



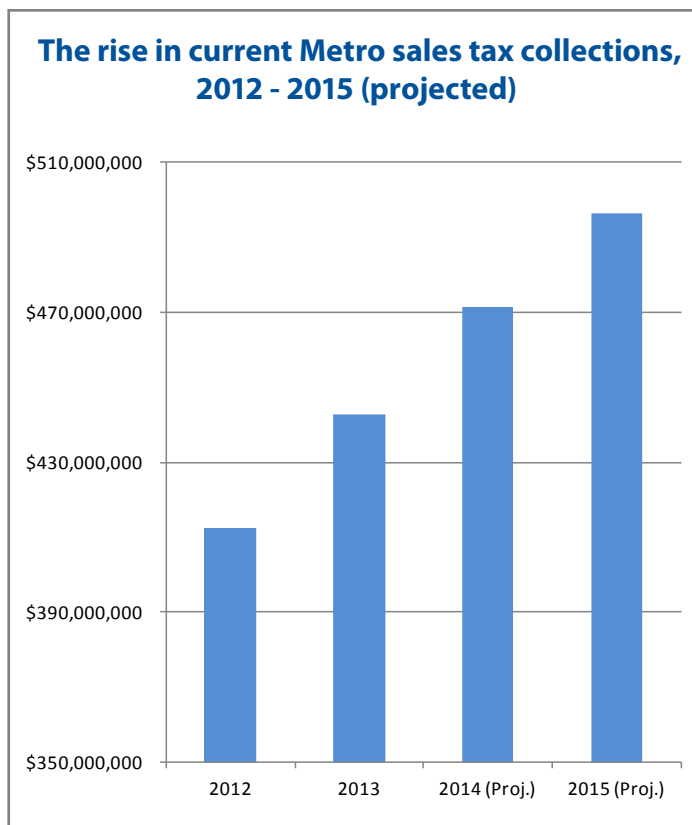
POLICY BRIEF

Citizens' Guide to Proposition 1

New car tab fee and sales tax increase for transit and roads in King County

By Bob Pishue
Director, WPC's Coles Center for Transportation

April 2014



Metro's current tax collections are at a record high, exceeding estimates by \$32 million.

Key Findings

1. *With Proposition 1, King County officials want to impose a \$60 car tab tax and increase the sales tax by 0.1 percent, raising the rate to 9.6 percent in many communities, the highest in the state. Officials say they will cut Metro bus services by 17 percent if they do not receive additional tax money.*
2. *The proposed tax increases would apply only to regressive forms of taxation, falling hardest on the poor, the disabled, the unemployed and the elderly living on fixed incomes.*
3. *Proposition 1 would cost \$1.5 billion over 10 years. Sixty percent of new funds would go to keeping current bus service, 40 percent would go to local multimodal projects and roads. No new bus service would be added.*
4. *Metro officials announced that, with the improving economy, they received the highest-ever amount of sales tax revenue in 2013, more than \$442 million.*
5. *Metro officials say that, without Proposition 1, they expect to again receive record-high tax revenues this year, more than \$471 million, a windfall of \$32 million above estimates.*



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Introduction

King County Executive Dow Constantine and members of the King County Council are seeking a series of new taxes to fund road services and to maintain existing Metro bus service. The new taxes will appear as Proposition 1 on the April 22nd ballot. This Citizens' Guide describes the main provisions of Proposition 1, assesses the new tax burden that would fall on citizens, reviews recent increases in Metro revenues and outlines Metro's plans to cut bus service if the measure does not pass.

Background

King County Metro Transit agency was created in 1972. Operating as a monopoly, Metro provides bus service, vanpools and street car service throughout King County. In 2012, Metro Transit had an operating budget of approximately \$670 million and a capital budget of \$55 million.¹ Metro has 4,505 employees, operates over 1,500 vehicles and manages 131 park-and-ride parking lots.

Public funding for Metro comes primarily from a 0.9 percent sales tax imposed on King County consumers. Other taxes for Metro operations include a temporary \$20 car tab fee that expires in June 2014, a 6.5 cent per \$1,000 in value property tax, and state and federal grants. Over the years the tax burden Metro imposes on the public has steadily increased, represented mostly by a sales tax rate that has tripled since the agency's founding.

