



REFERENDUM BILL 51

PROPOSED TO THE PEOPLE
BY THE LEGISLATURE
ENGROSSED SUBSTITUTE HOUSE BILL 2969
CHAPTER 202, LAWS OF 2002



Official Ballot Title:

The Legislature has passed House Bill No. 2969, financing transportation improvements through transportation fees and taxes. This bill would increase highway capacity, public transportation, passenger and freight rail, and transportation financing accountability through increased fuel excise taxes, sales taxes on vehicles, and weight fees on trucks and large vehicles.

Should this Bill be:
Approved [] Rejected []



Statement For

**2,037 "HIGH ACCIDENT" LOCATIONS—950 BRIDGES
NEED REPAIR—FIX DANGEROUS ROADS/BRIDGES—
RELIEVE TRAFFIC CHOKEPOINTS**

The state Department of Transportation identified 2,037 "High Accident" locations where improvements will save lives. 950 bridges in danger of significant damage in the next earthquake require retrofits. And traffic congestion takes too big a toll on our nerves, pocketbooks and economy. In Central Puget Sound, one of the most congested areas nationwide, rush hour drivers waste \$1,605 and 82 hours in traffic every year. The price tag statewide? \$2 billion annually. Washington's Competitiveness Council says gridlock is the huge obstacle in attracting and keeping jobs and employers.

**THE LONGER WE WAIT TO FIX OUR
TRANSPORTATION SYSTEM, THE MORE
EXPENSIVE IT'LL GET**

...and the more dangerous and congested our roads will get. R-51 won't solve *all* these transportation problems, but it'll help fix the most dangerous roads and bridges, improve street safety near schools and relieve traffic chokepoints. R-51 funds a high priority list of safety and traffic relief projects on our roads, bridges, rail and public transportation systems — *in every part of the state.*

**HOLD GOVERNMENT ACCOUNTABLE TO
TAXPAYERS— MAKE SURE THEY SPEND OUR
TAXES PROPERLY AND PRODUCE RESULTS**

R-51 has checks and balances to track revenues and project delivery from start to finish. Revenues must be deposited into transportation-only accounts. The State Constitution requires gas tax revenues be spent only on highway improvements. R-51 requires mandatory audits to track rev-

enues and the delivery of improvements from start to finish — with all of it reported to taxpayers.

**STATE TROOPERS, FIREFIGHTERS, BUSINESS,
LABOR, SHERIFFS, GOVERNOR GARY LOCKE,
FORMER SENATOR SLADE GORTON: "R-51: YES!"**

A "yes" vote is recommended by a statewide, bipartisan coalition that includes the Washington State Patrol Troopers Association, Washington Council of Police and Sheriffs, Seismological Society of America, Firefighters, Association of Washington Business, Washington State Labor Council, agriculture and seniors.

For more information, call 206.352.8255 or visit www.YesonR51.com.

Rebuttal of Statement Against

Washington has some very dangerous, congested roads. Opponents say "wait" to do anything about them. But the longer we wait to fix them, the more expensive it'll be, and the more dangerous our roads will get. R-51 won't solve *all* our problems, but it'll help fix the most dangerous ones, repair and maintain roads and bridges, relieve traffic chokepoints and expand public transportation. *Vote yes on safer roads, traffic relief and accountability. Yes on R-51.*

Voters Pamphlet Argument Prepared by:

BOB THURSTON, President, Washington State Patrol Troopers Association; STANLEY E. MILLER, President, Inland Automobile Association (AAA); KELLY FOX, President, Washington State Council of Fire Fighters; MIKE AMOS, President, Washington Council of Police and Sheriffs; DON BRUNELL, President, Association of Washington Business; JUDY A. HEDDEN, President, League of Women Voters of Washington.

Note: The ballot title was written by the court. The explanatory statement was written by the Attorney General as required by law. The Fiscal Impact Statement for Referendum Bill 51 is on page 23 and the complete text begins on page 36.

Vote cast by the 2002 Legislature on final passage:

House: Yeas, 75; Nays, 23; Absent, 0; Excused, 0.

Senate: Yeas, 30; Nays, 17; Absent, 0; Excused, 2.

The law as it presently exists:

State transportation projects (roads and highways, ferries, rail and other transit) are funded from a variety of sources, some of which are constitutionally restricted. Amendment 18 to the Washington Constitution requires that fuel taxes and vehicle licensing fees be deposited in the motor vehicle fund. Monies in that fund may only be spent for highway purposes. "Highway purposes" include highways and ferries but exclude transit and rail. Sales tax revenue is not subject to Amendment 18's restrictions and may be spent

as the Legislature directs. Unrestricted revenue may be placed in the multimodal transportation fund and spent for any transportation purposes, including transit and rail.

The motor vehicle fuel tax (often called the "gas tax") is currently set at 23 cents per gallon. Diesel fuel and other combustible gases and liquids which could be used as fuel but are not gasoline are defined in law as "special fuel." These also are taxed at 23 cents per gallon, or 23 cents per hundred cubic feet of compressed natural gas. About half of the revenue from the existing taxes is retained by the state and used for state and local highway and ferry purposes. The remainder is distributed to local governments for local highway purposes.

The vehicle license fees on cars, motorcycles, and light trucks are currently set at \$30 per year. Heavier trucks and buses pay higher license fees. Vehicles with a gross weight of 4,000 pounds or more, which either do not tow trailers or are used exclusively for hauling logs, are subject to annual

(continued on page 20)

Statement Against

R-51 IS FINANCIALLY IRRESPONSIBLE AND POORLY PLANNED

R-51 starts dozens of new road construction projects it can't finish without multiple future tax increases. Just completing R-51's seven largest projects would require four more tax increases the size of R-51, according to Department of Transportation data. Most R-51 projects do not have realistic budgets or plans.

REFERENDUM 51 HAS THE WRONG APPROACH AND THE WRONG PRIORITIES -- NEGLECTING TRANSPORTATION CHOICES, SAFETY, AND MAINTENANCE

For example, in King County, 93% of R-51 money goes toward highways, but only 7% to buses and vanpools. R-51 tries to "build our way out of congestion" with new highways, instead of improving transit and fixing existing roads. This approach doesn't work.

LESS THAN 10% OF R-51'S MONEY WOULD BE SPENT ON SEISMIC SAFETY AND MAINTENANCE

R-51 neglects critical safety and maintenance needs. It spends billions to start new freeways before completing vital safety and maintenance projects like repairing crumbling bridges and viaducts before they collapse.

We need highway improvements, but neglecting safety and maintenance is foolish. *We can't afford to waste billions on low priority projects that don't solve our problems when the state, particularly rural Washington, is struggling economically.*

R-51 IS THE WRONG WAY TO SOLVE TRAFFIC PROBLEMS—THERE IS A BETTER ALTERNATIVE

The coalition opposing R-51, Citizens for Real Transportation Solutions, proposes a more effective alternative:

- 1) Make safety and maintenance the highest priority; 2) Improve mass transit, and add innovations like discounted bus passes, telecommuting and other incentives to reduce traffic; 3) Invest in "smart road" projects like completing HOV lanes and fixing chokepoints, and efficiencies like better signal timing and rapid-response tow trucks to clear accidents quickly; and 4) Reform the Department of Transportation to ensure our tax dollars are spent wisely.

Support a better approach. Vote "no" on Referendum 51.

Rebuttal of Statement For

R-51 addresses fewer than 10% of these 2,037 safety and maintenance hotspots, funding new road construction instead. R-51 also neglects transportation choices that are critical to reducing traffic.

R-51 fails the accountability test: its projects lack realistic budgets or plans and cannot be completed without multiple future tax increases.

We shouldn't waste tax dollars on the wrong projects.

Demand a *better alternative now*. Demand better priorities, financial responsibility and real solutions. *Vote no on Referendum 51.*

Voters Pamphlet Argument Prepared by:

VIRGINIA GUNBY, President, Washington Retired Citizens; T.J. JOHNSON, Alliance for Public Transit; PAULA DEL GIUDICE, Regional Director, National Wildlife Federation; STEVE FUHRMAN, former State Representative; ROBERT PREGULMAN, Executive Director, Washington Public Interest Research Group (WashPIRG); TIM McGRUDER, Conservation Chair, East Lake Washington Audubon Society.



