
FINAL REPORT



**State of Washington
LTC Public Transportation Study**



Stage 1

**Comprehensive, Statewide Policy Review of
Public Transit Systems**

January 1992

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PUBLIC TRANSPORTATION STUDY

Task 1.A

**History of Governance of Public Transit Systems
In Washington State**

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**STATE OF WASHINGTON
The Legislative Transportation Committee**

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Abstract

The purpose of this task was to provide a history of the governance structures for public transportation in Washington State. This necessarily involved a recounting of the basic financial structure which is dealt with in more detail in Task 2.A.

The Revised Code of Washington and the Chapter Laws of each legislative session were reviewed from the beginning of statehood to ascertain the statutory development of the public transportation governance system. That review, along with occasional gubernatorial veto messages, provided a bare bones history. Because most of the significant legislation creating the current system was adopted in the late 1960s and early 1970s, it was also possible to supplement the legal review with interviews of legislators and representatives of interest groups who actually participated in the legislative debate. These persons are acknowledged at the end of the report. Their insight and recollections provided invaluable historical context.

The major historical events in the development of the current public transportation governance structure were:

- Assumption of government responsibility for financing public transportation.
- Authorization of separate local governments, other than cities, to provide public transportation service.
- Authorization of dedicated local option taxes to fund public transportation.
- Provision of public transportation throughout urbanized area regardless of city boundaries by multijurisdictional special purpose transit agencies.
- Initiation of state interest in public transportation for purposes of carrying out state public policies.

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I. Introduction

Two major themes characterize the governance history of public transit in Washington State: (1) The Legislature has chosen to make the provision of public transportation almost exclusively the province of local government agencies; and (2) Almost all of the significant decisions have been made in the last 25 years.

Prior to 1965, public transit was provided by cities, usually through a private contractor, and service was funded through service charges (farebox and advertising revenues). The legislature made 1965 a watershed year in public transit history because, for the first time, it authorized the use of general tax funds for transit.

The current public transit system, including the governance and finance systems, was authorized by the legislature in the last 25 years. Local implementation of the authorizing legislation is of even more recent vintage as more than one-half of the current public transportation systems in Washington State were created and became operational during the 1980s.

When the legislature did decide in 1965 and in later years that new governmental structures and the use of tax revenues was necessary for public transit, it decided to leave the decisions about the provision of service, creation of the governments, and levying of taxes to local officials. Only in recent years has there been any attempt to begin to inject any kind of state oversight of the system.

II. Transit as a Utility

Throughout most of this century until the 1960s, public transit was treated as a utility, either being provided by cities or private companies franchised by a city. Transit systems, whether publicly or privately operated, were self-sufficient and supported by fare-box and other non-tax revenues. Many cities chose to give a franchise to a private company to provide the service. Thus, the service was provided similarly to utility companies who have a monopoly franchise and are regulated by the Washington State Utilities and Transportation Commission.

The municipally-operated systems were treated as a utility or an enterprise fund operation and as a rule no other governmental revenues were allocated to the operations.

The utility approach to transit started in the first decade of statehood. In 1897, with the enactment of Chapter 112, Laws of '97, cities were authorized to provide a series of utility functions, including water, sewer, and "street railways engaging in the business of transporting and carrying passengers and freight for hire."

In 1923, bus systems were added to the street railway authorization with the enactment of Chapter 173, Laws of '23. That year Chapter 176 was also enacted which authorized special assessments against property benefitted by a municipal street railway.

It was not until 1965 that there was a legislative decision that the provision of public transit services was a governmental obligation and general tax revenues were authorized to fund city transit systems. This occurred at a time when city-operated or franchised bus systems were failing financially in Seattle and in other urban areas of the state. The economics of fare increases could not match the increases in the cost of vehicles, fuel, wages and other expenses. Cities had begun to subsidize the operations with operating funds.

III. Metro Created

For 35 years after the 1923 session, the legislature paid no heed to public transportation. Public transportation was not an issue that produced any legislative initiatives.

In 1957, two measures were passed which marked the beginning of the transition from privately-owned systems to public systems. The enactment of Chapter 114, Laws of '57, authorized municipally-owned transportation systems to purchase privately-owned systems.

Secondly, the legislature authorized the creation of a new government, which eventually became the largest provider of public transit in the state, the Metropolitan Municipal Corporation of Seattle, known as "Metro." Its original creation was the result of pressures created by the post-war population boom in King County and the need to create a coordinated sewage treatment system with a multiplicity of jurisdictions in the drainage basins feeding into Lake Washington.

Almost all of the focus of the initial authorizing legislation (Chapter 213, Laws of '57) was on the sewage treatment function. But the drafters of the initial legislation anticipated the need for coordinated provision of other services beyond city boundaries in King County, including the provision of public transportation. Even then there were signs that the urban bus services were experiencing difficulties. Other services put on the potential list for provision by Metro included land use planning, solid waste disposal, water supply and parks and recreation.

The new government, a hybrid of cities, the county, and special districts, followed a governance trend of the times to create what was called a "federated" system. It was a compromise that permitted government functions that had traditionally been provided by cities to be provided on a larger geographic basis without removing the city officials from the decision-making process and transferring the function to another government. The result was a governing board, called the Metro Council, which eventually included 44 county, city, and special district officials and even appointed citizens.

In 1977, nearly 20 years after the creation of Metro, the first rumblings of dissatisfaction with the "federated" system surfaced with the passage of Chapter 277, 1st Ex. Session, Laws of '77. This measure authorized the voters of King County to merge Metro

into King County as a single government. A year later, in 1978, the King County Council put the measure on the ballot and it was defeated by a substantial margin.

In 1990, Federal Western District Court Judge William Dwyer ruled the original Metro governance structure unconstitutional, violating constitutional standards of voter representation set by case law promulgated in the 1960's over voting rights, after Metro had been created. (See *Cunningham vs. Metro*) Now, some 13 years after the '77 legislation, King County and city officials are seriously discussing the creation of a merged government in response to the Judge Dwyer ruling.

The first attempt to seek voter approval of Metro included authorizing the government to do regional planning and transit services, as well as a regional sewage treatment system. That measure failed at the polls and the proposal was resubmitted a year later with only the water quality function being authorized. Metro waited another 15 years to begin its role in public transportation with the approval by the voters of a transit role in 1972, and assumption of several city bus systems in 1973.

Beginning in 1973, Metro started the process of becoming a major local government provider of transit service and to be the first multijurisdictional provider, moving the service from what had been the exclusive domain of city governments. Previously, however, several significant changes in governance legislation occurred in the 1960s, preparatory to the major changes that were to occur in the 1970s.

Other than authorizing the creation of Metro, prior to 1965 the only other significant transit-related legislation also occurred in 1957. The Legislature enacted Chapter 292, Laws of '57, which exempted urban transportation systems from the motor vehicle fuel tax. The initial exemption was temporary until 1959. It was extended in two-year increments until 1965 when the exemption was made permanent.

IV. Transit a Public Purpose

The 1965 Legislature started a decade of transit legislation which forms the basis of our current system. Almost all of the governance and revenue systems in place today were created in law during the ten-year period of 1965 to 1975.

In 1965, the Legislature formally recognized for the first time that transit systems may not be able to be fully funded from fares. They also for the first time declared as a matter of public policy:

"All persons in a community benefit from a solvent and adequate public transportation system, either directly or indirectly, and the responsibility of financing the operation, maintenance and capital needs of such systems is a community obligation and responsibility which should be shared by all." (Chapter 11, 1st Ex. Session, Laws of '65, RCW 35.95.010)

To that end, they authorized first class cities to levy a business and occupation tax on business and an excise tax on households of \$1 per month to fund public transportation. In a far-reaching statement of public policy, the legislature further declared:

"We further find and declare that the maintenance and operation of an adequate public transportation system is an absolute necessity and is essential to the economic, industrial and cultural growth, development and prosperity of a municipality and of the state and nation, and to protect the health and welfare of the residents of such municipalities and the public in general."

This action was driven by the increasing difficulties of cities, particularly Seattle, to fund a bus system from the fare box. This first authorization of a general tax for the provision of public transportation was to set the stage as an important predecessor to the major decisions made during the next ten years that created the current system.

Another law was enacted in 1965 that was to influence transportation planning over the next 20 years. With the enactment of Chapter 111, 1st Ex. Session, Laws of '65, the Legislature authorized councils of governments to be formed for regional transportation planning, among other duties. While their role since then has been to be a means of complying with federal regulations requiring metropolitan planning organizations in urban

areas in order to be eligible for funding for transportation. That role is currently being re-evaluated in various versions of growth management legislation before the legislature.

In 1967, Metro returned to the Legislature to seek additional clarifying language on how it could proceed to provide public transportation. That same year, the first evidence of legislative recognition of a potential state role appears. In Chapter 108, Laws of '67, the legislature authorized the Highway Commission to spend funds benefitting "urban public transportation systems." Those systems were defined as "a system for public transportation of persons or property by buses, street cars, trains, electric trolley coaches, other public transit vehicles, or any combination thereof operating in or through predominantly urban areas and owned and operated by the state, any city or county or any municipal corporation of the state..."

It authorized the Commission to join any county, city, other state or federal agency for planning, development and establishment of urban public transportation systems in conjunction with new or existing highway facilities. This action had little initial impact because apparently no funds not restricted by Article 2, Section 40, Washington State Constitution (18th Amendment), were appropriated to the Commission for this purpose.

Also in 1967, the '65 authorization of household and B & O taxes for 1st class cities for transit was extended to 2nd and 3rd class cities having public transportation systems. This was in response to a growing problem by cities across the state to fund the bus systems. In Seattle, a different set of events was about to occur which significantly impacted the public transportation system of this state.

V. "State" Taxes for Transit

In 1968, community leaders in King County and Seattle forged a package of bond issues for public improvements known as Forward Thrust. It included major bond issues for construction of sewer systems, storm-water systems, the Kingdome, parks, suburban arterials, and a high-capacity transit system, probably a rail system.

All of the package was approved by the voters except the transit system measure. The lack of voter approval of that issue was preceded by a late negative campaign focusing attention on the costs of the system. General Motors Corp. was a major contributor to the negative campaign. The ballot measure failure left community leaders with a failing Seattle bus system and they turned their attention to the legislature for solutions. One of the criticisms of opponents of the measure was that while capital needs were addressed by the bond issue, operating needs remained a problem.

In 1969, the major action that put the state government into a financial role for public transportation occurred. Chapter 255, Laws of '69, authorized Metro and other cities which owned or operated a transit system to levy a motor vehicle excise tax (MVET) up to a maximum rate of 1 percent. The tax authority required a match of the MVET funds by other local taxes imposed for transit. The same measure added Metro as a municipality authorized to levy the B & O and household taxes previously authorized to cities.

Because the tax is levied by the local government, it is legally not a state tax. However, because the local tax is a deduct against the state motor vehicle excise tax collected in that jurisdiction, this money has long been considered "the state match."

Some observers of that time say the MVET funds were perceived to be a state subsidy and were required to be appropriated by the State Legislature. That approach was used in the '73-'75 biennial general fund budget. However, in the 1975 session the legislature refused to appropriate the funds. A law suit was instituted by Metro and the Washington State Supreme Court ruled that because the MVET was a local tax, no appropriation was required. (See Municipality of Metropolitan Seattle vs. Robert O'Brien, 86 Wn. 2d 339, 544 P. 2d 729.) The failure to appropriate the funds stemmed from political feuds between some powerful Senators outside of King County with some King County legislators, and with arguments between the legislature and Gov. Daniel J. Evans over transportation funding and the proposed Department of Transportation.

The constitutional provision in Article 11, Section 12, which prohibits the levying of state taxes for local purposes may have required a local tax mechanism anyway. However, it was an unusual local option tax, being a credit against an existing state tax. The legislature in 1967 had used the same technique in authorizing a hotel-motel tax to fund the construction of the Kingdome, authorizing a county-imposed tax on hotel rooms as a credit against the state sales tax. That was the first time the legislature had authorized a local tax as a deduct against an existing state tax. The match requirement was also unique to any local option taxes authorized before or since by the legislature. Seattle civic leaders report they selected the motor vehicle excise tax at the time for the same reason they selected the hotel room sales tax for the Kingdome: there was a nexus or a salient relationship between the impact of the tax and the system it was supporting.

Regardless of the legal realities of the local versus state tax issue, the action provided a major state commitment of revenue to public transportation. Interviews of participants in the legislative debate at that time indicate the commitment has grown far beyond the expectations of legislators at that time. Observers have noted that a maximum of 10 urban areas may have been anticipated to benefit from this authorizing legislation, instead of the 20 transit agencies that currently are levying the tax. That this system was potentially a significant cost to the state general fund, was recognized by some legislative leaders at that time. However, the matching requirement of another locally-levied tax, at the time a household tax limited to \$12 per year per house, limited the total impact on state budgets.

It appears that the failure in King County of a local bond issue to be financed by property taxes for a high capacity transit system led to the state authorization of a local tax on cars for public transit purposes. That same year there is further evidence of growing legislative recognition of the multijurisdictional nature of transit. The legislature, with the passage of Chapter 139, Laws of '69, allowed counties and cities to jointly operate a bus service. This, except for the county role in Metro, is the first time county government is recognized as a possible purveyor of public transportation.

An historical footnote that year was the enactment of Chapter 281 which created the Division of Urban Transportation reporting to the Washington State Highway Commission. The Division was to coordinate planning and oversee the expenditures of the MVET tax authorized for Metro. The measure was vetoed by Gov. Evans because of the failure of the measure creating a Department of Transportation. Later the division of public transportation was enacted as part of the measure creating the Department of Transportation (See below).

VI. Sales Tax for Transit

Seattle and King County officials returned to the voters in 1970 to again seek approval of a bond issue for a rail system. It was again defeated, by an even greater margin than in 1968. This clearly left the community with no option but to salvage the current bus systems and make them viable operations. Community leaders again turned to the legislature for approval of a new local option tax to assist in the support of the system.

The last major funding measure for public transportation was authorized in 1971 with the enactment of Chapter 296, 1st Ex. Session. Metro was authorized a 0.3 percent sales tax for public transit in lieu of the household/B & O taxes authorized in 1969. The legislation delayed any imposition of the tax until after July 1, 1972. It also limited the amount of sales tax revenues that could be used to match the MVET funds to \$3 million for the fiscal year ending June 30, 1973. A prohibition on use of the funds for MVET match after June 30, 1973, was vetoed by Gov. Evans. In his veto message Gov. Evans said the effect of that language would have been to deny the MVET match to King County transit systems, while allowing it to continue (with household and/or B & O taxes) in all other counties. "With this matching capability restored, the needed long-term funding support for public transportation within a Class AA (King) County will be provided," he said. Technically, also King County and the cities within the county were also given authority to levy the new tax, although the intention was to allow Metro to take over the various city bus systems in the county at that time. The law required voter approval in order to impose the tax. The tax originally had a "sunset" of 1973, but that provision was also vetoed by Gov. Evans. The vetoes turned a tax providing one-time assistance for a year into a permanent major source of funding for Metro for transit.

In an unusual governance move that year, the legislature statutorily expanded the boundaries of Metro to make it coterminous with King County. There was no local decision made on the boundary expansion. That was authorized in Chapter 303, 1st Ex. Session, along with several additional provisions in the Metro statute relating to the provision of public transit service. Metro had in place the MVET, the sales tax, and had statutorily expanded its boundaries to be coterminous with the county before finally seeking voter approval in 1972 to assume the role of the county's transit provider.

The authorization in 1972 of both the local option sales tax and the assumption by Metro of the city bus systems substantially changed the impact on the state general fund of

the MVET authorization. What had previously been potentially a relatively minor impact on the state general fund, suddenly became millions of dollars.

Legislative and gubernatorial concern over this impact led to consideration of repeal of the tax in the 1973 session. Having just put the new system in place, this was vigorously opposed by various King County elected officials and civic leaders. The MVET tax was rewritten and both a dollar limit on the match in the 1973-75 biennium and a sunset of the local tax authority in 1981 was adopted as a compromise. In 1979, the Legislature repealed the sunset before it occurred.

Thus a significant financial base for transit was created because of events in the state's largest county. It remained for the next two sessions to make the governance system changes that were to result in the expansion of a public transit network that serves virtually every urban area in the state.

VII. Counties Enter Transit Service

There was never to be another metropolitan municipality formed under the Metro authorizing legislation. In 1974 and 1975, the Legislature authorized the creation of two new governmental agencies which were to assume the provision of transit service throughout the rest of the state. Chapter 167, Laws of '74, authorized the creation of County Transportation Authorities (CTA) in any county except King. Except for the joint city-county authorization in 1969 (never implemented), and King County's role in Metro, no county had ever provided public transit services.

This act authorized a county-wide system managed by a board consisting of the three members of the county legislative body and three city mayors. The act also gave the new entity the same sales tax authority that Metro had achieved in 1971. The county authorities were not initially given the MVET tax authority that Metro and the cities had. The legislature also enacted a sunset of 1979 on the sales tax and prohibited it being pledged for bonds. Both of the latter provisions were vetoed by Gov. Evans. A section of the bill that was designed to prohibit the creation of any more Metro's anywhere else in the state was also vetoed by Gov. Evans. This act, now codified as Chapter 36.57, RCW, also included, for the first time, the requirement to produce a public transportation plan.

There is currently only one Authority as authorized by this act providing transit service, the Grays Harbor County Transportation Authority, which was created the same year the act was passed. County and city officials in Snohomish County created a county transit authority that year in Snohomish County. However, the imposition of the sales tax was defeated at the polls. A public transit benefit authority (see below) was created the following year, but the CTA was never dissolved. Now known as Sno-Tran, the CTA acts as a planning agency and conduit for federal transit funds. The legislation was amended in 1975 to allow counties to provide public transit service in the unincorporated areas only. No county has chosen to do so.

The measure was adopted amidst conflict and debate between the cities and the counties at the time. Cities were seeking a new mechanism which would allow provision of services beyond city boundaries which would include them in the governance system. Counties were advocating that if the service went beyond city boundaries it should be governed by the county. While there had been much discussion in 1974 of a concept like the PTBA act that was to be adopted in 1975, the political forces of that session resulted in a

county-only authority being adopted. In a separate act (Chapter 133, Laws of '74) that year, the Legislature authorized the state, counties and cities to build high occupancy vehicle lanes.

VIII. Public Transit Benefit Areas

With the major exception of Metro, the genesis of most of the public transportation systems in Washington State today stems from the passage of Chapter 270, 1st Ex. Session, Laws of 1975, which authorized public transportation benefit authorities.

This major legislation, now codified as Chapter 36.57A, RCW, resulted from the culmination of three conditions: (1) The multijurisdictional nature of the service (i.e., more than a city); (2) The need for regional coordination; and (3) The need for a broad tax base to sustain the service. These realities had been recognized in King County, but this legislation essentially said the same circumstances potentially existed throughout the state. There are still four city-only transit systems in the state: Everett, Prosser, Pullman, and Yakima. All the new systems established since have been PTBA's and every other city system that existed in 1975 has been absorbed into a PTBA.

PTBAs may include an entire county or even be multicounty, and some are, though most include an urbanized area that is less than the entire county. The authority in Benton-Franklin Counties and the state's newest system in Chelan-Douglas both include parts of two counties. PTBAs in Clark, Cowlitz, Island, Kitsap, Lewis, Pierce, Snohomish, Spokane, Thurston, Walla Walla, and Whatcom, cover only part of the county. The systems in Clallam, Jefferson, and Pacific include the entire county.

The 1975 act expanded the financial system created for Metro to the new systems, resulting eventually in that transit finance system existing virtually statewide. It gave the new authorities and the county authorities (CTA's) the household/B & O authority previously granted to cities and Metro. It authorized the option of a sales tax ranging from 0.1 to 0.3 percent. And it expanded the MVET tax authority to both county systems (CTA's), authorized the previous year, and PTBA systems.

The PTBA boards were delineated as a combination of both county and city officials. Their composition varies, depending on the nature of their service areas. For instance, some agencies have one county commissioner on the board and some have all three. There is a maximum of nine members for a single-county PTBA and a maximum of 15 for a multicounty authority. The act requires mutual agreement among county and city officials of the composition of the governing board. The act also requires a review of the composition of the board every four years or whenever an annexation of more than 15 percent of the authority's total existing population occurs. Additionally, there is a mandatory requirement

to consider possible annexations of territory every two years. The process required for creating a PTBA clearly followed a philosophy of local consensus-building. It strikes a balance between traditional county and city rivalries and requires all parties to agree to service areas and board composition.

Until 1991, only one PTBA was allowed in a county. Further flexibility was authorized with the enactment of ESHB 2151 (Chapter 318, Laws of '91) which will allow two different PTBA's to serve parts of a single county. That may only occur if the annexation of part of a second county by a second PTBA is approved by the legislative authority of the second county and the territory is contiguous to the second PTBA.

The act further required the submission of a detailed comprehensive transit feasibility plan which must be reviewed by the State Transportation Commission (initially the Highway Commission), as a condition of collecting the MVET. The Department adopted administrative regulations in 1979 establishing format and detailing information required in the comprehensive plan. (Chapter 468-84, 468-85, Washington Administrative Code.)

The act also extended the sales tax authority to city and unincorporated county systems. But it prohibited the use of sales tax revenues as a match for MVET revenues except by multijurisdictional authorities, i.e., Metro, CTA's or PTBA's. Thus the legislature used tax policy as an incentive for multijurisdictional cooperation in this area. The initial act also said no more than 10 percent of total revenues from the MVET could be pledged to bonds.

The adoption of the PTBA legislation was a natural evolutionary step from the debate that had occurred in the previous year when the county authority act was adopted. The key was the need to create a governance mechanism that could encompass territory larger than a city, but smaller than an entire county.

There were two primary considerations for this need. First, there was a political perception that rural, out-lying areas of a county would not support by popular vote the enactment of the sales tax, thereby preventing the creation of a county-wide authority. Because it was not anticipated that there would be general transit service to those areas, it was assumed they would resist taxation.

Secondly, there was a desire in at least one major metropolitan county in the state, Snohomish, to preserve the City of Everett's bus system independent of a system to serve the rest of the rapidly suburbanizing county. An attempt to include the system in a CTA had failed the previous year (See above).

Because neither the county-wide nor city systems satisfactorily dealt with these conditions, and because there was significant political resistance to using the "Metro" governance system in Snohomish County, the PTBA concept was adopted. The measure resulted from a converging of three forces: (1) The inability of cities to finance a bus

system by themselves; (2) The impracticality of a total county-wide system in many cases both because of voter antipathy to a transit tax and resistance by some cities to having their systems absorbed into a county-wide system; and (3) Growing demand for transit service outside of central cities because of population shifts.

The County and PTBA legislation, combined with enactment of federal assistance for both capital and operating expenses, resulted in a significant increase in transit authorities throughout the ensuing decade, with most of the systems being formed in the early '80's. Starting with Grays Harbor Transit in 1974 and continuing through 1990 with the approval of a PTBA in Chelan-Douglas counties, two county transit authorities (one operating and one planning only) and 17 PTBA's were formed. Many of the PTBA's absorbed existing city bus systems (e.g., Spokane and Tacoma), while others represented the first provision of public transit in an area.

