

SENATE BILL REPORT

SB 5801

As Reported by Senate Committee On:
Transportation, March 27, 2025

Title: An act relating to transportation resources.

Brief Description: Concerning transportation resources.

Sponsors: Senators Liias, King and Chapman.

Brief History:

Committee Activity: Transportation: 3/25/25, 3/27/25 [DPS, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Increases a variety of transportation taxes and fees, including a \$0.06 per gallon increase in the state fuel tax and then indexing the rate by inflation.
- Imposes a luxury vehicles tax, an electric bicycle surcharge, and a large event transportation assessment.
- Makes a variety of other resource related changes and modifies a variety of transportation policies.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5801 be substituted therefor, and the substitute bill do pass.

Signed by Senators Liias, Chair; Lovick, Vice Chair; Ramos, Vice Chair; King, Ranking Member; Goehner, Assistant Ranking Member; Alvarado, Chapman, Harris, Lovelett, Nobles, Shewmake and Valdez.

Minority Report: Do not pass.

Signed by Senators Christian, Cortes, Fortunato, Krishnadasan and MacEwen.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: That it be referred without recommendation.

Signed by Senator Wilson, J..

Staff: Bryon Moore (786-7726)

Background: The 18th Amendment and Fuel Taxes. Since 1921, the state of Washington has levied a motor vehicle fuel tax (MVFT). The current state MVFT is \$0.494 per gallon and is distributed amongst state highway programs, the state ferry system, and local governments. The state highway programs include revenue packages that included gas tax increases, such as the 2003 Transportation Nickel package, the 2005 Transportation Partnership, and the Connecting Washington package that the Legislature passed in 2015.

The 18th Amendment to the Washington State Constitution requires that the state's MVFT, vehicle licensing fees, and all other state revenue intended to be used for highway purposes be deposited into the Motor Vehicle Fund. Moneys in that fund may only be spent for highway purposes, which are defined to include expenditures on construction, preservation, maintenance, operation, and administration of highways and ferries.

Electric Vehicle Fees. In addition to any other fees due at annual vehicle registration renewal, an electric or hybrid vehicle using at least one method of propulsion that is capable of being reenergized by an external source of electricity and is capable of traveling at least 30 miles using only battery power powered by electricity, are subject to two electric vehicle (EV) fees that total \$150. The first fee is \$100 and is deposited into the Motor Vehicle Fund, up to \$1 million annually. If in any year the amount collected exceeds \$1 million, the excess amount is distributed as follows:

- 70 percent to the Motor Vehicle Fund;
- 15 percent to the Transportation Improvement Account; and
- 15 percent to the Rural Arterial Trust Account.

The second fee is \$50. The first \$1 million raised by the fee must be deposited into the Multimodal Transportation Account. Any remaining amounts must be deposited into the Motor Vehicle Fund. The \$1 million threshold was reached in November 2017, and fee revenues from the \$50 fee are currently deposited into the Motor Vehicle Fund.

These fees apply to annual vehicle registration renewals until the effective date of enacted legislation that imposes a vehicle-miles traveled fee or tax.

Transportation Electrification Fee and Hybrid Transportation Electrification Vehicle Fee. An annual \$75 transportation electrification fee is imposed at the time of vehicle registration renewal on an electric or hybrid vehicle using at least one method of propulsion capable of being reenergized by an external source of electricity and is capable of traveling at least 30 miles using only battery power.

An annual \$75 hybrid vehicle transportation electrification fee is imposed on hybrid and alternative fuel vehicles that do not pay the EV fee or the transportation electrification fee.

This fee is collected at the time of vehicle registration renewal.

Revenues collected from the transportation electrification fee and the hybrid vehicle transportation electrification fees are deposited in the Electric Vehicle Account until July 1, 2025, after which time, revenues will be deposited in the Motor Vehicle Fund.

Title and Registration Services Fees. A \$15 service fee is imposed for changes in a vehicle or vessel title certificate, or verification of a record and preparation of an affidavit of lost title. An \$8 service fee is imposed for a registration renewal, issuing a transit permit, accepting a vessel registration, accepting a report of sale, and accepting a transitional ownership record.

