

POLICY BRIEF

Whatcom Transportation Authority collects more taxes and imposes higher costs despite declining ridership

By Mariya Frost, Director, Coles Center for Transportation
and Marissa Gaston, Research Intern

October 2020

Key Findings

- 1. Whatcom Transportation Authority (WTA) officials continue to collect taxes and increase spending as total ridership declines.*
- 2. Between 2008 and 2017, total ridership at WTA declined by 6.7 percent overall.*
- 3. The most significant drop in ridership (a 21.3 percent decline) occurred between 2014 and 2017.*
- 4. The 2014 to 2017 ridership drop coincided with decreasing gas prices and the introduction of competitive private ride-hailing service in Whatcom County.*
- 5. Although ridership dropped by 6.7 percent from 2008 and 2017, WTA operating expenses across that same period increased by 27.6 percent.*
- 6. Sales tax revenue has increased as a portion of WTA revenue while ridership has decreased, meaning that more tax dollars are being spent on a service that taxpayers are using less.*
- 7. In 2008, operating revenue (money collected from passenger fares) made up 9.9 percent of total revenue and had increased only to 15.9 percent of total revenue by 2014. In 2017, operating revenue made up 9.4 percent of total revenue, falling below the 2008 level.*
- 8. Total operating expenses increased by \$6.1 million from 2008 to 2017. Spending on salaries, wages and employee benefits increased by \$5.5 million over the same period, making up 90 percent of the increase in operating expenses.*
- 9. WTA should not continue to collect current levels of sales tax revenue from the public, and instead should reduce the tax burden on the community, contract out more services to save money, and allocate funds differently to match remaining ridership demand.*



POLICY BRIEF

Whatcom Transportation Authority collects more taxes and imposes higher costs despite declining ridership

By Mariya Frost, Director, Coles Center for Transportation
and Marissa Gaston, Research Intern

October 2020

| | |
|----|--|
| 3 | <i>Introduction</i> |
| 4 | <i>Policy analysis</i> |
| 10 | <i>Policy recommendations</i> |
| | <i>1. Re-allocate funds</i> |
| | <i>2. Contract out more services</i> |
| | <i>3. Reduce the sales tax</i> |
| 11 | <i>Conclusion</i> |
| 11 | <i>Selected data on the Whatcom Transportation Authority</i> |

Whatcom Transportation Authority collects more taxes and imposes higher costs despite declining ridership

By Mariya Frost, Director, Coles Center for Transportation
and Marissa Gaston, Research Intern

October 2020

Introduction

Washington Policy Center, an independent public policy think tank, provides key facts and research about transit agencies across Washington state. This Policy Brief contains new research about Whatcom Transportation Authority (WTA).

WTA operates in a Public Transportation Benefit Area (PTBA) serving Whatcom County, providing public transportation services in the northwest portion of Washington and to Point Roberts. This includes parts of the 40th and 42nd legislative districts and parts of the 1st and 2nd Congressional districts. Services consist of fixed route bus, demand response, paratransit, and vanpool services in and around Whatcom County cities including Bellingham, Lynden, Ferndale, and Blaine. WTA also provides connections to Amtrak, Greyhound and several ferry routes, plus connections between Bellingham and Mount Vernon in Skagit County.

In May 2020, WTA received an \$8.8 million grant as part of the federal CARES Act.¹ Also in May, WTA received an award from the Federal Transit Administration (FTA) Integrated Mobility Innovations Grant Program. This money will fund 80 percent of a pilot project in Lynden to test on-demand van service.²

Established in 1983, the transit agency serves a population of approximately 225,099 people.³ Whatcom Transportation Authority is governed by a 10-member board of directors composed of local elected officials and one non-voting labor representative. The majority of WTA's funding (almost 87 percent in 2019) comes from the 0.6 percent sales tax that the agency levies in the Whatcom County PTBA.⁴ Originally a 0.3 percent sales tax, an additional 0.3 percent was approved in 2002. Since 2002, there have been no additional tax increases to fund WTA.

1 "WTA receives federal funding for COVID-19 response," KGMI News Talk, May 25, 2020, at <https://kgmi.com/news/007700-wta-receives-federal-funding-for-covid-19-response/>.

2 "WTA receives federal transit administration grant to fund pilot project in Lynden," Whatcom Talk, May 26, 2020 at <https://www.whatcomtalk.com/2020/05/26/wta-receives-federal-transit-administration-grant-to-fund-pilot-project-in-lynden/>.