Table VIII-1, Washington State PTBA and CTA Sales Tax Votes, lists the current county and PTBA systems and the dates of the sales tax votes. The provision of both a variety of governance options and reasonable revenue bases permitted transit service to be established literally throughout the state. With the exception of Mason and Skagit counties where transit tax proposals have failed, only the most rural of counties in Washington are today without a public transit system.

Table VIII-1
Washington State PTBA and CTA Sales Tax Votes

Transit System	Year
Grays Harbor County	1974
Snohomish County (Sno-Tran) ¹	1974
Snohomish County (Community Transit) ²	1976
Clallam Transit	1979
Pacific Transit	1979
Pierce Transit	1979
Clark County (C-Tran)	1980
Jefferson Transit	1980
Thurston County (Intercity Transit)	1980
Walla Walla (Valley Transit)	1980
Benton-Franklin Counties (Ben Franklin)	1981
Spokane Transit	1981
Kitsap Transit	1982
Island Transit	1983
Whatcom Transit	1983
Lewis County (Twin Transit)	1985
Cowlitz County (CUBS)	1987
Chelan-Douglas	1990

¹ Sales tax failed, planning agency only (See above)

² Approved after CTA tax failure (See above)

IX. A Decade of Change

Thus in that one decade (1965-75), the legislature had: (1) Given its first authorization of taxes for public transportation; (2) Created two new kinds of governments for transit; and (3) Added two major new broad-based taxes for transit purposes. In this decade, the foundation for the present system was established.

The first legislation, the authorization of general taxes occurred because the inflating cost of equipment and fuel outstripped the market capacity of fares to support the cost of services of city bus systems, whether they were private franchised systems, or publicly owned and operated.

The second changes, new taxes and governments, were driven by a variety of societal and economic changes:

1. The growing suburbanization of Washington. From 1960 to 1980 the percentage of population outside of incorporated cities grew from 40.2% to 49%. At one point in the early '80s, the majority of Washington's citizens lived outside of cities. The incorporation of several cities in the late '80s returned the split to approximately 52% incorporated and 48% unincorporated in 1990. Despite this suburban growth, most of the jobs were still located in central cities. This need for transit service outside of traditional central cities was particularly important in Snohomish and Pierce Counties. (Metro was addressing the issues of King County suburban growth.)
2. The turmoil in the Middle East in the early '70s resulted in wars and then rapidly-escalating fuel prices. The gas shortage of 1973-74 was a major factor in increasing political support for transit.
3. The impacts of congestion and air pollution were beginning to be a factor in establishing more public support for transit.
4. Action at the federal level also was an encouraging factor. UMTA had been created and by 1974 and 1975 there were both capital and operating subsidies available for local transit service.

5. The failure of the voters in King County to approve major property-tax financed bond issues for a rail system.

Only refinements of the present system would occur until the late 1980's and early '90s when the legislature would once again begin looking at public transportation. The recent actions would mark the beginnings of a view that transit was not just a needed public service that local governments should provide, but was a tool to carry out state policy in both transportation and other areas including land use policy and air quality.

X. State DOT Formed

The next major event of governance in the history of public transportation was the creation of the Department of Transportation in 1977. A goal of Gov. Evans' for a decade, it occurred after he had left office. The original enabling legislation in Chapter 151, 1st Ex. Session, Laws of '77, contained a variety of state policies for the newly-created Transportation Commission. It charged them with promoting "integrated, intermodal" systems that were coordinated with land use policies and met the needs of the elderly and handicapped.

The initial act also created the current transit division, moving it from the Planning and Community Affairs Agency (Now the Department of Community Development) to the new transportation agency.

XI. Continuing Governance Changes

Two measures affecting the governance of transit were passed in 1979. Chapter 59, Laws of '79, amended the planning requirement for PTBA's to consider "consolidating or coordinating all or any portion of the K-12 pupil transportation system." Chapter 175, 1st Ex. Session, Laws of '79, eliminated the ability to pledge MVET revenues in the future to bonds.

In 1980, the authorized sales tax rate for Metro was doubled to 0.6 percent. Also Chapter 166, Laws of '80, exempted ride-sharing vans from sales taxes, use taxes and motor vehicle excise taxes.

In 1981, County Transportation Authorities were also authorized to provide ambulance service. In 1983, Chapter 65, Laws of '83, provided that areas annexed by a city that was in a PTBA were automatically included in the PTBA. It also allowed systems created by inter-local agreement which had citizen members on their board, to retain that citizen member if they became a PTBA. That was to allow the Thurston PTBA (Intercity Transit) to maintain its current governing board.

Chapter 112, Laws of '84, increased the sales tax authority for all other transit authorities from 0.3 to up to 0.6 percent.

XII. Growing State Role

Legislative attention to inter-modal relationships and congestion problems continued throughout the '80s. A legislative-sponsored study in 1984 recommended a high speed rail system in Central Puget Sound. In 1987 the Legislature created the Rail Development Commission and charged it with developing proposals for new high capacity systems. It was funded from an allocation of MVET receipts going to the four transit systems in Central and Southern Puget Sound.

In late 1988, the Commission released its report and legislation was drafted creating processes for determining what kinds of high capacity systems would be built, authorizing local option taxes for their funding, and mandating regional planning of the systems.

The recommendations were eventually passed in 1990 as part of a major transportation funding package. Chapter 43, Laws of '90, was the first major step by the legislature to impose upon local governance systems a requirement for specific planning actions and priorities. Until then, the levels and kinds of services had been left entirely to local government agencies.

The measure also provided to counties new local option taxes to fund high occupancy vehicle (HOV) lanes. Two new taxes, an employer tax and a motor vehicle excise tax were authorized for this purpose. New local option revenues authorized in a highway transportation funding measure also passed in 1990 including a motor fuel tax, a license fee and commercial parking taxes could also be used for this purpose. Cities were also authorized to form street utilities for purposes of funding the maintenance of an existing street system.

Transit agencies, after completion of a planning process, could also seek voter approved taxes including an additional 1 percent sales tax, a motor vehicle excise tax and an employer tax, to fund high capacity systems. Those systems may be rapid transit, commuter rail, busways or combinations with associated roadway improvements. The High Capacity Transportation Act also provided state funds for the planning. The Act provides for 80 percent of local planning costs. These funds come from the original rail development account, which was renamed the high capacity transit account.

In 1988 (Chapter 167, Laws of '88), the Legislature created the Transportation Improvement Board, a multijurisdictional agency charged with allocating funds for local

transportation projects. The agency absorbed the old Urban Arterial Board. Significant in the charge to the new agency was a demand that projects that involve multiple agencies, including transit agencies, be given a priority in the funding. The first criteria for funding is for a project to be "consistent with state, regional and local plans and consideration of the project's relation to "rapid mass transit" and the Rail Development Commission rail plan. For the first time, the use of state highway funds for transit-related highway improvements (turnouts, special lanes, etc.) was authorized for local agencies. In 1991, the legislation was amended to add transit agency members to the governing board.

XIII. Growth Management

The legislature also adopted in 1990 another measure which does not specifically deal with public transportation governance, but which may have profound impacts eventually on the systems: ESHB 2929, the Growth Management Act of 1990 (Chapter 17, Laws of '90, 1st Ex. Session). This law requires 12 counties to produce by 1993 new comprehensive plans which make a direct and real connection between land use and capital facilities and transportation systems. While the relationship of land use regulation to transit service demand or feasibility has long been acknowledged, there has until 1990, been no requirement that agencies coordinate the two governmental services. Most of the transit systems in the state are in the process of redoing their transit comprehensive plans, and because of ESHB 2929, the impact of urban growth boundaries, transportation system (transit and highways) planning and land use regulation will become a factor in their planning.

The plan revisions come as a result of the enactment of legislation in 1989 requiring transit districts for the first time to develop a six-year plan. This measure, codified as Chapter 35.58.2795, RCW, requires planning on how to meet state and local long range priorities, capital improvements, significant operating changes, and a funding plan for program needs. The plan requirements, combined with ESHB 2929 requirements, will probably result in significant new missions for transit agencies, all of them driven by state oversight requirements enacted in the last two years.

Legislative attention to transit issues continued in the 1st Regular Session in 1991. Several new laws were approved impacting transit including changes to the high capacity transit fund, a rewrite of the high capacity transit act of 1989, the creation of a high-speed rail commission and the trip demand management (TDM) act.

While not directly changing transit governance or finances, the TDM legislation may have the most impact. Second Substitute House Bill 1671 (Chapter 202, Laws of '91) requires eight counties with more than 150,000 population and all the cities within them to develop trip demand management plans which require specific goals of reducing single occupancy vehicle trips for every employer with more than 50 employees within their jurisdiction. The legislation clearly assumes the potential increased use of public transit to assist in the achievement of these goals.

Engrossed Substitute House Bill 1677 (Chapter 309, Laws of '91) simply expanded the number of transit districts which may develop high capacity systems. Spokane, Clark

and Kitsap Counties were added to the original group of King, Pierce, Snohomish and Thurston Counties which can both plan and implement high capacity service and contribute funds to the high capacity transit fund.

The legislature created a high speed ground transportation steering committee and created an office of high speed ground transportation within the Department of Transportation with the passage of Substitute House Bill 1452 (Chapter 231, Laws of '91). The committee will report to the legislature by October, 1992 a recommended plan for implementation and proposed legislation to implement a high-speed ground transportation system.

Engrossed Substitute House Bill 2151 (Chapter 318, Laws of '91) made a series of changes in the high capacity transit act, many of them technical. In addition to allowing more than one PTBA in a county (See above), the measure strengthened the relationship between the system development and land use and other transportation plans, particularly those plans required by the Growth Management Act (See above). The act also included increased specificity on the contents of the system plan

The '89, '90, and '91 legislation culminated almost a decade of legislative review of transit functions, sources of funding and relationship with other parts of the transportation system. The public transportation study, authorized in 1990, of which this report is a part, in historical perspective seems a natural event in a progression of events that has seen transit progress from a utility, to a city-supported service with local taxes to a regional service with state support to being regarded as an integral part of a state transportation system.

XIV. Conclusions

1. Governance of public transportation in Washington State has traditionally been and still is primarily local.
2. State interest in public transportation has grown, but state statutes (e.g., GMA, TDM, and Clean Air) and programs (e.g., DSHS, DCD, and DOH programs) do not articulate this interest in a precise way.
3. Public transportation funding is locally levied and generated pursuant to State authorization and local voter approval.
4. While Washington State statutes authorize and encourage multijurisdictional provision of transit services, they do not adequately address multicounty or regional transit issues, except through interlocal agreements. Limitations on the interlocal agreement process prevent it from being an adequate mechanism for dealing with such regional issues as growth management, high capacity transit, regional mobility, regional accessibility, or other regional and state mandates.
5. City-only transit systems inhibit multijurisdictional approaches to meeting local and regional transit needs.

Acknowledgements

The above chapter is a product of both the formal legislative history of transit as written in the chapter laws of the various legislatures, the Revised Code of Washington and the Washington Administrative Code, and the perspective of a series of key persons who were particularly involved in the major decisions of the 1965-75 decade of change.

The authors gratefully acknowledge the insights and recollections of the following persons, listed with their titles at that time of history:

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Rep. Gary Nelson, member, House Transportation Committee
Rep. Robert A. Perry, Chair, Legislative Transportation Committee

While many of the insights and historical recollections of the above persons are incorporated into this chapter, the responsibility for historical accuracy and perspective remains with the authors of the chapter.

PUBLIC TRANSPORTATION STUDY

Task 1.B

**Planning Processes, Missions,
Services, and Impediments
In Washington State**

Prepared for:

**STATE OF WASHINGTON
The Legislative Transportation Committee**

Prepared by:

Molyneaux Associates, Inc.

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Abstract

Washington State communities have responded to the state authorizing legislation for public transportation by establishing transit districts, implementing transit planning processes, and providing services. Transit missions reflect the evolving state mandates and local service demands which guide transit development. Transit agencies have worked to implement services which are based upon identified community needs.

The State also provides guidance for communities and transit agencies for determining community needs and transit feasibility. State regulations outline planning requirements through the Comprehensive Transit Plans, Transit Development Plans (TDP), and Six-Year Transit Development and Financial Programs (TDFP) process. There is some potential redundancy in the planning processes. Current requirements for developing TDPs and TDFPs may suggest that transit agencies must prepare two plans to meet state and federal requirements. Since specific content and format are not specified for either plan this ambiguity should be clarified. Some of the more recent plans have begun to address regional land use, community development, economic development, urban design, pedestrian, and transit related development concerns. These plans are not specific concerning the types of land use activities or urban forms which may and may not be served efficiently and effectively by the various transit services.

New transit agency missions and responsibilities have been identified within state growth management, transportation demand management, high capacity transportation, and clean air legislation. Federal legislation, including the ADA and Clean Air Act also places new responsibilities on state government, local jurisdictions, and transit agencies to meet these growing environmental and social service concerns.

Local communities and metropolitan regions will be seeking increased transit service to implement the new state and federal legislative initiatives. At the same time, transit agencies are responding to their citizens' desires and needs for alternative public transportation, while improving mobility to employment centers and residential communities. These improved or new services may provide increased accessibility for the elderly, handicapped, and transportation disadvantaged, as well as to the general public. State statutes may need to clarify the relationship between new initiatives and transit's direct or implied role in implementation.

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I. Introduction

Public transportation in Washington State is guided by state statutes and local jurisdiction actions. Transit agencies and the services they provide were established within a framework of state authorization and local needs. The Washington State Legislature has declared a state mission by adopting a statute in 1965 which stated in part that:

"All persons in a community benefit from a solvent and adequate public transportation system, either directly or indirectly, and the responsibility of financing the operation, maintenance, and capital needs of such systems is a community obligation and responsibility which should be shared by all."

The Legislature further found and declared:

". . . that the maintenance and operation of an adequate public transportation system is an absolute necessity and is essential to the economic, industrial and cultural growth, development and prosperity of a municipality and of the state and nation, and to protect the health and welfare of the residents of such municipalities and the public in general." (Chapter 11, 1st Ex. Session, Laws of 1965, RCW 35.95.010)

Based upon state statutory authorization, local jurisdictions begin the process for planning and implementing public transportation services. Four types of jurisdictional levels are permitted to establish and operate public transportation systems in Washington State. These are cities, counties, metropolitan municipal corporations, and public transportation benefit areas (PTBA). Each jurisdiction is responsible for planning and implementing a system of transportation to serve the needs of the community.¹ The state legal requirements for transit planning vary from none for cities and county transportation authorities to comprehensive planning practices for PTBA's and metropolitan municipal corporations. In order for local transit agencies to qualify for federal Urban Mass Transportation Administration funds a continuous planning process must be instituted.

¹ See Governance Report for a full description and history of governance structures.

II. State Mandated Planning for Public Transportation

Planning for public transportation systems is generally guided by the individual statutes for the four types of jurisdictions which permit cities, counties, metropolitan municipal corporations and public transportation benefit areas to establish and provide transit service. The planning guidelines are established either in the Revised Code of Washington (RCW) or Washington Administrative Code (WAC) and are also found in four required planning studies. These planning studies include:

- Public Transportation Feasibility Study
- Comprehensive Transit Plan
- Transit Development Plan
- Six-Year Transit Development and Financial Program

A. Public Transportation Feasibility Study

The State Department of Transportation, through a grant process, funds "Public Transportation Feasibility Studies" which assist local jurisdictions to determine the:

". . . extent of residents' needs for public transportation"
(Chapter 468-84 WAC)

This assistance is restricted to the potential establishment of PTBAs. WSDOT has not been appropriated funds to assist communities with these studies for several years.

These studies are intended to assist communities formulate informed decisions before proceeding with public transportation activities. Based upon the feasibility study, PTBAs are required to develop a "Comprehensive Transit Plan." County transportation authorities and cities may initiate transit service without this study process.

B. Comprehensive Transit Plans for PTBAs

Pursuant to Chapter 36.57A RCW and Chapter 468-85 WAC PTBA's are to be assisted with planning efforts in the development of transit activities by the Washington State Department of Transportation (WSDOT). Communities desiring to develop transit service

through a PTBA must complete a "Comprehensive Transit Plan" and submit the plan for WSDOT's review and approval. Other public transportation jurisdictions do not prepare comprehensive plans. The purpose of the plan is:

". . . to lead to the development and management of regional public transit systems which are energy efficient, provide viable transportation alternatives, offer availability to all elements of the public, and are responsive to the public need." (Chapter 468-85-010 WAC)

The requirements for a comprehensive transit plan do not identify a need for the development of a mission statement or other guiding principles for the transit organization or service. Transit district missions reflect those implied general missions statements found in state statutes and the administrative code listed above. While no particular plan format is required of the local jurisdictions, the content of the plan is specified. Each transit district which has submitted a plan for review by the WSDOT has followed the prescribed content. Comprehensive plan requirements include:

1. A map of the public transportation benefit area
2. Capital Improvements Element
 - number, type and passenger capacity of service vehicles
 - non-revenue equipment
 - types of terminals, shelters, parking facilities
 - garage and maintenance facilities
3. Level of Service
 - user characteristics
 - trip characteristics
 - frequency of scheduled service and demand-responsive service
 - days and hours of service
 - means to facilitate public use, ie. signage, timetables, etc.
 - location of employment centers, government facilities, and shopping centers
 - vehicle fuel consumption
4. System Funding for First Year
 - local funding opportunities and sources
 - state matching funds
5. System Funding for Years Two through Five
 - estimates of capital, maintenance and operations costs
 - proposed sources of revenue
6. Relation to Nearby Transit Operations
 - identify any existing public transportation service
 - other transportation services, ie. taxi, air and rail service, special services, etc.
7. Prospects for geographic expansion of PTBA boundaries

8. Accessibility to elderly, handicapped, and low income persons
9. Citizen Participation Element
10. Coordinated Planning Element
 - comments from local jurisdictions on the plan's compatibility with local goals, objectives, and policies
 - comprehensive transit plan sent to each local jurisdiction

A local public hearing is required for plan approval. The comprehensive transit plan, upon completion, is forwarded to the WSDOT for review and approval to form. WSDOT does not evaluate the plan and has never rejected a plan. Upon plan approval and successful ballot issue for establishing the sales tax levy, notification is provided to the Washington State Department of Revenue and MVET matching funds are released to the new transit district².

Upon the establishment of transit service, districts coordinate transit planning activities at the local and regional levels. This coordination is usually accomplished through the regional transportation plan administered by the metropolitan planning organization (MPO) or the regional transportation planning organization (RTPO). Planning activities for high capacity transportation (HCT) is guided through the requirements of the High Capacity Transportation Act of 1990 and as amended in 1991. These statutes require regional coordination and review through Joint Regional Policy Committees (JRPC), whose membership includes locally elected officials serving on transit boards and the Washington State Secretary of Transportation. Currently, King, Pierce, and Snohomish Counties in central Puget Sound and Clark County in Southwest Washington are engaged in HCT planning activities. In addition, regional HCT planning activities are assisted by national expert review panels which provide technical oversight. These panels are selected by the Legislative Transportation Committee.

C. Transit Development Plan (TDP)

Transit districts receiving federal funds are required to provide a continuous planning process. This effort may be assisted through Urban Mass Transportation Administration funds. UMTA Section 9 funds are available to MPOs for transit funding in urbanized areas and Section 18 funds are primarily used to assist transit agencies in rural areas. Currently, transit districts in Washington State prepare transit development plans on a one, five, or six year period. Neither UMTA nor WSDOT specifies a schedule for updating TDPs.

Transit development plans (TDP) do not have a standard format or content. The TDPs generally focus on capital, operating, and maintenance issues, as well as organization and management concerns. Some of the more recent plans have begun to address regional

² See Task 2A interim report on Financing Mechanisms

land use, community development, economic development, urban design, pedestrian, and transit related development concerns. These plans are not specific concerning the types or spatial organization of land uses which can and cannot be served by the various transit services. As a part of the transit development plan process many transit districts have responded to their own need to develop an agency mission statement.

D. Six Year Transit Development and Financial Programs (TDFP)

All transit districts were required in 1989 to prepare six-year transit development and financial programs by the state legislature. The TDFP is to contain a financial program for the calendar year and the ensuing five year period. RCW 35.58.2795 specifies that the program contain the following information:

1. Descriptions of how the agencies will meet state and local long-range priorities for public transportation,
2. Capital improvements,
3. Significant operating changes planned for the system, and
4. How the districts intends to funds program needs.

The TDFP is to be filed with the Washington State Department of Transportation, Transportation Improvement Board, cities, counties, and regional planning organizations within which the transit agency is located. Plans are to be submitted by April first of each year.

In developing the six-year program, each transit agency must consider the policy recommendations affecting public transportation as contained in the State Transportation Policy Plan and, where appropriate, those policies adopted by the State Legislature. This includes the public transportation provisions of the Growth Management Act. As with the TDPs, these plans are not specific concerning the types or spatial organization of land uses which can and cannot be served by the various transit services. These plans do reference, where appropriate, regional transportation plans and any associated regional land use provisions. At least one public hearing is required for the initial six-year program and each annual update. Six-Year Transit Development and Financial Programs were first required in 1990.

III. Review of Transit District Missions

Transit missions were compiled for this study from comprehensive transit plans, transit development plans, and transit development and financial programs from each transit district in the state. In addition, specific data from other sources concerning mission statements was requested from each transit agency. Work sessions were conducted with the transit agencies to review and discuss mission statements and related policy directives. The plans, programs, and additional data were reviewed and evaluated to determine stated or implied transit mission statements and general transit goals.

Such transit district mission statements, that exist, are diverse and reflect the varied needs of each community and transit agency. There are no set definitions or standards related to mission concepts. Each community has an inherent understanding of such missions as quality, safety, efficiency, etc. Twenty-six different attributes were identified from the mission and goal statements in the plans, programs, and data. These attributes can be organized into five mission categories. These include Community Development, Efficiency and/or Effectiveness, Environment, Service Characteristics, and Service Types (see Figure 1).

A. Community Development

This mission category concerns aspects of community development. Transit systems identifying this mission category as significant included urban, rural, large, and small districts. Community development mission attributes include a concern for transit's role in land use, urban and rural development, mobility, and multi-modal facilities. In addition, public involvement was reported as an element of the community development process. These mission attributes recognize the potential role of transit in community development and demonstrates a desire by local communities for using transit as an effective tool to assist in the implementation of other community and social service policies as mandated within State statutes or local ordinances. This mission category also identifies a growing role for transit involvement in land use planning policy as expressed at the local, regional, and state levels. The mobility attribute reflects the need to provide transportation services as an alternative to single occupancy vehicles (SOVs), as well as service to those individuals which are public transportation dependent. This includes the ability to provide service between the various public and private transportation modes available within communities.

B. Efficiency and/or Effectiveness

This category demonstrates a recognition of the requirements to balance service efficiency and cost effectiveness. These attributes are also associated with the requirement for balancing revenues with community service demands. Several agencies identified the need to maintain fare structures which reflect costs associated with service types and over service mix. For example, two systems have instituted "no fare" policies or "pre-pay" policies to maintain lower operating costs associated with fare collection. This local policy action reflects an implied mission of overall cost effectiveness. There seems to be a recognition within these local systems that transit service is a public service and benefit that can be effectively provided for with public funds. Transit agency mission attributes suggest that various service types have been developed within the context of local definitions of efficiency and effectiveness, as well as community demand for services. There is a recognition that fixed routes service, dial-a-ride, van service, etc. are all needed to meet community demands within the context of a well managed transit system. This mission category was shared between large, small, rural and urban transit systems.