COMPLETE TEXT OF Referendum Bill 51

AN ACT Relating to transportation improvement and financing; amending RCW 44.40.010, 44.40.013, 44.40.015, 44.40.020, 44.40.025, 44.40.030, 44.40.040, 44.40.070, 44.40.090, 44.40.100, 44.40.140, 44.40.150, 46.16.070, 46.68.035, 82.38.030, 82.38.035, 82.38.045, 82.38.047, 82.38.075, 46.09.170, 46.10.170, 79A.25.070, 82.08.020, 82.12.020, 82.12.045, and 39.42.060; reenacting and amending RCW 43.84.092, 82.36.025, 46.68.090, and 46.68.110; adding new sections to chapter 44.40 RCW; adding a new section to chapter 46.04 RCW; adding a new section to chapter 46.68 RCW; adding a new section to chapter 47.26 RCW; adding a new section to chapter 43.135 RCW; adding a new section to chapter 82.32 RCW; adding new sections to chapter 47.10 RCW; creating new sections; providing effective dates; providing a contingent effective date; providing for the submission of certain sections of this act to a vote of the people; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

PART I - ACCOUNTABILITY FOR TRANSPORTATION PROJECTS AND PROGRAMS

NEW SECTION. Sec. 101. It is essential that the legislature improve the accountability and efficiency of the department of transportation. Taxpayers must know that their tax dollars are being well spent to deliver critically needed transportation projects. To accomplish this, a transportation accountability process must be established to provide oversight on transportation projects. The legislative transportation accountability committee will replace and assume the duties and responsibilities of the legislative transportation committee and, additionally, in conjunction with an independent transportation accountability board, report to the public on how tax dollars are spent on projects funded by new transportation taxes under this act.

PART II - LICENSE FEES

NEW SECTION. Sec. 201. A new section is added to chapter 46.04 RCW to read as follows:

“Gross weight portion of the current combined licensing fees” means the amounts listed in RCW 46.16.070, Schedule A, less twenty-five dollars and seventy-five cents, and the amounts listed in Schedule B, less twenty-five dollars and seventy-five cents and less an additional ninety dollars if the requested gross weight is over forty thousand pounds.

Sec. 202. RCW 46.16.070 and 1994 c 262 s 8 are each amended to read as follows:

(1) In lieu of all other vehicle licensing fees, unless specifically exempt, and in addition to ~~((the excise tax prescribed in chapter 82.44 RCW and))~~ the mileage fees prescribed for

buses and stages in RCW 46.16.125, there shall be paid and collected annually for each truck, motor truck, truck tractor, road tractor, tractor, bus, auto stage, or for hire vehicle with seating capacity of more than six, based upon the declared combined gross weight or declared gross weight ~~((thereof pursuant to the provisions of))~~ under chapter 46.44 RCW, the following licensing fees by such gross weight:

DECLARED GROSS WEIGHT	SCHEDULE A	SCHEDULE B
4,000 lbs. . . .	\$37.00 . . .	\$37.00
6,000 lbs. . . .	\$44.00 . . .	\$44.00
8,000 lbs. . . .	\$55.00 . . .	\$55.00
10,000 lbs. . . .	\$62.00 . . .	\$62.00
12,000 lbs. . . .	\$72.00 . . .	\$72.00
14,000 lbs. . . .	\$82.00 . . .	\$82.00
16,000 lbs. . . .	\$92.00 . . .	\$92.00
18,000 lbs. . . .	\$137.00 . . .	\$137.00
20,000 lbs. . . .	\$152.00 . . .	\$152.00
22,000 lbs. . . .	\$164.00 . . .	\$164.00
24,000 lbs. . . .	\$177.00 . . .	\$177.00
26,000 lbs. . . .	\$187.00 . . .	\$187.00
28,000 lbs. . . .	\$220.00 . . .	\$220.00
30,000 lbs. . . .	\$253.00 . . .	\$253.00
32,000 lbs. . . .	\$304.00 . . .	\$304.00
34,000 lbs. . . .	\$323.00 . . .	\$323.00
36,000 lbs. . . .	\$350.00 . . .	\$350.00
38,000 lbs. . . .	\$384.00 . . .	\$384.00
40,000 lbs. . . .	\$439.00 . . .	\$439.00
42,000 lbs. . . .	\$456.00 . . .	\$546.00
44,000 lbs. . . .	\$466.00 . . .	\$556.00
46,000 lbs. . . .	\$501.00 . . .	\$591.00
48,000 lbs. . . .	\$522.00 . . .	\$612.00
50,000 lbs. . . .	\$566.00 . . .	\$656.00
52,000 lbs. . . .	\$595.00 . . .	\$685.00
54,000 lbs. . . .	\$642.00 . . .	\$732.00
56,000 lbs. . . .	\$677.00 . . .	\$767.00
58,000 lbs. . . .	\$704.00 . . .	\$794.00
60,000 lbs. . . .	\$750.00 . . .	\$840.00
62,000 lbs. . . .	\$804.00 . . .	\$894.00
64,000 lbs. . . .	\$822.00 . . .	\$912.00
66,000 lbs. . . .	\$915.00 . . .	\$1,005.00
68,000 lbs. . . .	\$954.00 . . .	\$1,044.00
70,000 lbs. . . .	\$1,027.00 . . .	\$1,117.00
72,000 lbs. . . .	\$1,098.00 . . .	\$1,188.00
74,000 lbs. . . .	\$1,193.00 . . .	\$1,283.00
76,000 lbs. . . .	\$1,289.00 . . .	\$1,379.00
78,000 lbs. . . .	\$1,407.00 . . .	\$1,497.00
80,000 lbs. . . .	\$1,518.00 . . .	\$1,608.00
82,000 lbs. . . .	\$1,623.00 . . .	\$1,713.00
84,000 lbs. . . .	\$1,728.00 . . .	\$1,818.00
86,000 lbs. . . .	\$1,833.00 . . .	\$1,923.00
88,000 lbs. . . .	\$1,938.00 . . .	\$2,028.00
90,000 lbs. . . .	\$2,043.00 . . .	\$2,133.00
92,000 lbs. . . .	\$2,148.00 . . .	\$2,238.00
94,000 lbs. . . .	\$2,253.00 . . .	\$2,343.00
96,000 lbs. . . .	\$2,358.00 . . .	\$2,448.00
98,000 lbs. . . .	\$2,463.00 . . .	\$2,553.00
100,000 lbs. . . .	\$2,568.00 . . .	\$2,658.00



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102,000 lbs. . .	\$2,673.00.	\$2,763.00
104,000 lbs. . .	\$2,778.00.	\$2,868.00
105,500 lbs. . .	\$2,883.00.	\$2,973.00

Schedule A applies to vehicles either used exclusively for hauling logs or that do not tow trailers. Schedule B applies to vehicles that tow trailers and are not covered under Schedule A.

(2) Every truck, motor truck, truck tractor, and tractor exceeding 6,000 pounds empty scale weight registered under chapter 46.16, 46.87, or 46.88 RCW shall be licensed for not less than one hundred fifty percent of its empty weight unless the amount would be in excess of the legal limits prescribed for such a vehicle in RCW 46.44.041 or 46.44.042, in which event the vehicle shall be licensed for the maximum weight authorized for such a vehicle or unless the vehicle is used only for the purpose of transporting any well drilling machine, air compressor, rock crusher, conveyor, hoist, donkey engine, cook house, tool house, bunk house, or similar machine or structure attached to or made a part of such vehicle.

(3)(a) Beginning with all motor vehicle registrations that are due or become due on January 1, 2003, there will be paid and collected annually a fifteen percent surcharge on the gross weight portion of the combined licensing fees in effect January 1, 2002, for vehicles with a licensed gross weight over ten thousand pounds.

(b) Beginning with all motor vehicle registrations that are due or become due on January 1, 2004, and thereafter, there will be paid and collected annually a thirty percent surcharge on the gross weight portion of the combined licensing fees in effect January 1, 2002, for vehicles with a licensed gross weight over ten thousand pounds.

(4) The following provisions apply when increasing gross or combined gross weight for a vehicle licensed under this section:

(a) The new license fee will be one-twelfth of the fee listed above for the new gross weight, multiplied by the number of months remaining in the period for which licensing fees have been paid, including the month in which the new gross weight is effective.

(b) Upon surrender of the current certificate of registration or cab card, the new licensing fees due shall be reduced by the amount of the licensing fees previously paid for the same period for which new fees are being charged.

~~((2))~~ (5) The proceeds from the fees collected under ~~((sub-section (1) of))~~ this section shall be distributed in accordance with RCW 46.68.035.