3 "2019 Public Transportation Benefit Area Population Estimates," State of Washington Office of Financial Management, Sept 20, 2019 at <https://ofm.wa.gov/sites/default/files/public/datarsearch/pop/special/ptba.pdf>

4 "2019 Annual Budget," Whatcom Transportation Authority, November 15, 2018 at <http://www.ridewta.com/Published%20Docs/WTA%20Budget%202019.pdf>

Policy analysis

Data analysis approach

The most recent year that complete fiscal “actuals” are available for Whatcom Transportation Authority is 2017.⁵ In order to provide a decade overview of WTA’s operations, we assessed data from 2008 to 2017. Data from this decade was broken down further into three-year periods, each offering an overview of the agency that is localized to a smaller window of time (see Tables 1 and 2).

The period of 2008 to 2011 encompasses the Great Recession, the resultant economic contraction, and the beginning of the economic recovery. In 2011, there was a sharp increase in Washington state gas prices that continued until they peaked – along with WTA transit ridership – in 2014. The period of 2014 to 2017 is used as the most recent period in order to, first, maintain equal periods of assessment within the larger decade and, second, to demonstrate the extent to which WTA ridership has fallen compared to its peak year. This three-year period has seen the introduction of commercial ride-hailing services in Whatcom County, steadily declining gas prices, and sharply declining transit ridership.

Falling ridership

Over the course of a decade, WTA’s overall ridership declined on both its fixed route bus and vanpool service (which was launched in 2010), while increasing in its demand response services (see Table 2). Fixed route bus is the most heavily-used transit mode of the WTA services, making up over 94 percent of trips in 2017. But it has also seen a marked decline in usage, dropping by 8.6 percent between 2008 and 2017. The most noticeable decline was also the most recent; a 22.3 percent decrease in bus trips between 2014 and 2017.

The vanpool program introduced in 2010 increased in ridership by 43.4 percent in its first four years of operation but then declined after 2014. From the time of its introduction through 2017, vanpool service experienced a 13.8 percent drop in ridership.

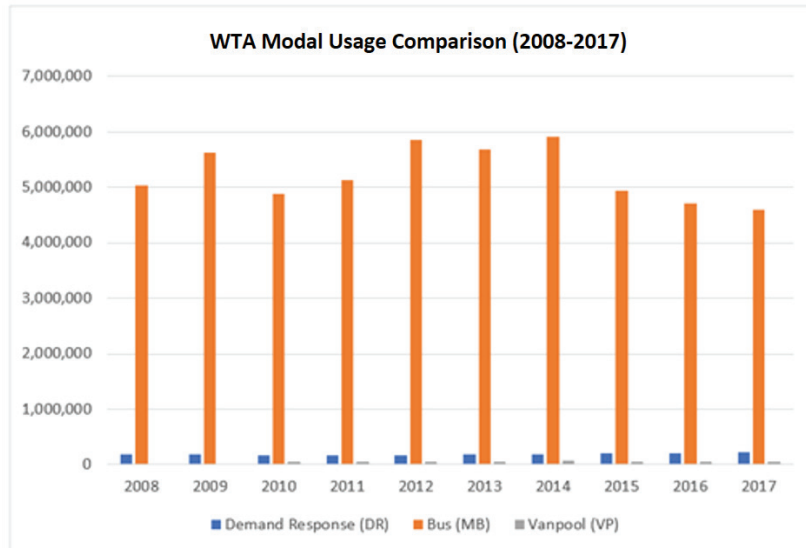
Demand response services, by contrast, saw a 19.9 percent increase in ridership between 2008 and 2017. Demand response vehicles operate according to the request of the consumer rather than following a fixed route or timetable. WTA’s demand response services include paratransit and zone service (limited transit service in rural areas). When contacted by Washington Policy Center, a WTA representative discussed the reliance on zone service in rural parts of Whatcom County that lack strong road infrastructure. The representative said zone service was intended “to provide some basic level of transportation” to community members in the PTBA “who are not served by any other service.” Point Roberts, for example, is served exclusively by limited demand response zone service.

Demand response service is also the most expensive for Whatcom County residents to subsidize. According to the National Transit Database, directly operated demand response service costs Whatcom County more than \$40 per trip to operate, yet riders pay fares averaging just 45 cents per trip. Contracted-out demand response service costs \$31 per trip, but fares are just 19 cents per trip.