C. Environment

Transit agencies have identified several mission attributes which recognize the benefits of transit service to the environment. These include energy conservation, clean air, congestion relief, better land management, and reduction in the use of SOVs. Congestion relief and reduction in SOV usage were primary elements to improve air quality within local communities and regions. Energy conservation is found as a primary purpose of the comprehensive transit planning process as identified in Chapter 468-85-010 WAC. Environmental mission attributes are shared by urban, rural, large, and small transit agencies.

D. Service Characteristics

This category concerns characteristics related to services provided by the transit agency. Comfort and attractiveness were identified as significant mission reflecting a concern for passenger facilities and services. Service reliability and convenience also were identified as major service objectives. The mission attributes of safe and safety reflect a combined concern for safe vehicle operations and a concern for promoting passenger safety in the service district. This latter concern was more reflective of the larger and more urban systems. Quality was an underlying attribute of all transit systems. This attribute concerned not only quality service operations, but quality management, staff, and organizational operations. Customer service is a concern of all systems and is inclusive of strong customer relations and community service.

E. Service Types

This mission category concerns aspects of service types provided by the transit agencies. Special services for the elderly, handicapped, and poor were identified by several agencies. This may reflect the requirements in state statutes to provide service to these specific population groups. Agencies also identified other attributes of their customer base reflecting specific needs or concerns. These included university students and faculty, shift workers, retail centers, charter service, tourist, and package service. In addition, several systems implied a mission that service was to be provided to all residents of the service area. In one case, the bus route plan was constructed to provide service to within four blocks of all residential units within the city. Service types demonstrate the variety of community service demands which transit agencies address, including commuter, rural, regional, and special needs services.

IV. Mission Findings

A. State Missions

The State's statutory mission for public transportation is encompassed within local transit agency mission statements. Identified local transit district mission statements also reflect the diversity of each community as envisioned within the state governance structure which provides accountability to local jurisdictions for transit development. Local transit mission statements and implied mission statements define the vision for transit service for each community, although neither legislative mandates nor administrative codes require that a transit agency identify, evaluate, or adopt mission statements.

Over the past several years, growing statewide concerns related to growth management, air quality, traffic congestion, and the needs of the public transportation dependent have resulted in new transit service missions to meet these new legislative directives. Recent state legislative acts include: the Growth Management Acts of 1990 and 1991, Transportation Demand Management Act of 1991, and High Capacity Transportation Acts of 1990 and 1991. In addition, federal statutes have placed new responsibilities on state and local jurisdictions to address the needs of the disabled, as well as to respond to the requirements for clean air, through the 1990 Americans with Disabilities Act and the 1991 Clean Air Act, respectively.

B. Local Missions

Local missions have responded to evolving state mandates and local community demands for services. Changes in local missions are also a direct result of communities seeking methods to address issues related to highway congestion, provision of social services, environmental quality, and urban development. Local communities are seeking increased transit usage and service, as well as effective transit related tools for land use and growth management.

Transit systems located within metropolitan regions coordinate their planning activities through the Metropolitan Planning Organization. These activities include coordination of transit service through the regional transportation plan and development of an associated land use plan. Within Central Puget Sound this land use plan is entitled: "Vision 2020" and has been adopted by each jurisdiction within the region. The year 2020 plan envisions that

transit agencies will need to triple their ridership to accommodate the projected population and associated land use pattern in the four county Central Puget Sound region.

V. Missions Guide Service

Transit missions, goals, and objectives guide the establishment of transit services. In addition, services reflect the needs of the community through the planning and public involvement processes. Services provided by the transit districts vary in order to meet the specific needs of the community. These services share common characteristics which include: Local Fixed Route, Commuter Fixed Route, Demand Response, Vanpool, Event, Contract, Transportation Systems Management/Transportation Demand Management, (TSM/TDM) and Other (see Figure 2).

A. Local Fixed Route Service

Local fixed route service includes buses and/or vans using established routes on a fixed timetable. Service on these routes have varying headways between buses of usually less than an hour. Some agencies also provide additional service on fixed routes during peak travel periods. All transit agencies within Washington State provide local fixed route service.

B. Commuter Fixed Route Service

Commuter fixed route service is provided by many transit districts. This service is provided to serve the transit users during peak commuter hours. It is provided in urban areas. Because the service is focused on peak commuter hours several systems have provided alternative services, such as taxi service for users, to address emergency or other transportation requirements in non-peak hours. Commuter services utilize a variety of transportation vehicles, including over-the-road coaches.

C. Demand Response Service

Demand response service addresses the transportation requirements of the elderly, handicapped, and others with special needs. These services are not based upon fixed routes and generally provide door-to-door passenger delivery. Services may charge a fare, but many are administered through a donation program. Specially equipped buses and vans,

including wheelchair lifts are used for this service type. Demand response service is provided by large, small, rural, and urban transit districts.

D. Vanpool Service

Vanpool service is provided primarily by urban transit districts. This service includes the provision of vans for rideshare programs. It is usually a transit agency provided van that is operated by the user. Vanpool program evaluations have indicated that they provide a cost effective approach for reducing congestion. Vanpool programs are usually coordinated with employers in order to provide specialized parking.

E. Event Service

Event service is identified by nearly all transit agencies as a regular part of the transit program. This service is characterized by the provision of services for regularly scheduled or special events within the community. For example, this service may include fixed transit routes serving sporting events, special event transit service for community activities, or holiday retail transit service.

F. Contract Service

Contract service is provided by large, small, rural, and urban transit districts. Service contracts cover a variety of activities. Specialized services for the elderly, handicapped, and disadvantaged are a primary element of this service. Many transit agencies contract to private or non-profit transit providers for all paratransit activities. Some agencies provide the necessary administrative services for communications, dispatching, and routing of paratransit vehicles.

G. TSM/TDM Service

Transportation Systems Management/Transportation Demand Management service is provided by the urban transit agencies. TSM/TDM activities are generally program services which may include, ridesharing, ride matching, transit passes, park-and-ride facilities, transit planning for employers, and demand management. Additional services may include community development activities, transit related land reviews, and real estate project design. This activity will continue to grow in importance with the increasing requirements in the state for TSM/TDM services as expressed in the state TDM Act and GMA, as well as the new regulations found in the federal Clean Air Act and State Clean Air Act passed in the 1991 session.

H. Other Service

A variety of other services are provided by transit agencies in response to community needs. Transit agencies provide specialized activities including package and limited freight service and ticketing service for connections to other transportation modes. Additional services include state capital shuttle, special street car, monorail, trolley, or school related activities. Some charter service for community groups is provided, although this activity is limited by federal regulations. Federal regulations also prohibit transit agencies from providing regular school transportation services.

VI. Impediments and Mission Fulfillment

The state governance structure and missions do not place any significant impediments upon transit agencies for the provision of transit services. State government has established a governance structure which permits local transit agencies to address community needs with a variety of services. Changing federal, state, and local concerns, such as growth management, congestion relief, special needs transportation have placed additional reliance on transit agencies to provide new or increased services.

The State has vested in local jurisdictions the responsibilities for instituting new land use programs and coordinating regional transportation planning. However, this current approach to the State's new growth management and TDM initiatives does not provide transit agencies with an authoritative role in the new programs. This could be an impediment as both state authorizing statutes and local jurisdiction planning programs assume that transit will be a key tool in effectively managing the urban environment, but do not allow transit agencies to sit at the decision-making table as partner with the other jurisdictions. In most cases, transit agencies are not even provided a review role for land use plans or development projects for transit compatibility.

VII. Conclusions

Washington State communities have responded to the state authorizing legislation by establishing transit districts, implementing transit planning processes, and providing services. Local transit missions, although not required by statute, reflect the evolving state mandates which guide transit development. Transit agencies have worked within the authorizing legislation to plan and implement services which are based upon identified community needs.

The State provides limited guidance for communities and transit agencies for determining community needs and transit feasibility. State regulations outline planning requirements through the Comprehensive Transit Plans, Transit Development Plans, and Six-Year Transit Development and Financial Programs process. There is some potential redundancy in the planning processes. Current requirements for developing TDPs and TDFPs may suggest that transit agencies must prepare two plans to meet state and federal requirements. Since specific content and format are not specified for either plan this ambiguity should be clarified. There is no state evaluation of these plans. In addition, these plans do not specify how local land use activities and urban forms should be accommodated with the various transit services. Transit plans need to articulate how communities should respond within their land use programs to the needs of transit.

New transit agency missions and responsibilities have been identified within state growth management, TDM, HCT, and clean air legislation. Federal legislation also place new responsibilities on state government, local jurisdictions, and transit agencies to meet these growing environmental and social service concerns.

Local communities and metropolitan centers may be seeking increased transit service to implement the new growth management and other requirements. At the same time, transit agencies are responding to their citizens' desires and needs for alternative public transportation to relieve congestion, while improving mobility to employment centers and residential communities. These improved or new services may provide increased accessibility for the elderly, handicapped, and transportation disadvantaged, as well as to the general public. State statutes may need to clarify the relationship between new initiatives and transit's direct or implied role in implementation.

PUBLIC TRANSPORTATION STUDY

Task 1.C & D

**Public Transportation Roles and Relationships
In Washington State**

Prepared for:

**STATE OF WASHINGTON
The Legislative Transportation Committee**

Prepared by:

The Matrix Management Group

in association with

**Molyneaux Associates, Inc.
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Abstract

The purpose of this task was first to provide a summary of the governance structure of the state and of local public transit operations for the provision of public transportation service. This included a description of the roles of and relationships between key government offices and agencies within the state governance structure and within local public transit governance structures. Secondly, this task was to provide an overview of state accountability provisions and reporting requirements for public transit and local public transit accountability provisions and reporting requirements. It was also to identify potential improvements to the accountability process.

This work was accomplished via a combination of interviews of public transportation "players", review of the Revised Code of Washington and Washington Administrative Codes, and research of local transit board compositions, accountability, and reporting practices. Also, Washington State governance structures were compared with those of five comparable states. Persons interviewed included state legislators, the Governor's Office and other state agency officials, local officials, directors of state associations, LTC staff, Washington State Department of Transportation representatives, and local transit managers.

It was discovered that the State has a longstanding interest in public transportation and, over the past quarter century, has demonstrated an increasingly active role in establishing governance frameworks for the provision of public transit. Although the State is a significant provider of public transportation services (e.g., Washington State Ferries), the vast majority of surface public transportation services are provided at the local level. Governance and accountability structures for provision of these local public transportation services exist as local entities.

The State role in the provision of local public transit services has consisted primarily of legislating governance structures that may be used by local transit providers, administering federal and state funds passed to local transit providers, and monitoring the performance of local transit agencies through review of performance statistics and conducting financial audits. In addition, the State has also legislated public transportation policy direction in such laws as the High Capacity Transportation Act, Clean Air Act, Growth Management Acts, and Transportation Demand Management Act.

There is an increasing need for public transportation that serves larger regions and crosses jurisdictional boundaries. To date, limited services of this type have been provided through interlocal agreements between transit agencies serving a portion of these larger regions. There is no existing governance structure that permits these needed interregional, interjurisdictional transit services to be routinely provided to the extent that they are needed.

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I. Introduction

The roles of and relationships among government offices and agencies involved in public transportation are summarized in the material that follows. The following definitions apply:

Public transportation: Publicly supported surface transportation services, including paratransit, and the interface with and passenger component of marine transportation (excluding county ferry systems and systems owned or operated by the common schools).

Paratransit: Those non-fixed-route services and operations provided by transit agencies to persons with disabilities, and elderly, minority, or other transportation-disadvantaged (mobility-impaired) persons.

Governance: The legal, governmental, and administrative structure for the provision and/or regulation of public transportation. (In short, governance deals with the flow of authority and direction that determines what public transportation services government will provide.)

Accountability: The relationships within a governance structure through which choices are made to respond to the mandates of authoritative sources and through which performance is measured against those mandates. (In short, accountability deals with the manner of the response to governance and whether it is satisfactory.)

The predominant characteristic of public transportation in Washington is local services that respond to the distinctive character and needs of local communities under the direction (governance) of local elected officials. The predominant local view regarding response to locally distinctive service demands is "if it ain't broke, don't fix it." In fact, most indicators are that local public transportation services are organized and working increasingly well in Washington, and they enjoy both a governance structure and a funding basis that compares favorably to their peers across the country. The PTBA governance system is particularly praised by the managers and governing board members of local transit systems because of its ability to adapt to local needs and priorities and address regional transportation needs, and its broad-based financing.

It is increasingly evident, however, that there are regional and State interests in public transportation also. Identification of these interests is still evolving; not surprisingly, roles and relationships for these interests are unfocused. Almost all governance systems in place were created in the 1965-1975 timeframe. The State interest in public transportation, or more exactly, the State programs that depend on public transportation, have received attention in the last few years. It is worthy of mention, however, that in 1965, the Legislature declared "...an adequate public transportation system is an absolute necessity...to...a municipality and of the state and nation...". In 1967, the Legislature authorized the Highway Commission to spend funds benefiting urban public transportation systems owned by the State or any city, county, or municipal corporation; and further, to join in the planning, establishment, and development of urban public transportation systems—but no funds were provided for feasibility planning that were unrestricted by the 18th Amendment to the State Constitution.

Accountability follows the lines of governance; governance structures for transit exist at the local level; therefore, the primary provisions for reporting to meet the needs of accountability also are found at the local level. Transit boards expect and receive reports from transit managers that allow them to evaluate the adequacy of progress toward goals they established. There is no State or other guidance on the characteristics of good accountability reporting. Much of the accountability reporting at the local level is very good, but practices in this regard are highly varied.

Broad accountability is provided to the public. Except for citizen board members at Intercity Transit and Metro, all other transit board members are elected officials—albeit elected to another office from which they are appointed or automatically designated as a member of the transit boards. Annexations to transit districts, and the levying of local sales taxes for transit, require a vote of the people, and such votes represent a significant measure of accountability. The levying of local business and occupation taxes or household taxes require a vote of the people when imposed by a CTA or a PTBA. City transit, Metro Transit, and unincorporated county transit systems are permitted to impose business-and-occupation and household taxes without voter approval. Public hearings are required on State-mandated Transportation Development and Financial Programs (TDFPs) and Comprehensive Transit Plans. Hearings are also required by the State for budget and policy proposals, and on Transit Development Plans (TDPs).

Information reported to the State and federal government by transit districts is primarily descriptive in nature, which is useful for understanding the diverse character of public transportation in Washington. It is not evaluative in nature and is not used in an accountability sense at the State jurisdictional level. In addition, the State Auditor performs an audit every one to two years.

II. State Governance Structure for Public Transportation

State governance of public transportation flows directly from the Legislature and the Governor to local transit agency boards. (See Figure 1, State Governance of Public Transportation in Washington.) The Legislature, with approval of the Governor, has added the Metropolitan Municipal Corporation (Metro), County Transportation Authorities (CTAs), Unincorporated County Transportation Authorities (UCTAs), and Public Transportation Benefit Authorities (PTBAs) to city transit systems to establish the five kinds of public transit systems authorized in Washington. Similarly, the State has authorized the broad-based funding structure now in place. The State has consistently refrained from a direct role in public transit. In 1989, legislation was adopted that requires the Washington State Department of Transportation (WSDOT) to gather information and provide a report annually to the Legislature that is descriptive of public transit operations in Washington. This public transportation study in itself constitutes a significant undertaking by the Legislature to evaluate public transportation in Washington.

During 1989, Governor Booth Gardner determined he needed more direct coordination between the Executive and Legislative branches concerning transportation issues. He established a position of Special Assistant for Transportation within the Executive Office. This position coordinated for the Executive Office, legislative initiatives between WSDOT, the Office of Financial Management (OFM), other agencies and legislative committees.

The State is a direct provider of public transportation in two ways. The most direct way is the provision of public transportation through Washington State Ferries, under the direction of the Transportation Commission and WSDOT. Less obviously, the State directly provides transportation as an element of social and health services with funding from the Department of Social and Health Services (DSHS).

Although the State has a limited role in the governance structure with respect to public transportation, the State is nevertheless a very influential element in the governance system. When the State Department of Transportation was created in 1977, and a variety of State policies were enunciated for the newly-created Transportation Commission, they were charged with promoting "integrated, intermodal" systems that were coordinated with land-use policies and met the needs of the elderly and handicapped. The WSDOT response to this charge has been to strive to provide leadership through persuasion and power of suggestion, reviews when requested, and technical assistance primarily to smaller transit systems. In

accordance with the requirements set down for PTBAs, WSDOT also influences the formulation of PTBAs at the time of their creation through review of their feasibility studies and certification that they meet the comprehensive plan requirement.

WSDOT's primary entry to transit operations, however, is in its role in administering federal transit funds. Here, its Public Transportation Branch follows, with some latitude, criteria set by the Urban Mass Transportation Administration (UMTA) as indicated below by program (section numbers are from the 1990 Surface Transportation Act):

Section 3. The purpose of this section is to provide capital assistance to eligible transit projects selected by the Urban Mass Transportation Administration or earmarked by Congress. This program is known as "discretionary funding." Section 3 funds go to state or local public bodies who apply for them, and these funds are allocated at the discretion of UMTA and Congress. After certain deductions and earmarkings, 40% of the remaining funds are reserved for new starts and extensions, 40% for rail modernization grants, 10% for major bus projects, and 10% are unspecified. Section 3 funds are for capital projects only, and a 25% state and local match is required. However, in Washington, no State funds are used.

Section 3 funds go directly to local agencies. WSDOT coordinates the grant process with smaller properties and UMTA. These properties cannot obtain funds without WSDOT certification that no other funds are available.

Section 9. The purpose of this section is to allocate operating and capital assistance on a formula basis to urbanized areas. Urbanized areas over 200,000 population receive Section 9 funds directly from UMTA; urbanized areas under 200,000 population receive Section 9 funds via state governors, who delegate their distribution responsibilities to their transportation departments. Section 9 funds are for operations or capital projects identified by the local agencies. Different sized urbanized areas may use these funds for operations up to a certain percentage of their 1982 baseline; as shown below.

Urbanized Area Population	Percentage Eligible for Operations
Greater than 1,000,000	80%
200,000 to 1,000,000	90%
Less than 200,000	95%

Areas newly designated as urbanized by the 1980 census or later can use up to two-thirds of their first Section 9 allocation for operations. The remaining portion of each urbanized area's allocation may be used only for capital projects.

Section 9 funds are allocated by UMTA formula. Some formula terms use transit operating data, and these allocation percentages therefore vary from year to year.

One-half of all Mass Transit Account funds exceeding \$1 billion per year are distributed to all recipients through the Section 9 program for capital purposes only. Section 18 recipients (discussed below) receive a share of Section 9 (B) funds as well as their share of Section 9 funds for capital and operating purposes.

The federal share of local operating assistance can be up to 50% of an agency's operating expense less its earned revenue. The State and local operating assistance share must equal or exceed the federal share. For capital assistance, the federal share is 80%, with a 20% state and local match.

In the urbanized areas with greater than 200,000 population, WSDOT plays no role in the distribution of Section 9 funds, as they go directly to the local agencies. In the six urban areas with a population between 50,000 and 200,000, WSDOT monitors the distribution of Section 9 funds, as follows. WSDOT coordinates a meeting of representatives of the six areas to plan their programs. WSDOT receives the grant applications from the six areas and passes them on to the Urban Mass Transit Administration after review. Since the amount of funds available makes it impractical for each of the six areas to receive a useful grant for capital facilities each year, WSDOT acts as a monitor and broker regarding the distribution of these funds among the six areas from year to year. WSDOT tracks the past distribution history, mediates distribution among the six agencies each year, and acts to ensure that each of the six districts receives its fair share over the long run.

Section 16 (b) 2. The purpose of this section is to assure the availability of mass transportation to elderly and disabled persons. Recipients of these funds include private, nonprofit corporations and associations providing transportation services for the elderly and disabled. The funds are administered through state governors. Eligible expenditures include capital equipment and state administrative costs. The funds are allocated by formula to states based on the population of elderly and disabled individuals, with a fixed minimum amount for each state. The matching ratio is 80% federal, 20% state and local.

The Section 16 (b) 2 monies are administered by WSDOT for the Governor. It notifies the State's eligible nonprofit organizations of the availability of grant monies and receives applications from these agencies for use of this money. A review committee evaluates the grant applications and recommends a work program to WSDOT. WSDOT selects these review committee members, compiles the work program, and submits the recommended applications to UMTA. When grant applications are approved by UMTA, WSDOT allocates the money to the agencies. WSDOT also provides technical assistance to the agencies in the form of specifications for vehicle purchase, monitors the purchases, and monitors the performance of the purchased vehicles through annual inspections. After the agencies purchase the vehicles, WSDOT sends 80% of the purchase price to the agencies.

The Section 16 (b) 2 process can include public hearings prior to the preparation of work programs and grant applications. These hearings would be offered if there were opportunities for interagency coordination, for example. These hearings are conducted by WSDOT.

Section 18. The purpose of this section is to allocate funds for mass transportation in rural areas. Section 18 funds go to mass transportation providers outside of urban areas, and these funds are administered through state governors. Section 18 funds can be expended on operations or capital projects. The funds are allocated by formula based on the non-urbanized area population of each state. The matching ratio for operating assistance is up to 50% of net cost not exceeding the sum of state and local operating assistance. The matching ratio for capital assistance is 80% federal, 20% state and local.

Section 18 monies are administered by WSDOT. It notifies the eligible agencies, selects review committee members, prepares work programs, and passes recommended grant applications on to UMTA in a process similar to that of Section 16 (b) 2. In conference with representatives of eligible agencies, WSDOT determined that rural public transit agencies can spend Section 18 monies for capital projects only, and that private transportation agencies can apply for Section 18 grants for capital or operating expenses. Grant applications are reviewed on the basis of need, with WSDOT review committees deciding which applications to recommend to UMTA for approval. After the grant money is distributed to the agencies, WSDOT monitors capital purchases and provides technical assistance to local agencies. WSDOT representatives visit each site three times per year to perform project reviews of the transit agencies to ensure that grant monies are being spent in a manner consistent with the approved applications. During these reviews, a WSDOT project monitor and financial administrator examine agency records documenting project scopes and eligible and ineligible costs. The Section 18 process also includes a public hearing option similar to that for Section 16 (b) 2.

Section 18 (h). The purpose of this section is to provide transit assistance in nonurbanized areas. Grants are available for research, technical assistance, training, and related support services.

Section 18 (h) monies come to WSDOT. These monies are used to purchase consultant assistance in developing and presenting training programs and technical assistance to local transit providers. WSDOT does not use any of these monies directly for its administrative expenses.

Interstate transfers. The purpose of this feature of the 1973 Federal-Aid Highway Act is to allow substitution of transit projects in urban areas for Interstate Highway projects deemed nonessential by state and local authorities. Any eligible state or local government agency can apply for these fund transfers for capital projects only. Upon application by the state governor and local government agency, 50% of such funds are allocated at the discretion of the federal Secretary of Transportation, and 50% in accordance with cost

estimates approved administratively or by Congress. The matching ratio is 85% federal, 15% state and local.

