

POLICY BRIEF

Citizens' Guide to Spokane Transit Authority's Proposition One: to increase the local sales tax rate to nearly 9.0% to expand transit services and build a once-rejected \$72 million Central City Line

By **Chris Cargill**, Eastern Washington Director, **Mariya Frost**, Coles Center for Transportation and **Margaret Douglas**, Eastern Washington Research Assistant

October 2016

Key Findings

- Spokane Transit Authority's (STA) Proposition 1 would increase the sales tax in many parts of Spokane County to 8.9% by 2019
- If approved and once fully-implemented, STA would become a \$100 million government agency
- The most controversial piece of Proposition 1 remains STA's \$72 million 'Central City Line' (CCL), formerly called the 'modern electric trolley'
- The 'CCL' does not have the essential features that would make it a Bus Rapid Transit system
- The cost to carry a passenger on an STA bus remains one of the lowest of urban transit agencies in the state, at roughly \$4.00 per trip, but administrative costs grew 85% between 2004 and 2013
- Improvements to public transit services in Spokane are possible without a \$221 million tax increase



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Introduction

This November, people living in the Spokane Transit Authority (STA) service area – which includes the most populated parts of Spokane County – will be asked to vote again on a ballot proposal that would raise sales taxes by \$221 million over 11 years to fund expansion of public transit services in the Spokane area.

The measure appears on the ballot as Proposition One¹;

The Spokane Transit Authority Board of Directors approved a proposition seeking an increase in its sales and use tax authority to maintain the existing transit system, including paratransit and vanpool services, and improve fixed-route bus service through high frequency, high performance transit service, including extended hours on all basic and frequent routes, expanded transit service to new areas, new routes, and expanded passenger services including new and enhanced park and ride lots. This proposition would authorize the collection of an additional sales and use tax of up to 2/10 of 1%, 1/10th effective April 1, 2017 and the second 1/10th effective April 1, 2019 both expiring no later than December 31, 2028, all as provided in Resolution No. 742-16. Should this proposition be:

Approved

Rejected

Approval of the proposition would raise the sales tax rate in the Spokane area to just under nine percent. Transit officials say they want to use the new revenue to fund 25 projects, including a new West Plains Transit Center, expanded bus service in rural areas and extended weekend hours. The higher

1 Proposition One Ballot Title, Spokane County Elections Office, Office of the Spokane County Auditor, August 30, 2016

proposed taxes would represent a significant increase in transit spending in Spokane. If the proposal is implemented, Spokane Transit Authority would become a \$100 million per-year agency.

Included in the proposal is a “Central City Line” project voters have previously rejected. In the past, transit officials and city leaders referred to the project as a downtown electric trolley. They now insist the \$72 million system is Bus Rapid Transit.

Key Facts on Spokane Transit Authority (STA)

STA provides fixed route bus, demand response, and a vanpool program to residents throughout its 248 square mile service area. STA is governed by nine elected officials from the service district, and includes one non-voting labor representative.

Overall, STA is one of the state’s best managed public transit agencies.

Modal Information (2004 v. 2013)		2004	2013	% Growth
Bus				
Operating Expenses		\$27,336,673	\$44,182,679	62%
Ridership		7,740,360	11,087,049	43%
Farebox Revenue		\$5,343,235	\$9,019,785	69%
Cost per Trip		\$3.53	\$3.99	13%
Subsidy per Trip		\$2.84	\$3.17	12%
Demand Response (STA + Contracted)				
Operating Expenses		\$8,425,940	\$12,044,466	43%
Ridership		456,969	483,038	6%
Farebox Revenue		\$192,004	\$634,992	231%
Cost per Trip		\$18.44	\$24.93	35%
Subsidy per Trip		\$18.02	\$23.62	31%
Vanpools				
Operating Expense		\$220,890	\$821,151	272%
Ridership		101,971	241,257	137%
Farebox Revenue		\$181,344	\$709,604	291%
Cost per Trip		\$2.17	\$3.40	57%
Subsidy per Trip		\$0.39	\$0.46	19%

Source: WSDOT Summary of Public Transportation 2004, 2013

For example, the cost to carry a passenger on an STA bus remains one of the lowest of urban transit agencies in the state, at roughly \$4.00 per trip. However, there are broader concerns about some aspects of STA’s operations.