The service fees collected by the Department of Licensing (DOL) or a county auditor or other agent must be deposited into the Capital Vessel Replacement Account. The service fees collected by subagents are retained by the subagents.

Filing Fees. A person pays a filing fee of \$4.50 for a vehicle registration or any other right to operate a vehicle on state highways, including transactions involving a report of sale, transitional ownership record, farm vehicle reduced gross weight license, or vessel registration. A person pays a filing fee of \$5.50 for a certificate of title for a vehicle or vessel. The filing fee distribution is dependent on the entity that collects the fee.

Rental Car Tax. Rental cars are subject to an additional 5.9 percent state sales and use tax that is imposed on each rental car contract. Rental cars are also subject to some locally imposed taxes. Proceeds from the state rental car tax are deposited into the Multimodal Transportation Account.

Peer to Peer Vehicle Sharing. Peer to peer vehicle sharing is generally described as a transaction in which a privately-owned vehicle owner uses a broker or online platform to connect with customers wishing to rent their vehicle. Current law provides regulations around vehicle safety certifications and auto insurance coverage. Personal vehicle sharing is subject to sales and use tax provisions, but not the rental car tax.

Sales and Use Taxes. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. State sales and use tax revenues are deposited into the State General Fund.

An additional 0.3 percent sales and use tax on motor vehicle purchases was enacted in 2003. Revenue generated from the 0.3 percent sales and use tax on vehicles is deposited into the Multimodal Transportation Account for transportation purposes.

Electric Bicycles. Washington State defines electric bicycles into three classes based on motor and their maximum speed. A variety of third-party entities are involved in product safety standards and certifications with UL and EN codes designating certain certifications related to fire safety of electric bicycles.

Tire Fee. A \$1 per tire fee is imposed on the retail sale of new replacement vehicle tires. Retailers are permitted to retain 10 percent of the fee for costs associated with the proper management of the waste vehicle tires by the retailer. The remaining 90 percent of the fee is paid to the Department of Revenue and may be appropriated to the Department of Ecology for cleanup of unauthorized waste tire piles with a distribution to the Motor Vehicle Fund based on fund balance each biennium.

Driver's License and Identicards. DOL issues driver's licenses and identicards that are valid for up to eight years. The fee is \$72 for an eight-year driver's license or identicard, and \$54 for a six-year driver's license or identicard. An additional \$1 fee is imposed on each issuance or renewal of a driver's license or identicard.

Work Zone Safety Cameras. The Washington State Department of Transportation (WSDOT) is beginning implementation of a speed safety camera in work zone pilot program that ends in fiscal year 2030. The penalty for a speed safety camera system violation is \$0 for the first violation and \$248 for a second or subsequent violation.

Traffic Infractions. The base penalties for the majority of traffic infractions are set by the Washington Supreme Court which then also include additional statutory assessments and fees.

Ferry Fares. The Washington State Transportation Commission (WSTC) sets ferry fares for the Washington State Ferries (WSF) annually by September 1st. The fare process is informed by the appropriation levels set by the legislative budget process, as well as forecasts of fuel consumption, prices, actual gallons used and price, and pricing under hedging contracts.

Public Vehicle Registration and Related Fees. Vehicles owned by public agencies and school buses owned by private schools are generally exempt from most annual vehicle registration requirements and payment of the associated fees.

Toll Exemptions. WSTC has provided a toll exemption for buses, including transit, school buses, and qualifying private buses serving employees or the general public.

Washington State Transportation Commission. WSTC is a seven-member commission appointed by the Governor, subject to Senate confirmation, established to perform various transportation-related functions. Under current law, WSTC is tasked with the following functions:

- setting tolls on state toll facilities;
- setting ferry fares;
- proposing policies regarding the statewide transportation system;
- preparing a statewide transportation plan every four years;
- conducting studies as directed by the Legislature;
- providing a public forum for transportation policy development;
- participating in the establishment of state transportation agency objectives and performance measures;
- recommending route jurisdiction transfers to the Legislature;
- naming state transportation facilities; and
- managing the public-private partnership program for state transportation projects.