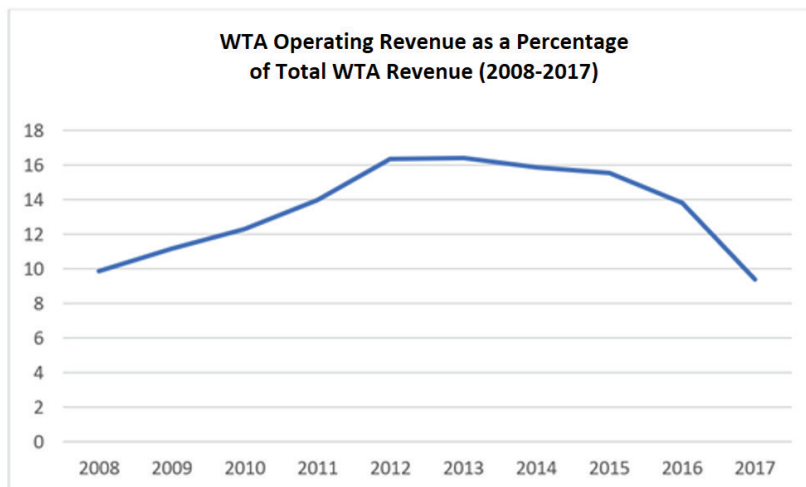
⁵ WTA has updated their website with the 2020 Annual Budget, which includes fiscal “actuals” for 2018. The 2018 data does not diverge from the trends we have observed, so we have chosen to include 2018 data in a future update instead.

WTA’s demand response service is divided into two categories: paratransit and zone service. Both have increased in usage by between 20 and 40 percent over the last decade.⁶ WTA reported in 2019 that,

“Sunday paratransit service was eliminated September 19, 2010 and restored in the City of Bellingham June 12, 2011 which accounts for the dip in ridership and revenue hours from 2010 – 2011. The growth in revenue hours in 2017 is due to paratransit service being made available outside the City of Bellingham on March 17, 2017. Lynden, Ferndale, Gooseberry Pt and Sudden Valley now have paratransit service seven days a week.” The agency further noted that “boardings are highly variable year to year on Zone Service and are heavily influenced by a small number of riders who ride frequently.”⁷

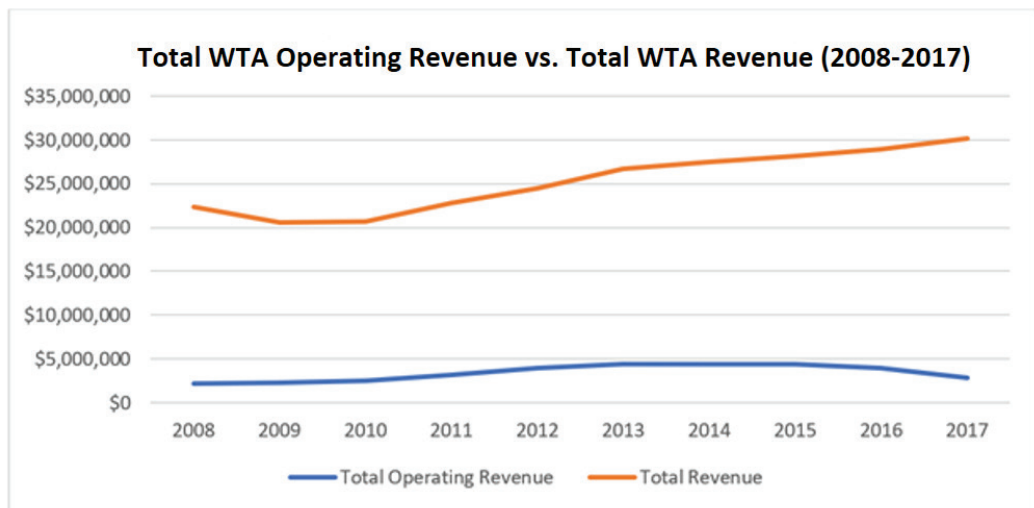


Operating revenue, which is money collected from passenger fares, increased as a percentage of WTA’s total revenue between 2008 and 2014. In 2008, operating revenue made up 9.9 percent of total revenue and had increased only to 15.9 percent of total revenue by 2014. Ridership also increased between 2008 and 2014. However, that trend changed in 2015, when ridership started to drop and spending accelerated. In 2017, operating revenue made up 9.4 percent of total revenue, falling below the 2008 level.



⁶ “2019 Service Performance Report,” Whatcom Transportation Authority, 2019, at <http://www.ridewta.com/Published%20Docs/2019%20-%20Annual%20Performance%20Report.pdf>

⁷ Ibid.



More agency spending has not resulted in increased ridership. For example, the period from 2014 to 2017 saw a 21.3 percent decrease in total ridership, but a 12.6 percent increase in annual vehicle revenue miles⁸ and a 20.2 percent increase in total operating expenses.

We called WTA and asked a representative why, in the agency’s assessment, ridership decreased so significantly in 2015 and onward. The representative attributed the decline to “a combination of low gas prices, a strong economy, [competition from] transportation network companies such as Uber and Lyft, and high car ownership.”