STA’s bus program, which represents the bulk of the area’s transit system, saw ridership growth of 43 percent between 2004 and 2013. But, partially due to its success in gaining ridership, bus operating expenses have grown 62 percent, a little less than three times the rate of inflation (23 percent). Some of this spending growth can be attributed to increases in bus service. Yet over that 10-year period, transit officials only expanded bus service by seven percent.

STA officials increased their cost of operating an hour of bus service from \$77 per revenue hour to \$115 per hour, a 50 percent increase over 10 years. The cost increase matches a 55 percent increase in salaries, wages and benefits over the same time period.

Typical of most transit agencies, STA's directly-operated paratransit program is its most costly service per passenger. It cost \$32.94 to carry one passenger aboard STA's paratransit bus. Taxpayers provide a subsidy of about 95 percent, or \$31.17 per trip. STA officials do, however, contract out some of their paratransit trips to a private operator, at a per trip cost of \$16.25, with taxpayers picking up \$15.43 per passenger trip.

STA's vanpool program continues to operate well and serve customer demand. In 2004, vanpool riders paid 82 percent of the cost of the trip. In 2013, users paid about 86 percent. Over the 10-year period, ridership has more than doubled while both revenues and expenses have nearly tripled.

Transit officials have devoted the largest spending growth to administration, with administrative costs growing by 85 percent –between 2004 and 2013 – to \$11 million per year.

STA's use of taxpayer and rider resources

The sales taxes paid by the people of Spokane County have increased STA's revenues by 94 percent over the last decade.

During that same time, money collected from fares grew 81 percent and STA's financial reserves ballooned 194 percent.

Currently, Spokane Transit Authority spends \$65.6 million per year on operations.² In 2016, STA expects to receive \$50.3 million in revenue from the local sales tax rate of 0.6 percent and a further \$10.5 million from rider fares and other transit revenues.

By way of comparison, city of Spokane taxpayers spend \$56.8 million on the Spokane Police Department and \$54.4 million on the Spokane Fire Department.³

If Proposition 1 is approved, another \$220 million over the next 11 years would be directed to the transit agency.⁴ The ballot plan calls for a 0.1 percent sales tax rate increase in 2017, followed by another 0.1 percent rate

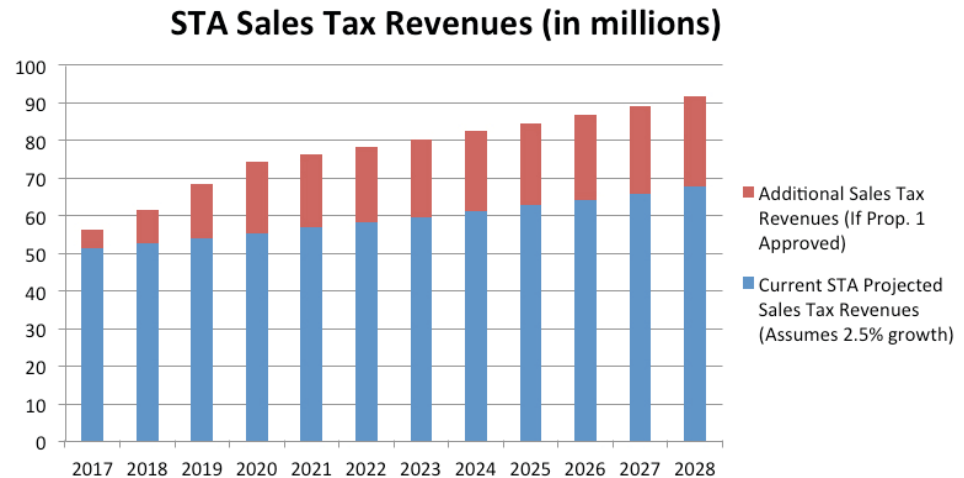
2 Spokane Transit Authority Approved 2016 Budget, Operations, Page 12, at https://www.spokanetransit.com/files/content/2016_Adopted_Operating_Capital_Budgets.pdf