Climate Commitment Act Transportation Accounts. In 2021, the Legislature passed E2SSB 5126—the Climate Commitment Act (CCA) which directed the Department of Ecology to implement a cap and invest program to reduce greenhouse gas emissions consistent with the statewide statutory emissions limits. Certain revenue amounts generated from auction sales under CCA are deposited into a transportation account, the Carbon Emissions Reduction Account (CERA), to fund various activities intended to affect reductions in transportation sector carbon emissions. In 2022, the Legislature created two new accounts to receive specified annual transfers from CERA to support both active transportation and transit grant programs, the Climate Active Transportation Account and the Climate Transit Programs Account.

Tacoma Narrows Bridge Tolling. Tolls are currently imposed on State Route 16 Tacoma Narrows Bridge to repay the costs to build the second span of the bridge which opened in 2007. Tolls are imposed only on the eastbound direction headed to Tacoma. Under current law, the tolls expire when all financing and related costs have been repaid.

Fencing Along Rail Right-of-Way. Under current law, all entities controlling or managing a railroad outside city limits must construct and maintain a substantial fence along each side of the railroad along the line of right-of-way, as well as safe and sufficient crossings, including a sufficient cattle guard, where the railroad crosses a highway.

Local Automated Traffic Safety Cameras. Local automated traffic safety cameras may be used to detect a variety of moving violations, including on public transportation vehicle-mounted systems operated by a transit authority within a county with more than 1.5 million in population to detect bus stop zone violations.

Public transportation vehicles utilizing a vehicle-mounted system must post a sign on the rear of the vehicle indicating that the vehicle is equipped with a traffic safety camera to enforce bus stop zone violations. Transit authorities must provide to the appropriate local jurisdiction that has authorized a public transportation vehicle-mounted system any images or evidence collected establishing that a violation of stopping, standing, or parking in a bus stop zone has occurred for infraction processing purposes.

State Route 520. Tolls are currently imposed on State Route 520. Current law limits collection of the tolls to the floating bridge portion of the corridor.

Zero Emissions Vehicle Infrastructure Partnerships Funding. WSDOT administers the Zero Emissions Vehicle Infrastructure Partnerships (ZEVIP) Grant Program, which provides funding for the installation of new and upgraded EV charging equipment and hydrogen fueling infrastructure along priority corridors. Priority corridors include only state routes.

WSDOT also administers the Zero Emissions Access Grant Program (ZAP), which provides grant funding for zero-emissions carshare pilot programs in underserved and low- to moderate-income communities that have limited access to public transportation or are in areas where emissions exceed state or federal standards.

Both programs are subject to legislative appropriation through the 2023-2025 fiscal biennium only.

Ferry Vessel Procurement. Current law requires WSDOT to contract for the acquisition of up to five new hybrid diesel-electric ferry vessels that can carry up to 144 vehicles. The contract or contracts may employ the following procurement methods: (1) design-build procedure, (2) design-bid-build process, or (3) lease with an option to buy.

Board of Pilotage Commissioners. The Board of Pilotage Commissioners (Board) is a state agency tasked with regulating marine pilotage services in Washington State. Among its listed duties, the Board is required to submit annual reports to the Governor and Legislature regarding various aspects of current marine pilotage services in the state. In recent years, the transportation budget has required the Board to include in the annual report updates on efforts to increase diversity of pilots, trainees, and applicants, including a diversity action plan.

License Plate Production. During the last five years, DOL has experienced license plate shortages due to license plate production issues. To address increasing license plate shortages, some license plate production has been contracted with third-party vendors. In September 2024, a temporary transition of all license plate types to flat, nonembossed plates was initiated.

Washington State Department of Transportation Project Permits. WSDOT is required to obtain various permits as part of the project construction process. Some example permits include shorelines-related permits, hydraulic permits, asbestos abatement permits, and various environmental permits related to highway culvert projects involving multiple agencies and state and federal regulations. Under certain circumstances, WSDOT maintenance, repair, and replacement construction work is exempt from specified shorelines-related permit requirements, if WSDOT provides written notification to agencies with jurisdiction, agencies with facilities or services that may be impacted, and adjacent

property owners. WSDOT must also comply with the State Environmental Policy Act (SEPA) process to determine environmental impacts of a proposed project—or National Environmental Policy Act, if federally funded.