Uber came to Bellingham in 2015.⁹ Lyft arrived in 2017.¹⁰ Rising usage of the demand response services provided by WTA indicate increased consumer demand for flexible transportation services that are not bound to fixed routes or times. Uber and Lyft both provide services that satisfy this consumer demand. Though their introduction in Whatcom County coincided with WTA’s ridership decline and may have played a role in attracting individuals who used transit, gas prices likely played an even bigger role, since there was a significant drop in retail gas prices at the end of 2014.¹¹ Gas prices peaked in Washington state at \$4 a gallon in 2014. By June 2017, the price for a gallon of gas in Washington state had decreased by 29 percent to \$2.84 per gallon.¹²

Regarding high car ownership, the representative said “that’s a big one in Whatcom County.” Car ownership in Whatcom County is about the same as the national average. Data from 2017 shows that roughly 39 percent of Whatcom County households own two cars and about 24 percent own three cars compared to the national averages. About 41 percent of American households own two cars and 21 percent own three.¹³ The better claim for low transit ridership would be high car usage and commuter preference, especially in a lower-density area where traffic congestion

8 Vehicle revenue miles are defined by the Federal Transit Administration (FTA) as “the miles that vehicles are scheduled to or actually travel while in revenue service.”

9 “Uber ride-sharing service rolls into Bellingham”, The Bellingham Herald, Nov 20, 2015 at <https://www.bellinghamherald.com/news/local/article45677118.html>

10 “Is this the Lyft Bellingham is looking for when it comes to ride-sharing?”, The Bellingham Herald, May 25, 2017 at <https://www.bellinghamherald.com/news/local/article152710214.html>

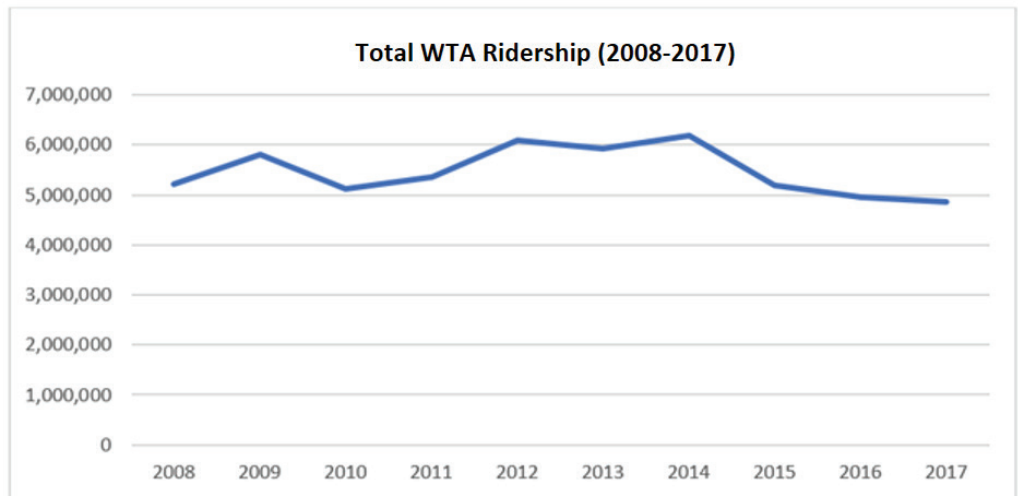
11 Gas Price Charts, GasBuddy, 120 Month Average Retail Price Chart, at <https://www.gasbuddy.com/charts>.

12 “Weekly Washington All Grades All Formulations Retail Gasoline Prices”, U.S. Energy Information Administration at https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_SWA_DPG&f=W

13 “Data USA: Whatcom County, WA”, Data USA, at <https://datausa.io/profile/geo/whatcom-county-wa>

is fairly low. Compared to cars, transit generally does not go where commuters need to go, and if it does, it is slow. As of 2017, 75.2 percent of all commuters in Whatcom County said they drove to work alone compared to only 2.48 percent who said they used public transportation.¹⁴

The representative also noted a “general trend of decline in transit ridership. Pretty much all transit agencies in the US have seen that trend.” This is correct and the Whatcom Transportation Authority is no exception. Nationwide, transit ridership has seen a marked decline since 2014, dropping 7.5 percent between 2014 and 2018.¹⁵ Further, the national average does not reflect some of the more dramatic trends in urban areas, where “transit ridership in 31 of the nation’s 50 largest urban areas has dropped 15 percent or more since the year of highest ridership in each region in the last decade. Eleven of those regions have lost 30 to 47 percent of their riders.”¹⁶