3 2016 City of Spokane Budget, at <https://static.spokanecity.org/documents/budget/2016/2016-program-budget-proposal-update.pdf>

4 STA Board of Directors, meeting minutes, June 6, 2016, Annual Estimated Use of Funds, Page 8, at https://www.spokanetransit.com/files/content/2016-06-16_STABDPKT.pdf

increase in 2019. Overall, the two rate increases would give Spokane one of the highest local sales tax rates in the state.

Overall, STA would receive a nearly 30% increase in its share of the sales tax in Spokane County, rising from a 0.6 percent rate to a 0.8 percent rate, using up nearly all of the tax authority transit agencies are allowed by state law.



If approved, the tax increase would bring STA officials roughly \$20 million a year in additional sales tax revenues and would bring the agency more than \$100 million a year when sales tax, fares and other revenues are combined.

The proposed Central City Line

The largest spending project in the ballot proposal is STA’s “Central City Line” (CCL). The CCL is a six-mile long fixed route project stretching from Browne’s Addition, through the downtown Spokane core, east to the University district and ending at Spokane Community College. The cost of the proposed system is \$72 million – or \$12 million per mile.

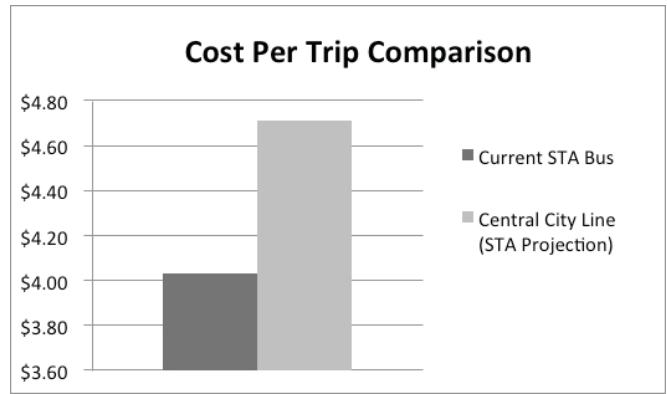
This is the proposal STA officials and city leaders once described as the “electric trolley,” the centerpiece of their desired high-performance transit network.⁵

In addition to \$72 million in capital costs, the Central City Line would incur \$4.1 million in annual operating costs.

STA officials say the \$72 million would be provided by state and federal taxpayer grants, making the project sound like it would be “free,” and perhaps not taking into account that Spokane taxpayers are also state and federal taxpayers.

⁵ Yes for Buses Campaign Brochure, January 2015

Still, once built, the ongoing annual operating costs would be covered exclusively by local taxpayers. Any construction cost overruns, a frequent occurrence in public projects, would also be the responsibility of local taxpayers.



Transit officials optimistically say the system will serve 880,000 trips per year. This figure may appear inflated, however, because counting trips is not the same as counting riders. Each time a rider steps onto public transit, it is counted as a trip, potentially doubling the count of riders. For example, a commuter who uses the system every day is counted twice – once for the ride to work and again for the return home.

The question is what percentage of the projected 880,000 will involve new riders?

The projected per-trip cost for the Central City Line is \$4.73. That is almost 20 percent higher than the per-trip cost on a regular STA bus – which is currently \$4.03 per trip.⁶

To the extent that the Central City Line displaces existing service, Spokane taxpayers may end up simply paying more to move the same people already being served by STA buses on current routes.

Once built, STA officials say the Central City Line alone would consume seven percent of the transit agency's entire operating budget. Cost overruns would push that number higher, forcing STA to reallocate funds used for riders on routes in other parts of the STA service area.