Sec. 203. RCW 46.68.035 and 2000 2nd sp.s. c 4 s 8 are each amended to read as follows:

All proceeds from combined vehicle licensing fees received by the director for vehicles licensed under RCW 46.16.070 and 46.16.085 shall be forwarded to the state treasurer to

be distributed into accounts according to the following method:

(1) The sum of two dollars for each vehicle shall be deposited into the multimodal transportation account, except that for each vehicle registered by a county auditor or agent to a county auditor pursuant to RCW 46.01.140, the sum of two dollars shall be credited to the current county expense fund.

(2) The proceeds from the surcharge collected under RCW 46.16.070(3) must be deposited into the motor vehicle account.

(3) The remainder shall be distributed as follows:

(a) 23.677 percent shall be deposited into the state patrol highway account of the motor vehicle fund;

(b) 1.521 percent shall be deposited into the Puget Sound ferry operations account of the motor vehicle fund; and

(c) The remaining proceeds shall be deposited into the motor vehicle fund.

NEW SECTION. Sec. 204. A new section is added to chapter 46.68 RCW to read as follows:

The freight mobility account is created in the state treasury. Money in the account may be spent only after appropriation. Expenditures from the account may be used only for the purpose of roadway improvement projects to facilitate freight movement.

Sec. 205. RCW 43.84.092 and 2001 2nd sp.s. c 14 s 608, 2001 c 273 s 6, 2001 c 141 s 3, and 2001 c 80 s 5 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior



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to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the common school construction fund, the county criminal justice assistance account, the county sales and use tax equalization account, the data processing building construction account, the deferred compensation administrative account, the deferred compensation principal account, the department of retirement systems expense account, the drinking water assistance account, the drinking water assistance administrative account, the drinking water assistance repayment account, the Eastern Washington University capital projects account, the education construction fund, the emergency reserve fund, the federal forest revolving account, the health services account, the public health services account, the health system capacity account, the personal health services account, the state higher education construction account, the higher education construction account, the highway infrastructure account, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the medical aid account, the mobile home park relocation fund, the multimodal transportation account, the municipal criminal justice assistance account, the municipal sales and use tax equalization account, the natural resources deposit account, the oyster reserve land account, the perpetual surveillance and maintenance account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public health supplemental account, the Puyallup tribal settlement account, the resource management cost account, the site closure account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the supplemental pension account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the transportation infrastructure account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building ac-

count, the volunteer fire fighters' and reserve officers' relief and pension principal fund, the volunteer fire fighters' and reserve officers' administrative fund, the Washington fruit express account, the Washington judicial retirement system account, the Washington law enforcement officers' and fire fighters' system plan 1 retirement account, the Washington law enforcement officers' and fire fighters' system plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state health insurance pool account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving fund, and the Western Washington University capital projects account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts. All earnings to be distributed under this subsection (4)(a) shall first be reduced by the allocation to the state treasurer's service fund pursuant to RCW 43.08.190.

(b) The following accounts and funds shall receive eighty percent of their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the county arterial preservation account, the department of licensing services account, the essential rail assistance account, the ferry bond retirement fund, the freight mobility account, the grade crossing protective fund, the high capacity transportation account, the highway bond retirement fund, the highway safety account, the motor vehicle fund, the motorcycle safety education account, the pilotage account, the public transportation systems account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the recreational vehicle account, the rural arterial trust account, the safety and education account, the special category C account, the state patrol highway account, the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement board bond retirement account, and the urban arterial trust account.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

PART III - FUEL TAX

Sec. 301. RCW 82.36.025 and 1999 c 269 s 16 and 1999 c 94 s 29 are each reenacted and amended to read as follows:

(1) A motor vehicle fuel tax rate of twenty-three cents per gallon (~~shall apply~~) applies to the sale, distribution, or use of motor vehicle fuel.

(2) Beginning January 1, 2003, an additional and cumulative motor fuel tax rate of five cents per gallon applies to the sale, distribution, or use of motor vehicle fuel.

(3) Beginning January 1, 2004, an additional and cumulative motor vehicle fuel tax rate of four cents per gallon ap-



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plies to the sale, distribution, or use of motor vehicle fuel.

Sec. 302. RCW 82.38.030 and 2001 c 270 s 6 are each amended to read as follows:

(1) There is hereby levied and imposed upon special fuel users a tax at the rate ~~((computed in the manner provided in RCW 82.36.025 on each))~~ of twenty-three cents per gallon of special fuel, or each one hundred cubic feet of compressed natural gas, measured at standard pressure and temperature.

(2) Beginning January 1, 2003, an additional and cumulative tax rate of five cents per gallon of special fuel, or each one hundred cubic feet of compressed natural gas, measured at standard pressure and temperature shall be imposed on special fuel users.

(3) Beginning January 1, 2004, an additional and cumulative special fuel tax rate of four cents per gallon of special fuel, or each one hundred cubic feet of compressed natural gas, measured at standard pressure and temperature shall be imposed on special fuel users.

(4) The tax is imposed ((by subsection (1) of this section is imposed)) when:

(a) Special fuel is removed in this state from a terminal if the special fuel is removed at the rack unless the removal is to a licensed exporter for direct delivery to a destination outside of the state, or the removal is to a special fuel distributor for direct delivery to an international fuel tax agreement licensee under RCW 82.38.320;

(b) Special fuel is removed in this state from a refinery if either of the following applies:

(i) The removal is by bulk transfer and the refiner or the owner of the special fuel immediately before the removal is not a licensee; or

(ii) The removal is at the refinery rack unless the removal is to a licensed exporter for direct delivery to a destination outside of the state, or the removal is to a special fuel distributor for direct delivery to an international fuel tax agreement licensee under RCW 82.38.320;

(c) Special fuel enters into this state for sale, consumption, use, or storage if either of the following applies:

(i) The entry is by bulk transfer and the importer is not a licensee; or

(ii) The entry is not by bulk transfer;

(d) Special fuel is sold or removed in this state to an unlicensed entity unless there was a prior taxable removal, entry, or sale of the special fuel;

(e) Blended special fuel is removed or sold in this state by the blender of the fuel. The number of gallons of blended special fuel subject to tax is the difference between the total number of gallons of blended special fuel removed or sold and the number of gallons of previously taxed special fuel used to produce the blended special fuel;

(f) Dyed special fuel is used on a highway, as authorized by the internal revenue code, unless the use is exempt from

the special fuel tax;

(g) Special fuel purchased by an international fuel tax agreement licensee under RCW 82.38.320 is used on a highway; and

(h) Special fuel is sold by a licensed special fuel supplier to a special fuel distributor, special fuel importer, or special fuel blender and the special fuel is not removed from the bulk transfer-terminal system.

~~((e))~~ (5) The tax imposed by this chapter, if required to be collected by the licensee, is held in trust by the licensee until paid to the department, and a licensee who appropriates or converts the tax collected to his or her own use or to any use other than the payment of the tax to the extent that the money required to be collected is not available for payment on the due date as prescribed in this chapter is guilty of a felony, or gross misdemeanor in accordance with the theft and anticipatory provisions of Title 9A RCW. A person, partnership, corporation, or corporate officer who fails to collect the tax imposed by this section, or who has collected the tax and fails to pay it to the department in the manner prescribed by this chapter, is personally liable to the state for the amount of the tax.

Sec. 303. RCW 46.68.090 and 1999 c 269 s 2 and 1999 c 94 s 6 are each reenacted and amended to read as follows:

(1) All moneys that have accrued or may accrue to the motor vehicle fund from the motor vehicle fuel tax and special fuel tax shall be first expended for purposes enumerated in (a) and (b) of this subsection. The remaining net tax amount shall be distributed monthly by the state treasurer in ~~((the proportions set forth in (c) through (h)))~~ accordance with subsections (2), (3), and (4) of this ((subsection)) section.

(a) For payment of refunds of motor vehicle fuel tax and special fuel tax that has been paid and is refundable as provided by law;

(b) For payment of amounts to be expended pursuant to appropriations for the administrative expenses of the offices of state treasurer, state auditor, and the department of licensing of the state of Washington in the administration of the motor vehicle fuel tax and the special fuel tax, which sums shall be distributed monthly~~((+))~~.

(2) All of the remaining net tax amount collected under RCW 82.36.025(1) and 82.38.030(1) shall be distributed as set forth in (a) through (i) of this subsection.

~~((e))~~ (a) For distribution to the motor vehicle fund an amount equal to 44.387 percent to be expended for highway purposes of the state as defined in RCW 46.68.130;

~~((d))~~ (b) For distribution to the special category C account, hereby created in the motor vehicle fund, an amount equal to 3.2609 percent to be expended for special category C projects. Special category C projects are category C projects that, due to high cost only, will require bond financing to complete construction.