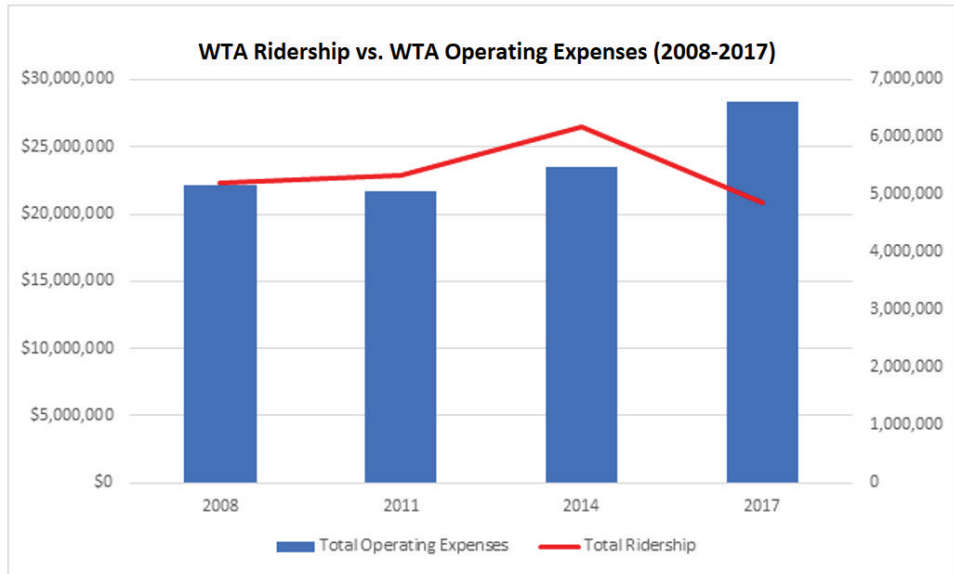
The following chart contrasts the increase in WTA operating expenses over time with the agency’s ridership trajectories. From 2008 to 2011, operating expenses held steady with a slight dip attributable to the Great Recession. Ridership saw a small

¹⁴ *ibid.*

¹⁵ “Charting Public Transit’s Decline,” by Randal O’Toole, Cato Institute, Nov 18, 2018 at <https://www.cato.org/publications/policy-analysis/charting-public-transits-decline>

¹⁶ *Ibid.*

increase. When ridership increased more markedly between 2011 and 2014, operating expenses mirrored that trend and, as the economy recovered, rose slightly. But note the dramatic increase in operating expenses between 2014 and 2017 despite a steep decline in ridership – one that erased all ridership gains made between 2008 and 2017 – during the same timeframe. WTA’s operating expenses have spiked in recent years – a 20.2 percent increase between 2014 and 2017 – in spite of decreased use of its services by the community.



WTA’s 2016 budget was approved in November 2015. The year 2015 was the first year to see a decrease in ridership after the 2014 peak, yet the agency’s 2016 budget still includes the addition of five new positions, two of which are listed as “administrative support staff.”¹⁷ The 2016 capital budget also includes \$4.8 million in expenses for new equipment and projects, including the addition of eleven minibuses, six vanpool vans, and four staff vehicles.¹⁸ The purchase of more vanpool vans is especially puzzling since vanpool ridership dropped from 77,344 boardings in 2014 to 61,922 boardings in 2015.¹⁹ (Vanpool ridership ultimately decreased by 39.9 percent between 2014 and 2017.)

By 2017, WTA’s overall ridership was in steep decline, yet its operating expenses rose faster than ever. The agency’s 2017 capital budget, prepared in November 2016, shows the addition of 14 new transit operator positions.²⁰ A service expansion, despite years of declining ridership, seems to indicate that the agency is more invested in wishful thinking than responding to customer demand.

Revenue sources and increased spending

The 21.3 percent drop in total ridership between 2014 and 2017 also erased all the ridership gains that had been made from 2008 up until 2014, as the chart “Total WTA Ridership (2008-2017)” demonstrates, resulting in an overall 6.7 percent decrease in service usage between 2008 and 2017. However, WTA spending across that same 10-year timeframe increased by 27.6 percent.

