

February 26, 2021

MEMORANDUM

To: Transportation and Utilities Committee
From: Calvin Chow, Analyst
Subject: Authorizing Legislation for \$60 Vehicle License Fee Reserves Spending Plan

On March 3, 2021, the Transportation and Utilities Committee will consider and possibly vote on Council Bill (CB) 120009,¹ which addresses the \$23.7 million of Seattle Transportation Benefit District (STBD) Proposition 1 funds that had been held in reserve pending the outcome of legal challenges to Initiative 976. This legislation would authorize the Seattle Department of Transportation (SDOT) to spend \$15 million of these funds in 2021. The legislation anticipates that a further \$2.7 million would be proposed to be spent in the 2022 budget, and that the remaining \$6 million would be held in reserve.

Background

In November 2014, Seattle voters approved STBD Proposition 1, which authorized a \$60 vehicle license fee and a 0.1 percent sales tax to support transit service in Seattle. In November 2019, Washington voters approved Initiative 976, which eliminated Seattle's authority to collect vehicle license fees. The City of Seattle joined the legal challenge to Initiative 976 and received a temporary injunction to continue to collect the vehicle license fee while the case was before the courts. In October 2020, the Washington State Supreme Court ruled that Initiative 976 was unconstitutional and does not constrain Seattle's use of the vehicle license fee as authorized under state law.²

While SDOT continued to collect vehicle license fees under the temporary injunction, SDOT reserved a portion of this revenue (\$23.7 million) in case Initiative 976 was upheld and vehicle license fees would have to be refunded. Because Initiative 976 was ruled unconstitutional, this remaining STBD Proposition 1 fund balance is now available to be spent.

Revenue collection under STBD Proposition 1 expired at the end of 2020,³ but the authorizing legislation⁴ still governs the allowable use of these funds. STBD Proposition 1 funds may be used to:

¹ CB 120009 will be included on the March 1, 2021 Introduction and Referral Calendar and referred to the Transportation and Utilities Committee.

² Separate from the STBD Proposition 1 funds under consideration in CB 120009, Council raised the councilmanic vehicle license fee from \$20 to \$40 ([Ordinance 126234](#)) as part of the 2021 Adopted Budget. Council directed SDOT to conduct a stakeholder process and recommend a spending plan for this revenue by April 2021.

³ In November 2020, Seattle voters approved a new transit measure, Seattle Proposition 1, which authorized a 0.15 percent sales tax to continue to support transit service in Seattle.

⁴ The allowable uses of STBD Proposition 1 funds were established in [STBD Resolution 12](#) and amended by [Ordinance 125606](#).

- Purchase Metro transit service hours on routes with at least 65 percent of all stops within the City of Seattle.
- Purchase Metro transit service hours on RapidRide lines that service the City of Seattle.
- Up to \$7 million annually may be used to support transit use by children and youth.
- Up to \$10 million annually may be used to support transit capital improvements.
- Up to \$3 million annually may be used to support regional transit partnerships.
- Up to \$2 million annually may be used to support access to transit for low-income riders.

Proposed Spending Plan

The proposed legislation is consistent with the allowable uses of STBD Proposition 1 funding. The legislation would authorize \$15 million of spending in 2021, including \$5 million for transit service and \$10 million for transit capital projects, as follows:

- \$5 million for the purchase of Metro transit service (Item 1.1).
- \$4.35 million for Transit Corridor Improvements program (Item 2.1). This category of spending includes the Gilman Ave Bus Safety Improvements, the Lake City Way/NE 125th St Bus Stop Improvements, and the other transit spot improvements.
- \$300,000 for the Route 40 Transit-Plus Multimodal Corridor project (Item 2.2).
- \$400,000 for the Bus Rapid Transit Concepts Design project (Item 2.3).
- \$650,000 for the Signal Major Maintenance program (Item 2.4). This category of spending includes the 15th Ave NW/NW Market St Signal Improvements.
- \$4.3 million for the 23rd Ave Corridor Improvement project (Item 2.5).

In addition to the 2021 appropriations listed above, the proposed legislation anticipates:

- \$2.7 million for the Route 40 Transit-Plus Multimodal Corridor project in 2022.
- \$6 million of reserves against potential cost or revenue fluctuations in the delivery of transit service implementing the November 2020 Seattle Proposition 1 ballot measure.

In developing the proposed spending, SDOT engaged the Transit Advisory Board and the Move Seattle Levy Oversight Committee.

Considerations

The \$23.7 million under consideration with this legislation is one-time funding. The proposed capital spending (\$10 million in 2021 and \$2.7 million in 2022) would restore funding for transit projects that had been paused as part of the 2020 Budget rebalancing in response to COVID-19. These projects had previously been identified and prioritized as part of the Transit Master Plan Implementation Plan and would be an appropriate use of one-time funding.

The proposed \$5 million for transit service would help fill a funding gap in 2021 as the new 2020 Seattle Proposition 1 transit measure is implemented and begins collecting sales tax in April 2021.⁵ This funding will also help smooth the transition in transit service levels⁶ as the 2020 Seattle Proposition 1 measure will generate less annual revenue, and can afford fewer annual service hours, than the previous 2014 STBD Proposition 1 measure. While transit demand remains lower than pre-COVID-19 levels,⁷ transit remains an essential service for many riders without access to other transportation alternatives.

The proposed \$6 million for reserves would provide for some flexibility in the face of COVID-19 response and economic recovery. With depressed transit demand, the cost of transit service increases as less fare revenue to support the service. In addition, the pace of recovery in sales tax revenues (the source of revenue for the 2020 Seattle Proposition 1) remains uncertain. Maintaining some level of reserves would help address these uncertainties.

Council may wish to consider reallocating spending under the allowable uses of STBD Proposition 1 funds. Please contact me if you have any questions or concerns regarding this legislation.

cc: Dan Eder, Interim Director
Aly Pennucci, Policy and Budget Manager

⁵ Implemented by [Ordinance 126250](#).

⁶ King County Metro makes transit service changes (incorporating Seattle transit service purchases) twice a year, in the Spring and Fall.

⁷ The Washington State Department of Transportation (WSDOT) [Covid-19 Transportation System Reporting Dashboard](#) shows that King County Metro ridership has continued to fluctuate between -50 percent and -84 percent of baseline ridership in 2021.