The following criteria, listed in order of priority, shall be used in determining which special category C projects have the highest priority:

(i) Accident experience;

(ii) Fatal accident experience;

(iii) Capacity to move people and goods safely and at rea-



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sonable speeds without undue congestion; and

(iv) Continuity of development of the highway transportation network.

Moneys deposited in the special category C account in the motor vehicle fund may be used for payment of debt service on bonds the proceeds of which are used to finance special category C projects under this subsection ~~((f))~~ ~~(d)~~ ~~(2)(b)~~:

~~((e))~~ (c) For distribution to the Puget Sound ferry operations account in the motor vehicle fund an amount equal to 2.3283 percent;

~~((f))~~ (d) For distribution to the Puget Sound capital construction account in the motor vehicle fund an amount equal to 2.3726 percent;

~~((g))~~ (e) For distribution to the urban arterial trust account in the motor vehicle fund an amount equal to 7.5597 percent;

~~((h))~~ (f) For distribution to the transportation improvement account in the motor vehicle fund an amount equal to 5.6739 percent and expended in accordance with RCW 47.26.086;

~~((i))~~ (g) For distribution to the cities and towns from the motor vehicle fund an amount equal to 10.6961 percent in accordance with RCW 46.68.110;

~~((j))~~ (h) For distribution to the counties from the motor vehicle fund an amount equal to 19.2287 percent: (i) Out of which there shall be distributed from time to time, as directed by the department of transportation, those sums as may be necessary to carry out the provisions of RCW 47.56.725; and (ii) less any amounts appropriated to the county road administration board to implement the provisions of RCW 47.56.725(4), with the balance of such county share to be distributed monthly as the same accrues for distribution in accordance with RCW 46.68.120;

~~((k))~~ (i) For distribution to the county arterial preservation account, hereby created in the motor vehicle fund an amount equal to 1.9565 percent. These funds shall be distributed by the county road administration board to counties in proportions corresponding to the number of paved arterial lane miles in the unincorporated area of each county and shall be used for improvements to sustain the structural, safety, and operational integrity of county arterials. The county road administration board shall adopt reasonable rules and develop policies to implement this program and to assure that a pavement management system is used;

~~((l))~~ (j) For distribution to the rural arterial trust account in the motor vehicle fund an amount equal to 2.5363 percent and expended in accordance with RCW 36.79.020.

~~((m))~~ (3) 100 percent of the net tax amount collected under RCW 82.36.025(2) and 82.38.030(2) shall be distributed as follows:

(a) 4.3366 percent shall be distributed to cities and towns in accordance with RCW 46.68.110(6).

(b) 4.3366 percent shall be distributed to counties in accordance with RCW 46.68.120.

(c) 91.3268 percent shall be distributed to the motor vehicle account.

(4) 100 percent of the net tax amount collected under RCW 82.36.025(3) and 82.38.030(3) shall be distributed to the motor vehicle account.

(5) Nothing in this section or in RCW 46.68.130 may be construed so as to violate any terms or conditions contained in any highway construction bond issues now or hereafter authorized by statute and whose payment is by such statute pledged to be paid from any excise taxes on motor vehicle fuel and special fuels.

Sec. 304. RCW 46.68.110 and 1999 c 269 s 3 and 1999 c 94 s 9 are each reenacted and amended to read as follows:

Funds credited to the incorporated cities and towns of the state as set forth in RCW 46.68.090~~((f))~~ shall be subject to deduction and distribution as follows:

(1) One and one-half percent of such sums distributed under RCW 46.68.090(2)(g) and (3) shall be deducted monthly as such sums are credited and set aside for the use of the department of transportation for the supervision of work and expenditures of such incorporated cities and towns on the city and town streets thereof, including the supervision and administration of federal-aid programs for which the department of transportation has responsibility: PROVIDED, That any moneys so retained and not expended shall be credited in the succeeding biennium to the incorporated cities and towns in proportion to deductions herein made;

(2) Thirty-three one-hundredths of one percent of such funds distributed under RCW 46.68.090(2)(g) and (3) shall be deducted monthly, as such funds accrue, and set aside for the use of the department of transportation for the purpose of funding the cities' share of the costs of highway jurisdiction studies and other studies. Any funds so retained and not expended shall be credited in the succeeding biennium to the cities in proportion to the deductions made;

(3) One percent of such funds distributed under RCW 46.68.090(2)(g) shall be deducted monthly, as such funds accrue, to be deposited in the urban arterial trust account, to implement the city hardship assistance program, as provided in RCW 47.26.164. However, any moneys so retained and not required to carry out the program as of July 1st of each odd-numbered year thereafter, shall be provided within sixty days to the treasurer and distributed in the manner prescribed in subsection (5) of this section;

(4) After making the deductions under subsections (1) through (3) of this section and RCW 35.76.050, 31.86 percent of the fuel tax distributed to the cities and towns in RCW 46.68.090~~((f))~~ (2)(g) shall be allocated monthly as the funds accrue to the incorporated cities and towns ((in the manner set forth in subsection (5) of this section and subject to deductions in subsections (1), (2), and (3) of this section, subject to RCW 35.76.050, to)) of the state ratably on the basis of the population as last determined by the office of financial management. Funds shall be used exclusively for: The construction, improvement, chip sealing, seal-coating, and repair for arterial highways and city streets as those terms are defined in RCW 46.04.030 and 46.04.120; the maintenance of arterial highways and city streets for those cities with a population of less than fifteen thousand; or the pay-



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ment of any municipal indebtedness which may be incurred in the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets; ~~(and)~~

(5) The ~~((balance))~~ remaining ~~((to the credit of incorporated cities and towns after such deduction))~~ funds not distributed under subsection (4) of this section shall be apportioned monthly as such funds accrue among the ~~((several))~~ incorporated cities and towns within the state ratably on the basis of the population last determined by the office of financial management; and

(6) After making the deductions under subsections (1) and (2) of this section and RCW 35.76.050, one hundred percent of the funds distributed to the cities and towns in RCW 46.68.090(3)(a) shall be allocated monthly as such funds accrue to the incorporated cities and towns of the state with populations over ten thousand persons, ratably on the basis of population as last determined by the office of financial management.

NEW SECTION. Sec. 305. A new section is added to chapter 47.26 RCW to read as follows:

As part of the matching funds requirements under RCW 47.26.270, the transportation improvement board shall require a city or town receiving funds under RCW 46.68.110(6) to use a portion of these funds, as determined by the board by rule, for the purpose of matching a portion of the corridor grant money allocated to the city or town by the board under this chapter.

Sec. 306. RCW 82.38.035 and 2001 c 270 s 7 are each amended to read as follows:

(1) A licensed supplier shall remit tax on special fuel to the department as provided in RCW 82.38.030~~((2))~~ (4)(a). On a two-party exchange, or buy-sell agreement between two licensed suppliers, the receiving exchange partner or buyer shall remit the tax.

(2) A refiner shall remit tax to the department on special fuel removed from a refinery as provided in RCW 82.38.030~~((2))~~ (4)(b).

(3) An importer shall remit tax to the department on special fuel imported into this state as provided in RCW 82.38.030~~((2))~~ (4)(c).

(4) A blender shall remit tax to the department on the removal or sale of blended special fuel as provided in RCW 82.38.030~~((2))~~ (4)(e).

(5) A dyed special fuel user shall remit tax to the department on the use of dyed special fuel as provided in RCW 82.38.030~~((2))~~ (4)(f).

Sec. 307. RCW 82.38.045 and 1998 c 176 s 54 are each amended to read as follows:

A terminal operator is jointly and severally liable for remitting the tax imposed under RCW 82.38.030~~((1))~~ if, at the time of removal:

- (1) The position holder with respect to the special fuel is a person other than the terminal operator and is not a licensee;
- (2) The terminal operator is not a licensee;
- (3) The position holder has an expired internal revenue service notification certificate issued under chapter 26, C.F.R. Part 48; or
- (4) The terminal operator had reason to believe that information on the notification certificate was false.

Sec. 308. RCW 82.38.047 and 1998 c 176 s 55 are each amended to read as follows:

A terminal operator is jointly and severally liable for remitting the tax imposed under RCW 82.38.030~~((1))~~ if, in connection with the removal of special fuel that is not dyed or marked in accordance with internal revenue service requirements, the terminal operator provides a person with a bill of lading, shipping paper, or similar document indicating that the special fuel is dyed or marked in accordance with internal revenue service requirements.