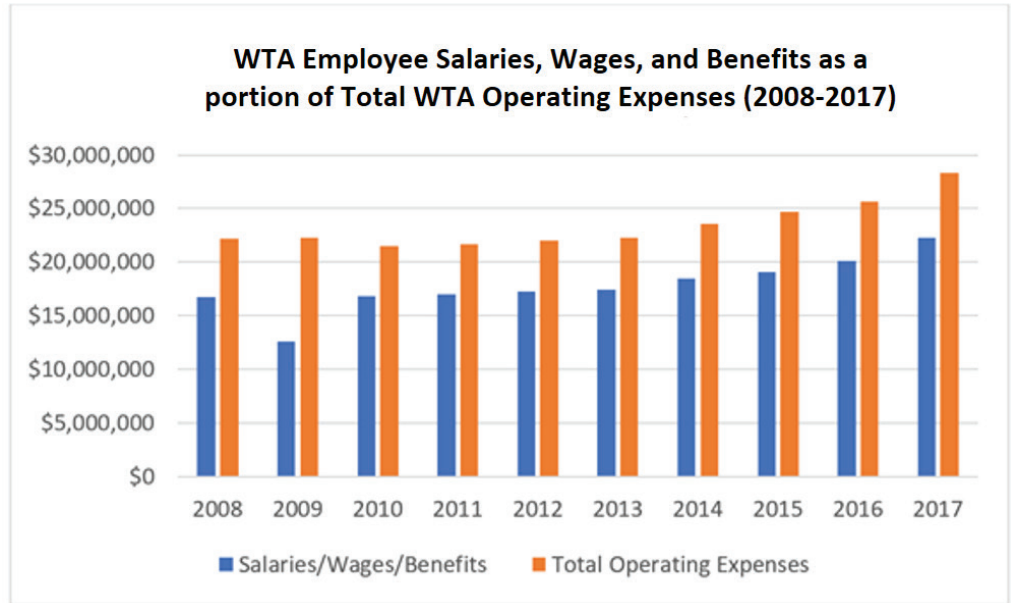
17 “2016 Annual Budget,” Whatcom Transportation Authority at <http://www.ridewta.com/Published%20Docs/WTA%20Budget%202016.pdf>

18 Ibid.

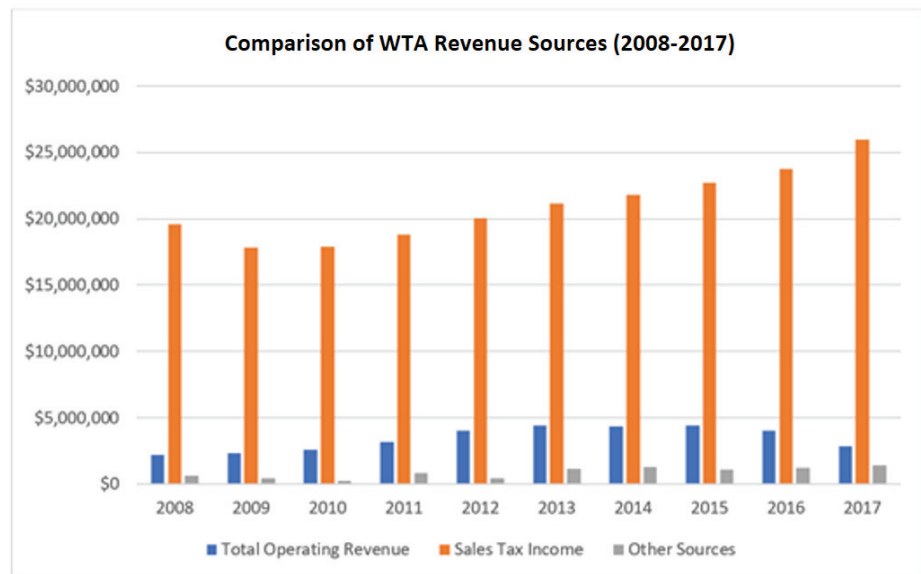
19 “March 2020 Adjusted Database,” National Transportation Database

20 “2017 Annual Budget,” Whatcom Transportation Authority at <http://www.ridewta.com/Published%20Docs/WTA%20Budget%202017.pdf>

Salaries, wages and employee benefits (including employer contributions to pensions) make up the largest portion of WTA’s expenses (approximately 75 to 79 percent of total operating expenses each year). From 2008 to 2017, there was an increase of \$5.5 million in spending in this category. Total operating expenses increased by \$6.1 million over the same time period. In other words, 90 percent of the increase in operating expenses paid for salaries, wages and employee benefits.