⁶ Federal Transit Administration, Spokane Transit Authority, 2014 Agency Profile, Operating Expenses Per Unlinked Passenger Trip, at <https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/00002.pdf>

Why the Central City Line is not Bus Rapid Transit

In numerous local news interviews this year, STA officials claimed they did not want to build an electric trolley.⁷ Instead, they said they were interested in building a Bus Rapid Transit (BRT) system.⁸

Originally, however, STA officials said using a bus as the mode on the Central City Line would not give it the kind of “cool transportation mode we’re looking for.”⁹

Furthermore, STA’s officials told the federal government they wanted the proposed Central City Line to be a “Modern Electric Trolley” or “a trolley” five times.¹⁰ In 2014, members of the Spokane City Council called the system the “Modern Electric Trolley.”¹¹ Dozens of times, in documents submitted to the federal government for grants, STA’s own Board of Directors said they wanted to build a “Modern Electric Trolley” in downtown Spokane.

After voters rejected the proposed trolley and a broader tax increase in April 2015, STA officials changed their description of the Central City Line to “Bus Rapid Transit.”

Regardless of what they called it then or what they call it now, pursuing a Bus Rapid Transit system would make sense for Spokane. Washington Policy Center previously recommended a Bus Rapid Transit system for Spokane’s transportation needs because it would come at a much less expensive cost for taxpayers, and would move people from point A to point B just as efficiently. Furthermore, it would accomplish many of the same things transit officials originally sought.

However, what STA officials are now proposing is not Bus Rapid Transit.

Bus Rapid Transit systems typically have five essential features:

- Dedicated right of way
- Busway alignment
- Off-board fare collection
- Intersection treatments (signal priority – lights turn green as buses approach)
- Platform level boarding

7 STA hopes new bus proposal passes, March 16, 2016, by Sten Walstrom, KREM2 News, at <http://www.krem.com/news/local/spokane-county/sta-hopes-new-bus-proposal-passes/84686435>

8 STA Board split over transit expansion, March 21, 2016, *Spokesman-Review*, available at <http://www.spokesman.com/stories/2016/mar/21/getting-there-sta-board-split-over-transit-expansi/>

9 Reaction Mixed to downtown Spokane trolley line”, KXLY4 News, July 18, 2011, available at <https://www.youtube.com/watch?v=ItGoojuGpO0>

10 STA Small Starts Grant Application, at <https://www.spokanetransit.com/files/content/CCL-PD-Entry-Request-1003141.pdf>

11 Ibid, in reference to Spokane City Council RES 2014-0089

The Institute for Transportation and Development Policy says “to be considered BRT, there must be a minimum of 1.9 miles that has dedicated bus lanes.”¹² Plans indicate Spokane’s Central City Line will not have dedicated lanes.

The mode screening process produced these conclusions:

- Streetcar, Enhanced Bus, Electric Trolley Bus, and TSM passed the screening questions and were advanced to full evaluation.
- BRT was dismissed from consideration for two reasons:
 1. BRT typically runs in an exclusive guideway, and this would require right-of-way acquisition or dedication of existing vehicle lanes, resulting in a higher cost to construct than other modes and/or in impacts on vehicle capacity of existing streets.
 2. BRT typically has fewer stations spaced farther apart than streetcar or bus and, therefore, would provide reduced access compared to the modes forward to full evaluation.

STA’s own Sounding Board’s original alternatives analysis, which the transit agency has since deleted from its website, eliminated BRT from consideration. A screenshot from the analysis shows the reasons BRT was originally removed, which included the fact it ran in exclusive lanes.

Originally, the Central City Line was not supposed to have traffic signal priority, meaning traffic lights would turn green as the mode approached. STA officials now say they “assume” it will, but only at some major traffic intersections.

Bus Rapid Transit systems are also typically powered by hybrid or diesel buses and cost about three to five to seven million dollars per mile to construct, while STA’s system is proposed at \$12 million per mile mainly because of the electric mode transit leaders chose.

Bus Rapid Transit?

