

## Key Findings

1. In 2000 and 2006, King County Metro requested and voters approved increases in the sales tax rate to pay for more bus service.
2. Metro officials said the 2000 increase would provide 575,000 bus hours within six years. Through 2006, Metro only delivered about 207,257 hours, or 36% of the amount promised to voters in the 2000 election.
3. Metro officials said the 2006 increase would provide 700,000 bus hours within ten years. Through the first three years, Metro has only delivered about 119,000 hours, and needs to produce another 83,000 hours per year, over the next seven years to get on track.
4. By 2006, Metro collected 95 percent of the funding officials said they needed to produce 575,000 bus hours promised to voters during the 2000 election.
5. By 2009, three years after their self-imposed deadline, Metro collected 20 percent more money than officials said they needed, but still only delivered a third of the new bus service they had promised voters in the 2000 election.
6. After the two sales tax increases, the average salary for Metro bus drivers grew by nearly 60 percent, rising at twice the rate of inflation over the same time period.
7. Metro officials must gain control of their operating expenses and deliver the service promised from the previous two tax increases before additional taxing authority is considered.

## King County Officials Over-Promise Bus Service for Tax Increases

*Metro collects enough money but fails to deliver service*

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### Metro Officials Over-Promise Ridership

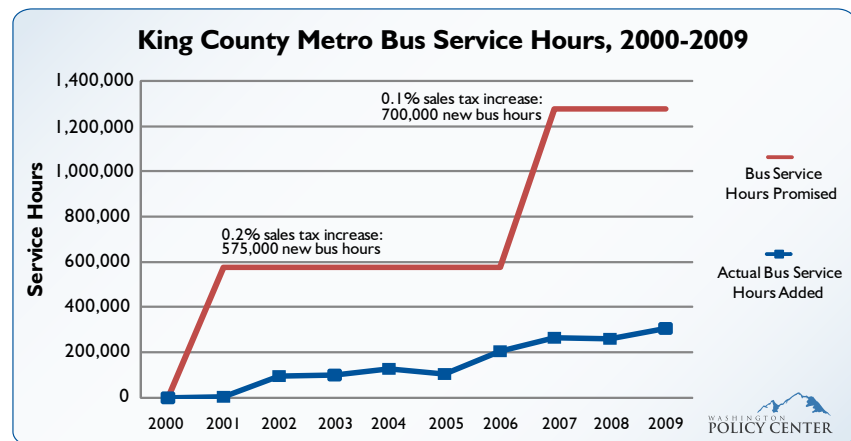
King County relies heavily on sales taxes to fund its public transportation services. Metro's sales tax rate is currently 0.9 percent and produced about \$375 million in revenue in 2009.<sup>1</sup> Over the last ten years, King County has twice increased the sales tax rate. In 2000, King County was successful in asking voters to approve a 0.2 percent rate hike and another 0.1 percent in 2006.

With the two sales tax increases however, Metro officials have not delivered the expanded bus service they promised voters.

During the 2000 election, Metro officials said the 0.2 percent sales tax increase would purchase 575,000 hours of new bus service within six years.<sup>2</sup>

During the 2006 election, Metro officials said they would use the 0.1 percent sales tax increase to deliver another 700,000 hours of new bus service within ten years.<sup>3</sup> This means Metro should be on track to provide 1.28 million hours of new bus service by the end of 2016.

The following chart compares the actual number of bus service hours provided and promised by King County Metro between 2000 and 2009.<sup>4</sup>



<sup>1</sup> "King County Median Sales Tax Forecast," Office of Economic and Financial Analysis, March 2010. See Appendix for more information.

<sup>2</sup> "Sales-tax boost sought to restore bus funding," Roberto Sanchez, *Seattle Times*, October 10, 2000, at [www.community.seattletimes.nwsourc.com/archive/?date=20001010&slug=4047058](http://www.community.seattletimes.nwsourc.com/archive/?date=20001010&slug=4047058).

<sup>3</sup> "Guide to Transit Now, A proposed sales tax increase to fund additional King County public transit services," Michael Ennis, Policy Brief, Washington Policy Center, September, 2006, at [www.washingtonpolicy.org/Centers/transportation/policybrief/06\\_ennis\\_transitnow.html](http://www.washingtonpolicy.org/Centers/transportation/policybrief/06_ennis_transitnow.html).