Essential Public Facilities. Under the Growth Management Act, comprehensive plans of cities and counties must include a process for identifying and siting essential public facilities. Essential public facilities are those facilities that are typically difficult to site, such as airports, correctional facilities, regional transit authority facilities, and solid waste handling facilities. Cities and counties may not preclude the siting of essential public facilities.

Transit Project Permits. Local transit agencies are required to obtain various construction permits as part of the project construction process, including shorelines-related permits. Transit agencies must comply with the SEPA process to determine environmental impacts of a proposed project—or National Environmental Policy Act, if federally funded.

Ferry Fares. WSTC is responsible for adopting fares and pricing policies for WSF. WSTC adopts fare and pricing on September 1st of each year for the ensuing year. Ferry fares must include two \$0.25 surcharges on each ticket. Surcharge revenues are deposited into the Capital Vessel Replacement Account to fund the construction and financing of ferry vessels.

Aeronautics Account. Revenues generated from the state aircraft fuel excise tax are deposited into the state Aeronautics Account. Appropriations from the account have been for aviation-related purposes, primarily for local airport improvement grants.

County Road Administration Board. The County Road Administration Board (CRAB) is a state agency, comprised of county officials, established to support counties with funding for county road construction projects. The primary source of CRAB grant funding comes from accounts supported with a portion of state fuel tax distributions.

Public Transportation Grants. WSDOT provides various grants to local transit agencies, through both codified and uncoded grant programs. Some grant examples include regional mobility grants, rural mobility grants, and transit support grants.

Washington State Ferries Biodiesel Fuel. State agencies must use a minimum of 20 percent biodiesel as compared to total volume of all diesel purchases made by the agencies for the operation of the agencies' diesel powered vessels, vehicles, and construction equipment. However, the transportation budget directs the WSF to use a minimum of 5 percent biodiesel for the operation of WSF diesel-powered vessels, as long as the price of a B5 or B10 biodiesel blend does not exceed the price of conventional diesel fuel by 5 percent or more.

Complete Streets. The dollar threshold for projects requiring complete streets designs is

currently \$500,000.

Expired Vehicle Registrations and Tabs Enforcement. It is unlawful for a person to operate a vehicle on a public highway of this state without having in full force and effect a current and proper vehicle registration and displaying license plates on the vehicle. Failure to initially register a vehicle before operating the vehicle on the public highways of this state is a traffic infraction, with a total fine of \$1,131. Failure to renew an expired vehicle registration before operating a vehicle on the public highways of this state is also a traffic infraction, with a total fine of \$145 if the registration has been expired two months or less or \$237 if the registration has been expired for more than two months.

Transportation Innovative Partnership Program. The Transportation Innovative Partnership (TIP) Program provides a framework for project delivery through public-private partnerships (P3). The intent of the TIP Program is to provide a more desirable and effective approach to developing transportation projects in partnership with the private sector by applying lessons learned from other states and from the state's ten-year experience with the previously enacted Public-Private Partnership Program.

In 2023, the Legislature directed the Joint Transportation Committee to convene a work group to study and recommend a new statutory framework for the TIP Program. The work group was required to submit a preliminary report and any draft legislation recommendations by the end of 2023, along with a final report and draft legislation recommendations by July 1, 2024.

Tax Increment Financing. Tax increment financing (TIF) is a method of allocating a portion of taxes to finance public improvements in designated areas. Typically, under a TIF Program, a local government issues bonds to finance public improvements. To repay its bondholders, the local government is permitted to draw upon tax revenue from increases in assessed value inside a special district surrounding the site of the public improvements. The increment area may not have an assessed valuation of more than \$200 million or more than 20 percent of the sponsoring jurisdiction's total assessed value, whichever is less.

Summary of Bill (First Substitute): Fuel Taxes. Beginning July 1, 2025, the state motor fuel tax is increased by \$0.06 per gallon from \$0.494 to \$0.554 per gallon. Beginning July 1, 2026, the total state motor fuel tax rate is increased by an inflation adjustment factor of 2 percent each year, which will compound annually. The revenue from the fuel tax increases will be deposited in the Move Ahead WA Account.