WSDOT representatives interviewed were not aware of any instances when this program had been used to provide any facilities or services to local transit agencies.

Section 8. WSDOT receives monies under Section 8 and uses them to provide technical assistance to local transit agencies and for studies of risk management and insurance issues. WSDOT monitors the urban metropolitan planning organizations' planning processes, and annually passes Section 8 money through to these organizations.

Section 4 (i). WSDOT receives monies through a competitive grant application process under Section 4 (i) for innovative programs. WSDOT has used this money in the recent past for such programs as coordination among agencies providing transit for disabled persons, and producing a video regarding drug testing and making it available to transit agencies. Also being considered is using some of this money for studying requirements for compliance with the federal Americans with Disabilities Act.

Section 10. This section has provided \$70,000 through a competitive grant application process, matched with an equal amount by WSDOT, for management training in such areas as labor relations, customer relations, employee productivity, coalition building, intermodal facilities planning, and marketing.

The apparent structure of governance at the State level does not adequately reflect the positive influence of WSDOT on smaller transit districts that stems from the administrative functions and technical assistance provided through administration of UMTA funding.

III. State Interest in Local Roads and Streets

Differences and similarities between State governance of roads and streets and of transit can be instructive. Significant portions of the State-collected gas tax goes to cities and counties directly, to be programmed as they see fit within the constraint of the 18th Amendment to the State Constitution. Thus, city street and county road programs are widely perceived to be locally based; their "governance is local". However, the State has perceived a State interest in these elements of transportation systems also. As far back as 1961, one-half cent of the gas tax was designated for the Arterial City Street Fund, and its use was limited to arterial construction in cities. (Its size and use has since been expanded.) The County Road Administration Board (CRAB) was formed in 1965. It provides technical assistance, enforces standards of good practice and county engineer qualifications and guides improvement of county roads to function with some Statewide consistency. In 1968, the State earmarked a portion of the gas tax for a bond program to address urban arterial needs, and created the Urban Arterial Board which enforced statutory and administrative criteria for project grants from the Urban Arterial Trust Account. Funds have been granted in response to competing grant applications from cities and counties, and to prioritization according to a State formula. This pattern of an asserted State interest has accelerated with the following recent programs:

County Arterial Preservation Program (CAPP)—A funding program that induces counties to make maintenance a continuing budget priority.

Rural Arterial Program (RAP)—A funding program that uses State standards and criteria to influence the approach to programming road improvements taken at the county level.

Transportation Improvement Account (TIA)—A State program directed by an interjurisdictional board that provides funding for transportation projects that best meet State guidelines. The criteria for project evaluation include the requirement that the project be consistent with State, regional, and local plans, and consideration of the relationship of the project to rapid mass transit.

The State has continued to emphasize placement of governance for local road programs at the local jurisdictional level. Although the CRAB is a State agency, it is directed by a Board appointed from among county officials (six elected officials, three

engineers). The TIA is administered by the 15-member Transportation Improvement Board (TIB); 12 of the members are city and county officials, half of whom are elected.

IV. State Interest in Public Transportation

A similar but less-direct pattern demonstrating a State interest in public transportation has evolved. It started with authorization of the Metropolitan Municipal Corporation of Seattle in 1957, through which the State induced public transportation that 1) provides multijurisdictional service, 2) is based on regional coordination, and 3) enjoys a broad tax base approved by voters.

A. Commitment of MVET to Transit

Designation in 1969 of the motor vehicle excise tax (MVET) as a major transit funding source definitively declared transit to be an activity in which there is a State interest. However, since local jurisdictions legally levy the MVET, and have full discretion over the programming of the MVET they receive, MVET has been ruled by the Washington State Supreme Court to be a "local tax". The State, through statutory action, nevertheless still determines the extent of MVET committed to transit and the conditions under which local agencies become eligible to receive it.

B. Recent Legislation

During the early 1990s, the State Legislature enacted a number of measures which depend on and presume the existence of effective public transportation as a primary vehicle for achieving their aims. These include:

- **High Capacity Transportation Act (HB1825)**—This act has provided 80-percent State funding for high-capacity transportation planning. It requires a process that is expected to establish an action program for high-capacity transit in Pierce, King, and Snohomish Counties by the end of 1992, and in Clark County by the end of the decade.
- **Growth Management Act (HB2929)**—This act establishes a new relationship among cities, counties, and the State that will, among other things, rely on public transportation to achieve the desired effects of comprehensive land-use and transportation planning.

- **Transportation Demand Management Act (HB1671)**—This act places requirements and targets on local jurisdictions for the manner in which they meet trip demand.

The State role in public transportation that has been indirectly established by this legislation can be seen more completely in the following summaries.

1. High Capacity Transportation Act (HCTA)

The State's role in public transportation has been increased by the High Capacity Transportation Account, Part III of ESHB1825, but this role will likely be essentially a transitional one—a means of bridging from the local scale of transit operations to regional solutions. Under HCTA, the State provides up to 80 percent of the funding for high-capacity transit planning. Local jurisdictions provide the balance. "Local" includes certain transit districts who must demonstrate that their plan is coordinated within the region. Counties and cities, in conjunction with local transit districts, can also apply for HCTA funds through a unified application. A single, coordinated HCTA request is made to the State from each region which qualifies. WSDOT administers the funding program according to criteria specified in HB1825. The HCTA Statewide Advisory Council—consisting of appointments by the Secretary of Transportation, typically drawn from transit board members in each congressional district, the Governor's office, the LTC Chair or designee, the Washington State Transportation Center (TRAC), and the Transportation Improvement Board—reviews funding applications. Applications must also pass through the appropriate metropolitan planning organization (MPO) before consideration by WSDOT.

High-capacity transit uses include rapid (rail) transit and busways on exclusive rights-of-way. Once a community commits to a high-capacity planning process by preparing a high-capacity system plan and applying for HCTA funding support, its planning is critiqued by an Expert Review Panel. The Expert Review Panel is appointed by the Governor, the LTC Chair, and the Secretary of Transportation. The cost of the Expert Review Panel is paid from the High Capacity Transportation Account. The Panel's role consists solely of critique, with recommendations being made to the Governor, the LTC, the WSDOT, and the submitting lead transportation agency.

A Joint Regional Policy Committee (JRPC) is formed for each region (only one at this time), consisting of a WSDOT representative and transit board members in proportion to the population of their district to that of the region as a whole. The JRPC guides development of the high-capacity transportation system plan and financial package for the region. It has initial approval/disapproval authority relative to the plan. Transit boards have the

final authority for system plan and financial program approval before submitting them to the voters.

2. Growth Management Act (GMA)

In the GMA, the Legislature has declared that the transportation systems in the State, owned and operated by numerous public jurisdictions, should function as one interconnected and coordinated system. Transportation planning at all jurisdictional levels should be coordinated with local comprehensive plans; and all jurisdictions should cooperate to achieve both Statewide and transportation goals. Thus, the Legislature declared that a coordinated planning program for regional transportation systems and facilities is in the State's interest.

The State has taken the initiative to establish a new relationship among cities, counties, and the State to address growth management. Certain counties must, and others may elect to, participate in a comprehensive planning process. The State will establish two review panels, one each for Western and Eastern Washington. The review panels will examine comprehensive plans for the counties to see that they are in accord with the guidelines set down in the GMA.

Planning goals are established. For example, efficient multimodal transportation systems that are based on regional priorities and coordinated with county and city comprehensive plans are encouraged. The transportation element of comprehensive plans must include a number of transit considerations, including (paraphrased from ESHB2929, Section 7):

- a) Land-use assumptions used in estimating travel;
- b) Facilities and services needs, including:
 - i) An inventory of transportation facilities and services, including transit alignments, to define existing capital facilities and travel levels as a basis for future planning;
 - ii) Regionally coordinated level-of-service standards for all transit routes, to judge system performance;
 - iii) Specific actions and requirements for bringing facilities or services into compliance with an established level-of-service standard;

- iv) Forecasts of traffic for at least ten years;
- v) Identification of system expansion and transportation system management needs;
- c. An analysis of probable funding capability compared to needs; and a multiyear financing plan for needs identified in comprehensive plans and reflected in six-year transit programs;
- d. An assessment of the impacts of the transportation plan and land-use assumptions on the transportation systems of adjacent jurisdictions.

After jurisdictions adopt comprehensive plans, they must adopt and enforce ordinances which prohibit development approval if the development causes the level of service on a transportation facility to decline below the standards adopted in the plan, unless transportation improvements or strategies to accommodate the impacts are made concurrently with the development. Strategies may include public transportation service.

The Washington State Department of Community Development will administer \$18 million to assist affected local jurisdictions with comprehensive planning.

Regional Transportation Planning Organizations (RTPOs) have been authorized. RTPOs are formed voluntarily within a county or within geographically contiguous counties, under certain statutory provisions that encourage regional coordination of multimodal transportation and land-use planning. The WSDOT must verify that each RTPO conforms with statutory requirements. In urbanized areas, the RTPO is the same as the MPO designated for federal transportation planning purposes.

RTPOs certify that the transportation elements of comprehensive plans adopted by local jurisdictions conform with statutory requirements and are consistent with regional transportation plans. RTPOs also develop and adopt a regional transportation plan that is consistent with both local comprehensive plans and State transportation plans. WSDOT, through biennial legislative appropriations, allocates funds to carry out regional transportation planning. The emphasis on regional transportation planning, with consistency and coordination provided through RTPOs, will contribute to an increased role for transit districts in regional planning and strengthen their interrelationships with the general-government jurisdictions in which they operate.

3. Transportation Demand Management (TDM) Act

House Bill 1671 was adopted in 1991. Through this Act, the State addressed the impact on congestion of unmanaged access to the highway system, established requirements and targets for changes in travel behavior that must be met by certain employers in certain local jurisdictions, and mandated implementation of commute-trip reduction plans for all major employers. The TDM Act states that counties and cities are responsible for implementing TDM programs within their jurisdictions. The local jurisdictions will develop schemes appropriate to their situations. Both public and private employers with more than 100 employees are affected.

A 23-member State Commute Trip Reduction Task Force is established by the TDM Act. This Task Force is to establish guidelines for commute-trip reduction plans, review progress toward implementing these plans, and report periodically to the Legislature. The Task Force members will be drawn from the following: the Secretaries or designees of the State Departments of Transportation, Ecology, Energy Office, Community Development, and General Administration, and three county, three city, three transit agency, six employer, and three citizen representatives appointed by the Governor from lists submitted by umbrella associations representing each group.

Transit systems are not directly referenced in HB 1671; however, in every known case, counties have turned to transit agencies as a full partner in addressing the objectives of HB 1671. Because, in many cases, the same elected county officials serve on both the county legislative authority and the transit board, this joint effort in developing a commute-trip reduction plan is a natural one. Transit agency staff are direct participants in negotiating commute-trip reduction plans with major employers.

Some of the TDM programs directly involve transit in the form of planning for turn lanes, park-and-ride lots, acquisition of buses, routing and scheduling, and other initiatives.

Coordination of TDM developments is not so straightforward where the transit board does not include county commissioners or where several systems must coordinate, only one of which is a county system. Some coordination with adjacent systems—in other counties—may also be necessary.

The above paragraphs demonstrate that there is a very evident State interest in public transportation, and that considerable influence has been and is being exerted on its nature and capabilities. Clearly, GMA and TDM are predicated on the existence of viable public transportation that is assumed to be expandable to meet increased demands. However, no clear organizational or governance focus at the State level has emerged in conjunction with

this State interest in public transportation. A key question is whether any "institutional" focus is needed at the State level.

C. Department of Social and Health Services Role in Public Transportation

It comes as a surprise to many that the State Department of Social and Health Services is a major player in the provision of the paratransit element of public transportation services. However, the full extent of this role is not well defined. The primary purposes of DSHS, the social and health programs, are well understood. "Buried" within many of those programs is the provision of transportation services in support of the Department's social and health objectives. Transportation in this functional area is provided through grants to, and contracting with, transit districts and various not-for-profit organizations. DSHS personnel also provide transportation using State vehicles, as an adjunct to their other direct services to their clients. In Stage 1 of this public transportation study, only the interface between DSHS programs and transit districts has been addressed.

Governance of DSHS public transportation (primarily paratransit) can be viewed as a two-dimensional matrix. One dimension includes the transit services provided directly by DSHS. The social and health programs themselves, including their transit components, are clearly directed by the Secretary of Social and Health Services, who in turn, is accountable to the Governor. As with all activities which are the direct responsibility of the State, these programs are evaluated by various State agencies, such as the Office of Financial Management and the Legislative Budget Committee. On the other dimension, however, are the paratransit services "purchased" from transit districts by DSHS, where the management structures which oversee the efficiency and effectiveness of those services are directed by the local transit boards.

D. State Auditor's Office

The State, through the State Auditor, provides fiduciary oversight of transit districts. By State law, audits are required to be performed every one to three years on agencies receiving public money and on all municipal corporations. Transit districts are audited every one to two years. As part of these fiduciary audits, the State Auditor's Office also certifies compliance with federal regulations by those districts that receive federal funds.

The State Auditor's Office does not conduct performance audits of transit districts. Such audits of transit districts are prohibited by the State Constitution. A copy of each completed audit is provided to the transit district audited, WSDOT, and the federal government. The State Auditor's Office also performs post-audit quality-control reviews. The federal government has been invited to and does participate in these reviews.

V. Overview of Local Governance Structure for Public Transportation

The primary feature of public transportation governance in Washington is found at the local level. It is the local transit district board. Governance at this level is well established, quite clear, and can be described concisely.

Four of the five types of transit districts authorized by State law are in use. The structure of their transit boards is similar, but does vary. The types currently operating in the State include:

A. City Transit Systems

City transit systems originated during the era when all transit was city transit. In these systems, the city council is the "transit board." Transit is typically a department of city government, or in some cases, a division within the public works department. City systems are found in Everett, Yakima, Pullman, and Prosser.

As with every other department of city government, the transit staff develops programs and budgets in response to the objectives and guidelines provided by the city council; and reports of accomplishments and performance are provided as required by the city council and mayor in order to improve performance and plan for the future.

City transit systems participate in the MPO for their region where one exists, and participate in transportation planning at the regional level. In some cases, such as Everett, where there are ongoing local and regional activities aimed at coordinated interagency and intermodal planning, the transit manager serves as a standing city representative to such activities. In Yakima, the Transit Manager is one of the three City representatives to the Council of Governments Technical Advisory Committee for Transportation (better known as YMATS). The smaller city systems have few external relationships; there is ongoing consultation as needed, however, with the WSDOT Public Transportation Branch. There is no MPO for Pullman or Prosser.

B. County Transportation Authorities (CTAs)

There is one county transportation authority providing transit service. This is Grays Harbor County. The Grays Harbor Transit Board consists of the three County Commissioners and three mayors.

Snohomish County also created a county transportation authority (Sno-Tran) which is the recipient of federal transit funds. Sno-Tran sought a local tax base in 1974 to support its activities, but it failed, so it is funded from local jurisdiction contributions. It provides planning and coordination for the services provided by Everett Transit and Community Transit. The Board for Sno-Tran consists of three members of the County Council and the mayors of Everett, Edmonds, and Lake Stevens.

CTAs participate in the COG for their region, and participate in transportation planning at the regional level. In Grays Harbor, the COG was the contractor for the transit plan update.

C. The Municipality of Metropolitan Seattle (Metro)

While transit services have been available in Seattle and King County for many years, the current operating authority (Metro) did not begin service until January 1, 1973. Metro had received legislative authority to operate, and with voter approval of a 0.3 percent sales tax in September, 1972, it began the process of buying the Seattle Transit System and other area private bus operators to establish one system. Its current taxing authority is a 0.6 percent sales tax.

Metro is governed by the Metro Council, a Board of 44 representatives made up of King County, city, and special-district elected officials and appointed citizens. Metro governance is a rapidly evolving issue prompted by the federal district court ruling by Judge William Dwyer declaring the Council unconstitutional. If this issue is not resolved by King County voters in November, 1991, legislative action may be required. These voters are being asked to authorize a merger of Metro with King County government.

The structure of the Metro Council, as it relates to the provision of transportation services, is as follows: the Transit Committee (a standing committee of the full Council) has reporting to it the Service Evaluation Subcommittee, the Elderly/Handicapped Subcommittee, and the Capital Facilities Subcommittee, each comprised of Transit Committee members. The Transit Committee itself reports to the full Council, with the latter ultimately responsible for service-related decisions.

Metro participated actively in the area's MPO, the Puget Sound Council of Governments (PSCOG) through that organization's King Subregional Council and its Standing Committee on Transportation (SCOT). PSCOG was disbanded effective September

26, 1991 to make way for a reconstituted successor organization. It is anticipated that Metro will actively participate with that organization as well.

D. Public Transportation Benefit Authorities (PTBAs)

Most transit districts of the State are PTBAs. There are 17 of them. PTBA boards are formed pursuant to the legislation authorizing PTBAs. Board composition is initially determined within 60 days of the establishment of the PTBA's boundaries, and it varies in ways that reflect PTBA service areas. A conference is held by the cities and counties within a proposed PTBA. This conference, consisting of a legislatively-directed membership, determines the composition of the board. There is a maximum of nine members for a single-county PTBA, and a maximum of 15 for a multicounty PTBA. In some PTBAs, all county commissioners serve on the board, and in others, only one. In some PTBAs, mayors of all incorporated cities are included; in others, only some cities are represented; and in still others, there may be more than one representative from the major city of the service area. Exhibit 2 provides a summary of the current board representation of each PTBA.

Each board is required to review its composition every four years or whenever an annexation of more than 15% of the authority's existing population occurs. It is also mandatory for PTBAs to consider possible annexation every two years. The authorizing legislation clearly seeks to encourage consensus among local jurisdictions and to transcend city-county jurisdictional rivalries.

Because PTBA boards consist predominantly of elected officials who have multiple assignments to boards, commissions, and committees, both within their home jurisdiction and within their region, it is often assumed that local transit is well represented and interwoven with the numerous regional activities involving transit. In addition, although not always required or occurring, transit managers and key professional staff typically serve on technical planning committees and advisory groups of the MPO/RTPO and other recurring activities in their area. The focus of GMA, HCTA, TDM, etc. has accelerated the acceptance of the transit representative in governmental and transportation planning activities. Nevertheless, there have been a number of such activities where transit has not been included heretofore, and where transit has become included primarily through the assertiveness of transit managers rather than by prescription when such groups are established. Specifically, review of permit applications and development plans by transit districts has probably been more the exception than the rule.

E. Local Governance Structure for Paratransit

Paratransit services provided by transit districts are, of course, subject to the same governance structure as any other aspect of the transit district. Much paratransit is a contract service provided to an external client.

F. Differences Among Local Governance Structures

One significant difference among local governance structures is found at King County Metro and Intercity Transit. These are the two cases where citizen members (not elected officials) also serve on the transit board.

In a wide array of interviews, it was generally agreed that the transit boards consisting of elected officials from multiple jurisdictions have worked well. These boards provide ongoing cross-representation in policy planning and understanding of issues. In many cases, however, there was a willingness to concede that some board members see their transit responsibility as an "additional duty", the position to which they were actually elected being their primary responsibility. The needs of transit are served by advocacy for transit by the board member while serving in his/her other capacities. Sometimes the member sees his/her role on the transit board as an opportunity to gain services or improvements that might otherwise have been vested in the city or county legislative body.

Citizen positions on transit boards may strengthen advocacy for public transportation and could provide more continuity than that assured by a single term of elected office or assignment to the transit board by the city or county executive or legislative authority. Provision for citizen board members yields a means to select members based specifically on their knowledge and interest in serving.

On the other hand, nonelected board positions reduce the accountability of a board to voters. While citizen members of transit boards may not have the burden of the numerous assignments to committees, boards, and commissions typical of elected officials, they also typically would not have the broad perspective that comes from a breadth of current involvement, nor the authoritative means to undertake multiparty implementation that is so often needed to get things done. Nonelected board members may be more likely to represent a narrow interest group and will not be influenced by the crucible of elective office that forces recognition of conflicting worthy aims.

One difference unique to city transit systems is that transit functions as a department of city government or as a division of the public works department. This relationship to policy makers is no less accountable than districts reporting to a multijurisdiction board.

Exhibit 2

WASHINGTON STATE
PUBLIC TRANSPORTATION SYSTEM

Transit Governing Body Membership

System	County Commissn/ Council	City Mayor	City Council	Other Elected Official	Special District	Citizen Members	Total Members
Ben Franklin	3 *		4 *				7
Chelan/Douglas	4 *			8 *			12
Clallam	2		6 *				8
C-TRAN	3		5 *				8
Community	2		7 *				9
CUBS	1		4 *				5
Everett		1	7				8
Grays Harbor	3	3 *					6
Intercity	1		3 *			3	7
Island	3		4 *				7
Jefferson	3		2				5
Kitsap	3	4 *	2				9
Metro (as of 8-15-91)	10	12*	11*	1	2	8	44

Exhibit 2 (Continued)

WASHINGTON STATE
PUBLIC TRANSPORTATION SYSTEM

Transit Governing Body Membership

System	County Commissn/ Council	City Mayor	City Council	Other Elected Official	Special District	Citizen Members	Total Members
Pacific	3		4 *				7
Pierce	1		5 *	1			7
Prosser			7				7
Pullman			7				7
Sno-Tran***	3	3 *					6
Spokane	2		6 *	1 **			9
Twin	1		2 *				3
Valley	2		5 *				7
Whatcom	1		4 *	1			6
Yakima			6				6

Footnotes:

* Multijurisdiction—more than one county or city.

** Alternating position, Spokane County Commission/Spokane Council.

*** Does not have an authorized levy nor operate services.

Citizen advisory committees provide an alternative means of ensuring consideration of the perspectives of users, advocates, and critics. Each of the State's 23 transit districts has used citizen advisory committees, and each has used them in a slightly different way. These differences result because there is no Federal or State legislative or administrative requirement for the use of such bodies by local transit agencies. "Substantial changes" in an agency's operations, such as fare increases or major service revisions, do require a "public forum." This requirement is usually met by offering the opportunity for a public hearing.

Transit agencies have found it useful, however, to constitute citizen advisory committees from time to time. These groups provide an additional perspective to transit boards and general managers concerning particular issues of high interest or controversy, or just provide a mechanism to funnel general citizen opinion into the decision-making process.

Some citizen advisory committees are standing groups, formally constituted with bylaws and procedures for member selection. Their members can be chosen to represent particular constituent groups of riders (e.g., the disabled, the elderly, school children); to provide geographical balance in a transit agency's areas of service; or to represent community groups with an interest in transit service (e.g., businesses, employers, recreation providers). Standing citizen advisory committees continue to function over time and provide input to their agencies on a wide variety of matters.

Another major type of citizen advisory committee is ad-hoc. These groups are formed for a limited period of time to address a specific issue, for example, the requirements of the federal 504 program (nondiscrimination toward the handicapped). Most issue-specific, ad-hoc citizen advisory committees cease to exist once they have completed the tasking for which they were created. Committees formed to address the federal 504 program may need to be revived to assist agencies to comply with the requirements of the Americans with Disabilities Act.

