recommendations

As the legislature works to design a comprehensive transportation reform and investment package, the recommendations of the Blue Ribbon Commission on Transportation (BRCT) continue to provide the framework for deliberation. Governor Locke's transportation budget clearly reflects the commission's work and priorities.

The governor actually presented two transportation budgets: A "current law" budget based on existing revenues, and a "new law" budget predicated on unspecified tax and fee increases.

He said that the new revenue package would be determined with lawmakers during the session, and enacted only after the legislature moved on the efficiency recommendations made by the BRCT. Increasing efficiency is his first main concern, followed by agreement with legislators on high-priority investment projects.

"Only after we agree on these improvements," he has said, "will I outline and recommend a funding plan."

After hearing numerous presentations by transportation advocates, lawmakers are moving ahead to address the BRCT proposals. Dozens of bills have been introduced, separating the commission's recommendations into manageable pieces of legislation. While the final shape of the legislative package is uncertain and may not emerge until the waning days of the session, it is likely

that a legislative majority will be found for the state's first major increase in transportation funding in more than a decade.

Reforms will precede approval of new revenues. Unless substantial reforms are achieved, proponents of increases in transportation spending are likely to be disappointed. New revenues are required, but the public must be satisfied that the system will operate efficiently and with accountability. The BRCT says the state needs \$150 billion of transportation investments over the next twenty years. Current revenues cover about \$55 billion, leaving a gap of \$95 billion. While efficiencies, improved technologies and demand management can reduce spending requirements by \$30-40 billion, according to the commission,

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Governor's Current Law Budget Six-Year Plan (2001-2007)

Accounts supporting transportation budget • dollars in millions

	2001-03	2003-05	2005-07
Revenue			
Gas tax	\$1,030	\$1,073	\$1,112
Licenses, permits and fees	592	613	634
Additional DOL licenses, fees, etc.	100	101	101
Existing ferry fares	203	214	220
Ferry fare increase	25	56	84
Interest earnings and other misc.	95	95	99
Bond proceeds	451	1	1
Debt service	(194)	(298)	(322)
Emergency reserve transfers	170	195	245
GF support for ferry system	40	40	40
Federal revenue	708	624	624
Local revenue	22	20	10
Total current law revenue	\$3,242	\$2,734	\$2,849
Expenditures			
Department of Transportation	\$2,523	\$2,023	\$2,071
Department of Licensing	169	178	189
Washington State Patrol	245	258	274
Transportation Improvement Board	214	167	176
County Road Administration Board	81	71	73
Other agencies	22	22	23
Total current law expenditures	\$3,253	\$2,719	\$2,806

Expenditures do not include non-appropriated compensation costs or the special appropriation for accident reporting system (approx. \$7 million per biennium).

Source: Office of Financial Management

FIGURE 1

that leaves \$30-40 billion to be covered by higher taxes and fees.

The commission called for an “early action” strategy, including \$9-13 billion in new revenues over the next six years, of which about \$3.7 billion comes from new regional and local taxes and fees.

Gov. Locke endorses the regional taxing authority and, calls for about \$5.9 billion in additional transportation investment, at about the low-end of the BRTC recommendations.

The current law budget adds no capacity. The governor’s current law budget is shown in Figure 1. Neither he nor anyone engaged in promoting transportation improvements believes it is adequate. His new law budget represents a substantial boost in spending, emphasizing preservation and maintenance of the current system, while increasing capacity at specific “choke points”.

The new law budget would increase transportation investment by about \$5.9 billion and require an additional \$4.8 billion in state revenue over the six-year budget period. The gap between the expenditure total and the new revenues is to be filled by revenue transfers, administrative savings in WSDOT and federal funding.

Specifically, the governor would add a total of \$4.8 billion to WSDOT, \$100 million to the state patrol, and transfer an additional \$25 million to the Community Economic Revitalization Board (CERB) and \$99 million to the State Infrastructure Bank for cities and counties for transportation projects.

New revenues will be apportioned between bonds (60 percent) and new cash (40 percent - sources not yet identified). In addition, an estimated \$436 million of federal funds is projected, stemming from federal legislation pending but not yet authorized.