<sup>4</sup> Bus service hours obtained directly from King County Metro. See Appendix for more information.

In 2000, Metro provided about 3.24 million hours of bus service.<sup>5</sup> Since voters approved the sales tax increase, Metro should have increased bus service to 3.82 million hours by the end of 2006; an increase of 575,000 hours.

According to Metro officials, the agency provided 3.45 million bus hours by 2006, an increase of only 207,257 hours in six years.<sup>6</sup> In 2009, Metro delivered about 3.55 million service hours, an increase of about 306,786 hours over 2000.<sup>7</sup> However, about 119,000 of these hours were funded by the second tax increase, Transit Now.<sup>8</sup>

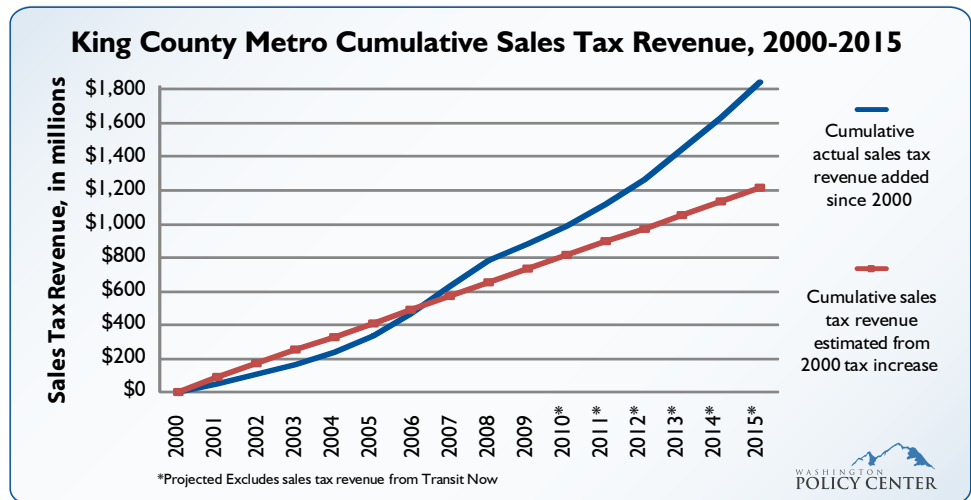
This means that by the end of the six year period 2001-2006, Metro had only delivered about 36 percent of the new service promised during the 2000 election. By 2009, three years after their self-imposed deadline, Metro officials still had only provided about one third the bus service they had promised to voters.<sup>9</sup>

This also suggests that Metro is nowhere close to delivering Transit Now's 700,000 hours within ten years (through 2016), as officials said they would during the 2006 election. To stay on track, Metro would have to add about 83,000 hours per year for the next seven years.

### Regional Economic Conditions Are Not the Only Problem

Metro officials are aware their service delivery has not kept pace with their promises to voters. Metro officials say that recent economic conditions have been extraordinary and caused sales tax revenue to fall below projections. Metro analysis shows actual revenues will fall \$700 million below projections between 2009-2013.<sup>10</sup>

However, cumulative sales tax collections show Metro has collected enough revenue to provide the service promised from at least the first tax increase. The following chart compares the cumulative sales tax revenue promised with Metro's actual sales tax revenue added since 2000.<sup>11</sup>



<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Transit Now bus hours provided directly from King County Metro through numerous conversations with officials in April and May 2010.

<sup>9</sup> The slight fall in (non-Transit Now) hours is likely due to natural fluctuations in service partnerships, construction mitigation and other changing needs. It does not necessarily mean that Metro is no longer purchasing bus service from the first sales tax increase in 2000. Metro officials argue they are still providing small amounts of new service from that first tax increase.

<sup>10</sup> "Regional Transit Task Force, Resource Notebook 2010," King County Metro, March 2010, pg. 120.

<sup>11</sup> "King County Median Sales Tax Forecast," Office of Economic and Financial Analysis, March 2010. See Appendix for more information.

In 2000, county officials claimed a sales tax increase of 0.2 percent would produce \$80 million per year in new revenue.<sup>12</sup> This means, by the end of 2006, Metro should have collected about \$480 million more than they would have without the tax increase.