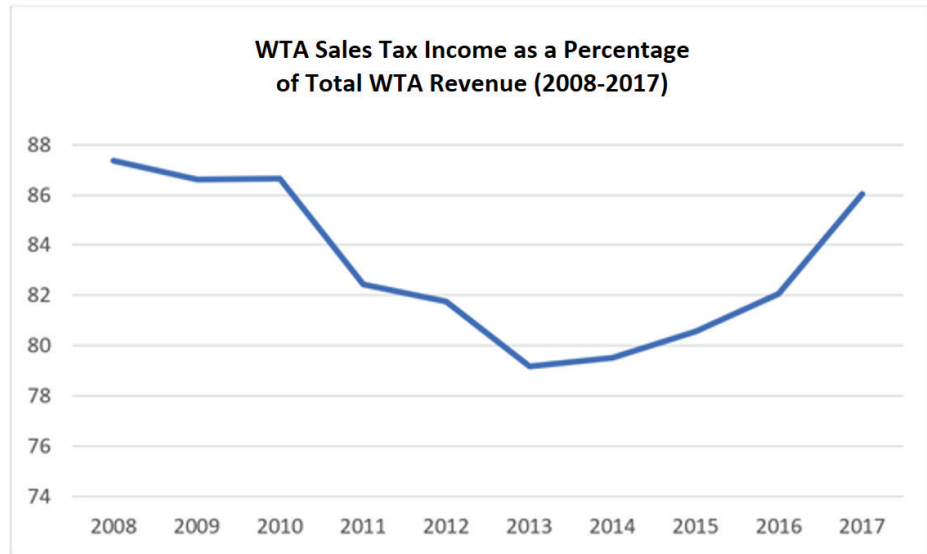


Meanwhile, sales tax revenue makes up the majority of WTA’s budget (86 percent of total revenues in 2017). This percentage proportion has increased in conjunction with increasing operating expenses and decreasing operating revenues after 2014. This indicates that more tax dollars taken from the public – \$25.9 million in 2017 versus \$19.5 million in 2008 – are being used for a service that taxpayers are using less. It is worth noting that low-income people in Whatcom County are paying a disproportionate share of transit costs even though most do not use it. According to the American Community Survey, only 5.1 percent of Whatcom County workers who earn under \$25,000 each year take public transit to work, while 72 percent drive.²¹



21 “Means of Transportation to Work by Workers’ Earnings in the Past 12 Months,” American Community Survey Table B08119, Accessed August 25, 2020, at www.data.census.gov.

22 Other sources include capital and operating grants as well as investment income.



The public data collected on WTA by the Washington Policy Center indicates a pattern of dwindling ridership and increased spending since 2014. As the WTA receives less operating revenue as a result of less usage, it relies more heavily on revenue from the 0.6 percent sales tax, which is taken through the Whatcom County PTBA. Most of this revenue has been directed towards employee salaries, wages, and benefits and does not reflect a concern for the public or a restructuring of the agency to better respond to consumer demand.

Policy recommendations

1. Re-allocate funds

To get rising costs under control and to respond to declining ridership, Whatcom Transportation Authority officials should restructure their system to operate more efficiently, rather than spending money on new equipment, projects, and administrative staff. This includes new purchases like those made in 2016 for new minibuses, van-pool vans, and staff vehicles which cost the agency an additional \$4.8 million. Costs at WTA continue to rise despite a significant and consistent fall in customer demand over the last several years. The agency’s budget should reflect an effort to right-size WTA to ridership, fine-tuning rather than expanding service to meet the needs of existing riders.

2. Contract out more services

WTA can save taxpayers’ money by contracting out bus and all demand response services, which are the most expensive to operate. Contracting with private companies to provide transit service, especially as transit agencies struggle financially during the COVID-19 health and economic crisis, would cut costs and improve service to customers. WTA can build metrics into contracts to enforce the agency’s “desired service standards, cleanliness levels, and customer satisfaction.”²³

²³ “How Contracting Improves the Service Quality and Accountability of Mass Transit,” by Joe Hillman and Baruch Feigenbaum, Reason Foundation, August 20, 2020, at <https://reason.org/commentary/how-contracting-improves-the-service-quality-and-accountability-of-mass-transit/>.

3. Reduce the sales tax

Lastly, with the declining trend in ridership over the last several years, WTA should cut the sales tax rate the public pays and match service to current, rather than wishful, public demand. If the agency is taking steps to reduce the cost of its services and save money, the sales tax reduction will be more manageable. Not doing so, while operating expenses as well as salaries and benefits grow despite declining ridership, raises questions about the fairness of WTA's taxing authority.

Conclusion

Whatcom Transportation Authority's policy of increasing operational spending as ridership declines underscores our primary policy recommendation that the agency should not continue to collect current levels of sales tax revenue from the public, and instead should reduce the tax burden on the community and allocate funds differently to match remaining ridership demand. This should result in an increased emphasis on demand response services, the only category in which WTA has seen an overall increase in ridership, and which could be contracted out for additional savings.

Selected data on the Whatcom Transportation Authority:

Table 1

| Ridership | 2008 | 2011 | 2014 | 2017 |
|------------------------|------------------|------------------|------------------|------------------|
| Demand Response | 184,142 | 174,228 | 190,772 | 220,815 |
| Bus | 5,032,936 | 5,125,549 | 5,919,614 | 4,602,021 |
| Vanpool* | 2010: 53,954 | 49,484 | 77,344 | 46,492 |
| Total Ridership | 5,217,078 | 5,349,261 | 6,187,730 | 4,869,328 |

*Monthly vanpool ridership was reported to the NTD as zero (0) until January 2010.