Main features of Bus Rapid Transit and what’s missing from the ‘CCL’

- ❌ Busway alignment
- ❌ Dedicated right of way
- ✅ Off-board fare collection
- ❓ Signal priority
- ✅ Platform level boarding
- ❌ Hybrid-diesel buses

Regional examples of successful BRT systems, powered by hybrid buses, include Eugene and Everett.

The first phase of Eugene’s EmX Bus Rapid Transit system stretched four miles, in dedicated lanes with signal priority, and came in at a total cost of \$24.5 million. Its per-trip cost to taxpayers is just \$2.01.

¹² What is BRT? Institute for Transportation and Development Policy, available at <https://www.itdp.org/library/standards-and-guides/the-bus-rapid-transit-standard/what-is-brt/>

In Everett, the Swift Bus Rapid Transit system was launched in 2009 and stretches 17 miles. Original costs were approximately \$29.5 million, but came in \$2.5 million under budget.¹³ Like Eugene, Everett's system operates in dedicated lanes for at least seven miles and has signal priority for another 10 miles.

Spokane's Central City Line, as it is proposed today, will not operate in dedicated lanes, is only "assumed" to have limited traffic signal priority, and will be operated by more costly electric powered buses, nearly tripling the cost of the system.

What is Bus Rapid Transit – the Indianapolis example

It is the city of Indianapolis, Indiana – not the city of Spokane – that is moving forward with plans to build a true Bus Rapid Transit system that is actually electrified.

Planning for phase one of the Indianapolis' Red Line project is already underway.¹⁴ The BRT Red Line will stretch 13 miles through Indy at a cost of \$96 million – or roughly \$7 million per mile. That is half of the per-mile cost of Spokane's Central City Line.¹⁵

The Indy Red Line will have signal priority and will operate in exclusive guideways or dedicated lanes. On its website, the Indianapolis Public Transportation Corporation writes about the critical importance of dedicated lanes to BRT, saying "dedicated lanes in specific corridors along the route ensure the bus is an efficient and reliable transit option."¹⁶

Even though it will be twice as long as Spokane's proposed CCL, the Indianapolis Red Line's operational costs will be just \$6 million per year.

Increased land values tied to CCL?

Spokane Transit leaders say the tax increase they want would also provide major economic development along the proposed Central City Line.

Officials claim building the system would result in \$175 million worth of economic development in Spokane, and would increase land value by \$45 million.¹⁷

13 LCT Magazine, Community Transit to launch hybrid BRT service, 2009, available at <http://www.lctmag.com/bus/article/211316/community-transit-to-launch-hybrid-brt-service>.42

14 IndyGo Red Line – Bus Rapid Transit, available at <http://www.indygo.net/redline/faq/>

15 Federal grant advances new bus service, Indy Midtown Magazine, March 3, 2016, available at <http://www.indymidtownmagazine.com/federal-grant-advances-new-bus-service/>

16 IndyGo Red Line – Bus Rapid Transit, available at <http://www.indygo.net/redline/faq/>

17 STA Moving Forward, Spokane Central City Line, Project Description, available at <https://www.spokanetransit.com/projects-plans/central-city-line>

Such economic development claims are not new. Transit agencies across the country frequently say their projects will result in economic development, while downplaying the suppressing effect their desired tax increases have on local economic growth and job creation.

Independent reviews of the transit lines years after they are built often show little new economic development. The exceptions occur in areas where additional major public subsidies are provided by local taxpayers, meaning public spending does not actually “pay for itself” as local officials often claim.

In fact, STA’s own economic analysis shows subsidies, zoning changes and incentives would need to be offered to artificially create economic development. The STA study states “supportive measures (regulations, zoning and direct development subsidies), where justified, are an important catalyst for transit-oriented development.”¹⁸ This is a way of saying the planners want to use public dollars, not actual business growth, to create the illusion of private economic development in the area.

In addition to the \$72 million officials say they want to spend to build the Central City Line, and the \$4.1 million they want to spend each year to operate it, additional subsidies paid by local taxpayers would likely have to be provided to fund the promised level of economic development in Spokane.

