WASHINGTON
POLICY CENTER
Improving lives through market solutions

POLICY NOTE

Citizens' Guide to Clark County Proposition 1 (Vancouver Light Rail)

Uncertainties, Risk and Harm to Washington Businesses Are Reasons Proposition 1 Is Bad Public Policy

by Michael Ennis
Director, Center for Transportation

September 2012

This Policy Note is a summary of WPC's in-depth Citizens' Guide to Clark County Proposition 1, available at washingtonpolicy.org.

In November, the Clark County Public Transportation Benefit Area Authority (C-TRAN) board of directors will ask all voters living within the agency's taxing district to raise the sales tax rate to expand public transit in the Clark County region. Voters will be asked the following on Proposition 1:

> Resolution BR-12-009 and RCW 81.104 authorize a proposition to increase the sales and use tax by 0.1 percent, or one penny on a ten dollar purchase, to fund the C-TRAN share of the maintenance and operations costs only of the Columbia River Crossing Project light rail extension between Expo Center and Clark Park & Ride and the local capital share and operations and maintenance costs of the Fourth Plain Boulevard Bus Rapid Transit project.
>
> Should the proposition be Approved or Rejected?[1]

If approved, the measure would increase the current sales tax rate by 0.1% in the C-TRAN district for a total of 0.8% and it would initially raise between $4–5 million per year. The money is supposed to fund Washington's portion of the annual costs to operate light rail across a new I-5 Columbia River bridge and the capital and operating costs of a bus rapid transit (BRT) system in downtown Vancouver. C-TRAN officials assume that federal taxpayers would pay for the construction of the light rail segment of the project.

The full WPC Citizens' Guide, of which this is a summary, makes the following Key Findings:

- The November vote is a referendum on light rail.
- If the November light rail measure is approved, the sales tax rate in Vancouver will have increased by more than 10% since 2005.
- Not only would residents experience a higher tax burden, adding to the financial incentive to shop in Portland, the new taxes would be used to subsidize a train to make it easier for people to do it, and along the way harm Washington businesses and undermine current public revenue streams.
- There are still significant unresolved issues that could leave voters responsible for hundreds of millions of dollars more than they are actually voting on.

Key Findings

1. The November vote is a referendum on light rail.
2. The new taxes would subsidize a train to make it easier for people to shop in Portland, harming Washington businesses.
3. In Clark County, using a sales tax increase to pay for a train that takes people to Portland where there is no sales tax is incomprehensible.
4. A dispute with the Coast Guard over the bridge height could add up to $200 million to the project's costs.
5. The 0.1% sales tax increase raises more money than C-TRAN actually needs for Vancouver's downtown BRT system, resulting in no real savings for taxpayers.
6. C-TRAN's operating expenses are rising disproportionately faster than ridership; officials should contain these costs and bring operating expenses in line with passenger demand before asking voters for more money.

[1] "Board Resolution BR-12-009," C-TRAN, approved July 10, 2012.

- The proposed BRT system in downtown Vancouver may operate more efficiently than the two bus lines it is replacing, but the 0.1% sales tax increase raises more money than C-TRAN officials actually need, leading to no real savings for taxpayers.
- The data show that C-TRAN's operating expenses are rising disproportionately faster than ridership, and officials should contain these costs and bring their operating expenses, particularly labor costs, in line with passenger demand before asking voters for more money.

In Clark County, using a sales tax increase to pay for a train that takes people to Portland where there is no sales tax is incomprehensible. Besides the obvious irony, there is a real and measurable harm to Washington businesses and existing sales tax streams across Clark County. Whatever benefit exists from Vancouver employees using light rail to commute to Portland is far outweighed by the harm it does to Washington businesses.

The uncertainties surrounding the light rail project are also significant, likely leaving taxpayers on the hook for hundreds of millions of dollars in higher costs in the years ahead.

For example, it is still unclear who would pay for Portland's share of operating light rail to Vancouver. C-TRAN officials have stated their taxpayers should only pay for the system on Washington's side of the border and Portland residents should be responsible for the portion on the Oregon side. Oregon officials however, disagree and say that Washington residents should pay the entire annual amount, including the costs of operating the system on the Oregon side of the border.

C-TRAN officials have left the issue unresolved and voters do not know whether the sales tax increase would pay for just their share or Oregon's portion as well.

Given the current economic and political climates at both the local and national levels, the grade given to the light rail project by the Federal Transit Administration still leaves voters uncertain about whether the project would receive adequate federal funds.

And the final bridge design is not complete, including a dispute with the Coast Guard over the bridge height above the Columbia River, which could add up to $200 million to the project's costs.

Despite the higher efficiencies of a BRT system in downtown Vancouver, the 0.1% sales tax increase raises more money than C-TRAN needs (about $17 million through 2035), which officials would spend on current transit services, resulting in no real savings for taxpayers. This is a point that voters may find difficult to accept just one year after a 0.2% sales tax increase that also funded existing transit services.

The C-TRAN measure is a windfall for Portlanders because they would receive an extension of their light rail system into Vancouver, which they likely would not have to pay for, bringing more shoppers to their downtown businesses and drawing more economic activity away from Clark County.

With its obvious harm to Washington businesses, C-TRAN officials' failure to keep transit costs proportional to demand, and the uncertainty and risk surrounding the light rail project, Proposition 1 is bad public policy. Columbia River Crossing officials should return to the drawing board and find more efficient transit alternatives to connect Vancouver with Portland across a new bridge. And given the potential of BRT in downtown Vancouver, C-TRAN officials should propose a funding source that is directly proportional to expenses and pass the real savings on to taxpayers.

Michael Ennis is director of the Center for Transportation at Washington Policy Center, a non-partisan independent policy research organization in Washington state.