Sec. 309. RCW 82.38.075 and 1983 c 212 s 1 are each amended to read as follows:

In order to encourage the use of nonpolluting fuels, an annual license fee in lieu of the tax imposed by RCW 82.38.030 shall be imposed upon the use of natural gas as defined in this chapter or on liquified petroleum gas, commonly called propane, which is used in any motor vehicle, as defined in RCW 46.04.320, which shall be based upon the following schedule as adjusted by the formula set out below:

VEHICLE TONNAGE (GVW)	FEE
0 - 6,000	\$ 45
6,001 - 10,000	\$ 45
10,001 - 18,000	\$ 80
18,001 - 28,000	\$110
28,001 - 36,000	\$150
36,001 and above	\$250

To determine the actual annual license fee imposed by this section for a registration year, the appropriate dollar amount set out in the above schedule shall be multiplied by the ~~((motor vehicle))~~ special fuel tax rate in cents per gallon as established by RCW ~~((82.36.025))~~ 82.38.030 effective on July 1st of the preceding calendar year and the product thereof shall be divided by 12 cents.

The department of licensing, in addition to the foregoing fee, shall charge a further fee of five dollars as a handling charge for each license issued.

The director of licensing shall be authorized to prorate the vehicle tonnage fee so that the annual license required by this section will correspond with the staggered vehicle licensing system.

A decal or other identifying device issued upon payment of these annual fees shall be displayed as prescribed by the department as authority to purchase this fuel.

Persons selling or dispensing natural gas or propane may not sell or dispense this fuel for their own use or the use of others into tanks of vehicles powered by this fuel which do not display a valid decal or other identifying device as pro-



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vided in this section.

Vehicles registered in jurisdictions outside the state of Washington are exempt from this section.

Any person selling or dispensing natural gas or propane into the tank of a motor vehicle powered by this fuel, except as prescribed in this chapter, is subject to the penalty provisions of this chapter.

Sec. 310. RCW 46.09.170 and 1995 c 166 s 9 are each amended to read as follows:

(1) From time to time, but at least once each year, the state treasurer shall refund from the motor vehicle fund one percent of the motor vehicle fuel tax revenues collected under chapter 82.36 RCW, based on the tax rate in effect January 1, (~~1999~~) 2001, less proper deductions for refunds and costs of collection as provided in RCW 46.68.090. The treasurer shall place these funds in the general fund as follows:

(a) Forty percent shall be credited to the ORV and nonhighway vehicle account and administered by the department of natural resources solely for planning, maintenance, and management of ORV recreation facilities, nonhighway roads, and nonhighway road recreation facilities. The funds under this subsection shall be expended in accordance with the following limitations:

(i) Not more than five percent may be expended for information programs under this chapter;

(ii) Not less than ten percent and not more than fifty percent may be expended for ORV recreation facilities;

(iii) Not more than twenty-five percent may be expended for maintenance of nonhighway roads;

(iv) Not more than fifty percent may be expended for nonhighway road recreation facilities;

(v) Ten percent shall be transferred to the interagency committee for outdoor recreation for grants to law enforcement agencies in those counties where the department of natural resources maintains ORV facilities. This amount is in addition to those distributions made by the interagency committee for outdoor recreation under (d)(i) of this subsection;

(b) Three and one-half percent shall be credited to the ORV and nonhighway vehicle account and administered by the department of fish and wildlife solely for the acquisition, planning, development, maintenance, and management of nonhighway roads and recreation facilities;

(c) Two percent shall be credited to the ORV and nonhighway vehicle account and administered by the parks and recreation commission solely for the maintenance and management of ORV use areas and facilities; and

(d) Fifty-four and one-half percent, together with the funds received by the interagency committee for outdoor recreation under RCW 46.09.110, shall be credited to the nonhighway and off-road vehicle activities program account to be administered by the committee for planning, acquisition, development, maintenance, and management of ORV recreation facilities and nonhighway road recreation facilities; ORV user

education and information; and ORV law enforcement programs. The expenditures in this subsection (1)(d) shall be calculated on the motor vehicle fuel tax in effect January 1, 1990, until this subsection (1)(d) is amended to reflect the findings of the recreational fuel use study provided in section 346, chapter 8, Laws of 2001 2nd sp. sess. The funds under this subsection shall be expended in accordance with the following limitations:

(i) Not more than twenty percent may be expended for ORV education, information, and law enforcement programs under this chapter;

(ii) Not less than an amount equal to the funds received by the interagency committee for outdoor recreation under RCW 46.09.110 and not more than sixty percent may be expended for ORV recreation facilities;

(iii) Not more than twenty percent may be expended for nonhighway road recreation facilities.

(2) On a yearly basis an agency may not, except as provided in RCW 46.09.110, expend more than ten percent of the funds it receives under this chapter for general administration expenses incurred in carrying out this chapter.

Sec. 311. RCW 46.10.170 and 1994 c 262 s 4 are each amended to read as follows:

From time to time, but at least once each four years, the department shall determine the amount of moneys paid to it as motor vehicle fuel tax that is tax on snowmobile fuel. Such determination shall use one hundred thirty-five gallons as the average yearly fuel usage per snowmobile, the number of registered snowmobiles during the calendar year under determination, and the fuel tax rate in effect January 1, (~~1999~~) 2001.

Sec. 312. RCW 79A.25.070 and 2000 c 11 s 73 are each amended to read as follows:

Upon expiration of the time limited by RCW 82.36.330 for claiming of refunds of tax on marine fuel, the state of Washington shall succeed to the right to such refunds. The director of licensing, after taking into account past and anticipated claims for refunds from and deposits to the marine fuel tax refund account and the costs of carrying out the provisions of RCW 79A.25.030, shall request the state treasurer to transfer monthly from the marine fuel tax refund account an amount equal to the proportion of the moneys in the account representing the motor vehicle fuel tax rate under RCW 82.36.025 in effect on January 1, (~~1999~~) 2001, to the recreation resource account and the remainder to the motor vehicle fund.

PART IV - SALES AND USE TAXES

Sec. 401. RCW 82.08.020 and 2000 2nd sp.s. c 4 s 1 are each amended to read as follows:

(1) There is levied and there shall be collected a tax on each retail sale in this state equal to six and five-tenths percent of the selling price.

(2) There is levied and there shall be collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection shall be deposited in the multimodal transporta-



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tion account created in RCW 47.66.070.

(3) Beginning April 1, 2003, there is levied and collected an additional tax of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, off-road and nonhighway vehicles as defined in RCW 46.09.020, and snowmobiles as defined in RCW 46.10.010.

(5) The revenue collected under subsection (3) of this section must be deposited into the multimodal transportation account under RCW 47.66.070.

(6) The taxes imposed under this chapter shall apply to successive retail sales of the same property.

((4)) (7) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

Sec. 402. RCW 82.12.020 and 1999 c 358 s 9 are each amended to read as follows:

(1) There is hereby levied and there shall be collected from every person in this state a tax or excise for the privilege of using within this state as a consumer: (a) Any article of tangible personal property purchased at retail, or acquired by lease, gift, repossession, or bailment, or extracted or produced or manufactured by the person so using the same, or otherwise furnished to a person engaged in any business taxable under RCW 82.04.280 (2) or (7); or (b) any canned software, regardless of the method of delivery, but excluding canned software that is either provided free of charge or is provided for temporary use in viewing information, or both.

(2) This tax shall apply to the use of every service defined as a retail sale in RCW 82.04.050(3)(a) and the use of every article of tangible personal property, including property acquired at a casual or isolated sale, and including byproducts used by the manufacturer thereof, except as hereinafter provided, irrespective of whether the article or similar articles are manufactured or are available for purchase within this state.

(3) Except as provided in RCW 82.12.0252, payment by one purchaser or user of tangible personal property or service of the tax imposed by chapter 82.08 or 82.12 RCW shall not have the effect of exempting any other purchaser or user of the same property or service from the taxes imposed by such chapters.

(4) The tax shall be levied and collected in an amount equal to the value of the article used by the taxpayer multiplied by the rates in effect for the retail sales tax under RCW 82.08.020.

Sec. 403. RCW 82.12.045 and 1996 c 149 s 19 are each amended to read as follows:

(1) In the collection of the use tax on motor vehicles, the department of revenue may designate the county auditors of the several counties of the state as its collecting agents. Upon such designation, it shall be the duty of each county auditor to collect the tax at the time an applicant applies for the registration of, and transfer of title to, the motor vehicle, except in the following instances:

(a) Where the applicant exhibits a dealer's report of sale showing that the retail sales tax has been collected by the dealer;

(b) Where the application is for the renewal of registration;

(c) Where the applicant presents a written statement signed by the department of revenue, or its duly authorized agent showing that no use tax is legally due; or

(d) Where the applicant presents satisfactory evidence showing that the retail sales tax or the use tax has been paid by ~~((him))~~ the applicant on the vehicle in question.