Differences of opinion may arise over the continued existence or functions of citizen advisory committees among agency general managers, transit boards, committee members, and the public. Some citizen committees want to continue to function when their transit agencies would prefer to do without them. The effectiveness of the working relationship between a committee and its agency depends to a large extent on the personalities and negotiating skills of the involved parties.

Some citizen advisory committees have played an effective role in influencing transit agency policy as well as becoming effective advocates for transit in their communities. Citizen advisory committees for the transit agencies serving Clallam, Jefferson, Kitsap, and Island Counties have formed a joint committee that addresses transit issues of regional concern and promotes interagency coordination of transit service in the four-county service area. The group is looking at coordinating marketing strategies and schedules (including ferries) to make cross-region trips easier for transit riders.

Citizen advisory committees with clearly-defined missions, procedures, and memberships can be an effective means of providing improved accountability to local constituents.

G. Impacts of Differences in Roles and Relationships

Differences in roles and relationships among the several transit district types are minor and support adaptation to local characteristics. No negative impacts have been identified due to differences in roles and relationships.

The demographics of Washington with 49% of the State's population residing outside of incorporated cities are supportive of providing transit on a regional, multijurisdictional nature. The popularity of the PTBA system is demonstrative of this.

In two counties with significant urban area populations, Snohomish and Yakima, the continued existence of city-only systems inhibits this regional approach to service. This will become more apparent as these counties and cities attempt to implement the provisions of the Growth Management Act and the Transportation Demand Management Act, as both counties are mandatory participants in those two programs.

Even though the finance system for transit in Washington mitigates against single-city systems, government leaders in the Everett and Yakima communities apparently see more value to their citizens in system control than in improving the financial base to expand services for citizens of their region.

VI. Federal Government Requirements

The Federal Government imposes no duplicative lines of governance or accountability. Federal funds for transit either flow to the WSDOT Public Transportation Branch, or to the districts directly. There are criteria which define the purposes of various federal funding programs, however, WSDOT administers those funds with considerable autonomy within the program criteria. This autonomy serves to enhance WSDOT's ability to provide assistance to smaller districts and to work participatively with these districts to combine allocations in a particular year to maximize their effective use and to ensure all districts benefit from the programs over time.

Certain federal transit funds flow to a single designated agency in a county—Metro in King County, Sno-Tran in Snohomish County, and typically the MPOs in other areas. Because coordinated planning is a requirement of federal programs, this single point of contact helps to focus and thereby reinforce coordinated system planning.

Federal reporting requirements are focused on fund accounting and audits every three years. However, through its Section 15 reporting program, UMTA also collects information from each federally-supported transit agency annually, and produces a national statistical summary. In addition, systems receiving federal funds must participate in a continuous planning process. The resulting Transit Development Plans are filed with WSDOT, who files a single composite TDP with its grant application to UMTA for federal funds.

VII. Comparison of Washington Governance Structure with that of Comparable States

State and local governance structures in states comparable to Washington have been analyzed for distinctions both in state-local relationships and local structure. Comparable states were selected and approved by the Public Transportation Study Policy Advisory Committee and are the same states used in the analysis of financing mechanisms in comparable states for Task 2.C., i.e., Indiana, Michigan, Minnesota, Missouri, and Wisconsin.

There appear to be four distinctions between Washington and other states on governance and the concomitant revenue structure:

1. Other states generally attach more "strings" to the state funds provided for local operating agencies. (See "Financing Mechanisms in Comparable States, Task 2.C.") In most cases, the state funds are actual state-levied and -collected tax dollars as opposed to Washington, where almost all transit funding is from local-option taxes.
2. In the other states, local operating agencies, to a much greater degree, are still part of city governments, as opposed to the preponderance of independent, multijurisdictional operating agencies in Washington.
3. There is much less local-option taxing authority for operating agencies in comparable states, with the local tax subsidy coming from general government funds, rather than dedicated taxes for transit, as is the case in Washington.
4. Most other states have not yet enacted state programs comparable to growth management and transportation demand management which rely on the existence of transit services as a "tool" to implement some of those policies.

A. Indiana

Almost all of the 37 transit agencies in Indiana are departments of city government, and their elected governing boards are the mayors and city councils of the respective cities. Seven of the agencies, mostly in the larger cities, are "public transportation corporations",

which are quasi-independent with a separate board of directors. But even in these cases, the "corporations" must be created by city ordinance, and the boards are appointed by the mayors and councils.

Most local taxes used for transit come from regular property-tax levies authorized for cities, although the transportation corporations have been authorized a small levy for transit purposes beyond the normal city levy. Recently, the State Legislature, in reaction to public concern about rising property taxes and the ability of appointed officials to set tax rates, required that the budgets of the public transportation corporations be approved by their city councils, giving even greater city control over these operations.

The Indiana Department of Transportation does provide funds, mostly federal 1990 STA Section 18 funds (see above), to rural counties for private nonprofit agencies providing social-service transportation in rural areas. In most cases, this money is funneled through the counties, who also contribute some general funds for the service.

One commuter railroad exists in Indiana. It provides service from the South Bend area into Chicago, a distance of about 90 miles. It is a \$20 million annual operation with three million passengers annually and is totally supported by fares, State, and federal funds. It is a special district created by State statute, called the Northern Indiana Commuter Transportation District, and is governed by a board of nine members appointed by the county commissioners and councils of the four counties it serves, with one appointment by the Governor.

State funds are provided to the operating agencies using a formula based on annual financial data.

Counties in Indiana can approve a local-option income tax. If they do so, its revenues are divided among local agencies in a county in the same proportion as the property tax. Because public transportation corporations have a property-tax levy, this means that they also receive some of the income-tax revenue. Only three counties have implemented this option so far. The local-option income tax and property tax provide an incentive for cities to create public transportation corporations, but this option is politically sensitive because it increases taxes.

B. Michigan

A variety of options exist under six different acts of the Michigan Legislature for the provision of transit at the local level. Most of the State's transit providers are transit authorities, authorized by legislation adopted in 1969. Most of the 72 transit agencies are created by cities, under either general city authority or through the Public Transportation Authority Act. There are 26 transit agencies created by counties. Almost all of the county-formed authorities are in small rural areas and were formed to receive federal Section 18

and/or Section 16(b)2 funds for paratransit services. Almost none of those authorities provide standard fixed-route transit service. In several cases, they have been formed for the specific purpose of issuing revenue bonds to pay for vehicles.

A specific act governs the provision of transit in the counties of the Detroit metropolitan area. Called the Southeastern Michigan Transportation Authority Act, it provides for a governing board including the mayor and county executives from Wayne, Oakland, and Macomb counties. The Suburban Mobility Authority for Regional Transportation serves the urbanized area in the three counties outside of the City of Detroit. The suburban system and the Detroit system are, however, independent of each other for general operating decisions.

The transportation-authority boards are a combination of elected officials and citizens. The authorities have independent property-tax levy authority, if approved by voters. The levy may either be perpetual or limited with reapproval required.

Michigan has passed no legislation comparable to the Growth Management Act, the Trip Demand Management Act, or other programs that significantly rely on the provision of transit services to achieve government policies.

C. Minnesota

With the exception of relatively small, nonprofit paratransit providers in rural areas, who receive federal Section 18 funds through the counties from the State, almost all of the systems in Minnesota are departments of city government or have been created by city governments. Two sets of cities have a joint authority with a board appointed by the city councils or mayors.

The Minneapolis-St. Paul urban area contains seven independent county transportation authorities, each involved in providing rail transit services. Regional coordination of these services occurs at the seven-county regional planning organization, but coordination breaks down when there are disagreements among the member counties since the RPO has no authority to require compliance. The State Legislature is the next-level forum for addressing these disputes, and a deadlock there has resulted in a cooperative agreement between three counties (those containing Minneapolis and St. Paul and one suburban county—Dakota County), while the other four continue to work independently. This arrangement has made it difficult to provide efficient regional transit service in this major metropolitan area.

Minnesota has also not passed legislation impacting transit districts like Washington's GMA or TDM.

D. Wisconsin

The pattern noted in Michigan and Indiana also prevails in Wisconsin. There are 22 agencies providing fixed-route transit service, and all of them are municipally owned. Two of the agencies contract with a national management firm to operate their service, and two contract with the previous private owner-operator.

As in Washington, private carriers began having substantial financial problems in the '60s, and cities began acquiring these systems. By 1976, there were no private carriers left in Wisconsin.

The current city-run operations vary, with some being a separate department and others being a division of the public works department. No city or other local government has any local taxing authority specifically earmarked for transit. All of the systems compete for property-tax revenues with other city services.

Many of the city transit systems contract with adjacent towns and villages, or in one case, the county, to provide service outside of the city limits. These interlocal agreements usually specify that the jurisdiction receiving the service must contribute its appropriate pro-rata share of the operating deficit not covered by fares and State and federal revenues.

Wisconsin has no growth management or TDM legislation, though the State DOT is working with a seven-county area around Milwaukee using State funds to promote less SOV travel because the metropolitan area is a nonattainment area for air quality.

Wisconsin has a completely separate network providing transportation services to the elderly and handicapped. The State DOT works with rural-area governments, usually counties, to provide this service. The counties receive Section 18 and 16(b)2 funds for capital needs, although DOT does not administer the Section 18 funds.

Wisconsin's demographics are similar to Washington's, with nearly half of the State's population living outside of cities. Despite this situation, the multijurisdictional, regional type of governance has not developed.

E. Missouri

Missouri's two major urban centers, St. Louis and Kansas City, are both adjacent to State boundaries. In both cases, the transit system provides service across the State boundary into Illinois and Kansas.

The transit systems in those urban areas are managed by agencies created by special legislation. Transit service in St. Louis is provided by the Bi-State Development Agency, and in Kansas City, by the Area Transportation Authority. The members of these boards are appointed by the Governor.

These authorities receive their funding from the two cities, who levy a one-half-cent sales tax authorized by Missouri law for transportation purposes. That tax, earmarked for transportation, not just transit, was first enacted for counties and was later extended to cities.

All of the other transit systems in the State are city bus systems. Most are departments of city government. In Springfield, the State's third largest city, the service is governed by the City's Public Utilities Board, which is appointed by the mayor and confirmed by the city council.

With the exception of the two major urban systems, there are no independent transit districts, and no county provides transit service. There are no earmarked taxes for transit either, but cities and counties do have the transportation sales tax.

The Missouri Legislature has not passed any State controls on land use or growth management, nor any State-level clean air legislation.

VIII. Overview of Accountability Provisions and Reporting Requirements

Accountability reporting deals with a transit agency's progress toward implementing the mandates and achieving the objectives adopted by its board or other policy body with jurisdiction such as the State Legislature. Accountability reporting differs from the statistical performance reporting commonly encountered (e.g., operating costs, farebox revenues, passenger trips). Accountability reporting compares actual progress in completing worktasks with planned progress in those tasks according to schedules adopted by the policy body in consultation with agency staff.

A. Accountability of Local Transit Systems to State Government

There has been little accountability reporting imposed on local transit districts, WSDOT, and DSHS over the years. Since 1989, however, by direction of the Legislature, WSDOT has collected and reported information to the Legislature annually. This information is not evaluative or evaluated. It is descriptive in nature. No feedback is provided to transit agencies as a result of those informational reports, nor is any feedback required to be provided by the State. The statute establishing public transportation reporting requirements (RCW 35.58.2796, Sec. 2.) describes the annual report as summarizing the status of public transportation systems in the State. Some people have anticipated that reference to "status" would result in establishment of indicators and evaluative reporting.

Accountability reporting, as it now exists, occurs at the local level. This reporting reflects the governance structure in which accountability for local transit services is to the local transit boards and local voters.

A significant change in the scope of accountability is likely, however. Growth management will provide the impetus for coordination of land use and transportation facilities. In the future, ongoing evaluation of growth management effectiveness could evolve into a framework for accountability that will include an implied dependence on public transportation as one mechanism for obtaining desired planning and land-use goals.

B. Accountability of Local Transit Systems to Local Governments

No formal provisions have been noted for accountability reporting by transit systems to city and county governments except, of course, the internal budgeting and reporting of city transit systems as a part of city government. For the most part, any reporting by PTBAs or county transportation authorities has been presumed to be provided through the cross-representation of the elected officials serving as transit board members.

A number of aspects of board-staff interaction and sharing of information contribute to transit agencies' ability to successfully meet their accountability for results. These aspects include the annual capital and operations plans, and the transit development and financial plan (TDFP) process. Accountability is inherent in the manner by which these plans are developed and adopted. Elections of individuals who become board members and public hearings on plans, district boundaries, and local-option funding provide accountability to the public. Service and productivity evaluations by boards, conducted at least annually, and as often as quarterly, provide internal accountability. Board retreats also contribute to accountability when they include discussion with general managers and staff regarding progress toward objectives.

There are variations in local accountability provisions only in the sense that local boards have differing expectations and impose differing requirements. To an extent, these differences reflect variations among the services provided by local public transportation agencies and differences in service complexity and scale of operations. However, accountability characteristics exist that stem from differences in staff size and capabilities, as well as from matters perceived to be important by the boards. In general, no guidance or technical assistance is provided by the State, Washington State Transit Association (WSTA), or others that would assist agency boards and staffs in developing performance evaluation that would enhance accountability. Informal practices, such as that of the WSDOT Public Transportation Branch manager attending local transit board retreats when invited, do provide opportunity to be of help.

Differences in local accountability reporting stem from differences in the complexity of operations. To some extent, local reporting is a function of the size of staff available to conceive and produce such reports; but mostly, reporting reflects local characteristics and expectations, and thus is not particularly instructive to other systems.

In summary, no structured accountability reporting exists between transit agencies and regional or State policy bodies. All accountability reporting that occurs at present takes place within individual transit agencies, and within some agencies, what occurs in this area is minimal. There is little common understanding among transit officials and policy makers throughout the State regarding what constitutes effective accountability reporting and how it should be used.

Since the vast majority of transit systems in the comparable states are city-owned, and the vast majority of county or special transit districts provide only paratransit services, the accountability reporting that occurs in these states takes place mostly within individual jurisdictions, as it does in Washington. Most of the few special (non-City-owned) districts (e.g., St. Louis and Kansas City, Missouri) are locally funded, and therefore display similar accountability structures to those of the city-owned systems. These systems exhibit no visible accountability features that could be of use in Washington.

IX. Conclusions

To recap the State's role in public transportation, it consists of:

- Administration of federal public transportation funds
- Planning and formulation of RTPOs
- Audit oversight of all transit providers
- Administration of social and health service funds used for transportation
- Initiating a growth management structure
- Initiating regional high-capacity transit planning
- Promoting coordination between counties and WSDOT for TDM
- Promoting personal and commercial mobility and improving the accessibility of facilities, goods, and services

When issues and their resolution transcend the capabilities and authorities granted to local jurisdictions, the superior authority of the State has been drawn upon. When major transit initiatives failed in King County in 1968 and 1970, local leaders turned to the State. The crucible of debate between local and State leaders forged structural and funding mechanisms that have served King County (Metro) well and have appeared in subsequent provisions for local transit throughout the State, (i.e., authorizing PTBA legislation). The State's role is to establish and modify the structure of public transportation to achieve its objectives for economic, industrial, and cultural growth, development, and prosperity, but it has consistently focused governance of public transportation at the local level.

1. Transit services are dominantly provided and governed at the local jurisdictional level as prescribed in state statutes. (Marine mass transit and specialized transportation integral to social services are state functions.)

Financial resources on which public transportation depends are authorized and governed at local, state, and federal jurisdictional levels.

Public transportation service demands, and state and societal objectives, increasingly transcend transit system boundaries, i.e., are regional; but provisions for regional planning are not effectively established, and regionally driven integrated transportation implementation is poorly structured. (Although HCTA Joint Regional Policy Committee system planning efforts in the Pierce-King-Snohomish region are driving

toward a ballot proposition in November 1992 that may represent a significant factor in strengthening this situation.)

2. There is no focal point at the state level for the analysis, evaluation, and determination of the explicit or implicit reliance on public transit for the achievement of goals and objectives contained in state legislation. There is a need for a state public transportation plan that defines the responsibility of transit to respond to federal, state, and local transportation, environmental, economic, and social objectives.
3. A system of effective planning, cooperation and integration linked to implementation is needed—all modes, all providers, all services, all jurisdictions.
4. There is wide spread support of the view that "it (local public transportation) ain't broke, don't fix it." No (State) governance intrusion is needed. No evaluative reporting or accountability to the state for local services is needed; but accountability for use of funds authorized by the State (including MVET), coordination of planning, and influencing of priorities is warranted.
5. Administrators and board members, both locally and in other states, regard the PTBA structure as a superior and effective means of governing the provision of transit services because:
 - The cross-representation of board members (city and county) enables multijurisdictional issues to be dealt with effectively.
 - Since a PTBA is a special purpose government with dedicated revenues, it does not have to compete with other governmental services for funding.
 - Service can be provided at a regional level except where multiple transit agencies provide service within a metropolitan area.
6. Substantial transportation of unknown quantity and cost is provided directly or by contract or grant by state agencies such as DSHS.
7. Generally, in the peer states analyzed, local taxes have not been dedicated to the provision of transit services. Transit systems in these states compete with other local programs for local funds.
8. In other states analyzed, where there has been direct state funding of public transit, there have also been conditions attached to these funds. In Washington State, where public transit has traditionally been a local responsibility, state involvement in transit planning has been minimal.

PUBLIC TRANSPORTATION STUDY

Task 2A

CURRENT FINANCING MECHANISMS OF PUBLIC TRANSIT SYSTEMS
AT THE STATE AND LOCAL LEVEL

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STATE of WASHINGTON

The Legislative Transportation Committee

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CURRENT FINANCING MECHANISMS OF PUBLIC TRANSIT SYSTEMS

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Abstract - Current Financing Mechanisms of Public Transit Systems at the State and Local Level

This section of the Public Transportation Study contains a history of state and local financing of transit authorities in Washington, a detailed description of each "regular" transit tax source (i.e., motor vehicle excise, sales, B & O and household), a discussion of the differences among transit authorities in their legal authority to use the "regular" tax sources, a summary of new local option transportation taxes (e.g., motor vehicle fuel, motor vehicle excise, motor vehicle registration) which could be beneficial to transit authorities, a description of the proposed 1993 transit MVET rate reductions and other recent MVET changes which have created new funds and accounts (i.e., Transportation Fund, Central Puget Sound Transportation Account and Public Transportation System Account), a transit revenue flow chart and a discussion of state and local transit finance issues.

I. Current Financing Mechanisms of Public Transit Systems

A. Description of Transit Agencies Tax Sources

The Washington State Legislature has provided local enabling legislation for the creation and operation of five different forms of local government transit agencies in Washington State. The five types of transit agencies are listed below:

- Metropolitan Municipal Corporation (Metro, RCW 35.58, authorized in 1957);

One Metro transit system has been operating in the State since 1973 (another one was created but never funded);

- County Transportation Authority (CTA)(RCW 36.57, authorized in 1974);

There is currently one transit operating system in the State (one other CTA is involved in planning only);

- Public Transportation Benefit Areas (PTBA)(RCW 36.57A, authorized in 1975);

There are currently sixteen in the State;

- City and Town Transportation Systems (RCW 35.84.060, motor bus systems authorized in 1923);

There are currently four in the State;

- County Unincorporated Transportation Benefit Area (RCW 36.57.110, authorized in 1975); and

There is currently none in the State.

The Legislature has provided each of the five types of transit agencies with authority to impose local taxes and to otherwise generate revenues for the operation, maintenance or capital needs of the transit agencies. Although the revenue sources available to the various types of transit agencies are quite similar, there are some important differences.

Local transit agencies derive revenues from several sources, including: (1) locally imposed taxes; (2) transit system operating revenues and other local sources of income; and (3) various federal and state sources. The importance of locally imposed taxes to total transit revenues is shown in Table 1 below:

Table 1
SUMMARY OF 1989 REVENUES OF ALL TRANSIT
AGENCIES IN WASHINGTON

REVENUE SOURCE	AMOUNT (millions)	Percent of Total
Local Sales Tax (1)	\$181.9	40%
Other Local Taxes (2)	.4	
Motor Vehicle Excise Tax (3)	100.9	22%
Federal - Capital (2)	78.8	18%
Federal - Other (2)	9.4	2%
Farebox (2)	52.5	12%
Other (2)	28.8	6%
Total	\$451.9	100%

Sources: (1) Department of Revenue, Tax Statistics 1989; (2) Department of Transportation, 1989 Summary: Public Transportation Systems in Washington State; and, (3) State Treasurer, Washington State Treasurer Monthly Report, January 1990.

As Table 1 indicates, the local transit sales tax was by far the most important revenue source for all transit agencies combined in 1989, accounting for approximately 40% of total revenues. Second in importance is the motor vehicle excise tax (MVET) at 22% of revenue followed by Federal revenues at 20%, farebox revenues at 12% and all other at 6%. Included in the all other category is contract revenue, interest income and other miscellaneous income, such as advertising income. The other local option taxes, namely the local

business and occupation (B & O) and household excise taxes account for less than 0.5% of all transit authority revenue. Only two transit systems in the State are currently using these latter two taxes (Prosser and Pullman).

It is important to note that the combined 1989 transit revenue figures shown in Table 1 for all transit districts do not represent the importance of a particular revenue source for any one transit agency. For example, although MVET revenues represented only 22% of all transit revenues in 1989, several transit agencies rely on this source for more than 40% of their revenues. In addition, it should be noted that the importance of Federal funds varies from year-to-year and the large majority of these funds may go to only a few transit agencies. The differences in the relative importance of the various revenue sources will be considered in later phases of the study.

The remainder of PART A provides a detailed description and discussion of the locally authorized transit taxes. Federal revenues, farebox and other local revenues will be the subject of another report. Some additional local option taxes are discussed in PART D of this report. The discussion of the four local taxes (i.e., sales, MVET, B & O and household) that follows will cover the following areas:

- RCW Authority and Description of Tax;
- Tax Rate Authority;
- How the Tax is Imposed;
- Collection Agency and Flow of Funds;
- Use of Funds;
- Special Conditions;
- Differences Among Transit Agencies; and
- Agencies Imposing the Tax and Annual Revenue Amounts.

1. Local Sales/Use Tax

RCW Authority and Description of Tax - The local transit sales/use tax is authorized by RCW 82.14.045. All five types of transit agencies are authorized to impose the local sales/use tax.

The tax applies to all taxable retail sales or uses within the transit district's boundaries. It is a piggyback tax to the State's retail sales/use tax with the tax applying to the same transactions as the State tax. The tax applies to most retail sales of tangible personal property (sales of motor vehicle fuel and food for off-the-premises consumptions are two major exceptions). The tax also applies to the charges for selected personal services, including the repair, cleaning, altering, installing, etc. of real and personal property, motel/hotel rentals, various

amusement charges and others. The use tax applies to articles purchased in other states but used in Washington.

Tax Rate Authority - All five types of transit agencies are authorized to impose local sales/use taxes at any of the following rates: 0.1%, 0.2%, 0.3%, 0.4%, 0.5%, or 0.6%.

