

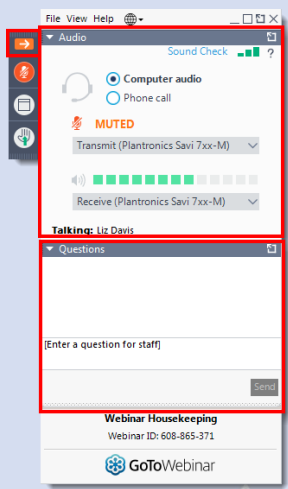
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**Webinar**  
November 22, 2019

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# INITIATIVE 976

## POST-ELECTION UPDATE

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# OVERVIEW OF AGENDA

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**I-976: Get the facts**

- What does it do?
- When will it go into effect?

**Legal Challenges**

- Background - Overview of Legal Challenges to Past Initiatives
- Brief Summary and Status of I-976 Challenge

**Next Steps**

- State transportation budget impacts
- AWC Legislative Priorities


**Questions**

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# AGENDA ITEM #1



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## I-976: Get the facts

- What does it do?
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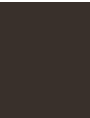
## Questions

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# WHAT DOES I-976 DO?



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**BALLOT TITLE:**

Initiative Measure No. 976 concerns motor vehicle taxes and fees.

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

- Reduces vehicle taxes and fees by lowering motor vehicle and light duty truck weight fees to \$30;
- Eliminates the passenger weight fee;
- Eliminates the 0.3% sales tax on vehicle purchases;
- Reduces commercial trailer fees to \$30;
- Snowmobile fees are reduced to \$30;
- Lowers electric vehicle fees to \$30;

Effective date: December 5, 2019\* (except certain provisions pertaining to Sound Transit)

\* Unless injunction is granted...

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# STATE TAX/FEE REDUCTIONS

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	Current Law	Under I-976	What does it pay for?
<b>STATE TAXES AND FEES</b>			
Vehicle License Fees (VLFs)	\$30 to 93	Reduced to \$30 unless voter approved	Various highway purposes, incl. State highways and Local roads
Vehicle Weight Fees	\$25-75	Eliminated	Various highway purposes, incl. State highways and Local roads
Snowmobiles	\$50	Reduced to \$30	Snowmobile facilities, safety, enforcement and education programs
Commercial Trailers	\$34 (Registration) \$30 (Renewal)	Registration reduced to \$30 Renewal unchanged	Various State transportation purposes
Electric Vehicle Fee	\$150	Reduced to \$30	Transportation feasibility studies & other transportation purposes
Motor Vehicle Sales/Lease Tax	0.3% of selling price	Eliminated	Multimodal Account, various transportation purposes
Transp. Electrification Fee*	\$75	Unchanged	"Green" transportation projects
Other Vehicle-Related Fees (filing and service fees, special license plate fees, etc.)	Various	Unchanged	Administrative costs, etc.

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# LOCAL TAX/FEE REDUCTIONS

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	Current Law	Under I-976	What does it pay for?
<b>LOCAL TAXES AND FEES</b>			
TBD Vehicle License Fees	\$20 to \$50	Eliminated	Local TBD purposes (typically pavement preservation, local road projects)
Local Voter-Approved Passenger-Only Ferry MVET	Up to 0.4% of depreciated value (based on MSRP)	Eliminated	Local passenger-only ferry service
<b>SOUND TRANSIT:</b>			
ST Rental Car Sales Tax	Up to 2.172% of rental price	Eliminated only when outstanding bonds are redeemed or restructured.	Debt service on bonds issued for various Sound Transit projects  (Note: WSSCt decision held unaffected by I-776 in 2006)
ST MVET	Current: 1.1% of depreciated value (based on MSRP) Future: 0.8% of depreciated value (based on MSRP)	If bonds not restructured by 3/31/20, future voter approved MVET max reduced to 0.2% of Kelley Blue Book Value.	

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# I-976: WHAT WOULD IT DO?

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- DIRECT REVENUE LOSSES – IF I-976 IS IMPLEMENTED 12/5/2019
  - November 2019 Transportation Revenue Forecast
    - State License Fees & Permits (LPF): FY 2019-21 – Down \$359.6 million from Sept forecast  
10 yr – Down \$2.87 billion from Sept forecast
    - State Sales Tax on Motor Vehicles: FY 2019-21 – Down \$\_\_\_ million from Sept forecast  
10 yr – Down \$560 million from Sept forecast
    - Local Direct VLF Revenues lost: \$63.1 million in TBD VLFs collected in SFY 2019  
(no forecast of this data)
    - Sound Transit: Because of delayed effective date, impact unknown.
  - November 2019 Transportation Revenue Forecast (approved November 20, 2019):
    - <https://ofm.wa.gov/budget/budget-instructions/transportation-revenue-information>
    - Vol I (Summary)
    - Vol III (Alternate Forecast Tables) – compares with and without I-976

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# I-976: WHAT WOULD IT DO?

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- Major State accounts impacted under current budget:
  - **Multimodal Funding**
    - Multimodal Account – Accounts for ~75% of lost revenues
  - State Highway Funding (MVA, TPA, Nickel Account)
  - Ferry Operating Funding (Puget Sound Ferry Operations)
  - **Local Highway Funding**
    - Rural Arterial Trust Account
    - Transportation Improvement Account
  - Washington State Patrol (WSP Highway Account)
  - Snowmobile Funding (Snowmobile Account)

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# MEASURING LOCAL IMPACTS

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## Important!