In 2011, county leaders said they planned to cut 17 percent of Metro bus service if they could not impose additional tax increases. The state legislature granted King County officials temporary authority to impose a two-year, \$20 car tab fee. The King County Council imposed the fee without sending the tax increase to a public vote.

¹ "Washington State 2012 Summary of Public Transportation," Washington State Department of Transportation, December 2013, pg. 49, at www.wsdot.wa.gov/publications/manuals/fulltext/m0000/TransitSummary/PTSummary.pdf.

Tax History of King County Metro	
Year	Tax Rate
1972	0.3 percent sales tax
1980	0.3 percent sales tax increase to 0.6 percent
2000	0.2 percent sales tax increase to 0.8 percent
2006	0.1 percent sales tax increase to 0.9 percent
2010	6.5 cent per \$1,000 home value property tax
2011	\$20 temporary car tab fee (expires 6/2014)
2014*	\$60 car tab fee
2014*	0.1 percent sales tax increase to 1.0 percent
	*Proposed increases

The King County Transportation Taxing District

On February 24, 2014, the King County Council voted to form a King County Transportation Taxing District. The directors of the taxing district are the same as the members of the King County Council. The new district is the only county-wide transportation taxing district in the state. In creating the district, councilmembers gave themselves the authority to impose the following new taxes:

- Up to \$100 in car tab fees;
- Up to 0.2 percent increase in sales taxes;
- Tolls on city or county roads;
- Local property taxes;
- General obligation bonds and revenue bonds.

Taxes raised by the district will be spent based on an agreement between the cities and unincorporated areas that make up the county. This “Interlocal Agreement” for the King County Transportation Taxing District will not be set until after April 22nd. Voters living in different parts of the county will not know how much their communities might receive until after they have approved the new set of taxes.

Summary of Proposition 1

Councilmembers want to impose a \$60 annual car tab fee and a 0.1 percent increase in the sales tax to maintain bus service and fund other transportation projects. The taxes would end after 10 years and are subject to voter approval. In addition, the King County Council approved a 25-cent bus fare increase and plan to implement a low-income fare program if new taxes are approved by voters.

If Proposition 1 passes, county taxpayers would pay approximately \$1.5 billion in new taxes over 10 years.² Sixty percent of the revenue would go to transit, while 40 percent would go to road projects, including maintenance, transit-related road projects, and bike and pedestrian paths.

The ballot summary for Proposition 1 says:

“The Board of the King County Transportation District passed Resolution No. TD2014-03 concerning funding for Metro transit, roads and other transportation improvements. If approved, this proposition would fund, among other things, bus service, road safety and maintenance and other transportation improvements in King County cities and the unincorporated area. It would authorize the district to impose, for a period of 10 years, a sales and use tax of 0.1 percent under RCW 82.14.0455 and an annual vehicle fee of sixty dollars (\$60) per registered vehicle under RCW 82.80.140 with a twenty dollar (\$20) rebate for low-income individuals.

Should this sales and use tax and vehicle fee be approved?”³

Yes No

Proposition 1: \$60 annual vehicle fee

The \$60 annual vehicle fee would be imposed on cars, light trucks, travel trailers, motor homes, motorcycles and other vehicles. For families making 45 percent of the median income, the annual registration fee would cost \$40 per vehicle, per year. Under this provision citizens would pay \$847 million over 10 years.

There are two main criticisms of increasing annual vehicle fees:

1. It is regressive;
2. It forces drivers to pay for Metro’s monopoly bus service while important road projects go underfunded.

Increasing a regressive tax assigns a larger share of the tax burden to lower income citizens. As a person’s income decreases, the proportion spent on essential expenses, including taxes, increases. With Proposition 1, King County officials are asking poor residents to spend a larger share of their income on subsidizing public transportation than middle- and higher-income citizens.

2 “Estimated Distributions of KCTD Revenue,” Attachment A to Ordinance TD2014-03, King County Council, February 24, 2014, at your.kingcounty.gov/elections/2014/apr-special/measures/KCTDProp1.pdf.

3 Special Election Sample Ballot April 22, 2014, King County Elections, at your.kingcounty.gov/elections/2014/apr-special/pdfs/sampleballot.pdf.

Under Proposition 1 a typical driver in King County would see his or her car tab fee double, depending on the city in which the vehicle is registered. Often “temporary” taxes presented to the public are later extended, effectively becoming permanent, so the initial tax burden proposed by Proposition 1 may last longer than 10 years.