(2) The term "motor vehicle," as used in this section means and includes all motor vehicles, trailers and semitrailers used, or of a type designed primarily to be used, upon the public streets and highways, for the convenience or pleasure of the owner, or for the conveyance, for hire or otherwise, of persons or property, including fixed loads, facilities for human habitation, and vehicles carrying exempt licenses.

(3) It shall be the duty of every applicant for registration and transfer of certificate of title who is subject to payment of tax under this section to declare upon ~~((his))~~ the application the value of the vehicle for which application is made, which shall consist of the consideration paid or contracted to be paid therefor.

(4) Each county auditor who acts as agent of the department of revenue shall at the time of remitting license fee receipts on motor vehicles subject to the provisions of this section pay over and account to the state treasurer for all use tax revenue collected under this section, after first deducting as ~~((his))~~ a collection fee the sum of two dollars for each motor vehicle upon which the tax has been collected. All revenue received by the state treasurer under this section shall be credited to the general fund. The auditor's collection fee shall be deposited in the county current expense fund. A duplicate of the county auditor's transmittal report to the state treasurer shall be forwarded forthwith to the department of revenue.

(5) Any applicant who has paid use tax to a county auditor under this section may apply to the department of revenue for refund thereof if he or she has reason to believe that such tax was not legally due and owing. No refund shall be allowed unless application therefor is received by the department of revenue within the statutory period for assessment of taxes, penalties, or interest prescribed by RCW 82.32.050(3). Upon receipt of an application for refund the department of revenue shall consider the same and issue its order either granting or denying it and if refund is denied the taxpayer shall have the right of appeal as provided in RCW 82.32.170, 82.32.180 and 82.32.190.

(6) The provisions of this section shall be construed as cumulative of other methods prescribed in chapters 82.04 to 82.32 RCW, inclusive, for the collection of the tax imposed by this chapter. The department of revenue shall have power



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to promulgate such rules as may be necessary to administer the provisions of this section. Any duties required by this section to be performed by the county auditor may be performed by the director of licensing but no collection fee shall be deductible by said director in remitting use tax revenue to the state treasurer.

(7) The use tax revenue collected on the rate provided in RCW 82.08.020(3) will be deposited in the multimodal transportation account under RCW 47.66.070.

NEW SECTION. Sec. 404. A new section is added to chapter 43.135 RCW to read as follows:

A transfer from the general fund to the multimodal transportation account under section 405 of this act for taxes collected under chapters 82.08 and 82.12 RCW on new construction projects within the improvement program in RCW 47.05.030(2), does not require a corresponding lowering of the state expenditure limit to reflect this shift for purposes of RCW 43.135.035(4).

NEW SECTION. Sec. 405. A new section is added to chapter 82.32 RCW to read as follows:

(1) Effective for taxes collected in fiscal year 2006, the tax imposed and collected under chapters 82.08 and 82.12 RCW, less any credits allowed under chapter 82.14 RCW, on construction projects within the improvement program in RCW 47.05.030(2), except for those projects related to safety and environmental retrofit, shall be transferred from the general fund to the multimodal transportation account once each year as described by subsection (3) of this section.

(2) This transaction is exempt from the requirements in RCW 43.135.035(4).

(3) Government entities conducting construction projects within the improvement program in RCW 47.05.030(2), except for those projects related to safety and environmental retrofit, shall report to the department by August 1st of each year the amount of state sales or use tax attributable to the projects identified in this section from the previous fiscal year for purposes of transfer to the multimodal transportation account. The department shall notify the state treasurer of the amount of the transfer by September 30th of each year.

PART V - BOND AUTHORIZATION

NEW SECTION. Sec. 501. In order to provide funds necessary for the location, design, right of way, and construction of selected state and local highway improvements, there shall be issued and sold upon the request of the transportation commission a total of four billion five hundred million dollars of general obligation bonds of the state of Washington.

NEW SECTION. Sec. 502. Upon the request of the transportation commission, as appropriate, the state finance committee shall supervise and provide for the issuance, sale,

and retirement of the bonds authorized by RCW 46.68.090 in accordance with chapter 39.42 RCW. Bonds authorized by this act shall be sold in the manner, at time or times, in amounts, and at the price as the state finance committee shall determine. No bonds may be offered for sale without prior legislative appropriation of the net proceeds of the sale of the bonds.

The state finance committee shall consider the issuance of short-term obligations in lieu of long-term obligations for the purposes of more favorable interest rates, lower total interest costs, and increased marketability and for the purpose of retiring the bonds during the life of the project for which they were issued.

NEW SECTION. Sec. 503. The proceeds from the sale of bonds authorized by section 501 of this act shall be deposited in the motor vehicle fund. The proceeds shall be available only for the purposes enumerated in section 501 of this act, for the payment of bond anticipation notes, if any, and for the payment of bond issuance costs, including the costs of underwriting.

NEW SECTION. Sec. 504. Bonds issued under the authority of section 501 of this act shall distinctly state that they are a general obligation of the state of Washington, shall pledge the full faith and credit of the state to the payment of the principal thereof and the interest thereon, and shall contain an unconditional promise to pay such principal and interest as the same shall become due. The principal and interest on the bonds shall be first payable from the proceeds of the state excise taxes on motor vehicle and special fuels imposed by chapters 82.36 and 82.38 RCW. Proceeds of these excise taxes are hereby pledged to the payment of any bonds and the interest thereon issued under the authority of sections 501 through 506 of this act, and the legislature agrees to continue to impose these excise taxes on motor vehicle and special fuels in amounts sufficient to pay, when due, the principal and interest on all bonds issued under the authority of section 501 of this act.

NEW SECTION. Sec. 505. Both principal and interest on the bonds issued for the purposes of section 501 of this act shall be payable from the highway bond retirement fund. The state finance committee may provide that a special account be created in the fund to facilitate payment of the principal and interest. The state finance committee shall, on or before June 30th of each year, certify to the state treasurer the amount required for principal and interest on the bonds in accordance with the bond proceedings. The state treasurer shall withdraw revenues from the motor vehicle fund and deposit in the highway bond retirement fund, or a special account in the fund, such amounts, and at such times, as are required by the bond proceedings.

Any funds required for bond retirement or interest on the bonds authorized by section 501 of this act shall be taken from that portion of the motor vehicle fund that results from the imposition of excise taxes on motor vehicle and special fuels and which is, or may be, appropriated to the department of transportation for state highway purposes. Funds required shall never constitute a charge against any other



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allocations of motor vehicle fuel and special fuel tax revenues to the state, counties, cities, and towns unless the amount arising from excise taxes on motor vehicle and special fuels distributed to the state in the motor vehicle fund proves insufficient to meet the requirements for bond retirement or interest on any such bonds.

Any payments for bond retirement or interest on the bonds taken from other revenues from the motor vehicle fuel or special fuel taxes that are distributable to the state, counties, cities, and towns shall be repaid from the first revenues from the motor vehicle fuel or special fuel taxes distributed to the motor vehicle fund not required for bond retirement or interest on the bonds.

NEW SECTION. Sec. 506. Bonds issued under the authority of section 501 of this act and this section and any other general obligation bonds of the state of Washington that have been or that may be authorized and that pledge motor vehicle and special fuels excise taxes for the payment of principal and interest thereon shall be an equal charge against the revenues from such motor vehicle and special fuels excise taxes.

NEW SECTION. Sec. 507. For the purpose of providing funds for the planning, design, construction, reconstruction, and other necessary costs for transportation projects, including rail and passenger-only ferry projects, the state finance committee is authorized to issue general obligation bonds of the state of Washington in the sum of one hundred million dollars, or as much thereof as may be required, to finance these projects and all costs incidental thereto. Bonds authorized in this section may be sold at such price as the state finance committee shall determine. No bonds authorized in this section may be offered for sale without prior legislative appropriation of the net proceeds of the sale of the bonds.

NEW SECTION. Sec. 508. The proceeds of the sale of the bonds authorized in section 507 of this act must be deposited in the multimodal transportation account and must be used exclusively for the purposes specified in section 507 of this act and for the payment of expenses incurred in the issuance and sale of the bonds.

