

Identity Clark County

LEGISLATIVE REPORT

Rick Wickman, Lobbyist
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We are three weeks into the 2007 Session with the bulk of activity centered on hearings held by the various legislative committees. The first cut-off for non-fiscal related legislation is February 28th. Fiscal legislation cut-off is March 5th. Only matters directly pertaining to the budgets (Operating, Capital and Transportation) may escape the first cut-off dates.

Local Transportation Funding Options

Bills should be introduced early next week in the House and Senate. Here's where we are. Our original plan was to include a local option \$20 vehicle fee (non-voter approved) of the current \$100 authorized in the current TBD legislation. The other two provisions were sought by cities and counties and they included: 1) a local option weight fee that would piggyback onto the current state weight fee; and 2) the ability to impose impact development fees for transportation that would NOT overlap other existing impact fees and a local authority could do that without voter approval.

A lot of feed back by Legislators indicated a great dislike for the weight fee idea so it has been dropped from the legislation. As a result Rep. Curtis and Senator Zarelli have signed on to the bill which is terrific news. Rep. Fromhold will be the prime sponsor in the House and the prime sponsor is not yet determined in the Senate.

We anticipate a good reception in both transportation committees, as the continuing saga of lack of local options for cities and counties has been a long legislative journey. But we will all have to be vigilant about the situation as these matters can take twists and turns in the legislative road, not to use a pun. Both the Associations of Cities and Counties are expected to support the legislation, which is critical so as to not make this look like it is only the interest of one part of the state; thus, it has statewide support.

There will be important contacts that you can do with our local delegation as time goes on to keep them focused on this important need. **Our planned Clark County Transportation Alliance lobby day in Olympia is very important this year in order to show terrific public and private support for the legislation.** (Stay tuned for specific date.)

State Funded Highway Projects – Commentary on the Current Environment

As you may know, in order for the Governor to submit a balanced transportation budget for 2007-09 (the new biennium), she had to re-rack the current 16-year highway improvement program for all 274 projects. Some projects got pushed out in years from their original construction date. Others received additional funding or were moved up in time due to safety consideration. Several factors played into the problem. For one, the cost of concrete and asphalt has skyrocketed. Second, a number of scope changes

affected some projects and finally, large mega-projects in Puget Sound are having a ripple effect on the revenue base.

There is nothing worse for a legislator (or the taxpayers) to vote for increased gas taxes only to find out that their favorite project has been put off to a later time or changed in some way. What to do is the question. Already, there are some calling for additional revenue but the gas tax is off limits right now given the dramatic increase the legislature has just voted over the last two years. **Our state has the most ambitious highway construction program in the entire nation** due to the nickel and 9 ½ cent programs. (Ed. note from Ginger: Which speaks highly of the value our legislators place on the importance of transportation in the domestic and global competitive economic arena. Look to neighboring states for an example of the opposite end of the spectrum and count your blessings.)

Part of the problem is the way we budget for transportation projects and legislative transportation leaders have suddenly realized the impacts. Instead of allocating a block of engineering money to WSDOT for a specific set of projects and asking them to come back when their confidence level is high on their estimates, we do the reverse. The legislature budgets a number, based on an estimate and approves a project. Thus, some projects come in under bid and some over bid. It's not the Department's fault that the system is like it is, it's just the way things are and have been. The men and women of the WSDOT are some of the most talented and dedicated anywhere in the public or private sector and their workload is enormous. Consider balancing the interests of the Alaskan Way Viaduct project in Seattle in one day and dealing with the Columbia River Crossing project the next. It's a huge task we have given them.

Politics also plays a part – a positive part. In order to get enough votes for revenues, projects are looked at in all areas of the state. That requires a lot of work on project specific activity. Time has also contributed to the current problem. There is only so much the Legislature can do in a 105 day or a 60 day Session. Time is short and the legislative clock waits for no one.

This budgeting method may be coming to a close in the future as the Legislature grapples with making the budgeting system better in consultation with the Governor and the Department and as they view the enormous statewide construction program that lies ahead.

The other part of the problem is where to find new revenue. Even without the issues of inflation, scope changes, or budgeting practices, SR 14 East through Camas is a good example. A project, originally estimated at roughly \$100 million was allocated \$40 million. We were all delighted it happened, but where does the rest of the money come from; and when?