Comparison of Tax Burden on a \$3,000 Vehicle in 2015			
Current tax burden		Tax burden under Proposition 1	
Filing fee	\$3.00	Filing fee	\$3.00
RTA tax	\$9.00	RTA tax	\$9.00
License fee	\$30.00	License fee	\$30.00
Weight base fee	\$10.00	Weight base fee	\$10.00
License service fee	\$0.75	License service fee	\$0.75
		King County District fee	\$60.00
Total taxes and fees	\$52.75	Total taxes and fees	\$112.75
<i>Proposition 1 would double car tab fees for many King County residents.</i>			

Proposition 1 would divert taxes paid by drivers into transit operations, even though the county road system has its own unmet needs. According to officials, both city and county roads have funding gaps that will not be solved with this tax increase on drivers.

Proposition 1: the sales tax increase

Adoption of the ballot proposal would increase the county sales tax by 0.1 percent, raising the rate to 9.6 percent in many communities and maintaining it there for a decade. The sales tax in these communities would be the highest in the state.

King County relies heavily on the sales tax to fund public transportation. In 2012, sales taxes accounted for 59 percent of transit funding while users contributed 23 percent through the fare box.⁴ Property taxes, car fees, grants and miscellaneous income account for the remainder of transit funding. Like the car fee, the sales tax is initially planned to end after 10 years, but could be extended. Under this provision people would pay \$661 million over 10 years.

There are two main criticisms of using a tax on consumer goods to fund transit services:

1. It is regressive;
2. Tax collection continues even if ridership declines.

⁴ “Washington State 2012 Summary of Public Transportation,” Washington State Department of Transportation, December 2013, at www.wsdot.wa.gov/publications/manuals/fulltext/m0000/TransitSummary/PTSummary.pdf.

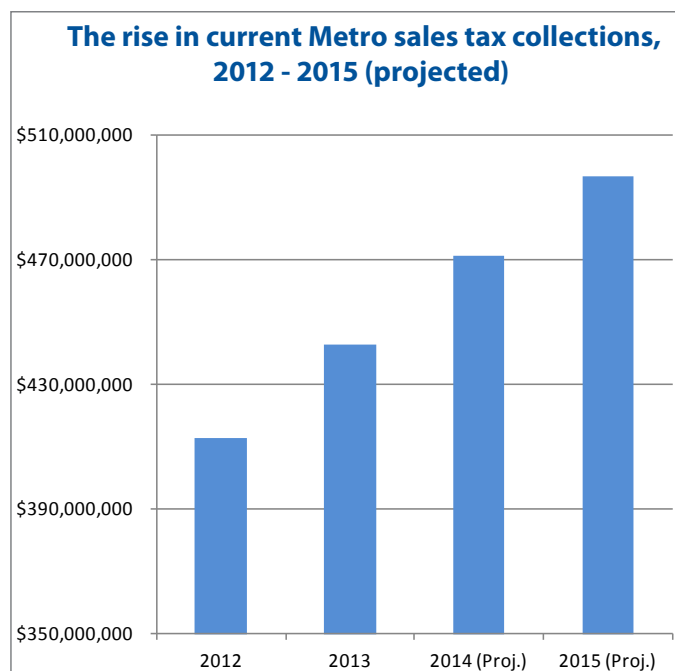
Increasing the sales tax burden falls hardest on low-income residents, including the most vulnerable members of the community – the elderly, the disabled, minimum wage workers and the unemployed.

Unlike fare revenue, which increases or decreases with ridership, Metro officials would collect sales tax revenue regardless of public need. In 2008, Metro had record ridership of 119 million trips.⁵ However, ridership dropped sharply over the last several years and has only recently rebounded, recording 115 million Metro trips in 2012.⁶ Over that time, Metro continued to collect the highest sales tax rate allowed by current law.

Rise in Metro tax collections

In March 2014, Metro officials announced they had received record-high levels of tax revenue in 2013, reporting they collected more money from the public in taxes than at any time in the agency’s history. Metro officials said they collected \$442,731,128 for the year, exceeding pre-recession levels. Revenue projections for 2014 also exceed previous estimates by \$32 million. Metro officials say they expect to collect \$471 million in 2014 and \$496 million in 2015, an estimated increase of 12 percent over two years, about twice the expected rate of inflation.

The rising trend in Metro tax collections is shown below.