Electric Vehicle Fees. Beginning October 1, 2025, the annual vehicle registration renewal fee for an electric or hybrid vehicle using at least one method of propulsion that is capable of being reenergized by an external source of electricity and is capable of traveling at least 30 miles using only battery power powered by electricity is increased from \$100 to \$150. This fee and the two other fees of \$50 and \$75 which currently only apply to registration renewals are imposed on initial registration of these vehicles beginning October 1, 2025.

Beginning October 1, 2025, the current hybrid vehicle transportation electrification fee imposed on hybrid and alternative fuel vehicles that do not pay the EV fee or the transportation electrification fee is increased from \$75 to \$100. This fee which currently only applies to registration renewals is imposed on initial registration of these vehicles beginning October 1, 2025.

Beginning July 1, 2026, all the electric and hybrid vehicle fees will be increased by an inflation adjustment factor of 2 percent each year, which will compound annually. The revenue from the fee increases and from the imposition of the fee on initial registrations will be deposited in the Move Ahead WA Account.

All the electric vehicle and electrification fees are designated with the "Fix Our Roads" nomenclature.

Title and Registration Services Fees. For transactions occurring or due on or after January 1, 2026, the service fee for changes in a vehicle or vessel title certificate, changes in ownership for nontitled vehicles, and related transactions is increased from \$15 to \$18. For transactions occurring or due on or after January 1, 2026, the service fee for a vehicle or vessel registration renewal, issuing a transit permit, accepting a report of sale, or accepting a transitional ownership record is increased from \$8 to \$11.

Filing Fees. For transactions occurring or due on or after January 1, 2026, the filing fee for a vehicle or vessel certificate of title is increased from \$5.50 to \$6.50. For transactions occurring or due on or after January 1, 2026, the filing fee for a vehicle or vessel registration, report of sale, transitional ownership record, or farm vehicle reduced gross weight license is increased from \$4.50 to \$6.00.

Rental Car Tax. Beginning January 1, 2026, through December 31, 2026, the additional rental car 5.9 percent state sales and use tax is increased to 11.9 percent. Beginning on January 1, 2027, the additional rental car state sales and use tax rate is set at 9.9 percent. The revenue from the increase will be deposited in the Move Ahead WA Flexible Account.

Peer to Peer Vehicle Sharing. Beginning January 1, 2026 through December 31, 2026, an additional 11.9 percent state sales and use tax rate is imposed on peer to peer vehicle sharing transactions not owned or operated by rental car companies. Beginning on January 1, 2027, the additional state sales and use tax rate is set at 9.9 percent on peer to peer vehicle sharing transactions not owned or operated by rental car companies. The revenue from the imposition of the peer to peer vehicle sharing transactions will be deposited in the Move Ahead WA Flexible Account.

Luxury Vehicle Tax. Beginning January 1, 2026, an additional 10 percent luxury vehicle tax applies to the value of a sale, lease, or transfer of certain vehicles exceeding \$100,000. The new luxury tax applies only to the amount of the sale, lease, or transfer value exceeding

\$100,000 and treats the \$100,000 as a deduction.

The tax is imposed on vehicles not used exclusively for business purposes. It applies to motor vehicles designed for carrying ten or fewer passengers, including cars, light trucks, limousines, motorcycles, passenger vans, and sport utility vehicles. The revenue from the luxury vehicle tax will be deposited in the Move Ahead WA Flexible Account.

Luxury Motor Home Tax. Beginning January 1, 2026, an additional 10 percent luxury motor home tax applies to the value of a sale, lease, or transfer of motor homes exceeding \$500,000. The new luxury tax applies only to the amount of the sale, lease, or transfer value exceeding \$500,000 and treats the \$500,000 as a deduction.

The revenue from the luxury motor home tax will be deposited in the Move Ahead WA Flexible Account.

Luxury Recreational Vessel Tax. Beginning January 1, 2026, an additional 10 percent luxury vessel tax applies to the value of a sale, lease, or transfer of a recreational vessel exceeding \$500,000. The new luxury tax applies only to the amount of the sale, lease, or transfer value exceeding \$500,000 and treats the \$500,000 as a deduction.

The revenue from the luxury vessel tax will be deposited in the Move Ahead WA Flexible Account.