The governor’s new law spending, while lower than that recommended by the BRTC, approaches the maximum level that he believes can be spent efficiently.

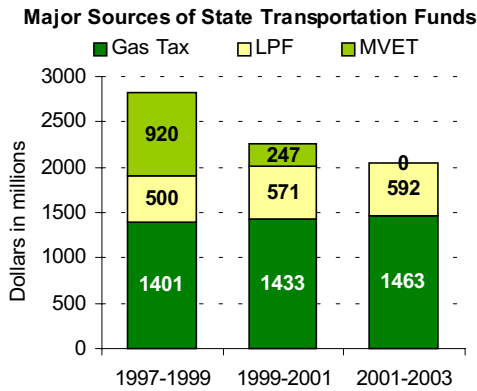
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Traditional revenue sources stagnant to declining

The two major sources of state money for transportation are the gas tax and revenue from licenses, permits and fees. (The third traditional source, the motor vehicle excise tax, was repealed by the legislature in response to Initiative 695.) See Figure 2 for an illustration of the impact of MVET repeal on major revenues.

FIGURE 2



The gas tax has been set at 23 cents since 1991, and currently Washington ranks 22nd nationally in combined state and local gas taxes. As shown in the table, Washington's gas tax is considerably lower than the tax paid in California, Idaho and Oregon.

Unlike other major state taxes – property, sales, and business – the gas tax is an excise tax. It does not increase when inflation boosts the price of the underlying commodity. So periodic increases are necessary to maintain purchasing power. Gains in fuel efficiency have resulted in declining tax revenues per vehicle mile traveled, further reducing funds available for road improvements even as traffic has increased. Data presented to the Senate Transportation Committee shows that motor fuel revenue as a share of personal income has fallen from 1.0 percent in the late Sixties to about 0.4 percent in 1999.

Rank	State	Gas Tax	Rank	State	Gas Tax
1	Hawaii	38.9	11	Idaho	26
2	Illinois	36.6	13	West Virginia	25.35
3	Nevada	33.81	14	Michigan	25.28
4	New York	32.22	15	Connecticut	25
5	Florida	31.2	16	Utah	24.5
6	California	30.78	16	Nebraska	24.5
7	Rhode Island	29	18	South Dakota	24
8	Wisconsin	28.8	19	Indiana	23.65
9	Montana	27.75	20	Maryland	23.52
10	Oregon	27.13	21	North Carolina	23.35
11	Pennsylvania	26	22	Delaware	23
			22	Washington	23

Most of Gov. Locke's recommendations would be considered highway purposes, eligible for funding by revenue sources restricted by the 18th Amendment. (The 18th Amendment to the state constitution restricts vehicle license fees and gas tax money to highway purposes.)

He proposes significantly less state spending for transit services than does the BRCT. Before MVET repeal, the state was sending about \$465 million per biennium to transit districts. After a one-time \$80 million appropriation last biennium, the state contribution is nil, although the legislature did authorize an increase in the allowable local transit tax. Voters in six of seven transit districts voted to impose the higher tax last year.

The BRCT recommended replacing all of the lost transit revenue with state-collected dollars. The governor proposes about \$532 million over the six years, targeted to paratransit and special needs services. As many legislators believe I-695 essentially took the state out of the transit business, it's likely the governor's recommendation will be highest transit number discussed this session.

Local share. Gov. Locke endorses the BRCT recommendation that local governments be granted taxing authority that would allow them to raise an additional \$3.7 billion over the six-year period. Just how that would be accomplished is unclear. As well, the nature of the revenue package and the means by which voters would authorize the new taxes has yet to be determined.

Comment. Much work remains before the legislature can establish a transportation budget. The task itself is daunting. While efficiencies and reforms are seen as an inherent part of any investment package associated with new taxes and fees, agreement on reforms may be elusive. As well, how much of the reform and revenues package lawmakers choose to refer to the voters is unclear. The governor's original proposal provides a useful starting point.

Initially, the governor was the target of some legislative criticism for leaving the details of his revenue package unspecified. Given the significant uncertainty still associated with the reforms and investment priorities, it may well have been the most prudent course available to him.