Metro’s current tax collections are at a record high, exceeding estimates by \$32 million.

5 “2008 Annual Management Report,” King County Metro Transit, at metro.kingcounty.gov/am/reports/2008/2008-QMRyearend.pdf.
6 “2012 Annual Management Report,” King County Metro Transit, at metro.kingcounty.gov/am/reports/2012/2012_Annual_Management_Report.pdf.

Review of Proposition 1 claims

This section examines the main claims made by supporters of Proposition 1.

Claim: “Transit demand is growing.”

While passenger trips on Metro are approaching all-time highs, public transit as a share of daily trips has remained nearly flat for three decades. Metro service provides about four percent of total daily trips in King County.⁷ When country residents leave their homes, they choose other forms of transportation 96 percent of the time.

Public transportation as a commuting mode also shows little gain over the last three decades, as transit’s share of daily commuter demand has remained flat. Other modes of commuting, including working from home, have grown much more rapidly over the past 10 years, as shown below.⁸

Percentage of daily commuter trips in King County by mode share, 1980 to 2012				
	1980	1990	2000	2012
Passenger Car	81 percent	82 percent	81 percent	75 percent
Public Transportation	10 percent	9 percent	10 percent	11 percent
Other Modes	9 percent	9 percent	9 percent	14 percent

Claim: Proposition 1 is “necessary so that voters can have the chance to save bus service and maintain roads.”⁹

Supporters say new revenue is needed to “save” county bus services and to pay for roads, but Proposition 1’s new taxes would not stabilize Metro bus service and maintain city and county roads. The County Council projects revenues from the new taxes would only preserve Metro service levels until 2021, because Metro’s rising costs are expected to outpace the growth in tax revenue. After that, King County officials would likely again propose cutting services if they do not receive further tax increases.

Supporters’ claim that voters should “have the chance to save bus service” indicates county officials have put the service at risk in the first place (only

7 U.S. Census Bureau data, households in King County 2012, Federal Highway Administration daily trips, and National Transit Database, King County Metro ridership data, 2012.

8 “Means of Transportation to Work,” 2008-2012 American Community Survey, U.S. Census Bureau, at factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_5YR_B08301&prodType=table.

9 “Balanced statewide package still first choice, but King County will move on ‘Plan B’ if needed for saving Metro buses and local roads,” News Release, King County Executive Office, November 21, 2013, at www.kingcounty.gov/exec/news/release/2013/November/21PlanB.aspx.

county officials have the legal authority to end or cut Metro bus routes). The “cuts only” approach ignores other ways officials could maintain service for the public, such as improving budget management or opening a dialogue with labor union executives.

Officials acknowledge county roads would remain underfunded, even under Proposition 1.¹⁰ New money for county roads in 2015 would only cover eight percent of the unfunded road needs, and by 2024 would only cover four percent of unfunded road needs.¹¹

Claim: Supporters of Proposition 1 say the tax increase “dedicates 40 percent of revenue to roadway safety, preservation, and maintenance.”

The text of Proposition 1, however, says that 40 percent of new revenue would go to “city transportation improvement purposes” and county roads. That includes creating transit-only lanes, changing traffic light timing for buses or light rail construction. It is unlikely 40 percent of new tax dollars would be exclusively spent on improving roads for drivers. The Seattle City Council, for example, is already planning to divert road funding to “maintenance and speed and reliability improvements to existing bus service.”¹²

Under Proposition 1, tax revenue supposedly reserved to improve city and county roads would be used to reduce access to general travel lanes for the driving public.

Claim: “King County has worked hard to make sure we’re using the taxpayer dollar wisely. We’re delivering services more efficiently than ever. But no amount of savings can make up for the recession’s toll on our revenues.”¹³

Yet, as noted above, Metro’s tax revenue is increasing. Today Metro’s revenue is at record highs, and officials say they expect further increases in the future. Regarding the wise use of taxpayer dollars, in 2008 Metro spent

10 “King County Transportation District, Frequently Asked Questions,” King County Metro Online, Pg. 2, January 14, 2014, at metro.kingcounty.gov/am/future/pdfs/transportation-district-brief.pdf.

11 “Estimated Distributions of KCTD Revenue,” Attachment A to Ordinance TD2014-03, King County Council, February 24, 2014, at your.kingcounty.gov/elections/2014/apr-special/measures/KCTDProp1.pdf.