To be fair, this additional \$80 million per year would sit on top of the natural growth rate of existing sales tax collections. Assuming a reasonable four percent annual growth rate in existing sales tax revenue, Metro should have collected about \$492 million more by the end of 2006.

In fact, Metro collected about \$467 million in additional sales tax revenue between 2001 and 2006.<sup>13</sup> While short of their projections, this represents about 95 percent of the cumulative funding Metro said the sales tax increase would have contributed over the six years.

In 2006, Metro officials again asked voters to increase the sales tax to expand the county transit system by 20 percent, including 700,000 hours of new bus service.<sup>14</sup> Known as Transit Now, the measure passed and Metro raised its sales tax rate another 0.1 percent.

By law, the 0.1 percent sales tax increase from Transit Now, which was estimated to produce about \$40 million per year, can only be used on service outlined by the Transit Now package. In other words, Metro is not permitted to use this new revenue to fund some of the 575,000 hours promised from the 2000 tax increase.

By 2009 and excluding the additional revenue from Transit Now, Metro officials collected more money than they said they needed to purchase the bus service originally promised in 2000.

The following table compares the percent of sales tax revenue Metro officials said they would need with the percent of bus hours delivered (575,000 hours only) from the first sales tax increase, in 2006 and 2009.<sup>15</sup>

	2006	2009
Sales tax revenue projected in 2000*	\$491,662,176	\$733,118,362
Actual sales tax revenue added since 2000**	\$466,649,236	\$878,049,463
% revenue achieved	94.91%	119.77%
Bus hours promised in 2000	575,000	575,000
Actual bus hours added since 2000***	207,257	187,786
% bus hours delivered	36.04%	32.65%
* \$80 million per year plus 4% growth on existing sales tax revenue		
** Excludes Transit Now sales tax revenue		
*** Excludes Transit Now hours		

By the end of year six (2006) and despite collecting 95 percent of the funding Metro officials said they needed, the agency only delivered about 36 percent of the bus service hours promised to voters in the 2000 election.

<sup>12</sup> "Sales-tax boost sought to restore bus funding," Roberto Sanchez, *Seattle Times*, October 10, 2000, at [www.community.seattletimes.nwsourc.com/archive/?date=20001010&slug=4047058](http://www.community.seattletimes.nwsourc.com/archive/?date=20001010&slug=4047058).

<sup>13</sup> "King County Median Sales Tax Forecast," Office of Economic and Financial Analysis, March 2010. See Appendix for more information.

<sup>14</sup> "Guide to Transit Now, A proposed sales tax increase to fund additional King County public transit services," Michael Ennis, Policy Brief, Washington Policy Center, September, 2006, at [www.washingtonpolicy.org/Centers/transportation/policybrief/06\\_ennis\\_transitnow.html](http://www.washingtonpolicy.org/Centers/transportation/policybrief/06_ennis_transitnow.html).

<sup>15</sup> Bus service hours and sales tax revenue obtained directly from King County Metro. See Appendix for more information.

By 2009, Metro needed about \$733 million in additional sales tax revenue since 2000 but the agency actually collected nearly \$900 million.<sup>16</sup> This is 120 percent of the taxes Metro officials said they needed for the additional service, but they still only managed to deliver about a third of the new bus service they promised.

This raises important questions about just how Metro is spending the additional sales tax money and whether they deserve more taxing authority.

### **Metro's Operating Expenses Grow out of Control**

Part of the answer is found in Metro's rising operating costs. In 2000, Metro's total operating expenses were \$332 million.<sup>17</sup> By 2008, operating expenses grew to \$542 million.<sup>18</sup> That is an increase of 63 percent over eight years.

Even when accounting for the added costs from the modest growth in bus service, the numbers show that Metro's operating expenses are rising disproportionately faster. In 2000, Metro's operating expenses per passenger mile were \$0.59.<sup>19</sup> By 2008, operating expenses per passenger mile grew 49 percent to \$0.88.<sup>20</sup>

The operating category that experienced the highest growth was Salaries, Wages and Benefits. In 2000, Metro employees received about \$220 million in total compensation.<sup>21</sup> Despite two recessions, total compensation for Metro employees grew to \$324 million by 2008, an increase of 47 percent.<sup>22</sup>

In 2000, King County had 2,671 bus drivers with an average salary of \$29,641 per year.<sup>23</sup> After the two sales tax increases, the number of drivers increased to 2,857 and their average salary grew to \$47,170 per year, an increase of nearly 60 percent.<sup>24</sup> Inflation over the same time period was only 25 percent.<sup>25</sup> This means wages for Metro bus drivers grew more than twice the rate of inflation.