NEW SECTION. Sec. 509. (1) The nondebt-limit reimbursable bond retirement account must be used for the payment of the principal and interest on the bonds authorized in section 507 of this act.

(2)(a) The state finance committee must, on or before June 30th of each year, certify to the state treasurer the amount needed in the ensuing twelve months to meet the bond retirement and interest requirements on the bonds authorized in section 507 of this act.

(b) On or before the date on which any interest or principal and interest is due, the state treasurer shall transfer from the

multimodal transportation account for deposit into the nondebt-limit reimbursable bond retirement account the amount computed in (a) of this subsection for bonds issued for the purposes of section 507 of this act.

(3) If the multimodal transportation account has insufficient revenues to pay the principal and interest computed in subsection (2)(a) of this section, then the debt-limit reimbursable bond retirement account must be used for the payment of the principal and interest on the bonds authorized in section 507 of this act from any additional means provided by the legislature.

(4) If at any time the multimodal transportation account has insufficient revenues to repay the bonds, the legislature may provide additional means for the payment of the bonds.

NEW SECTION. Sec. 510. (1) Bonds issued under section 507 of this act must state that they are a general obligation of the state of Washington, must pledge the full faith and credit of the state to the payment of the principal and interest, and must contain an unconditional promise to pay the principal and interest as it becomes due.

(2) The owner and holder of each of the bonds or the trustee for the owner and holder of any of the bonds may by mandamus or other appropriate proceeding require the transfer and payment of funds as directed in this section.

NEW SECTION. Sec. 511. The legislature may provide additional means for raising moneys for the payment of the principal and interest on the bonds authorized in section 507 of this act, and sections 509 and 510 of this act are not deemed to provide an exclusive method for their payment.

NEW SECTION. Sec. 512. The bonds authorized in section 507 of this act are a legal investment for all state funds or funds under state control and for all funds of any other public body.

Sec. 513. RCW 39.42.060 and 2001 2nd sp.s. c 9 s 18 are each amended to read as follows:

No bonds, notes, or other evidences of indebtedness for borrowed money shall be issued by the state which will cause the aggregate debt contracted by the state to exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than seven percent of the arithmetic mean of its general state revenues, as defined in section 1(c) of Article VIII of the Washington state Constitution for the three immediately preceding fiscal years as certified by the treasurer in accordance with RCW 39.42.070. It shall be the duty of the state finance committee to compute annually the amount required to pay principal of and interest on outstanding debt. In making such computation, the state finance committee shall include all borrowed money represented by bonds, notes, or other evidences of indebtedness which are secured by the full faith and credit of the state or are required to be paid, directly or indirectly, from general state revenues and which are incurred by the state, any department, authority, public corporation or quasi public corporation of the state, any state university or college, or any other public agency created by the state but not by counties, cities, towns, school districts, or other municipi-



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pal corporations, and shall include debt incurred pursuant to section 3 of Article VIII of the Washington state Constitution, but shall exclude the following:

(1) Obligations for the payment of current expenses of state government;

(2) Indebtedness incurred pursuant to RCW 39.42.080 or 39.42.090;

(3) Principal of and interest on bond anticipation notes;

(4) Any indebtedness which has been refunded;

(5) Financing contracts entered into under chapter 39.94 RCW;

(6) Indebtedness authorized or incurred before July 1, 1993, pursuant to statute which requires that the state treasury be reimbursed, in the amount of the principal of and the interest on such indebtedness, from money other than general state revenues or from the special excise tax imposed pursuant to chapter 67.40 RCW;

(7) Indebtedness authorized and incurred after July 1, 1993, pursuant to statute that requires that the state treasury be reimbursed, in the amount of the principal of and the interest on such indebtedness, from (a) moneys outside the state treasury, except higher education operating fees, (b) higher education building fees, (c) indirect costs recovered from federal grants and contracts, and (d) fees and charges associated with hospitals operated or managed by institutions of higher education;

(8) Any agreement, promissory note, or other instrument entered into by the state finance committee under RCW 39.42.030 in connection with its acquisition of bond insurance, letters of credit, or other credit support instruments for the purpose of guaranteeing the payment or enhancing the marketability, or both, of any state bonds, notes, or other evidence of indebtedness;

(9) Indebtedness incurred for the purposes identified in RCW 43.99N.020;

(10) Indebtedness incurred for the purposes of the school district bond guaranty established by chapter 39.98 RCW;

(11) Indebtedness incurred for the purposes of replacing the waterproof membrane over the east plaza garage and revising related landscaping construction pursuant to RCW 43.99Q.070; (~~and~~)

(12) Indebtedness incurred for the purposes of the state legislative building rehabilitation, to the extent that principal and interest payments of such indebtedness are paid from the capitol building construction account pursuant to RCW 43.99Q.140(2)(b); and

(13) Indebtedness incurred for the purposes of financing projects under section 507 of this act.

To the extent necessary because of the constitutional or statutory debt limitation, priorities with respect to the issuance or guaranteeing of bonds, notes, or other evidences of indebtedness by the state shall be determined by the state finance committee.

NEW SECTION. Sec. 514. Sections 501 through 512 of this act are each added to chapter 47.10 RCW.

PART VI - REFERENDUM

NEW SECTION. Sec. 601. (1) The secretary of state shall submit this act, except for sections 102 through 120 of this act, to the people for their adoption and ratification, or rejection, at the next general election to be held in this state, in accordance with Article II, section 1 of the state Constitution and the laws adopted to facilitate its operation.

(2) If the people ratify this act as specified under subsection (1) of this section, revenues generated shall be spent as detailed in Senate Bill No. 6347, as enacted by the legislature.

(3) Pursuant to RCW 29.79.035, the statement of subject on the ballot title shall read: "The legislature has passed House Bill No. 2969, financing transportation improvements through transportation fees and taxes." The concise description on the ballot title shall read: "This bill would improve highway capacity, public transportation, passenger and freight rail, and transportation financing accountability through increased weight fees on trucks and large vehicles, fuel excise taxes, and sales taxes on vehicles."

NEW SECTION. Sec. 602. If this act is not ratified by the voters by November 15, 2002, this act is null and void in its entirety, including sections 102 through 120 of this act.

NEW SECTION. Sec. 603. Section 601 of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately.

PART VII - MISCELLANEOUS

NEW SECTION. Sec. 701. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 702. Part headings used in this act do not constitute any part of the law.

NEW SECTION. Sec. 703. If this act is ratified by the voters as specified in section 601 of this act, this act, except sections 401, 402, and 601 of this act, takes effect December 30, 2002.

NEW SECTION. Sec. 704. This act is null and void if a transportation expenditure bill based on the revenue provided in this act does not become law by December 31, 2002.

NEW SECTION. Sec. 705. Sections 401 and 402 of this act take effect April 1, 2003.



REFERENDUM MEASURE 53 (continued from previous page)

The law as it presently exists (continued):

measure is a vote to reject the referred portions of EHB 2901 as passed by the Legislature.

This measure would revise rate classifications to produce a closer relationship between an employer's contribution rate and actual experience. Employers subject to a high incidence of employment claims would pay a higher contribution, and employers with a lower incidence of claims would pay lower contributions. Current rate class 20 would be divided into five subclasses (20A through 20E) and the measure would establish a formula for assigning employers to these subclasses. For employers assigned to rate classes 19 through 20E, the maximum amount of wages subject to tax would increase to 85% of the "average annual wage for contributions purposes" (based on the second preceding calendar year) in 2003, and 90% of the "average annual wage for contributions purposes" in 2004 and later years. For employers in the other rate classes, the maximum contribution level would remain at 80%.

This measure would adopt new tables and arrays of contribution rates for all rate classes, one for 2003 and 2004 and a second one for 2005 and later years. The measure authorizes a tax schedule no higher than Tax Schedule C during 2004. Therefore, even if applying the statutory formula would otherwise lead to adoption of a higher schedule, Tax Schedule C will be used in 2004.

This measure would establish a new equity surcharge calculated to bring employer contributions closer to actual claims costs. This surcharge would be added to the contribution rate beginning in 2005 if unemployment benefits paid to claimants attributed to that employer exceed the contributions paid by that employer in three or more of the four preceding fiscal years. The amount of the surcharge would be determined by the employment security commissioner following standards set forth in the measure, but could not exceed .6% (6 tenths of one percent). The surcharge would not apply to employers with certain industrial classification codes.