12 City of Seattle Resolution 31511, Seattle City Council, adopted March 24, 2014, at clerk.seattle.gov/public/meetingrecords/2014/fullcouncil20140324_6.pdf.

13 “King County voters could see April ballot measure to save Metro bus service and address backlog of road maintenance, What regional leaders are saying,” News Release, King County Executive Office, January 14, 2014 at www.kingcounty.gov/exec/news/release/2014/January/14MetroServiceBallot.aspx.

\$3.91 per passenger trip on diesel and hybrid buses, today it spends \$4.50, an increase double the rate of inflation.¹⁴

Metro’s past promises remain unfulfilled

In the past, county officials promised the public increases in bus services if new taxes were approved. These promises remain unfulfilled.

In 2000, county officials said they would add 575,000 hours of new bus service if they received a 0.2 percent increase in the sales tax. In 2006, officials promised they would add 700,000 hours of new bus service if they received a 0.1 percent increase in the sales tax.

Officials received both increases, significantly boosting the regressive tax burden on county residents, but so far they have provided only about 450,000 hours of new service, or about one-third of what they promised.

County officials say the economic recession eroded their ability to keep their promises. Yet, despite the recession, Metro officials continued to increase spending. In 2008, the Municipal League of King County reported on Metro’s rising costs, stating:

“There is no doubt that factors outside of King County’s control have driven some elements of rising transit costs.... While these factors offer some explanation for the recent cost trends, they must not be used to justify continuing high rates of cost growth.

The closer total cost growth can be held to annual inflation rates, the more likely that resources can be directed into improving service quality and adding service to meet ridership demand.”¹⁵

In a 2013 follow up report, the Municipal League said, “it is critical that Metro rigorously control their operating expenses” to meet King County’s own plan of keeping growth in costs below the rate of inflation.¹⁶

Metro’s revenue has equaled or exceeded both inflation and population growth for several years, but county officials have increased their spending faster than the rise in both revenues and inflation. From 2000 to 2012:

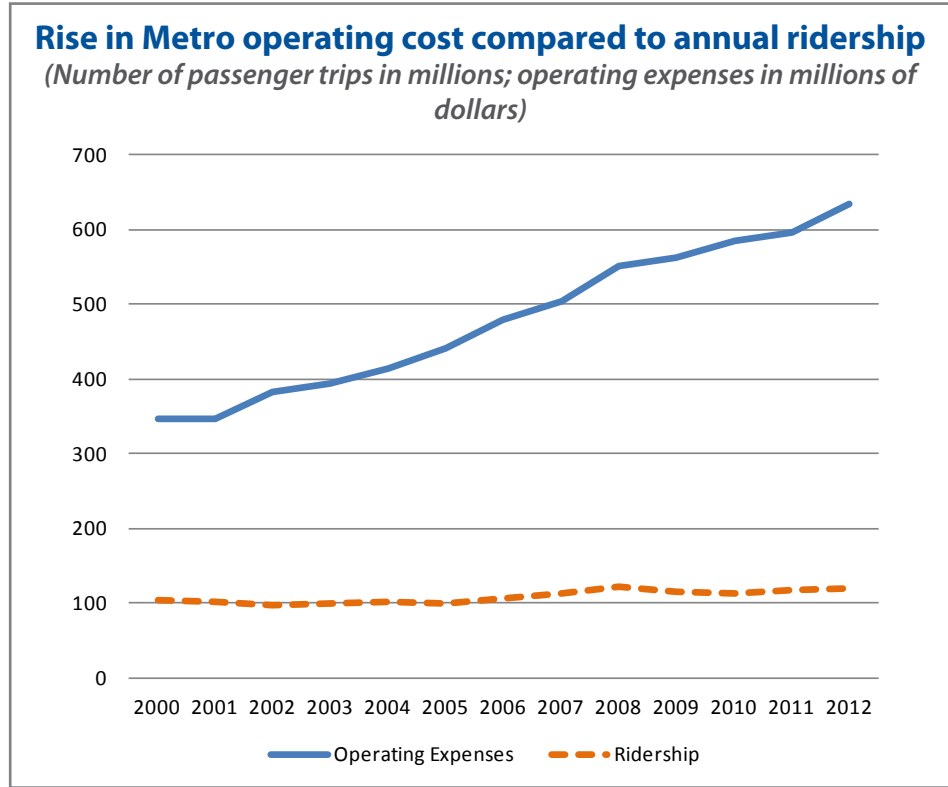
14 “NTD Publications – King County Department of Transportation – Metro Transit Division,” agency profile for 2008 & 2012, National Transit Database, Federal Transit Administration, at www.ntdprogram.gov/ntdprogram/data.htm.