Then there is the pesky Alaskan Way Viaduct project in Seattle and the SR 520 Bridge across Lake Washington. The Legislature is in a battle with the City of Seattle over a replacement structure vs. a costly tunnel and the SR 520 project has only \$500 million

allocated for a project that will cost \$2 to \$3 billion. In some views, the RTID (Regional Transportation Investment District; King, Snohomish and Pierce Counties) is supposed to make up the difference. But can you envision those citizens obligating themselves to upwards of \$15 billion for finishing SR 405, SR 167, the Viaduct or SR 520, just to name a few of the expensive projects in that region. A leap of faith. If they do approve it, what happens to the rest of us?

All of this is to say the current transportation environment right now is full of reflection. Reflection on what they have done, where they want to go, and how to get there. We should wish them well and make constructive suggestions because they are for the most part, men and women of bi-partisanship - unlike other issues where they quickly take opposing views.

What we do know of our current projects in Clark County that have already been budgeted is that we have faired quite well in the Governor's budget recommendations. Our goal was to "keep what we have." I have not seen an analysis by Dean Lookingbill but suspect he would concur.

LIFT Legislation – SB 5155/HB 1277

The Local Infrastructure Financing Tool (LIFT) was approved by the Legislature last year and that coupled with the approved projects (one of them in Vancouver) that were budgeted last year, forms the principal debate around community development financing for this year. It was hoped that the Governor's office might introduce a pure Tax Increment Financing bill but that will not happen. The Governor instead has introduced SB 5155 and HB 1277, which makes a number of changes to the existing LIFT program. The bill:

- 1) Individual project awards are increased from \$5 million to \$7.5 million.
- 2) Revenues from local public sources, used to match the state's contribution through LIFT may not include funds from other state grants, state loans, or other state monies.
- 3) The definition of property tax allocation revenue value, which determines the amount of local property tax to go to the local infrastructure project, is refined.
- 4) Applicants for a competitive LIFT project award may apply in calendar year 2008.
- 5) Development area boundaries may not overlap one another.

The Community Economic Revitalization Board (CERB) administers the LIFT program. At the current time it is the state's community redevelopment financing tool in lieu of a TIF approach. Local governments define an RDA (Revenue Development Area) for purposes of identifying a community redevelopment project under the program.

Container Tax (SB 5207)

The only live revenue proposal on the table at the moment for transportation is SB 5207, which is already in deep controversy. The bill proposes a container tax of \$50 per 20 foot TEU container. Since most containers are 40 feet, the tax is really \$100. Money from the tax would be earmarked for freight rail and road construction involving freight rail. There is currently no dedicated funding for freight rail projects. Shippers, maritime and Ports are opposed to the idea because of the impacts on discretionary cargo. California tried a similar approach and the bill was vetoed by the Governor. There may be an alternative found as a replacement for this concept. It may go into an interim study.

Oil Transfer Tax

Senator Mary Margaret Haugen (D-Camino Island), Chair of the Senate Transportation Committee has proposed a concept (not in bill form) of imposing an oil transfer tax. The concept is to tax petroleum as it changes hands from transaction to transaction and possibly reduce the gas tax or eliminate it altogether. I call it gas tax reform. It is very ambitious and she has already stated it is going to interim study. There are lots of questions as you might imagine, including incidence, tax rate, revenue neutrality, and how do you deal with those currently exempt under the current gas tax such as off road users, farming, logging, etc. But it is an interesting idea and worth at least some exploration.

Other Transportation Revenue Proposals (SB 5085 & SB 5107)

Two other items that will, I predict, move through this Session. One is to increase the Constitutional limit of state bonding from 30 years to 40 years for transportation bonds. Cities and counties have had that authority for years. A second bill is - and this will strike you as odd - requiring that all interest from transportation accounts stay with those accounts. Many years ago, the legislature decreed that 80% of interest monies in state funds would remain with a specific fund and 20% would go into the General Fund. A bill would eliminate that 20% thus leaving all transportation account interest to remain in the account. Should have been done a long time ago but in the past, the guardians of the General Fund always prevailed. It is worth about \$ 8 million per year.

Higher Education

I will have more to report on this issue in the days to come as committees have only begun to discuss budget and capital budget issues.

Columbia River Dredging Funding

It appears that the state's commitment for the dredging project is finally coming to a close. There is approximately \$2.9 million remaining to be spent from Washington's commitment and it is hoped that all of that will be drawn down by June 30th of this year or the end of the current biennium. The work goes on but I feel as if we are about to reach a milestone in the state's funding commitment. Washington State budgeted \$27 million and Oregon budgeted \$27 million. The feds pay the rest or about \$106 million.