How the Tax is Imposed - The local governing body of a transit agency is authorized to submit a proposition to the voters for the imposition of a local transit sales/use tax. Voter approval by the residents living within the boundaries of the transit district is required before the tax may be imposed. Unless the voters previously approved a higher sales tax rate than currently used by the transit agency, future rate increases are also subject to voter approval.

Collection Agency and Flow of Funds - The Department of Revenue is the collection agent for the local transit sales/use tax. After the transit district voters approve the imposition of the tax the transit agency contracts with the Department of Revenue for the collection of the tax. The Department retains 1.5% of the amount collected for each transit agency with sales tax rates ranging from 0.1% to 0.5%. The department retains a 1.4% collection fee for transit agencies imposing a 0.6% tax rate. The law allows the Department to retain 2% of the collections for administering the tax. The 2% charge was reduced administratively in 1982 by the Department after a study of local sales/use tax collection costs.

The Department of Revenue reports the amount of transit sales taxes to the State Treasurer which are collected through the 15th of each month approximately ten days prior to the end of that month. After deducting the administrative collection fee, the State Treasurer remits the revenues to the individual transit agencies by electronic funds transfer on or before the last day of the month.

Use of Funds - The sales/use tax revenues are to be used for the sole purpose of providing funds for the operation, maintenance, or capital needs of public transportation systems. County Transportation Authorities and Unincorporated County Transportation Authorities have been authorized to use these funds to provide ambulance services.

Special Conditions - Any transit agency that imposes a local sales tax is prohibited from imposing a local household tax or local B & O tax.

The local sales/use tax cannot be imposed by two transit agencies in the same geographical area (i.e., no doubling up).

City transit systems and Unincorporated County Transit Authorities may not use sales/use tax revenues to match MVET revenues. There are presently two City Transit Systems imposing local sales taxes (Everett and Yakima). There are no Unincorporated County Transportation Authorities in existence.

Differences Among Transit Agencies - Three of the five types of transit agencies are permitted to use sales/use tax revenues as matching funds for receiving MVET revenues. These are the Metropolitan Municipal Corporations, the County Transportation Authorities and the Public Transportation Benefit Areas. City Transit Systems and County Unincorporated Transportation Authorities are not permitted to use local sales/use revenues to match MVET revenues.

County Transportation Authorities and Unincorporated County Transportation Authorities are permitted to use sales/use tax revenues for ambulance services. No other type of transit agency is permitted to do this. Grays Harbor is the only operating district that has this authority.

Agencies Using Tax and Annual Revenues - Table 2 lists the transit agencies levying the sales/use tax as of March 1, 1991 and tax collections for calendar 1989 and 1990.

TABLE 2
TRANSIT SALES TAX RATES AND SALES TAX DISTRIBUTIONS
FOR 1989 AND 1990

TRANSIT AGENCY	RATE OF TAX	CALENDAR YEAR DISTRIBUTIONS	
		1989	1990 (1)
Benton-Franklin PTBA	0.3%	\$ 3,234,794	\$ 3,624,203
Chelan-Douglas PTBA	0.4%	(2)	(2)
Clallam County PTBA	0.3%	\$ 1,313,948	\$ 1,476,949
Clark County PTBA	0.3%	\$ 5,034,092	\$ 5,928,257
Cowlitz PTBA	0.1%	\$ 540,904	\$ 573,778
Everett (city)	0.3%	\$ 4,176,549	\$ 4,513,169
Grays Harbor County	0.3%	\$ 1,484,966	\$ 1,511,687
Island County PTBA	0.3%	\$ 679,999	\$ 786,068
Jefferson County PTBA	0.3%	\$ 411,099	\$ 542,192
King County Metro	0.6%	\$120,856,257	\$134,762,872
Kitsap County PTBA	0.3%	\$ 3,189,770	\$ 3,982,011
Lewis County PTBA	0.1%	\$ 341,597	\$ 384,890
Pacific County	0.3%	\$ 308,891	\$ 340,456
Pierce County PTBA	0.3%	\$ 13,175,871	\$ 14,380,872
Prosser (city)	None	(3)	(3)
Pullman (city)	None	(3)	(3)
Snohomish County PTBA	0.6%	\$ 7,690,897	\$ 13,721,348
Spokane County PTBA	0.3%	\$ 9,187,622	\$ 10,142,202
Thurston County PTBA	0.3%	\$ 3,467,074	\$ 3,875,419
Walla Walla County PTBA	0.3%	\$ 786,492	\$ 904,166
Whatcom County PTBA	0.3%	\$ 3,092,923	\$ 3,839,664
Yakima (city)	0.3%	\$ 2,153,972	\$ 2,293,688
Total		\$181,127,787	\$207,583,971

(1) Large increases in 1990 may be due in some cases to tax rate increases and/or extension in transit agency boundaries.

(2) Chelan-Douglas came into existence in late 1990.

(3) Prosser and Pullman impose B&O taxes in lieu of sales tax. As of June 1991 Prosser also collects a household tax.

Source: Dept. of Revenue, Local Tax Distributions, March 1991

2. Local Business and Occupation Taxes

RCW Authority and Description of Tax - All five types of transit agencies are authorized to impose business and occupation (B&O) taxes by RCW 35.95.

The tax applies to the value of products, gross proceeds or gross income of all taxable business establishments within the boundaries of the transit agency. The base of the tax, including definitions of taxable income, exemptions and deductions, is the same as the State's business and occupation tax.

Tax Rate Authority - There are no rate limitations specified in the law.

How the Tax is Imposed - Two types of transit agencies, City and Metro, are permitted to impose B&O taxes with the approval of their corporate authorities (i.e., without voter approval). In addition, the law has been interpreted as to permit the County to impose the B&O tax for an Unincorporated County Transportation Authority without voter approval.

The other two types of transit agencies, County Transit Authority and Public Transportation Benefit Areas, must secure voter approval prior to imposing a B&O tax. None of these agencies are presently utilizing the B&O tax.

Collection Agency and Flow of Funds - The B&O tax is levied and collected by the local transit authorities. The county may impose and collect the B&O tax for an Unincorporated County Transit Authority.

Local transit business and occupation taxes may be collected monthly, quarterly or annually, depending on the local authorities.

Use of Funds - The local transit B&O tax revenues are to be used for the sole purpose of providing funds for the operation, maintenance, or capital needs of public transportation systems.

Special Conditions - Local transit agencies that impose B&O taxes are prohibited from imposing sales/use taxes.

Differences Among Transit Agencies - Three types of transit agencies, City, Metro and Unincorporated County are permitted to impose transit B&O taxes without securing voter approval. The other two types of transit agencies, County and Public Transportation Benefit Areas, are required to obtain voter approval before imposing this tax.

Districts Imposing Tax and Annual Revenue Amounts - Both the cities of Prosser and Pullman use the B&O tax authorized for transit purposes. In the past, Prosser has used annual B&O tax revenues of approximately \$15,000 to match MVET revenues. As of June 1, 1991, Prosser has also initiated a household tax (see Section III) and in 1992 can additionally use those revenues to match MVET. Pullman's B&O tax which is imposed on public utilities, brought in \$239,000 in 1989 for matching MVET revenues.

3. Household Tax

RCW Authority and Description of Tax - All five types of transit agencies are authorized to impose household taxes by RCW 35.95.

The tax applies to each housing unit within the transit boundaries where one or more persons live as a family unit.

Tax Rate Authority - The tax is not to exceed \$1 per household per month.

How the Tax is Imposed - As with the B&O tax, the corporate authorities of City Transit, Metro Transit and Unincorporated County Transit systems are permitted to impose the tax without securing voter approval. The other two types of transit agencies, County Transportation Authority and Public Transportation Benefit Areas must secure voter approval before imposing a household tax.

Collection Agency and Flow of Funds - The household tax is levied and collected by the local transit agencies. The county may impose and collect the household tax on behalf of an Unincorporated County Transit Authority.

Local household taxes may be collected monthly, quarterly or annually, depending on the local authorities.

Use of Funds - The local transit household tax revenues are to be used for the sole purpose of providing funds for the operation, maintenance, or capital needs of public transportation systems.

Special Conditions - Local transit agencies that impose household taxes are prohibited from imposing sales/use taxes.

Differences Among Transit Agencies - Three types of transit agencies, City, Metro and Unincorporated County are permitted to impose household taxes without securing voter approval. The other two types of transit authorities, County Transportation Authorities and Public Transportation Benefit Areas, are required to obtain voter approval before imposing this tax.

Districts Imposing Tax and Annual Revenue Amounts - As of June 1, 1991, the City of Prosser imposed a household tax of \$1 per month. It is estimated that his tax will yield approximately \$20,000 in 1992. This amount will be used to match MVET funds available.

4. Motor Vehicle Excise Tax (MVET)

RCW Authority and Description of Tax - The authority for local transit agencies to impose and receive MVET revenues is found under RCW 35.58.273 and RCW 82.44.150. All five types of local government transit agencies are permitted to impose this tax, but in order to qualify for revenues they must match the MVET revenues with other tax revenues collected at the local level. Local matching tax sources available to transit districts include sales/use, B&O and household excise.

All registered motor vehicles subject to the State MVET under RCW 82.44.20 within the boundaries of the transit agency are subject to the local MVET. Because of the dollar for dollar offsetting credit against the State imposed MVET, the local tax does not increase the amount of tax paid by the taxpayer. It simply results in a reduction of State MVET revenues. Although it is sometimes described as a State tax source, it is a local tax and this was confirmed by the Washington State Supreme Court in 1976. In 86 Wn. 2d 339, 544 P 2d 729 the Court ruled that transit MVET revenues do not constitute a State fund subject to the constitutional requirement of legislative appropriation.

Tax Rate Authority - The maximum rates of the transit MVET are as follows:

Until January 1, 1993

King, Pierce, Snohomish and Thurston Counties - 0.7824%

(The regular Legislative session in 1991 added Spokane, Kitsap, Clark, and Yakima Counties to this category. This would apply to Yakima County only if it forms a PTBA.)

Transit districts in other counties - 0.815%

After January 1, 1993

Maximum rates in all transit districts - 0.725%

The 0.815% rate is equal to the previous 1.0% rate in terms of revenue yield because the tax base (i.e., taxable value of motor vehicles) was broadened to achieve revenue neutrality. See PARTS D and E of this report for a more complete discussion of MVET rate changes and new MVET funds/accounts created in 1990.

How the Tax is Imposed - The MVET, which must be matched with other local revenues, is imposed by legislative action of the transit authorities.

The Collection Agency and the Flow of Funds - The MVET is collected by the Department of Licensing and remitted to the transit agencies on a quarterly basis. The Department of Licensing is required to advise the State Treasurer of the amount of MVET revenues collected in each transit district for the previous calendar quarter on the 25th day of February, May, August, and November of each year. The transit MVET taxes are not subject to a collection cost deduction by the Department of Licensing.

Before the distribution of MVET funds is made to the local transit agencies, certain specified deductions for the High Capacity Transportation Account (HCTA - effective in 1990), the Central Puget Sound Public Transportation Account (CPSPTA - effective in 1993), the Public Transportation Systems Account (PTSA - effective in 1993) and the Transportation Fund (effective in 1990) are made (an explanation of these funds is contained in PARTS D and E of this report). After making the deductions, the State Treasurer remits the transit MVET to each transit agency on the first day of January, April, July and October of each year. This means that the MVET revenues collected during the October-November-December period are distributed to the transit agencies on April 1 of the following year.

Use of Funds - The revenues may be used to acquire, construct, operate and maintain a public transportation system. After May 14,

1979 revenues from the MVET cannot be pledged for the payment or security of the principal of and interest for any bond for public transportation purposes. MVET revenues may also be used for ambulance services by County Transportation Authorities and Unincorporated County Transportation Authorities.

Special Conditions -

- Matching tax revenues are required to be collected at the local level and obligated for transit programs as a condition for receiving MVET revenues. Sources of matching revenues include the transit sales/use tax, the transit B&O tax and the transit household tax.
- Transit agencies are not permitted to impose B&O and household taxes and use such tax revenues for matching if they are imposing the sales/use tax.
- City Transit agencies and Unincorporated County Transit Authorities may not use sales/use tax revenues as matching funds for MVET revenues.
- The amount of MVET tax revenues going to individual transit districts is limited to the amount collected within the district or the amount of other local taxes collected for matching purposes, whichever is less. Several transit agencies do not collect sufficient matching revenues to fully match their MVET revenues. This means that they get less than the full amount of MVET transit taxes collected within their districts.

Transit agencies are required to submit reports to the Department of Licensing showing their budgeted matching tax revenues as a condition for receiving MVET revenues. In April of the following year an adjustment in MVET payments is made on any differences between the budgeted and actual matching tax collections.

- Portions of MVET revenues collected in transit districts are being distributed to new funds/accounts created in 1990. An explanation of these distributions is contained in PARTS D and E of this report.

Differences Among Transit Agencies - Two types of transit agencies, City and Unincorporated County, are not permitted to use sales/use tax revenues as matching funds for MVET revenues.

As noted in (2) above, until January 1993, transit agencies in King, Pierce, Snohomish and Thurston Counties (and starting in 1991, Spokane, Kitsap, Clark, and Yakima Counties) are limited to lower MVET rates than transit agencies in other counties. However, an additional amount of MVET revenues equal to 4.5% of the revenues collected in the counties goes to the High Capacity Transportation Account.

Only CTA's and UCTA's are authorized to use MVET revenues for ambulance services.

Agencies Imposing Tax and Annual Revenue Amounts - Table 3 shows the transit agencies using this tax and the amount of revenue received in 1989 and 1990.

TABLE 3
TRANSIT DISTRICT MOTOR VEHICLE EXCISE TAX DISTRIBUTIONS
CALENDAR 1989 AND 1990

TRANSIT AGENCY	CALENDAR YEAR DISTRIBUTIONS	
	1989	1990 (1)
Benton-Franklin PTBA	\$ 2,912,001	\$ 3,690,749
Chelan-Douglas PTBA		
Clallam County PTBA	\$ 1,186,403	\$ 1,473,948
Clark County PTBA	\$ 5,032,881	\$ 5,934,092
Cowlitz PTBA	\$ 395,307	\$ 578,403
Everett (city)		
Grays Harbor County	\$ 1,520,897	\$ 1,484,966
Island County PTBA	\$ 783,480	\$ 693,795
Jefferson County PTBA	\$ 393,535	\$ 473,208
King County Metro	\$ 52,026,698	\$ 59,017,843
Kitsap County PTBA	\$ 3,087,640	\$ 3,466,256
Lewis County PTBA	\$ 346,026	\$ 341,596
Pacific PTBA	\$ 285,338	\$ 329,891
Pierce County PTBA	\$ 10,962,279	\$ 12,532,802
Prosser (city)	\$ 15,000	\$ 15,000
Pullman (city)	\$ 311,945	\$ 346,454
Snohomish County PTBA	\$ 7,550,141	\$ 9,137,673
Spokane County PTBA	\$ 8,643,000	\$ 9,493,916
Thurston County PTBA	\$ 2,766,031	\$ 3,216,005
Walla Walla County PTBA	\$ 739,327	\$ 901,491
Whatcom County PTBA	\$ 1,949,892	\$ 2,650,320
Yakima (city)		
Total	\$100,907,813	\$115,778,108

(1) Large gains in 1990 may be due to annexations and/or increases in matching tax rate. Decreases do not reflect a declining motor vehicle base but rather are due to fluctuations caused by adjustments made in payments originally based on estimates.

Source: State Treasurer's Office, December 1990 Monthly Report and Anita Tuttle, April 3, 1991.

B. Differences in Transit Agency Taxing Powers

The taxing authority of the five types of transit districts is quite similar. However, there are a few important differences as indicated in PART A of this report. This portion of the report explains the differences and discusses the possible reason for the differences. The discussion that follows is organized by type of tax source.

Transit Sales/Use Tax - There are two differences among the five types of transit agencies with regard to the use and application of the transit sales/use tax: 1. City Transit Systems and Unincorporated County Transit Authorities are not permitted to use sales/use tax revenues to match MVET revenues; and, 2. County Transit Authorities and Unincorporated County Transportation Authorities are permitted to use transit tax revenues to provide ambulance services. Other transit agencies are not so authorized. These two differences are discussed below:

1. City Transit Systems and Unincorporated County Transit Authorities are not permitted to use local sales/use tax revenues as local match for MVET revenues.

Explanation. There are four city transit systems currently operating in the State. Two of these systems, Everett and Yakima, impose transit sales/use taxes and are not eligible to use such revenues as local match for MVET revenues. The other two cities with transit systems, Prosser and Pullman, impose different local taxes (i.e., B&O and Household taxes) and are permitted to use revenues from those sources as local matching funds.

There are no Unincorporated County Transit Authorities currently operating in the State.

Rationale. One reason for not allowing City and Unincorporated County Transit Systems to use sales/use revenues as local match is legislative policy to encourage transit districts to provide transit services to large geographical areas, including urban, suburban and rural areas without regards to political boundaries in order to achieve greater transit system efficiencies and to provide optimum service levels to the people. Another reason for extending transit services to the unincorporated areas is that citizens in those areas are financially contributing to transit systems when they shop inside cities.

The inconsistency in allowing other sources of local revenue to be used for matching MVET results from the earlier enactment of the other local option sources. This was prior to the establishment of the Public Transportation Benefit Areas.

2. The second difference is that only County and Unincorporated County Transportation Authorities are permitted to use sales/use revenues to provide ambulance services.

Explanation. There is only one County Transportation Authority currently operating in the State, Grays Harbor. There are no Unincorporated County Transportation Authorities operating in the State. The enabling law for these transit agencies permits them to provide ambulance services.

Rationale. The only transit agency affected by this law is the Grays Harbor Transportation Authority. The sales/use tax revenues of this agency were quite high several years ago when two nuclear plants were being built in the County. The agency had surplus funds during this period and requested that it be given permission to provide ambulance service.

Transit B&O and Household Taxes - There is only one difference among the types of transit agencies with regards to the use of transit B&O and household taxes. That difference is with the way in which the taxes are imposed by the transit agencies.

Explanation. Three of the five types of transit districts are permitted to impose the transit B&O and household taxes without voter approval. They are City, Metro and Unincorporated County transit agencies. The other two types of transit agencies, County and PTBA, must obtain voter approval before imposing either tax.

Rationale. This difference is more theoretical than real. This is because only two transit agencies are using either or both of these two taxes, and they are cities. They were not required to secure voter approval when the taxes were imposed. Because of the superior revenue productivity of the transit sales/use tax, one might assume most districts would opt for it as a revenue source. However, because of the ease of enacting both the B&O and household services (without approval) some new agencies might contemplate its use.

Motor Vehicle Excise Tax - There are two differences in the MVET among the five types of transit agencies. The first is that certain agencies cannot use transit sales/use tax revenues to match MVET revenues. These differences were discussed above.

The second difference has to do with any county that has 4.5% of their transit MVET revenues diverted.

Explanation. Revenues from 4.5% of the transit MVET imposed in the counties of King, Pierce, Snohomish and Thurston (and again, starting in 1991 the counties of Spokane, Kitsap, Clark, and Yakima if it forms a PTBA) are diverted into the State's High Capacity Transportation Account of the State Transportation Fund. This fund was originally established in 1987 as the Railway Development Account. Funds from this account are used to support high capacity transportation programs and are subject to appropriation by the Legislature. Transit districts located in the other counties do not contribute to this account.

Rationale. These funds were diverted from regular transit distribution and earmarked for high capacity transportation purposes in these counties because of the recognition of the needs for those programs.

At the present time only four counties are paying into this account whereas the funds are available for statewide high capacity transportation planning and programs. The possibility of additional counties contributing to this funds is presently under consideration by the Legislature.

However, it should be noted that after January 1, 1993 when the MVET rate is reduced to 0.725% for all transit agencies, the MVET revenues going into the HCTA from the contributor counties will come from revenue above the 0.725% rate. The impact of this is to reduce the share that would otherwise go to the Central Puget Sound Public Transportation Account (CPSPTA) or the Public Transportation System Account (PTSA). These accounts are described in PARTS D and E.

TABLE 4
SUMMARY OF TRANSIT AGENCY TAXING AUTHORITY BY TYPE
OF TAX AND BY TYPE OF TRANSIT AGENCY

TAX SOURCE				
Description of Tax	Sales/Use	Business & Occupation	Household	Motor Vehicle Excise
RCW Authority	82.14.045	35.95.040	39.95.040	35.58.273 & 82.44.150
Districts Authorized to Use Tax	City, County, County unincorp., Metro, PTBA	City, County, County unincorp., Metro, PTBA	City, County, County unincorp., Metro, PTBA	City, County, County unincorp., Metro, PTBA
Tax Base	Taxable retail sales/use within transit boundaries	Gross income of businesses within transit boundaries	Each housing unit where one or more persons lives as family unit	All motor vehicles subject to State Tax under 82.44.20 within transit boundaries
Tax Rate	0.1%, 0.2%, 0.3%, 0.4%, 0.5%, 0.6%	No rates in law	Not to exceed \$1 per household per month	0.815% to 0.725% effective 7/92
How Imposed	Voter approval	Corp. Authority - City, Metro & Unincorp. County Voter Approval - County & PTBA	Corp. Authority - City, Metro & Unincorp. County Voter Approval - County, County unincorp. PTBA	Legislative action by local authorities
Collection Agency	Department of Revenue	Local Authorities	Local Authorities	Department Licensing
Flow of Funds	Monthly collection and transmittal to transit districts	Collection up to local authorities	Collection up to local authorities	Department of Licensing remits funds quarterly to local transit districts
Special Conditions	Transit districts that use B&O or household tax cannot use sale/use City and county unincorp. not permitted to use sales tax revenues to match MVET revenues	If B&O used, no sales/use permitted	If household tax used, no sales/use permitted	Matching tax revenues required at local level. Local sales, B&O, household taxes can be used for match except cities and unincorp. counties may not use sales/use tax revenues to match.

C. History of Transit Tax Authority in Washington

1. Overview of Transit Revenue History

From the 1920's through the 1940's transit bus systems in Washington were operated mainly by private companies. No direct government financial support was provided to these companies.

The early city transit systems were generally operated as utilities with operational income expected to cover costs. Although there were some subsidies provided from general government revenues, no specific tax sources were available for the support of these systems until the mid 1960's.

Legislature Adopts Transit Funding Policies in 1960's - In the mid 1960's the Legislature explicitly recognized the importance of public transportation systems to the well being of the State's communities. The Legislature enacted enabling legislation permitting first class cities to impose local taxes to support public transit systems. These new tax sources were the business and occupation and the household excise taxes described earlier in this report.

Additional Transit Agency Taxing Authority - During the next few years the Legislature expanded transit district taxing authority to other types of transit agencies, including all cities, METRO, County Transportation Authorities, Unincorporated County Transportation Authorities and Public Transportation Benefit Areas.

The Legislature also provided two new sources of transit district revenue sources in the late 1960's and early 1970's. These revenue sources are the transit MVET and transit sales/use tax. The original authorization for the transit MVET was for a 1% rate. The sales/use tax rate for transit agencies was originally authorized at 0.3% but was subsequently increased to 0.6%.