Luxury Noncommercial Aircraft Tax. Beginning January 1, 2026, an additional 10 percent luxury aircraft tax applies to the value of a sale, lease, or transfer of a noncommercial aircraft exceeding \$500,000. The new luxury tax applies only to the amount of the sale, lease, or transfer value exceeding \$500,000 and treats the \$500,000 as a deduction.

The revenue from the luxury aircraft tax will be deposited in the Move Ahead WA Flexible Account.

Electric Bicycle Surcharge. Beginning January 1, 2026, a surcharge equal to 10 percent of the selling price on each retail sale in this state of certain new electric bicycles is imposed. The electric bicycle surcharge applies to Class 1 and 2 electric-assisted bicycles without UL or EN certification and Class 3 electric-assisted bicycles. The revenue from the electric bicycle surcharge will be deposited in the Move Ahead WA Flexible Account.

Tire Fee. Beginning January 1, 2026, the \$1 per tire fee is increased \$5. The amount allowed to be retained by tire retailers is increased to \$0.25 per tire. The distribution of the tire fee revenue is modified so that:

- the first \$600,000 each fiscal year is deposited into the Waste Tire Removal Account;
- \$4.750 million each fiscal year is deposited in the Motor Vehicle Fund; and
- all remaining amounts from the tire fee are deposited in the Move Ahead WA Flexible Account.

Large Event Transportation Assessment. Beginning January 1, 2026, a large event occurring at a large event facility are subject to a large event transportation assessment. This assessment applies to facilities specifically designed to accommodate or seat at least 20,000 attendees per event day. The assessment is the legal obligation of the large event facility operator, but may be separately listed for informational purposes on a customer ticket or billing documents.

The amount of the assessment is \$1 per attendee of the large event sports contest, concert, trade convention, or similar activity with at least 20,000 attendees on each event day. The assessment does not apply to area fairs, county fairs, community fairs, youth shows and fairs, or any state fair.

The revenue from the large event transportation assessment is deposited in the Move Ahead WA Flexible Account.

Driver's License and Identicards. Beginning October 1, 2026, the fee for an eight-year driver's license or identicard is increased from \$72 to \$80. The fee for a six-year driver's license or identicard is increased from \$54 to \$60.

Beginning July 1, 2026, the fee for driver's license and identicards will be increased by an inflation adjustment factor of 2 percent each year, which will compound annually.

All increased revenue from the driver's license and identicard changes will be deposited in the Move Ahead WA Flexible Account.

Work Zone Safety Cameras. Beginning January 1, 2026, the first violation penalty for a work zone speed safety camera system violation is changed from \$0 to \$125. Second or subsequent violation amounts remain unchanged. The violation revenue is deposited in the Highway Safety Account.

Traffic Infractions. Beginning January 1, 2026, a new \$10 per traffic infraction is imposed with the revenue deposited in the Highway Safety Account.

Ferry Credit Card Surcharge. WSF must implement cost recovery surcharge to recoup at least 3 percent in credit card and other financial transaction costs related to the collection of ferry fares. WSF must notify customers of the surcharge at the point-of-sale and itemize the fee on customer receipts.

Toll Exemptions. WSTC is prohibited from exempting publicly or privately owned or operated transit buses, vans, and ride share vehicles from tolling requirements on bridges and must modify tolling provisions accordingly by October 1, 2025. However, public and private school buses may be exempted.

Public Transit Vehicle Registration. By September 1, 2025, DOL and WSDOT, with the involvement from the Washington State Transit Association and other relevant parties, must determine a recommended method of collection and schedule to compensate the state for vehicle registration and other vehicle fee-related exemption impacts from vehicles owned or operated by public transit agencies and regional transit authorities. The fee schedule is not required to be uniform and may be different for particular types or sizes of agencies, but the fee schedule must in aggregate total \$4.5 million per year.

Based on the recommended method of collection and fee schedule, DOL is directed to begin collecting amounts from public transit agencies and the regional transit authority by October 1, 2025. Based on the recommended method of collection and fee schedule, WSDOT is also directed to begin making reductions in regional mobility grants, transit support grants, or other grants and allocations by October 1, 2025. The \$4.5 million in aggregate fiscal year collections will come from one or a combination of these actions.