- Transportation Benefit Districts will lose all VLF revenues.
  - TBD VLFS: \$63.1 million in State FY 2019
- TBDs may continue to collect voter-approved sales tax.
- To measure full local impact, however, must also consider lost State \$\$ that funds Local transportation programs.
  - 75% of the lost revenue is currently deposited to the Multimodal Acct
  - Actual effect will depend on what the Legislature does

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# STATE TRANSPORTATION FUNDING

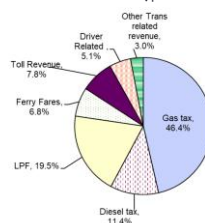
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## Where do State transportation dollars come from?

### Major Sources of State Transportation Dollars (2019-21 Biennium)

- State Tax & Fee Revenue Sources
  - Motor Vehicle Fuel Taxes (incl. Diesel Tax) (MVFT)
  - Vehicle-Related Licenses, Fees, & Permits (LPFs)
  - Driver-Related Fees & Charges
  - User Charges (Ferry Fares, Tolls)
  - Other Transportation-Related Revenues
- Other sources of WSDOT Funding
  - Bond Proceeds (~29% of Funding)
    - GO: VP GO, MVFT, MVFT/VRF Bonds
    - Non-GO: Toll Bonds, Garvees
  - Other
    - Federal Sources (~13% of WSDOT Funding)
    - Local Sources (~1% of WSDOT Funding)

Transportation Tax/Fee Revenue by Source  
2019-21 Biennium (\$6.263 billion)



Source: TRFC November 2019 Transportation Revenue Forecast (November 20, 2019).

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## AGENDA ITEM #2



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### I-976: Get the facts

- What does it do?
- When will it go into effect?

### Legal Challenges

- Background - Overview of Legal Challenges to Past Initiatives
- Brief Summary and Status of I-976 Challenge

### Next Steps

- State transportation budget impacts
- AWC Legislative Priorities

### Questions

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## LEGAL CHALLENGES

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### Legal Challenges to Initiatives



- When may they be filed?
  - **Before** the election
    - Procedural challenges to election/voting process (wording of ballot title, explanatory statement, voters pamphlet)
    - Substantive challenges disfavored *before election* except for challenges alleging that the measure is "beyond the scope of the initiative power"
  - **After** the election
    - Challenges to both form and substance may be brought; challenges to election procedure difficult
    - May seek injunction against measure going into effect
- What kinds of challenges may be filed?
  - **Any legal challenge may be limited in scope and may not invalidate entire initiative.**
  - Challenges may be facial or as-applied
  - "Severability" may save parts of measure

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## I-776 WAS UPHELD. KING CO LOST VLF.

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- Single Subject (Art II, s 19)
- Subject in Title (Art II, s 19)
- Amendment by Reference (Art II, s 37)
- Home Rule



### Pierce County v. State

150 Wn.2d 422 (2003)

- Upheld I-776 against single subject, subject-in-title (Article II, s. 19) ("policy fluff")
- King County lost its VLF
  - Impairment of contract claim (Article I, s. 23)
  - *Tyrbak* test: "Significant alteration" of the "financial framework that induced the bondholders to originally buy the bonds"
  - Factors:
    - Double Barreled (GO Pledge)
    - Issued after I-776 on ballot
    - Disclosure language
- Partial SJ motion – did not decide ST claims

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## BUT SOUND TRANSIT'S MVET SURVIVED

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Impairment of contract claim (Article I, s. 23)

*Tyrbak v. Daniels:*

Is there a "significant alteration" of the "financial framework that induced the bondholders to originally buy the bonds"



### Pierce County v. State

159 Wn.2d 16 (2006)

- Sound Transit preserved its MVET
  - ST claims were separated from other claims in first phase (Partial SJ motion)
  - Factors:
    - Bonds issued four years **before** I-776 on ballot
    - MVET was voter-approved
    - Two volatile sources pledged (sales tax and MVET)
- Refunds of County VLFs
  - In I-776, State held all collected \$\$
  - Order in 2003 case ordered refund of \$15 VLFs.
  - No interest was due.
    - In 2006, Court upheld this order.

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# I-976 HAS BEEN CHALLENGED

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## Legal Challenges to Initiatives



- Garfield County Transportation Authority v. State
- Coalition of cities, county, transits, port, union, statewide associations, and taxpayer
- Filed on November 13 in King County Superior Court
- Attorney General's Office will defend initiative
- Motion for injunction filed on November 18
  - Requests stay of December 5 effective date of initiative and continued collection of revenues until final court decision
  - Hearing on injunction November 26



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# AGENDA ITEM #3



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## I-976: Get the facts

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- Background - Overview of Legal Challenges to Past Initiatives
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## Next Steps

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## Questions

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## WHAT'S NEXT?

19

Transportation budget impacts will be severe



- State will pass a transportation budget this year
  - \$478m reduction in 19-21 revenue
- Losses concentrated in the Multimodal Account
- Much of the budget is in jeopardy; 8 percent of state budget goes to cities



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## WHAT'S NEXT?

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Cities must engage in the process




- Transportation is an AWC 2020 priority
- City Action Days, Jan. 28-29
- Stay informed through our website and email updates
- AWC staff is here to help



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# REVIEW



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## I-976: Get the facts

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## Questions

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# QUESTIONS?



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