Limits on the Use of MVET - Over the years the Legislature has taken actions that have limited, eliminated, restored and reduced the revenues that transit agencies can derive from the MVET. Not all of these changes were allowed to become effective. These actions include:

- A limitation of \$12 million on the amount of transit MVET revenues available to all transit agencies during the 1973-75 biennium;

- 1973 legislation eliminating the use of the MVET by transit agencies effective in 1981;
- Subsequent repeal in 1979 of the proposed 1981 elimination of the transit MVET; and
- Most recently, the 1990 legislation which reduces the transit MVET tax rate by approximately 10% effective with 1993 distributions.

The various changes in transit district funding mechanisms are described more fully in the paragraphs below.

2. **Milestones in Transit System Funding Mechanisms**

1897: A law (Chapter 112) was enacted in 1897 allowing cities to perform certain utility functions, including authority to "...construct, condemn and purchase, purchase, acquire, add to, maintain and operate cable, electric or other railways within the corporate limits of such city or town, for the transportation of freight and passengers..." No specific taxing authority was granted to cities to support these functions. (RCW 35.92)

1923: City authority to operate public transportation systems was broadened to include "motor busses" with the passage of Chapter 173. (RCW 35.92)

Another law (Chapter 176) passed in 1923 permitted cities to make special assessments against property benefitted by a municipal street railway. This was the first source of revenue specifically provided to fund public transportation systems. The law also provided legislative recognition that public transportation provides benefits beyond the users of the systems. (RCW 35.43)

1957: A new governmental entity, a Metropolitan Municipal Corporation (Metro), was authorized by the Legislature and given authority to provide various governmental services (with voter approval), including public transportation services. (Chapter 213) (RCW 35.58)

Metro was given authority to levy certain voter approved property taxes and to levy special assessments payable over 25 years or less on all property benefitted from the Metro service.

Chapter 114 authorized cities to purchase private bus systems. (RCW 35.92.270)

Chapter 292 provided an exemption from motor vehicle fuel taxes to urban transportation systems. (RCW 82.36.275)

1965: Under 1965 legislation (Chapter 111, 1st Extraordinary Session) first class cities were permitted to impose two new sources of revenue to support their public transportation systems. These sources of revenue are the business and occupation (B&O) and household excise taxes. The B&O tax is a gross receipts tax on business establishments engaging in business within the city. The household excise tax is a tax not to exceed \$1 per month on each household in the city. (RCW 35.95)

With the passage of this new funding law, the philosophy of funding public transportation programs was carried one step beyond that of having the users and benefitted property owners support the program. The 1965 Legislature indicated that the general public receives benefits from a public transportation system and should contribute to its support through general taxes: In the law's preamble the legislature stated that:

"All persons in a community benefit from a solvent and adequate public transportation system, either directly or indirectly, and the responsibility of financing the operation, maintenance, and capital needs of such systems is a community obligation and responsibility which should be shared by all."

The Legislature further stated that "...municipalities have been forced to subsidize such systems (public transportation) at the detriment of other essential public services."

1967: The authority to impose B&O and household taxes for transit purposes which was initially given to first class cities in 1965 was extended to second and third class cities by Chapter 145 of the Extraordinary Session. (RCW 35.95)

The 1967 Legislature also authorized the Highway Commission to spend funds benefitting urban public transportation systems (Chapter 108). This was the first indication of direct State financial support for local public transit systems. (RCW 41.46)

1969: The Legislature extended the authority for using the transit B&O and household taxes to Metro.

For the first time the MVET was authorized for use in funding local transit programs. Under the original law only Metro was given authority to impose the MVET tax (at a 1% rate). Although the transit MVET is legally a locally imposed tax, a direct dollar-for-dollar credit is allowed against State MVET liability. Thus, the net effect is to reduce State funds by the amount of the local tax. (Extraordinary Session, Chapter 255) (RCW 35.58)

The law required Metro to match the MVET revenues with other locally levied taxes. The taxes available to Metro at that time for matching purposes were the B&O and household excise taxes. This taxing authority was extended to Metro in the 1969 legislation referenced above. (RCW 35.95)

The actual use of MVET revenues by Metro was delayed by the legislature in order to reduce the negative impact on State general fund revenue during the 1969-71 biennium.

Another significant change in 1969 was allowing cities and counties to jointly operate transit systems (1st Extraordinary Session Laws, Chapter 139). (RCW 39.34.085)

1970: Cities and counties were allowed to impose local sales/use taxes for the support of city and county services. Prior to this time the State had reserved the sales/use tax for its own use. Although this new tax authority did not directly impact transit agencies, it did set the stage for transit agencies to be given this revenue source in future years.

1971: Metro and cities within a class AA county (King) were given authority to impose a 0.3% sales/use tax with voter approval and allowed to use the sales/use tax as local matching tax revenue for MVET revenues. The sales/use tax if imposed would take the place of the B&O and household taxes. (Extraordinary Session, Chapter 296) (RCW 82.14.045) The bill as passed by the Legislature provided that sales taxes could not be used to match MVET after 1973. This provision was vetoed by the Governor.

1973: Metro imposed the first transit sales/use tax at 0.3% on January 1, 1973. The State Highway Commission, the forerunner of the present Washington State Transportation Commission, endorsed the principle of spending monies dedicated for highway purposes for highway related public transit facilities that aid in reducing traffic congestion. The cities of the state and WSDOT were authorized to use gas tax funds for the proportionate share of highway and street costs when these facilities are to be jointly used with transit service. This use was permissible under Amendment 18.

In 1973 the Legislature enacted a law (1st Extraordinary Session, Chapter 136) repealing the use of the MVET by transit agencies effective in 1981. The prospective repeal of the transit MVET came about as a result of a "compromise" between the governor's office, key legislators and representatives of Metro. With the King County voters approving the 0.3% transit sales tax it became apparent that Metro would be able to match a much larger amount of MVET revenues than originally anticipated. A compromise was reached between those favoring immediate repeal of the 1% transit MVET because of the prospective impact on State general fund revenues and those who wanted to assist Metro with its critical funding problems. With extension of the transit MVET to other types of transit agencies and the increasing importance of this source of revenue to fund transit programs, the 1979 Legislature repealed the law which would have eliminated the MVET as a source of transit revenue in 1981.

1974: The Legislature permitted county governments to go into the transit business and to impose a 0.3% sales/use tax with voter approval to support such programs when it authorized the County Transportation Authority in 1974 (Extraordinary Session, Chapter 167). (RCW 36.57) This was the first time that county governments were given authority to provide transit services on their own.

1975: A major transit law was enacted in 1975 (Extraordinary Session, Chapter 270, RCW 36.57A) when the legislature created the Public Transportation Benefit Areas (PTBA). These new taxing districts were given authority to impose 0.3% local sales/use, B&O, household and MVET taxes. The PTBA's were authorized to use either the B&O, household or sales/use tax as the local tax match for MVET. This law also permitted all city transit systems to impose the sales/use tax. Previously, only cities in AA counties could impose the transit sale/use tax. All transit agencies were prohibited from using the B&O and household taxes if they imposed a sales/use tax.

The MVET was authorized for City Transit Systems and Unincorporated County Transportation Authorities but sales/use taxes could not be used as a match for MVET revenues.

\$450,000 appropriated to assist with transit comprehensive plans.

The law permitting transit agencies to impose local sales/use taxes was changed to permit these agencies to impose the tax at rates of 0.1%, 0.2% or 0.3% rather than only at the 0.3% under the prior law. (Extraordinary Session, Chapter 270) (RCW 82.14.045)

1978: Food for off-the-premises consumption became exempt from State and local sales taxes effective July 1, 1978 as a result of voter approval of an initiative measure in November of 1977. This measure lowered the revenues from sales/use tax revenue from 15% to 20% for individual transit agencies, depending upon the location.

1979: The Legislature repealed the 1973 law eliminating the transit MVET in 1981. The Legislature also prohibited the use of MVET for servicing bonds issued after May 14, 1979. (Chapter 173, Laws of 1979, RCW 35.58.2721)

1980: Metro's maximum sales/use tax authority was doubled from 0.3% to 0.6% with the passage of Chapter 163. (RCW 82.14.045) This same law provided a \$3 million appropriation of state funds for distribution to public transportation districts for the remainder of the 1979-1981 biennium to be used only in emergency situations.

1982: Food for off-the-premises consumption was made taxable for a 14 month period to help offset revenue losses during the recession. Many districts used this revenue to establish self-insurance accounts.

1984: All transit agencies were permitted to impose the sales/use tax up to 0.6% with the passage of Chapter 112. The Department of Licensing estimated that the amount of MVET diverted from the State would increase by \$5.3 million in fiscal year 1986 as a result of the higher sales/use tax authority. (RCW 82.14.045)

1987: The Rail Development account was created July 1, 1987 with 4.2% of transit MVET revenue in King, Pierce, Snohomish and Thurston Counties (Chapter 428, Laws of 1987). The Rail Development Account was subsequently changed to the High Capacity Transportation Account in 1990.

1990: Major changes were made in the funding of public transportation programs, including the funding of transit systems. The valuation of motor vehicles for purposes of the MVET tax was changed from a "blue book" market value approach to a statutory formula using the manufacturer's suggested retail price less an annual depreciation allowance (Engrossed Substitute House Bill 6358). (1990 Session Laws, Chapter 42)

This change increased the base of the tax which was offset by reductions in MVET rates to achieve a revenue neutral result. For example, the MVET rate for transit agencies in King, Pierce, Snohomish and Thurston Counties was lowered from 0.96% to 0.7824%. The MVET rate was reduced from 1.0% to 0.815% for transit agencies in all other counties.

A more far reaching change in the transit MVET tax will become effective with MVET distributions effective in calendar 1993. At that time the distributions to individual transit districts will be based on a MVET rate of 0.725% for all transit agencies. The difference in amounts of revenue that transit agencies would have received at the higher rates and the amount they will be receiving at the lower rates goes into new funds. A discussion of these new funds and how the money is to be spent are described in PART D and E of this report.

New local option public transportation tax sources were provided for in Engrossed Substitute House Bill 1825 enacted in 1990. (1990 Session Laws, Chapter 43) Some of these new local option taxes could be of benefit to transit systems. The new local option taxes are described in PART D of this report.

In addition to the food exemption change mentioned previously (1982), other changes have been made in the sales tax base both increasing and decreasing it. For example, in 1984 the voters exempted trade-ins of like items (auto's, used farm machinery, and other durable goods) from tax. For the most part these changes have been considered too minute to outline here.

D. Other Potential State and Local Tax Sources

Part A of this report describes the four local tax sources (sales/use, B&O, household excise and MVET) available to transit agencies for funding their ongoing operational and capital needs. The 1990 Legislature created new funds and accounts with dedicated portions of MVET revenues collected within the transit agency's boundaries.

The 1990 Legislature also authorized new local option taxes for various transportation programs. The new accounts and funds supported by MVET revenues and the new local option taxes are described herein. Also included is a short description of additional revenue sources available to Metropolitan Municipal Corporations.

The degree of certainty that transit agencies will benefit from the new or newly diverted tax revenues varies according to the specific tax source. Some of the revenue will be returned for expenditure within the transit district boundaries in which it was collected for programs of direct benefit to the transit agency. Other tax revenues are to be used for "highway" or "public transportation" purposes and may be of little or no direct benefit to transit agencies. All of these new funds are subject to appropriation by the Legislature. Other tax sources would be locally imposed. The use of the locally imposed taxes will be determined by local officials.

1. New MVET Funds and Accounts

The 1990 Legislature created new funds and accounts with portions of the MVET revenues collected within the transit agency boundaries. These four funds/accounts are explained below and are graphically illustrated in PART E.

High Capacity Transportation Account - The funds going into this account were previously earmarked for the Rail Development Account, which was created in 1987. The account is supported by revenues from a diversion of 4.5% (originally 4.2%) of transit MVET revenues collected in King, Pierce, Snohomish and Thurston Counties (and as of 1991 Spokane, Kitsap, Clark, and Yakima if they form a PTBA).

The 1990 Legislature changed the name of the account and provided that the funds could be used for various high capacity transportation programs. The funds are to be appropriated by the Legislature and disbursed by the Washington State Department of Transportation.

Central Puget Sound Public Transportation Account (CPSPTA) - This account is supported by a portion of MVET revenues collected in transit districts in King, Pierce and Snohomish Counties. The revenue going to this account is equal to the difference between the amount of MVET revenues collected and matched with local revenues at the .725% rate (effective January 1, 1993) and the amount that could have been matched at the .815% rate, less the 4.5% of MVET going to the High Capacity Transportation Account.

These revenues are to be spent in one or more of the counties where collected and can be used for the following purposes:

- Development of high-capacity transportation systems;
- Development of HOV lanes and related facilities; and
- Public transportation contributions to Transportation Improvement Board projects.

Public Transportation Systems Account (PTSA) - This account is supported by a portion of MVET revenues collected in transit districts in counties outside of King, Pierce and Snohomish. The revenue going to this account is equal to the difference between the amount of MVET revenues collected and matched with local revenues at the .725% rate (effective January 1, 1993) and the amount that could have been matched at the .815% rate, less the 4.5% of MVET revenues going to

the High Capacity Transportation Account from the transit system in Thurston County (Again, as of 1991 the Legislature also included Spokane, Kitsap, Clark, and Yakima County if they form a PTBA).

These revenues are to be spent in the specific areas where collected and can be used for the following purposes:

- Development of high-capacity transportation systems;
- Development of HOV lanes and related facilities;
- Public transportation contributions to Transportation Improvement Board projects; and
- Public transportation system-related roadway projects on state highways, county roads or city streets.

State Transportation Fund - A new "Transportation Fund" was created in 1990 at the State level which is available for "transportation purposes" (i.e., not limited to highway purposes by the 18th Amendment). There are three sources of revenue for this new fund:

- 0.2% State MVET surtax (effective 9/1/90);
- MVET transit residual (effective 7/1/91); and
- 0.1% MVET transfer from General Fund (Effective 7/1/93).

The transit residual is the amount of MVET revenues that transit districts would be unable to match with other local taxes at a MVET tax rate of .815%. This residual amount previously reverted to the State's General Fund.

Transportation Fund monies including all new special MVET funds are subject to appropriation by the State Legislature and may be used for any transportation purposes.

2. New Local Option Taxes

High Occupancy Vehicle Lanes and Program Funding - King, Pierce and Snohomish Counties are authorized to levy, with voter approval, certain local taxes to accelerate completion of HOV lanes and related facilities on state highways and local arterials and to fund other HOV programs. The taxes authorized under this program are:

- Employer tax of up to \$2/employee/month;
- Up to 15% MVET surcharge except on heavy trucks (The maximum surcharge is equal to a 0.3% MVET and it is an additional tax - not credited against the State tax); and
- As of January 1991 no county has enacted a HOV tax.

High Capacity Transportation System Development - King, Pierce, Snohomish, Thurston, Clark, Kitsap, Yakima, and Spokane Counties are authorized to levy certain voter approved taxes for high capacity transportation systems. The following taxes are authorized for these programs:

- Employer tax of up to \$2 per employee per month;
- Local option MVET tax up to an additional 0.8% except on large trucks and not to be credited against State tax (The combined HOV and HCT MVET rates cannot exceed 0.8%); and
- Sales/use tax up to 1% (limited to 0.9% if 0.1% criminal justice tax imposed).

The revenues from these taxes can be used for planning, constructing, and operating high capacity transportation systems, including commuter rail and feeder transportation systems.

Local Option Commercial Parking Tax - Cities and counties (in unincorporated areas) are permitted to impose commercial parking taxes. The tax can either be imposed on the commercial parking business, based upon gross proceeds or number of stalls, or on the customers. No rate is set in the law. The tax can be imposed without voter approval but is subject to special referendum.

The revenues may be used for general transportation purposes, including 18th Amendment "highway purposes"; public transportation; high capacity transportation; transportation planning and design and other transportation-related activities, including HOV lanes.

As of January 1991 no county or city has enacted this tax.

Local Option Vehicle License - A county wide vehicle license fee may be imposed by the county of up to \$15 per vehicle (trucks over 6000 pounds are exempt). The revenues are to be divided between cities and counties on the basis of population factors (1.5 weight for unincorporated area and 1.0 for cities).

The revenues may be used for transportation purposes, including "18th Amendment "highway purposes"; public transportation; high capacity transportation; transportation planning and design; and other transportation-related activities, including HOV lanes.

The tax does not require voter approval but is subject to special referendum. As of January 1991, a \$15 fee has been authorized by the county councils of King and Snohomish.

Local Option Fuel Tax - A county-wide motor vehicle fuel tax and special fuel tax may be imposed with voter approval at 10% of the State rate. This is currently equal to 2.3 cents per gallon. The revenues are to be divided between cities and counties on the basis of population factors (1.5 weight for unincorporated area and 1.0 for city area).

The revenues must be used for "highway purposes" as defined by the 18th amendment. This permits the funds to be used for HOV lanes. As of January 1991 no counties were imposing this tax.

3. Revenue Sources Available to Metropolitan Municipal Corporations (METRO)

Property Tax Levies - Metro is authorized under State law (RCW 35.58.090 and RCW 35.58.116) to make certain property tax levies. RCW 35.58.090 permits with voter approval a one year "organizational" levy of twenty-five cents per thousand dollars on all assessed value within the district when the district is first formed. The measure must be approved by at least 60% of those voting for the measure.

RCW 35.58.116 permits property tax levies to be made to service general obligation bonds if such bond authorization is approved by at least 60% of the voters. Annual property tax levies are also permitted for any authorized purpose, but must be approved annually by at least 60 % of the voters voting on the measure.

Special Benefit Assessments - RCW 35.58.500 authorizes Metro to levy special assessments payable over a period not exceeding twenty years "on property within the metropolitan area specially benefitted by any improvement." The amount of such benefit assessments is to be based on the benefits conferred by the project. Metro used this law to help fund the downtown Seattle tunnel.

E. Recent Changes Made in Motor Vehicle Excise Tax Rates and Distributions Affecting Transit Agencies

The 1990 Legislature made some extensive changes in the Motor Vehicle Excise Tax (MVET) that affect transit agencies. Some of these changes became effective in 1990 (e.g., rate and base revenue neutral changes) and many other changes (e.g., lowering of authorized rate and creation of new funds) will become effective in 1993.

This part of the report contains a brief explanation of these changes along with some graphic presentations which help to more clearly explain the changes.

Changes Effective in 1990 - CHART B-1 illustrates the changes that became effective 9/1/90 and remain effective until January 1, 1993. The chart shows the reduction in transit agency MVET rates from .96% to .7824% for transit agencies in King, Pierce, Snohomish and Thurston Counties. The MVET rates for transit districts in the other counties were reduced from 1.0% to .815%.

Because the taxable base (i.e., taxable value of motor vehicles) upon which the rates are imposed was increased by an offsetting amount, these initial changes in transit MVET rates are revenue neutral. This can be seen in Chart B-3 which follows. The total State MVET rate was also reduced in 1990 from 2.354% to 2.0% to offset the higher taxable value. A 0.2% surtax was added to the State tax bringing the total rate to 2.2%. To put the transit tax in perspective, the 0.815% rate is equal to 41% of the State's 2% base rate.

As mentioned previously in this report, a dollar for dollar credit is provided against the State tax for any regular local transit tax.

Another change that became effective in 1990 was that the Railway Development Account was redesignated as the High Capacity Transportation Account (HCTA). The funds for this account come from an amount equal to 4.5% of the transit MVET revenues collected in the King, Pierce, Snohomish and Thurston Counties.

A third change that took effect in 1990 was that the residual (unmatched) amount of MVET revenues that previously reverted to the State's General Fund are now deposited in the Transportation Fund.

Changes Effective in 1991 - During the 1991 Session, the law governing the High Capacity Transportation Account was revised to allow PTBA's in Spokane, Kitsap, Clark, and Yakima Counties to be eligible to contribute to the High Capacity Transportation Account.

Changes Effective in 1993 - The changes in transit agency MVET rates and distributions of revenue that will become effective in 1993 are illustrated in CHART B-2. These changes are summarized below:

- The allowable rate of transit MVET has been lowered for all transit agencies to .725%.
- A new Central Puget Sound Public Transportation Account (CPSPTA) has been created for use in the transit districts in King, Pierce and Snohomish Counties. The amount that goes into the CPSPTA is equal to the difference between the amounts of MVET revenues these transit agencies could match at an .815% tax rate and what they are actually able to match at the new .725 tax rate, less the contributions to the HCTA.
- A new Public Transportation System Account (PTSA) is created from a portion of MVET revenues collected in transit districts in counties other than King, Pierce and Snohomish. The amount that goes into the PTSA is equal to the difference between the amounts of MVET revenues that agencies in these counties could have matched at the .815% tax rate and what they actually match at the .725% tax rate, less the amount of MVET revenues from Thurston, Clark, Kitsap, Spokane, and Yakima Counties that goes into the HCTA.
- The MVET revenues that transit agencies would not be able to match at a .815% rate (excluding contributions to the HCTA) continue to go to

the Transportation Fund. CHART B-2 does not show any amounts going to the Transportation Fund from transit agencies in King, Pierce and Snohomish Counties because these counties have always been able to match all MVET revenues. CHART B-2 shows the unmatched MVET from other transit districts going to the Transportation Fund. Not all of the transit agencies in the other counties are contributing to the Transportation Fund because some of those agencies are able to fully match the MVET revenues collected in their areas.

CHART B-3 provides a hypothetical numerical example of the three alternative MVET distribution methods. This table illustrates how the MVET revenues will be generated and how the funds will flow from a given motor vehicle fleet, for each scenario. In this example, counties are grouped in one of three categories, determined by which funds they will be eligible to contribute to in 1993. The numbers used in the example are illustrative with the purpose of demonstrating the mechanics of the administration of the tax and are not based on current distributions. For example, according to the chart Clark County would appear to be matching all of the available MVET funds generated, when in reality they leave a great deal of this revenue on the table.

CHART B-3 shows how the total MVET contribution to transit varies little under each scenario, but less of the revenue is made directly available to PTBA's after 1993, while a greater share is placed in special accounts to be distributed by state appropriation.