Washington State Transportation Commission. WSTC membership is reduced from 7 to 5, and the following WSTC functions are removed: (1) statewide planning, (2) proposing policies regarding a statewide transportation system, (3) providing a public forum for transportation policy development, and (4) establishing state transportation agency objectives and performance measures.

Climate Commitment Act Transportation Accounts. The Climate Active Transportation Account and the Climate Transit Programs Account are repealed.

Tacoma Narrows Bridge Tolling. The imposition of tolls on State Route 16 Tacoma Narrows Bridge is extended beyond final debt and sales tax payments in order to cover operations and maintenance costs. Tolls may also be used for maintenance on the old Tacoma Narrows Bridge after final debt and sales tax payments are made.

Fencing Along Rail Right-of-Way. WSDOT is exempt from the requirement to install fencing along rail right-of-way.

Local Automated Traffic Safety Cameras. An internal reference is corrected to ensure that transit authorities using bus-mounted traffic safety cameras to detect bus stop zone violations provide the appropriate local jurisdiction images or evidence collected for infraction processing purposes.

State Route 520. The imposition of tolls is authorized on the entire SR 520 corridor, instead of just the floating bridge, including on-ramps and off-ramps.

Zero Emissions Vehicle Infrastructure Partnerships Grant Program and Zero Emissions Access Grant Program Funding. The respective biennial expirations are removed for funding WSDOT's ZEVIP and ZAP.

Ferry Vessel Procurement. State ferry procurement law is modified to allow for additional vessels and vessel vehicle capacity.

Board of Pilotage Commissioners. The annual reporting requirements of the Board is amended to include updates on efforts to increase diversity of pilots, trainees, and applicants.

License Plate Production. DOL is directed to adopt rules establishing extensions of the expiration date for DOL temporary license plates in cases of shortages of permanent license plates. Specific actions that DOL and Department of Corrections must take are provided when there is a projected license plate shortage statewide or in particular locations.

Washington Department of Transportation Project Permits. The project notification requirement regarding shorelines-related project permits is removed. Compliance with national flood insurance program regulation requirements applicable to fish habitat enhancement projects is streamlined. Asbestos inspections are included in the scope of construction contracts in lieu of WSDOT conducting inspections prior to bids. An existing Fish Habitat Enhancement Project Permit Streamlining Program is modified by adding WSDOT culvert fixes where adjoining property owner's barriers remain in place.

Essential Public Facilities. High capacity transportation system improvements are included in the definition of essential public facilities under the Growth Management Act.

Transit Project Permits. Transit agency, SEPA, and the National Environmental Policy Act documents regarding transit projects must serve as the sole applicable environmental review documents rather than local governments conducting separate environmental reviews. Transit agencies are exempt from the requirement to obtain certain shorelines-related permits when conducting work within WSDOT right-of-way—similar to WSDOT exemptions.

Ferry Fares. Outdated references to 144-car ferries are removed and both \$0.25 surcharges are statutorily directed into the Capital Vessel Replacement Account.

Aeronautics Account. Expenditure purposes from the Aeronautics Account are codified as for aviation-related purposes only, and the account is clarified by specifying that expenditures require an appropriation.

County Road Administration Board. A new County Local Road Grant Program is established to be administered by CRAB to provide funds for projects not currently eligible for other CRAB funding.

Public Transportation Grants. A grant program for safety and security improvements for transit agencies is established. The Sandy Williams Connecting Communities Program Account is created, requiring quarterly transfers totaling \$12.5 million annually from the

Move Ahead WA Flex Account. At least 25 percent of grant awards from the Bicyclist and Pedestrian Grant Program must benefit communities of people over 65 years old. Various programmatic revisions are made to the School-Based Bicycle Education Grant Program based on current implementation. A new grant program is created at WSDOT linking population centers with active transportation connectivity infrastructure.

Washington State Ferrier Biodiesel Fuel. B5 diesel fuel is required for WSF vessels and WSF must develop internal processes to transition diesel vessels in the fleet to the highest possible bio fuel blend or renewable diesel by 2030.

Complete Streets. The dollar threshold for projects requiring complete streets designs is increased from \$500,000 to \$1 million, starting August 1, 2025.