| Revenues | 2008 | 2011 | 2014 | 2017 |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
| Total Operating Revenue | \$2,207,400 | \$3,192,962 | \$4,358,851 | \$2,833,875 |
| Sales Tax Income | \$19,565,285 | \$18,827,426 | \$21,807,594 | \$25,946,586 |
| Other Sources* | \$628,217 | \$819,283 | \$1,257,737 | \$1,381,055 |
| Total Revenue | \$22,400,902 | \$22,839,671 | \$27,424,182 | \$30,161,516 |
| OpRev % of Total | 9.85% | 13.98% | 15.89% | 9.40% |
| Sales Tax % of Total | 87.34% | 82.43% | 79.52% | 86.03% |

*includes grants, investments, and other revenue sources

| Expenses | 2008 | 2011 | 2014 | 2017 |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| Salaries/Wages/Benefits | \$16,744,118 | \$17,031,807 | \$18,470,799 | \$22,241,978 |
| Total Operating Expenses | \$22,178,253 | \$21,693,372 | \$23,551,206 | \$28,308,456 |
| S/W/B % of Total OpEx | 75.50% | 78.51% | 78.43% | 78.57% |

Table 2

| Ridership | % change from 2008-2011 | % change from 2011-2014 | % change from 2014-2017 | % change from 2008-2017 |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Demand Response | -5.38% | 9.50% | 15.75% | 19.92% |
| Bus | 1.84% | 15.49% | -22.26% | -8.56% |
| Vanpool* | 2010-11: -8.28% | 56.30% | -39.89% | 2010-17: -13.83% |
| Total Ridership | 2.53% | 15.67% | -21.31% | -6.67% |

*Monthly vanpool ridership was reported to the NTD as zero (0) until January 2010.

| Revenues | % change from 2008-2011 | % change from 2011-2014 | % change from 2014-2017 | % change from 2008-2017 |
|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total Operating Revenue | 44.65% | 36.51% | -34.99% | 28.38% |
| Sales Tax Income | -3.77% | 15.83% | 18.98% | 32.62% |
| Other Sources* | 30.41% | 53.52% | 9.80% | 119.84% |
| Total Revenue | 1.96% | 20.07% | 9.98% | 34.64% |

*includes grants, investments, and other revenue sources

| Expenses | % change from 2008-2011 | % change from 2011-2014 | % change from 2014-2017 | % change from 2008-2017 |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Salaries/Wages/Benefits | 1.72% | 8.45% | 20.42% | 32.83% |
| Total Operating Expenses | -2.19% | 8.56% | 20.20% | 27.64% |

Sources: National Transit Database (NTD), Whatcom Transportation Authority

Not all percentages sum to 100% due to rounding.

Published by Washington Policy Center

Washington Policy Center is an independent research organization in Washington state. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

| | |
|-----------------------------|--------------------------|
| Chairman | Mark Pinkowski |
| President | Daniel Mead Smith |
| Vice President for Research | Paul Guppy |
| Communications Director | David Boze |

If you have any comments or questions about this study, please contact us at:

Washington Policy Center
PO Box 3643
Seattle, WA 98124-3643

Online: www.washingtonpolicy.org
E-mail: wpc@washingtonpolicy.org
Phone: (206) 937-9691

© Washington Policy Center, 2020



Mariya Frost is the Director of the Coles Center for Transportation at Washington Policy Center. Born in Russia, she and her family came to the United States in 1993 and she grew up in Washington state. She is a graduate of the University of Washington with a degree in Political Science. Mariya completed a studies program in the Dominican Republic, Spain and northern Africa through the University of Nations, and has completed courses in accounting and business administration at Saint Martin's University. She spent ten years working in the private sector and as a staff member at the U.S. House of Representatives and the Washington state senate.

Mariya has lived in both Eastern and Western Washington, and believes strongly in the freedom of mobility for all Washingtonians. She is on the Board of Directors for the Eastside Transportation Association, a member of the Jim MacIsaac Research Committee, and a member of the Women of Washington civic group.



Marissa Gaston graduated from the University of Washington, Seattle, in June 2020 with a degree in Political Science and a minor in Classical Studies. She was the Washington Policy Center's Spring 2020 Doug and Janet True research intern. As an undergraduate, she was an active staff writer at The Daily and was involved with AIPAC and the UW Young Professionals. During her sophomore year, Marissa studied abroad at Ben-Gurion University of the Negev in Be'er Sheva, Israel, where she interned with Dr. Natan Aridan, editor of the Israel Studies journal. Marissa has also interned with the State Department at the U.S. Embassy to the Holy See in Rome, Italy. Shortly after graduating, she began an academic residency fellowship at the John Jay Institute. Marissa speaks several languages, including French and Norwegian. She believes deeply in the merits of free enterprise and looks forward to pursuing a career centered on principled leadership in policy and politics.