This measure would amend the law relating to successor employers. (A "successor employer" is an individual or corporation that takes over an existing business.) Until the successor employer qualifies for a contribution rate on its own, the employment security commissioner assigns a contribution rate based on the average rate for the employer's industry. In assigning employers to industrial classifications, the measure would adopt the North American industry classification code system, along with the current standard industrial classification code. The measure also provides that where a successor employer is not already an employer when a business is transferred, the new employer will continue to pay the same contribution as the predecessor for the remainder of the rate year in which the transfer occurs. Successor employers would also be subject to equity surcharges.

The referred portions of the measure also provide effective dates and expiration dates for various provisions of EHB 2901.



REFERENDUM BILL 51 (continued from page 15)

The law as it presently exists (continued):

licensing fees ranging from \$37 (4,000 to 6,000 lbs.) to \$2,883 (105,000 lbs. or more). The annual fee for vehicles which tow trailers, or are not used exclusively for hauling logs, varies from \$37 (4,000 to 6,000 lbs.) to \$2,973 (105,000 lbs. or more). The revenue from these fees, like fuel tax revenue, is constitutionally restricted to highway (including ferry) purposes.

The current state sales tax, applied to the retail sale of any item in this state (with certain exceptions) is 6.5 percent of the selling price (local governments are authorized to impose certain additional sales taxes above this amount). The use tax (applied to items used within this state but not subject to sales tax) is also 6.5 percent, applied against the value of the item used. Cars, trucks, and other motor vehicles are currently taxed at the same rate as other items. The revenue from sales taxes is not constitutionally restricted and is used for a variety of governmental purposes. Some of it may be spent on transportation purposes (including rail and transit) if the Legislature so directs.

The effect of the proposed measure, if it becomes law:

Engrossed Substitute House Bill 2969 (ESHB 2969) was enacted by the Legislature in its 2002 session. The Legislature referred portions of this bill (the "referred portions") to the people for their approval or rejection at the 2002 general election. The referred portions of the bill would increase fuel taxes, increase licensing fees on heavy trucks and buses, and increase the sales and use tax on motor vehicles. The increases would be used to fund various transportation projects.



REFERENDUM BILL 51 (continued from previous page)
The effect of the proposed measure, if it becomes law (continued):

The appropriations for projects to be funded in 2001-2003 and the 10-year project plan are not listed in ESHB 2969 itself but are included in another enactment, Engrossed Substitute Senate Bill 6347. Copies of ESSB 6347 are available from the Legislature, or may be obtained electronically from either house of the Legislature at www.sgc.leg.wa.gov or www.htc.leg.wa.gov.

The bill would increase the motor vehicle fuel tax rate by five cents per gallon beginning January 1, 2003, and by four additional cents per gallon beginning January 1, 2004. The tax on "special fuels" (those not ordinarily used as motor vehicle fuel) would also be increased by five cents in 2003 and by four additional cents in 2004. A small portion (projected under 5 percent) of the increased tax would be distributed directly to counties, and to cities and towns of over 10,000 population, for local transportation purposes. The remainder would be placed in the motor vehicle account and used for state and local transportation (highway and ferry) purposes.

Beginning with vehicle registrations due January 1, 2003, the bill would impose a surcharge on all heavy trucks and buses over 10,000 lbs. in gross weight, amounting to 15 percent of the current charges applicable to each vehicle. On January 1, 2004, the surcharge would increase to 30 percent of the current charge. The proceeds of the surcharge would be deposited in the motor vehicle account. The bill would also create a freight mobility account. Money in this account could be appropriated by the Legislature for roadway improvement projects to facilitate freight movement.

The bill would also impose an additional sales tax, beginning April 1, 2003, of one percent of the selling price of each retail sale of a motor vehicle in this state, except retail car rentals, and the same increase in the use tax. The revenues from these tax increases would be placed in the multimodal transportation account for transportation purposes (highways, ferries, rail, and public transportation).

The bill would authorize the sale of state general obligation bonds. First, the bill would authorize the sale of \$4.5 billion worth of bonds, with the resulting revenue to be placed in the motor vehicle fund and used for the location, design, right of way, and construction of state and local highway improvements (including improvements in the ferry system). Second, the bill would also authorize the sale of an additional total of \$100 million of bonds, with the resulting revenues from this sale to be placed in the multimodal transportation account and used for the planning, design, construction, and other costs for transportation projects, including rail, transit, and passenger-only ferry projects. The revenues from the tax and fee increases imposed in the bill would be used, among other things, to repay the principal and interest on these bonds.

The nonreferred portions of ESHB 2969 relate to the subject of accountability for transportation projects and programs. The responsibilities of the legislative transportation accountability committee, the department of transportation, the transportation commission, and a new transportation accountability board would be defined. Although these sections are not included in the referendum, the bill provides that these sections will be null and void if the referendum is not approved by the people.



REFERENDUM MEASURE 53 Fiscal Impact Statement

Five-Year Fiscal Impact Through 2007

Referendum Measure 53 affects unemployment insurance taxes paid by employers. Tax rates are reduced for some employers whose taxes have been greater than the benefits paid to their former workers, and increased for other employers whose taxes have been less than benefits paid to former workers. The effect of Referendum 53 on revenue deposited in the Unemployment Insurance Trust Fund varies each year, but the measure may reduce total unemployment taxes paid over the next five years by \$180 million. Referendum 53 does not affect unemployment benefits paid to unemployed workers.

Fiscal Impact Assumptions

- Under the most likely unemployment conditions, Referendum 53 causes revenue going into the Unemployment Insurance Trust Fund to increase by \$23 million in 2003, increase by \$34 million in 2004, and decrease by a net \$180 million through 2007. Despite the net decrease, higher taxes would be paid by some industries that in recent years have paid taxes that are less than the value of unemployment benefits received by their laid-off employees. Lower taxes would be paid by other industries in which unemployment taxes they have paid in recent years have exceeded unemployment benefits received by their former employees.
- Unemployment conditions used in the analysis above are based on the June 2002 unemployment rates forecast by the Office of the Forecast Council. The most likely unemployment condition is "medium unemployment" defined as an unemployment rate in excess of 6.5 percent from June 2002 through the third quarter of 2003.
- Although Referendum 53 affects the overall amount of money in the Unemployment Insurance Trust Fund, employer tax rates automatically are adjusted to ensure sufficient unemployment taxes to pay unemployment benefits.
- Referendum 53 does not affect eligibility for unemployment benefits, the amount of benefits paid, or administrative costs.
- For purposes of this analysis, it is assumed that the total number of Washington State employers remains the same through 2007, and that an individual employer's relative position in the unemployment tax rate class schedule remains the same through 2007.



REFERENDUM BILL 51 Fiscal Impact Statement

10-Year Fiscal Impact Through 2012

Referendum Bill 51 increases state transportation tax and fee revenue by \$4.5 billion and authorizes \$4.6 billion in new transportation bonds. This new revenue finances up to \$7.7 billion in new highway projects, ferries, rail, local road projects, and public transit, over 10 years, and provides funding necessary to pay back the new transportation bonds. The impact to individual taxpayers will vary depending upon type of vehicle and miles driven.

Fiscal Impact Assumptions

- A 9-cent gas tax increase would be phased in over two years – 5 cents effective January 1, 2003, and an additional 4 cents effective January 1, 2004.
- An additional state sales and use tax of 1 percent on new and used vehicles would take effect April 1, 2003. New revenue would be dedicated to transportation purposes such as highways, ferries, rail investments and transit.
- Gross weight fees for trucks over 10,000 pounds would be increased by 30 percent, phased in over two years – 15 percent effective January 1, 2003, and the remaining 15 percent effective January 1, 2004.
- Since motor vehicle fees and taxes paid would depend on the type of vehicle and the number of miles driven, the amount of the increase for each taxpayer would vary.
- State sales and use tax revenue paid on most Washington State Department of Transportation highway improvement projects after July 1, 2005, would be transferred for use in other transportation projects. This revenue currently is deposited in the General Fund.
- \$4.5 billion in bonds supported by gasoline tax revenue would be authorized for highway and ferry projects and an additional \$100 million in general obligation bonds would be authorized and could be used for non-highway transportation projects such as capital rail investments and passenger ferries.
- Revenue estimates are based on June 2002 forecasts of the Transportation Revenue Forecast Council and the Economic and Revenue Forecast Council.
- Fuel tax revenue estimates assume current fuel consumption levels.
- Expenditure estimates reflect the expenditure plan of the 2002 Legislature. Future expenditures are subject to legislative appropriation.
- Debt service estimates reflect the expenditure plan of the 2002 Legislature and assume that 25-year bonds will be issued at an interest rate of 5.5 percent.