15 “Review of Metro Transit,” Municipal League Foundation, November 2008, pg. 14, at seattletimes.nwsourc.com/ABPub/2008/11/24/2008430719.pdf

16 “Follow-up Review of King County Metro Transit,” Municipal League Foundation, April 5, 2013, pg. 2, at www.munileague.org/wp-content/uploads/2013/04/Municipal-League-Foundation-Metro-Report-2013.pdf.

- County officials increased Metro spending by 83 percent;¹⁷
- Sales tax revenue for Metro has increased by 67 percent;¹⁸
- Inflation was 33 percent.¹⁹

As a result of Metro’s budget management, the agency’s operating costs have increased sharply while ridership levels have grown comparatively slower.²⁰



Metro officials say their strategic outcome is that “Metro’s costs grow at or below the rate of inflation” and to “exercise sound financial management and build Metro’s long term sustainability.”²¹

17 “NTD Publications – King County Department of Transportation – Metro Transit Division,” agency profile for 2000 & 2012, National Transit Database, Federal Transit Administration, at www.ntdprogram.gov/ntdprogram/data.htm.

18 “Washington State 2012 Summary of Public Transportation” & “Public Transportation Systems in Washington State - 2000 Summary,” Washington State Department of Transportation, at www.wsdot.wa.gov/publications/manuals/ptsummary.htm.

19 “Consumer Price Index Inflation Calculator,” U.S. Department of Labor, Bureau of Labor Statistics.

20 “NTD Publications – King County Department of Transportation – Metro Transit Division,” agency profile for 2000-2012, National Transit Database, Federal Transit Administration, at www.ntdprogram.gov/ntdprogram/data.htm.

21 “King County Metro Transit Strategic Plan for Public Transportation 2011-2021, 2013 Update,” King County Metro Transit, at metro.kingcounty.gov/planning/pdf/KCMTStratPlan_2013_Update_LR.pdf.

County officials have managed to slow some cost growth within Metro, but costs continue to increase faster than the rise in inflation and tax revenues. County officials have failed to meet their goal of controlling costs while providing long-term financial sustainability.

Conclusion

County officials say they will cut bus service by 17 percent, or about 600,000 hours, if Proposition 1 does not pass.²² King County Councilmember Larry Phillips said, “It’s either bus service cuts or this [tax increases].”²³

The burden of bus service cuts would fall hardest on the most vulnerable members of King County communities, particularly the handicapped, low-income elderly and the unemployed. *The Seattle Stranger* reports, “Cutting bus service would hit poor people hardest.”²⁴

County officials have failed to honor their past promises of improved bus service, in spite of twice receiving requested sales tax increases, a car tab fee and new property tax money. This failure raises questions about their ability or willingness to deliver on future promises, especially when changes in conditions lead officials to say they no longer feel bound by their past commitments.

Instead of seeking an increase in regressive taxes, county officials could work to improve their management of the current rise in tax revenue, as officials in Pierce and Snohomish counties have done, and seek to open a dialogue with union executives as a way to preserve Metro service for the public.

Proposition 1 is one of a series of transportation-related tax increase measures that may be proposed in future years. Sound Transit is likely to seek new taxes for light rail expansion. The governor and some state legislators say they plan to ask for an increase in the gas tax soon, and new tolls are being considered for public roads and highways throughout the region.

Given these coming proposals and the sharply regressive burden of the sales tax, voters should carefully consider how Proposition 1’s tax increases and future taxes add up and decide which measures will best serve their financial and transportation needs.

22 “2013-2014 Proposed Budget, Transportation,” King County Metro, Transit Division, pg. 61, at metro.kingcounty.gov/am/reports/2013/king-county-proposed-budget-transportation-2013-2014.pdf.

23 “Cutting Bus Service Would Hit Poor People Hardest,” Goldy, *The Stranger*, March 5, 2014, at www.thestranger.com/seattle/cutting-bus-service-would-hit-poor-people-hardest/Content?oid=19013493.

24 Ibid.

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