



August 12, 2005

SUMMARY OF INITIATIVE 912 TO THE PEOPLE Concerns motor vehicle fuel taxes

*This information has been prepared in response to specific questions about the provisions and effects of Initiative 912 and is provided for legislative purposes only; it is **not** provided as an expression for or against the ballot measure. Please remember that it is inappropriate to use public resources to support or oppose a ballot measure. Please refer to pages 22-25 of the 2004-05 Legislative Ethics Manual or contact Senate Counsel for further guidance on when and how comment on ballot measures is appropriate.*

BRIEF SUMMARY

Initiative 912 (I-912) repeals the per gallon, motor vehicle gas tax increases of 3 cents on July 1, 2005, 3 cents on July 1, 2006, 2 cents on July 1, 2007, and 1.5 cents on July 1, 2008 that were passed during the 2005 Legislative Session. The initiative does not repeal the diesel fuel tax increases of the same amounts nor does it repeal the increases in weight or license fees that were passed by the Legislature at the same time.

BACKGROUND

During the 2005 legislative session, the legislature enacted a number of transportation tax and fee increases. These increases are as follows:

Fuel Taxes: The state per gallon gasoline tax and special fuels tax (diesel) is increased by 3 cents on July 1, 2005, 3 cents on July 1, 2006, 2 cents on July 1, 2007, and 1.5 cents on July 1, 2008. The total fuel tax increase is 9.5 cents over four years.

Of the current 28 cents per gallon state fuel tax, 17 cents is dedicated to state programs. The remaining 11 cents is distributed by formula to cities, counties, the Transportation Improvement Board (TIB), and the County Road Administration Board (CRAB) for local transportation purposes.

A portion of the 2005 fuel tax increase was provided to increase city and county distributions by 1 cent per gallon and additional fuel tax funds were provided to TIB and CRAB through budgetary transfers.

Weight Fees: Weight fees are levied on vehicles that previously did not pay such fees, including passenger vehicles, sport utility vehicles (SUV) light trucks, and motor homes. Beginning January 1, 2006, annual vehicle weight fees are \$10 for vehicles weighing up to 4,000 pounds (many passenger vehicles, small pickups and SUVs); \$20 for vehicles weighing between 4,000

and 6,000 pounds (standard pickups, larger cars, and larger SUVs); and \$30 for vehicles weighing between 6,000 and 8,000 pounds (large pickups and largest SUVs). Light trucks used for farm purposes are exempt from the weight fee. Motor homes will be charged an annual flat fee of \$75 regardless of weight.

Licenses and Permits: On July 1, 2005 and on January 1, 2006, certain Department of Licensing fees are changed to reflect the administrative cost of issuing the license or permit. Beginning on January 1, 2006, annual license fees on personal use trailers weighing less than 2,000 pounds are lowered from \$30 to \$15.

Total Revenue: The tax and fee increases enacted by the legislature in the 2005 session are expected to generate approximately \$8.5 billion for a new 16-year transportation spending plan for seismic repairs and repairs of other at-risk structures, safety projects, congestion relief, system preservation, freight mobility, and distributions of revenue with local and regional transportation entities. This amount includes planned bond proceeds pledged against the new fuel taxes minus projected debt payments during the 16-year period.

SUMMARY OF INITIATIVE 912

The initiative repeals the gasoline tax increases of 3 cents on July 1, 2005, 3 cents on July 1, 2006, 2 cents on July 1, 2007 and 1.5 cents on July 1, 2008. The initiative does not repeal the diesel fuel tax increases or the weight, license, and permit fees passed by the 2005 Legislature or affect the budget transfers to TIB and CRAB.

I-912 provides that if any of the revenue derived from the gas tax increase is pledged for bond indebtedness, and as a result cannot be repealed; all gas tax increases not so obligated must be repealed. However, the State Finance Committee has already determined that no bonds shall be issued based upon the new gas tax revenue until the outcome of I-912 is determined by the voters.

The initiative will repeal approximately 80% of the total fuel tax revenues passed by the 2005 Legislature; the remaining 20% is attributable to the diesel tax which is not subject to I-912. The net reduction to the entire 2005 transportation revenue package, including weight fees and license fees, is approximately \$5.3 billion of the total projected \$8.5 billion.

The elimination of 80% of the fuel tax revenues will correspondingly eliminate 80% of the direct revenue distributions from the tax increase to cities and counties. As a result, the amount over a 16-year period that would have been distributed to cities and counties is reduced from \$602 million to \$120 million for a total reduction of \$482 million.

The Legislature identified a list of transportation projects and programs supported by the total \$8.5 billion projected from the 2005 tax package and associated bond plan. If I-912 is adopted, the 2005 project list will not be sustainable with the revenue remaining from the diesel fuel tax and weight fees increases.

The list of projects and programs supported by the 2005 Transportation Package may be found

at:

<http://leap.leg.wa.gov/leap/Budget/Detail/2005/st0507LEAPDocTranspo200560424.pdf>

<http://leap.leg.wa.gov/leap/Budget/Detail/2005/st0507Multimodal0428.pdf>

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