Expired Vehicle Registrations and Tabs Enforcement. Law enforcement is authorized to issue notices of infraction for vehicles parked and unoccupied in the public right-of-way with expired registrations, or tabs with a penalty amount of \$150.

Transportation Innovative Partnership Program. The entirety of the TIP Program is repealed, with certain provisions modified or fully retained as part of a newly created statutory framework for the implementation of P3s for transportation projects.

Tax Increment Financing. A local government may enact a single tax increment area with a combined assessed valuation greater than \$200 million but no more than \$500 million if the following criteria are met:

- the local government is a city with a population over 150,000 but less than 170,000 and is located in a county with a population of over 1.5 million;
- the tax increment area is connected to Interstate 405 and the transportation-related public improvements that will be funded enhance the integration and connection of neighborhoods within and adjacent to the increment area;
- the local government enacts an ordinance designating the increment area no later than January 1, 2029; and
- an affected port district or public utility district, where all or a portion of its levy is excluded, must approve partial or full participation within the increment area to be subject to the apportionment under this chapter.

EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (First Substitute):

- Adds intent language.
- Designates the electric vehicle and electrification fees with the "Fix Our Roads" nomenclature.
- Modifies the 10 percent luxury vehicle tax on motor homes to only apply to the portion of the selling price in excess of \$500,000 rather than \$100,000.
- Imposes a luxury tax on recreational watercraft of 10 percent on the portion of selling

- price on the value that exceeds \$500,000.
- Imposes a luxury tax on noncommercial aircraft of 10 percent on the portion of selling price on the value that exceeds \$500,000.
- Limits the electric bicycle surcharge to Class 1 and 2 electric-assisted bicycles without UL or EN certification and Class 3 electric-assisted bicycles.
- Clarifies that the prohibition on toll exemptions for buses applies only to tolled bridges.
- Clarifies examples of the types of maintenance and replacement projects in WSDOT right-of-way eligible for the existing shorelines permit exemptions.
- Adds WSDOT culvert fixes, where adjoining property owner's barriers remain in place, to an existing fish habitat enhancement project streamlining statute.
- Provides technical edits to the fish habitat enhancement project streamlining statute regarding projects that are within an existing Federal Emergency Management Agency special flood hazard area.
- Removes the new Fish Barrier Removal Permit Program as duplicative.
- Corrects amounts for quarterly transfers to the Sandy Williams Connecting Communities Program Account.
- Eliminates one Transportation Commission membership position in 2025 and another position in 2026.
- Expands authority under TIF by allowing certain cities to designate a tax increment area with a combined assessed valuation greater than \$200 million but no more than \$500 million to fund certain transportation-related public improvements under certain conditions.
- Repeals the entirety of the TIP Program, and creates a new statutory framework for the implementation of public-private partnerships for transportation projects, while retaining or modifying certain TIP Program provisions.
- Adds a severability clause.

Appropriation: None.

Fiscal Note: Requested on March 24, 2025.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on First Substitute: *The committee recommended a different version of the bill than what was heard.* Please refer to the March 25, 2025 recording of the public hearing on the Senate Transportation Committee Schedules, Agendas & Documents website at: <https://app.leg.wa.gov/committeeschedules/#//TRAN/>.

Persons Testifying: PRO: Heather Kurtenbach, Washington State Building & Construction Trades Council; Billy Wallace, Washington & Northern Idaho District Council of Laborers; Marci Straub, Washington Association of Vehicle Subagents.

CON: Brent Ludeman, Turo; Greg Hanon, Western States Petroleum Assoc.; Kirk Hovenkotter, Transportation Choices Coalition; stephen alldridge; Amber Carter, Seattle Mariners; Thera Black.

OTHER: Debbie Young, Chair, Washington State Transportation Commission; Ashley Probart, Transportation Improvement Board; Lois Bollenback, SRTC - Spokane Regional Transportation Council; Jeff Gombosky, Enterprise Mobility; Matt Ransom, Southwest Washington Regional Transportation Council; Carl Schroeder, Association of Washington Cities; Ehren Flygare, American Car Rental Association.

Persons Signed In To Testify But Not Testifying: No one.