### **Conclusion**

In the last ten years, King County officials have twice raised the sales tax to fund more bus service. Yet, even while collecting enough revenue, Metro officials have failed to deliver the service they promised to voters. Voters kept their end of the bargain, now Metro officials must gain control of their operating expenses and deliver the service promised from the previous two tax increases, before additional taxing authority is considered.

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<sup>16</sup> "King County Median Sales Tax Forecast," Office of Economic and Financial Analysis, March 2010. See Appendix for more information.

<sup>17</sup> "Agency profiles, King County Metro," 2000 National Transit Database, September 2001, at [www.ntdprogram.gov/ntdprogram/pubs/profiles/2000/agency\\_profiles/0001.pdf](http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2000/agency_profiles/0001.pdf).

<sup>18</sup> "Agency profiles, King County Metro," 2008 National Transit Database, November 2009, at [www.ntdprogram.gov/ntdprogram/pubs/profiles/2008/agency\\_profiles/0001.pdf](http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2008/agency_profiles/0001.pdf).

<sup>19</sup> "Agency profiles, King County Metro," 2000 National Transit Database, September 2001, at [www.ntdprogram.gov/ntdprogram/pubs/profiles/2000/agency\\_profiles/0001.pdf](http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2000/agency_profiles/0001.pdf).

<sup>20</sup> "Agency profiles, King County Metro," 2008 National Transit Database, November 2009, at [www.ntdprogram.gov/ntdprogram/pubs/profiles/2008/agency\\_profiles/0001.pdf](http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2008/agency_profiles/0001.pdf).

<sup>21</sup> "Agency profiles, King County Metro," 2000 National Transit Database, September 2001, at [www.ntdprogram.gov/ntdprogram/pubs/profiles/2000/agency\\_profiles/0001.pdf](http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2000/agency_profiles/0001.pdf).

<sup>22</sup> "Agency profiles, King County Metro," 2008 National Transit Database, November 2009, at [www.ntdprogram.gov/ntdprogram/pubs/profiles/2008/agency\\_profiles/0001.pdf](http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2008/agency_profiles/0001.pdf).

<sup>23</sup> Salary information obtained directly from King County Metro officials. See appendix for more information.

<sup>24</sup> *Ibid.*

<sup>25</sup> The Federal Reserve Bank of Minneapolis, CPI Calculator, at [www.minneapolisfed.org](http://www.minneapolisfed.org).

## Appendix<sup>26</sup>

Year	Total Metro Bus Service Hours
2000	3,244,331
2001	3,248,244
2002	3,340,218
2003	3,346,481
2004	3,373,531
2005	3,349,051
2006	3,451,588
2007	3,510,240
2008	3,503,894
2009	3,551,117

### King County Metro Bus Driver Wages

Year	2000	2009	% Growth
Metro Bus Drivers*	2671	2857	6.96%
Total Gross Salaries**	\$79,171,848	\$134,812,078	70.28%
Annual Average Wage	\$29,641	\$47,170	59.14%

\*Excludes trainees \*\*Includes overtime

Year	Metro Sales Tax Revenue	Δ
2000	\$239,636,459	-
2001	\$287,784,746	20.09%
2002	\$297,330,185	3.32%
2003	\$296,747,992	-0.20%
2004	\$314,192,142	5.88%
2005	\$341,149,234	8.58%
2006	\$367,263,689	7.65%
2007	\$442,042,300	20.36%
2008	\$432,934,213	-2.06%
2009	\$375,333,093	-13.30%
2010	\$389,551,956	3.79%
2011	\$407,419,069	4.59%
2012	\$431,854,808	6.00%
2013	\$455,843,173	5.55%
2014	\$471,345,429	3.40%
2015	\$491,855,189	4.35%

2011-2015 estimates by Metro

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<sup>26</sup> The information found in the appendix was obtained directly from King County Metro through numerous phone and email conversations between March and May 2010. Questions regarding this information should be directed to Metro officials.