Transit leaders often refer to the city of Portland as a transit-oriented development success. It should be noted, however, that in the Rose City local officials gave almost a billion dollars in public subsidies to private developers along sections of the Portland streetcar line.¹⁹ Portland’s policy allows private interests to profit from taxpayer subsidies.

Conversely, an independent economic review found that almost no new development took place on portions of the Portland streetcar route where officials did not provide private interests with additional public subsidies.²⁰

Policy recommendations for improving public transit without raising taxes

Research shows there are ways for Spokane transit officials to improve the service they provide to the public without raising taxes. As noted, STA is one of the best-run transit agencies in the state. After voters rejected the last tax-increase proposal sought by Spokane Transit officials, Washington Policy

18 The Economic Development Argument, Page 8, Overview of Spokane’s Electric Trolley Proposal, March 2015, by Chris Cargill, Bob Pishue, Washington Policy Center, available at http://www.washingtonpolicy.org/library/docLib/Cargill-_Overview_of_Spokanes_electric_trolley_proposal_1.pdf

19 The Great Streetcar Conspiracy, June 2012, by Randal O’Toole, Cato Institute, available at <http://object.cato.org/sites/cato.org/files/pubs/pdf/PA699.pdf>.

20 Ibid

Center described policy options that would allow the agency to enhance its service to the public, without a tax increase.²¹

The agency can improve operations and avoid raising its tax burden in three primary areas:

- **Work to contract out more paratransit services that currently consume 20 percent of operating expenses but only serve four percent of trips.** Additional contracted-out savings in paratransit could be used to enhance neighborhood bus services in other areas;
- **Expand the use of vanpools and work toward full-cost recovery to make the vanpool program self-sustaining.** Vanpools are popular, effective and efficient. By expanding their use and working toward full-cost recovery, Spokane transit could free funds to improve other public transit services;
- **Control the growth of administrative costs.** STA's administrative costs have increased by 85 percent since 2004, which increases the financial burden the agency places on the community while providing little improved service to the public. Controlling and reducing the growth of administrative costs would free funding for improved bus services and would increase the public's confidence in the agency.

By adopting these commonsense and achievable policy changes, Spokane Transit officials would avoid the public controversy they create by proposing electric trolleys and costly Central City Line projects. The agency would also avoid the political risk of seeking to impose a major sales tax increase at a time of economic uncertainty and when many working families are struggling.

Improving Spokane's transit services within current tax revenues would show that transit officials are responsible managers of public resources, and that they are equally as concerned about the financial burden they place on citizens as they are with expanding their own operating budget.

²¹ Spokane voters reject trolley plan, but transit options remain, April 30, 2015, Washington Policy Center

Conclusion

The data and the daily experience of riders indicate that Spokane Transit Authority is one of the best-run public transit agencies in the state. Any transit agency is obligated to move people from point A to point B in the most efficient and safest way possible and indications are that STA carries out this mission successfully within its current budget.

It is understandable that transit officials would seek to “maintain, improve and expand public transit” in the Spokane area, as STA calls for in its campaign brochure. A number of bus service projects proposed in Proposition One fit that goal, including a new West Plains Transit Center and expanded night and weekend service in many areas, although these potential benefits are off set by the high construction and damaging operating cost of the controversial Central City Line.

Still, people at government agencies seek to increase their budgets and gain more revenue from the taxpaying public. This is clearly the motivation behind Proposition One, since officials say they want to impose nearly the maximum sales tax allowable under state law.

People in the community, however, are clearly concerned about the rising cost of local government and costly new transit projects. That message is indicated by voters’ sound rejection of the tax increase STA officials said they wanted in 2015, including rejection of their idea for an expensive downtown electric trolley.

Improvements in public transit services in Spokane are possible without a tax increase by implementing the cost-saving policy recommendations described above. An improved budget management approach by STA officials would serve the public interest, because it would enhance public service within existing tax revenue, and would avoid the economic dislocation and job-disruptive effects of imposing a significant local sales tax increase.

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