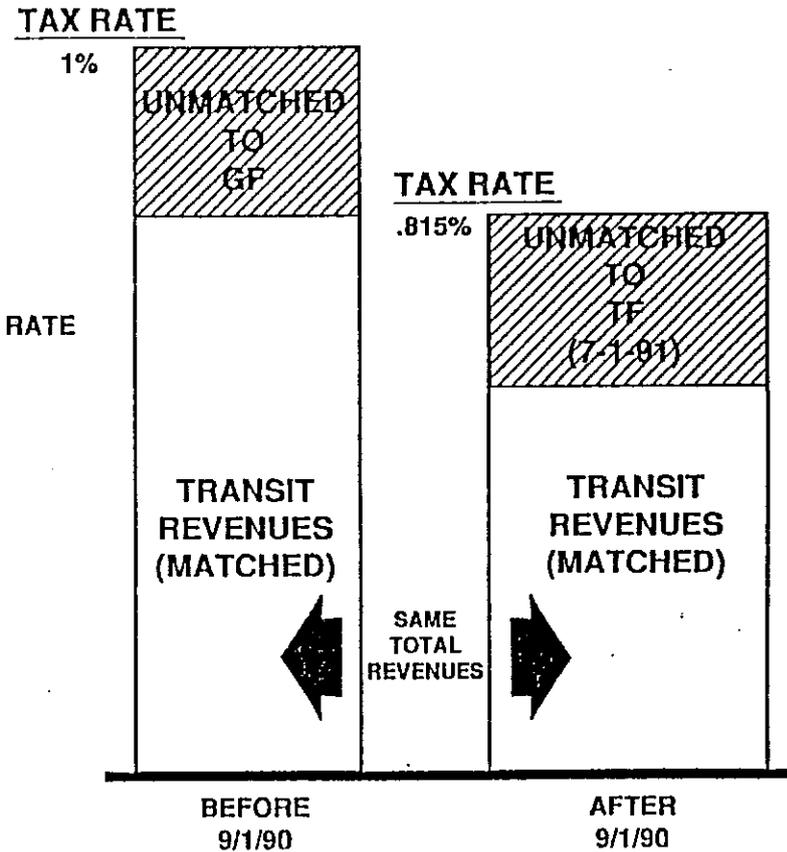
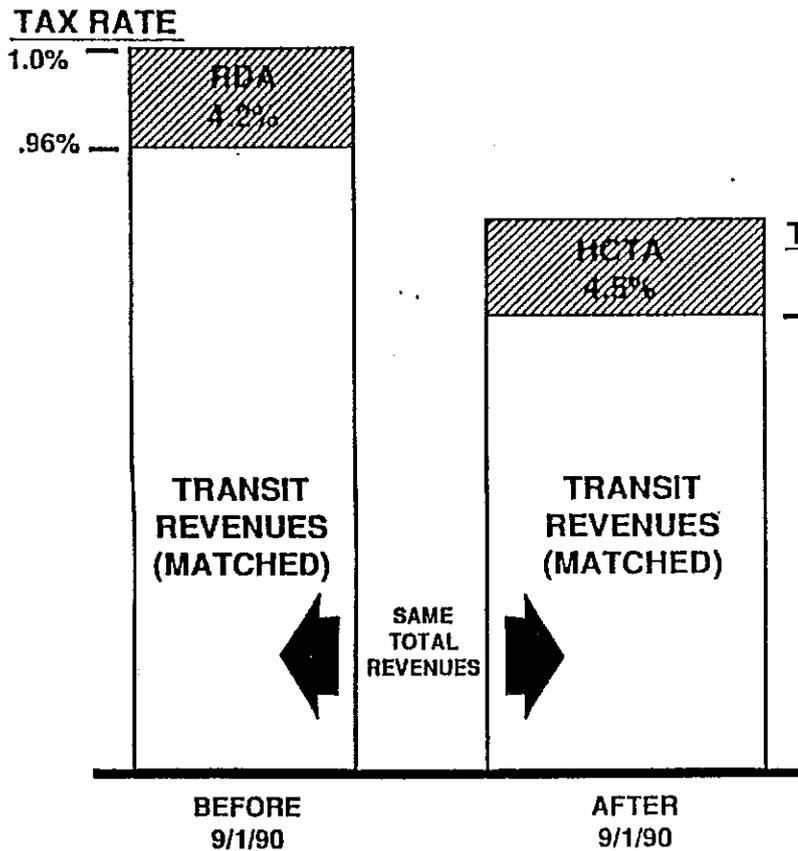
REVENUE NEUTRAL TRANSIT MVET CHANGES

(9/1/90 to 1/1/93)

LOWER RATE / BROADER BASE

**KING, PIERCE, SNOHOMISH
& THURSTON COUNTIES *****

ALL OTHER TRANSIT COUNTIES

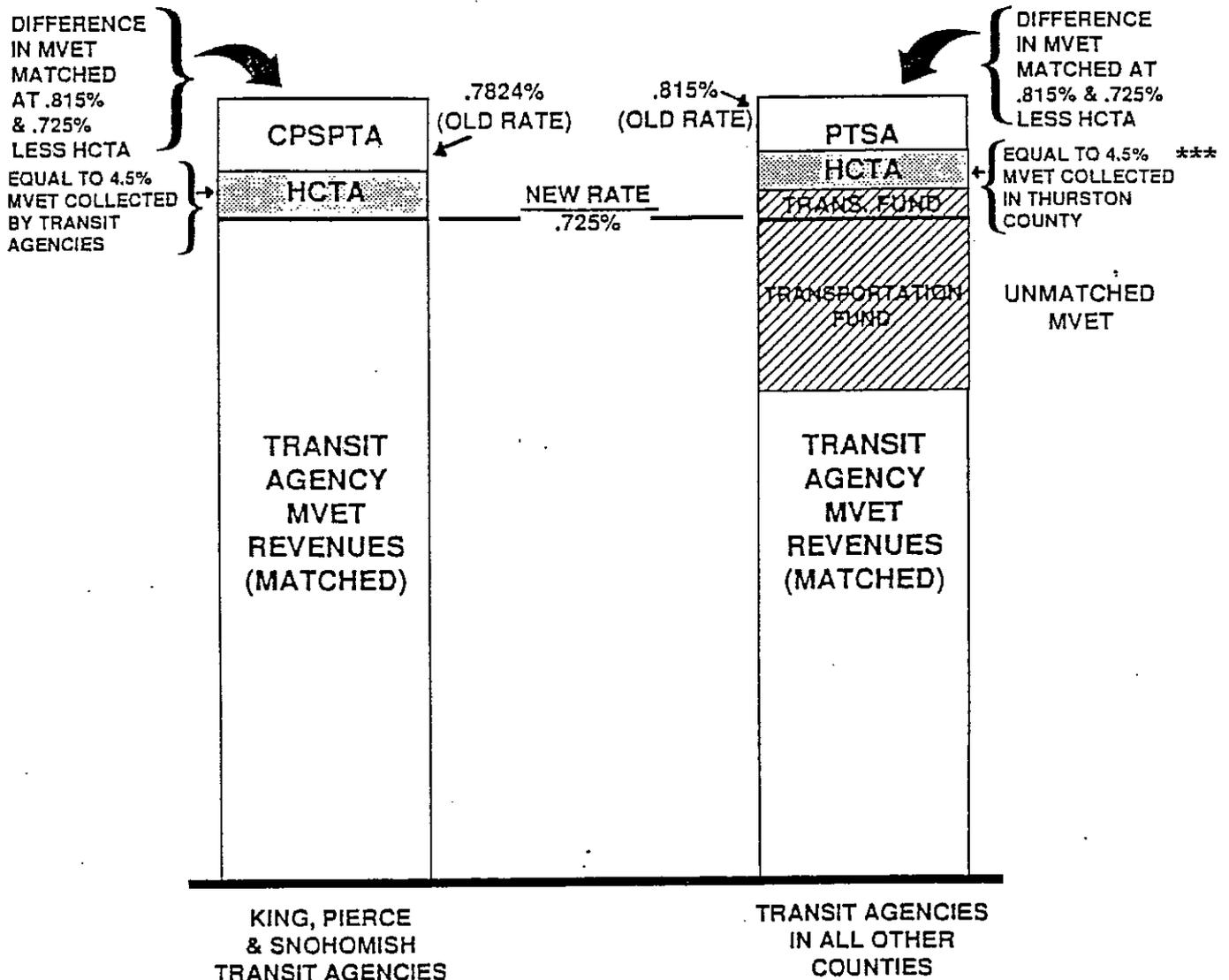


RDA = RAILWAY DEVELOPEMENT ACCT.
HCTA = HIGH CAPACITY TRANSPORTATION ACCT.
GF = GENERAL FUND
TF = TRANSPORTATION FUND

*** Because of legislative action in the 1991 session, PTBA's in Spokane, Kitsap, Clark, and Yakima Counties are eligible to contribute to the HCTA.

NEW TRANSIT MVET TAX RATE AND DISTRIBUTIONS

EFFECTIVE 1/1/93



CPSPTA = CENTRAL PUGET SOUND TRANSPORTATION ACCOUNT
 HCTA = HIGH CAPACITY TRANSPORTATION ACCOUNT
 PTSA = PUBLIC TRANSPORTATION SYSTEM ACCOUNT

***Because of legislative action in the 1991 session, PTBA's in Spokane, Kitsap, Clark and Yakima Counties are eligible to contribute to the HCTA.

MVET Hypothetical Distribution Example
Washington State Public Transportation Study
 Gannett Fleming, Inc.
 July 16, 1991

Chart B-3

Before September 1 1990	King, Snohomish, Pierce Counties	Kitsap, Spokane, Clark Yakima & Thurston Cos.	All other Counties	
Motor vehicle fleet value	1,000,000,000	150,000,000	150,000,000	
Transit levy of MVET	0.96%	0.96%	1.00%	
Available for distribution to districts	9,600,000	1,440,000	1,500,000	
MVET matched with local revenue	9,600,000	1,440,000	1,350,000	
Rail Development Account	4.20%	403,200	60,480	n/a
Residual funds transferred to State General Fund	0	0	150,000	
Total distribution to transit districts	9,600,000	1,440,000	1,350,000	
Total available for transit purposes (inc special funds)	10,003,200	1,500,480	1,350,000	
Revenues to transit as a % of fleet value	1.00%	1.00%	0.90%	

After September 1 1990 and before January 1, 1993	King, Snohomish, Pierce Counties	Kitsap, Spokane, Clark Yakima & Thurston Cos.	All other Counties	
Motor vehicle fleet value	1,226,993,865	184,049,080	184,049,080	
Transit levy of MVET	0.7824%	0.7824%	0.8150%	
Available for distribution to districts	9,600,000	1,440,000	1,500,000	
MVET matched with local revenue	9,600,000	1,440,000	1,350,000	
High Capacity Transportation Account	4.50%	432,000	64,800	n/a
Residual funds transferred to Transportation Fund	0	0	150,000	
Total distribution to transit districts	9,600,000	1,440,000	1,350,000	
Total available for transit purposes (inc special funds)	10,032,000	1,504,800	1,350,000	
Revenues to transit as a % of fleet value	0.8176%	0.8176%	0.7335%	

After January 1, 1993	King, Snohomish, Pierce Counties	Kitsap, Spokane, Clark Yakima & Thurston Cos.	All other Counties	
Motor vehicle fleet value	1,226,993,865	184,049,080	184,049,080	
Transit levy of MVET	0.7250%	0.7250%	0.7250%	
Available for distribution to districts	8,895,706	1,334,356	1,334,356	
MVET matched with local revenue	8,895,706	1,334,356	1,334,356	
High Capacity Transportation Account	4.50%	400,307	60,046	n/a
Central Puget Sound Public Transportation Account (CPSPTA)	(a)	703,988	n/a	n/a
Public Transportation System Account (PTSA)	(b)	n/a	105,598	15,644
Residual funds transferred to Transportation Fund	(c)	0	0	150,000
Total distribution to transit districts	8,895,706	1,334,356	1,334,356	
Total available for transit purposes (inc special funds)	10,000,000	1,500,000	1,350,000	
Revenues to transit as a % of fleet value	0.8150%	0.8150%	0.7335%	

Notes:

- (a) amount equal to the difference between what could be matched at 0.815% and what is matched at 0.725% less the amount that goes into the High Capacity Transportation Account.
- (b) amount equal to the difference between what could be matched at 0.815% and what is matched at 0.725% less the amount that goes into the High Capacity Transportation Account.
- (c) amount equal to the difference between what would have been available at 0.815% and what could have been matched at 0.815% less the amount that goes into the High Capacity Transportation Account.

F. Transit Agency Finance Issues: State/Local Revenues

Previous sections of this report described the history of state and local transit funding in Washington, the sources of state and local revenue sources available to transit agencies, differences and limitations in the funding sources available to the different types of transit agencies, the planned reduction in the rate of the MVET available to transit agencies (and the simultaneous creation of new funds with those revenues formerly directly available to transit agencies) and the 1990 local option taxes.

It is the purpose of this section to identify potential state and local transit finance issues which should be further reviewed and/or studied by the consultants and the Policy Advisory Committee for the purpose of developing appropriate recommendations to state policymakers. Background information for most of these issues was provided in previous sections of this report. This section reviews these issues and provides:

- a high level summary of each issue;
- possible ways of resolving each issue, if appropriate; and
- whether or not additional information is needed before a policy position can be taken.

The issues are listed with no particular significance to be assumed in their importance from the order in which they appear:

Reduction in Transit Agency MVET Rate - The reduction in the MVET rate available to transit agencies effective with tax distributions in calendar 1993 has been described and documented in this report. The rates are being reduced from the 0.7824% for transit agencies in King, Pierce, Snohomish, Thurston, Clark, Kitsap, and Spokane to 0.725% effective with calendar 1993 distributions. Transit agencies in other counties will have their rates reduced from 0.815% to 0.725% at the same time.

The new accounts and funds created by the reduction in transit agency MVET rates have been described in this report. The net effect of these changes on the ability of individual transit agencies to fulfill their missions will be considered in later stages of this study. This is because the information gained from the transit agency survey and interviews, along with projections of individual transit agency revenues to 2000 will provide information needed to properly evaluate this issue.

Cities and UCTA's cannot use Sales Tax to Match MVET - State law does not allow city transit agencies and unincorporated county transportation authorities to use local sales tax as matching revenue for MVET revenues. Other local transit revenue sources (i.e., B&O and household taxes) are available to use for matching purposes. These alternative revenue sources are generally not as productive as the local sales tax and are only used by two transit agencies in the state (Prosser and Pullman).

It should be noted that there are no UCTA's in existence so the present restrictions only affect city transit agencies. Of the four city transit systems in the State, only two are imposing the sales tax (Everett and Yakima).

The law prohibiting city transit agencies and unincorporated county transit authorities from using sales tax as match was established in accordance with legislative policy. There are two apparent reasons for this policy: (1) rural residents are paying a significant amount of the transit sales taxes collected within city limits and should also receive benefits from transit services; and, (2) the law provides an incentive to transit agencies to cover larger geographical areas which should be more efficient and economical than two or more agencies providing this service.

County and Unincorporated County Transit Authorities can use their local taxes (e.g., sales, MVET) to fund Ambulance Services - CTA's and UCTA's are permitted to use transit agency revenues to fund ambulance services. Other types of transit agencies do not have this legal authority. There is only one operating transit agency that falls in this category - Grays Harbor Transit Authority.

The authority to use transit funds for ambulance services was provided by the legislature at the request of Grays Harbor CTA. Several years ago Grays Harbor was able to collect large amounts of revenue from the local transit sales tax at a fairly low rate (i.e., 0.2%) because of the construction of the nuclear power plants. This is no longer the case. A property tax levy is available to counties to fund emergency medical services and is widely used in other counties.

MVET Revenues cannot be used for Bonding - Transit MVET revenues cannot be used as a source of revenue for servicing bonds. This limitation on the use of MVET revenues might have come about because the Legislature did not anticipate the MVET to be a permanent source of funding for transit agencies.

In 1973, four years after the MVET was authorized for Metro transit, the legislature passed a law which would have prohibited all transit agencies from using the MVET effective in 1981. The law which would have eliminated the use of the MVET by transit agencies was repealed in 1979, two years before it was to become effective. The 1979 Legislature also enacted the measure prohibiting the use of MVET revenues to support bonds issued after May 14, 1979.

Under a scenario that the transit MVET would only be levied for a few years, a limit on the use of MVET revenues for bond redemption purposes was appropriate.

With the transit MVET becoming a permanent and essential source of transit agency funding, the policy of not permitting the use of the funds for redemption of bonds needs to be reviewed. It could permit a lowering of the interest rate on bonds and thus a savings to tax payers with additional revenues guaranteed to repay the bonds. Discussions with bond counsel would provide specific dollar savings.

Distribution of Transit MVET Revenue Quarterly - Transit MVET revenues collected by the state are distributed quarterly to transit agencies according to state law. There is a six month lag from the beginning of the quarter in which the tax is collected until the money is distributed to the transit agencies. No interest is paid to the transit agencies during the time the funds are on deposit in the State Treasury.

According to the Department of Licensing staff, the transit MVET revenues could be distributed on a monthly basis with little extra effort, as the information needed to distribute the revenues to the individual transit agencies is available on a monthly basis. Further, the Department of Revenue distributes transit sales tax on a monthly basis and in addition transit agencies earn interest on sales tax revenues held by the State. Changing the transit MVET revenues to monthly distribution would provide transit agencies with revenues at an earlier date and alleviate any cash flow problems that might exist and also permit transit districts to earn interest on these funds before spending them. Potential interest on receiving this money earlier could amount to \$1.5 million per year statewide for the districts. On the other hand, there would be an offsetting impact on the state treasury.

Transit Agencies do not share in "County 40" Revenues - MVET taxes paid directly to the Department of Licensing at their headquarters office in Olympia are treated as not being collected within a transit jurisdiction regardless of where the taxpayer resides. These "County 40" revenues are distributed in the same manner as other MVET revenues collected in non-

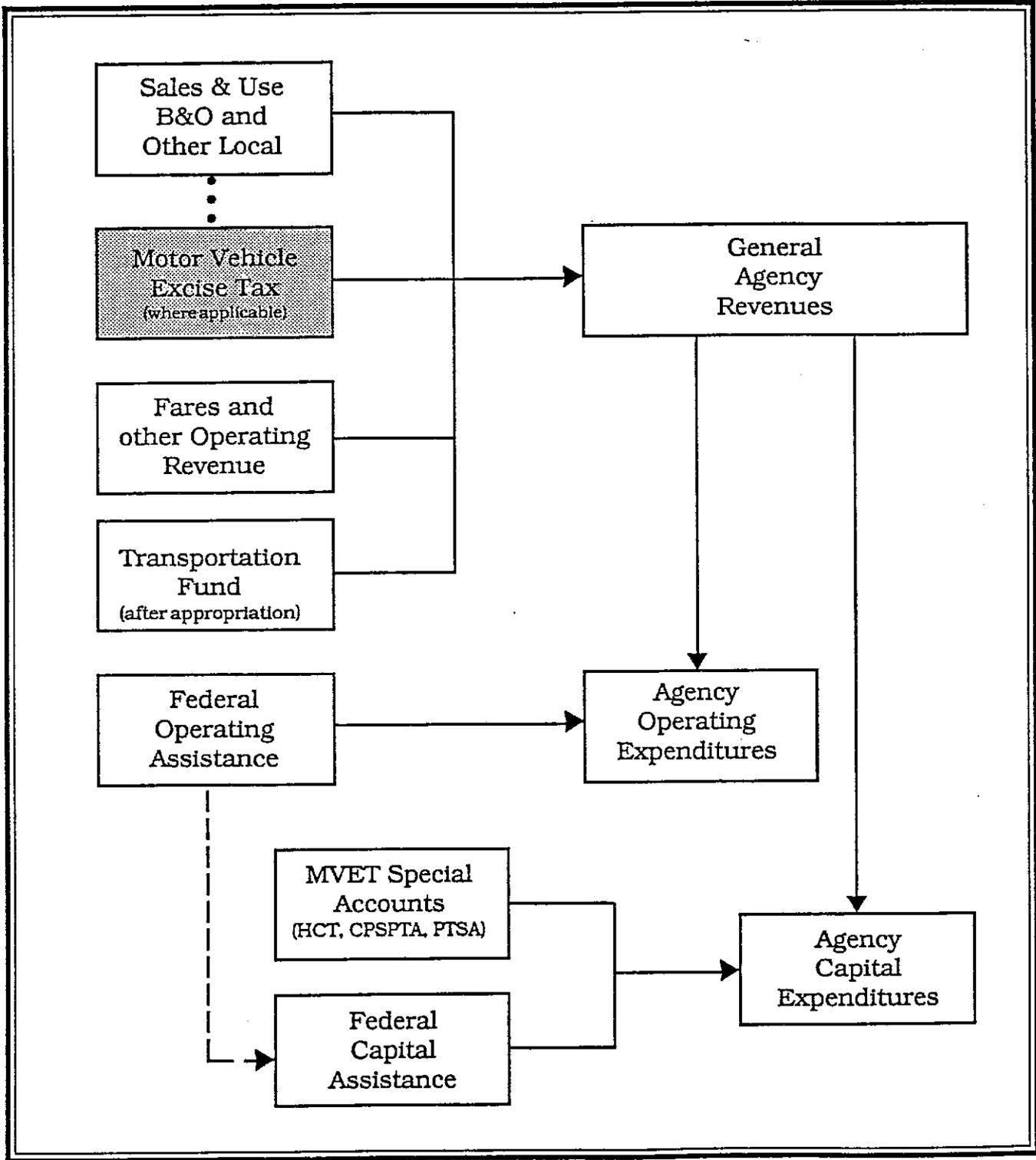
transit areas. "County 40" MVET revenues are equal to approximately 1% of total MVET revenues. Allocating the transit agencies' share of these revenues to the transit agencies would provide some additional transit agency revenues. On the other hand, it should be noted that transit agencies do not have their revenues reduced by the collection fee that the Department of Licensing receives for collecting the MVET. This collection fee is equal to 1.6% of MVET collections.

The loss of transit MVET revenues from "county 40" transactions and the savings from not sharing in the collection costs are approximately offsetting on an aggregate basis. Information is not available from the Department of Licensing to determine the net impact on individual transit agencies.

Revenue Adequacy and Productivity Issues - There are several additional revenue issues which will be evaluated in later stages of this study. More information is needed before a position can be taken on these issues. These include:

- How the different types of transit missions compare to the different types of tax structures;
- Will existing State and local transit agency revenue sources be adequate to meet the new requirements being imposed on transit agencies (i.e., the Clean Air Act, the Americans with Disabilities Act and the Demand Management Legislation);
- How will the new funds created by the reduction in transit MVET rates will be controlled and managed and will transit agencies receive significant benefits from these funds;
- The responsiveness of transit revenue sources to inflation and other growth factors;
- Differences among transit agencies in the relative importance of individual revenue sources;
- Differences in the productivity of sales and MVET revenues (i.e., per capita yield at comparable tax rates) among the individual transit agencies; and
- Differences in transit agencies abilities to match MVET revenues.

Washington State Transit Revenue Flow Chart Chart B-4



G. Missions and Tax Structures

The review of the local missions and goals of transit properties has defined a broad range of components. These generally fit within the envelope provided by the State's defined purpose for public transportation. The local programs can be traced to the State's direction in 1965. At that time, local jurisdictions were given responsibility for providing and financing "adequate" transit services for community residents. The "health and welfare" of those residents and the economic prosperity of the community provided the basis for the legislative mandate.

Subsequently, the State has added new responsibilities to the transit agencies' purpose, specifically, in the areas of growth management and transportation demand management (TDM). These new areas will be reflected in Transit Development and Financial Programs (TDFP) that are required by WSDOT (since 1989). The essential element of these annual implementation plans is the setting of priorities for public transportation in each community.

1. Local Priorities

The basis for establishing priorities for service expansion, capital expenditures, and system direction should be a local mission or goal statement. As a policy tool, the mission statement provides or articulates the vision that decision makers have for the local transit network. However, the Comprehensive Transit Plans, and the Six Year Transit Development and Financial Programs do not require the discipline of documenting a mission statement nor the quantification of objectives that result from it.

Research by Molyneaux Associates in the area of local missions has concluded that they are included or implied in the plans cited above and other local documents. The compilation revealed that the missions statements reflected the diversity of transit agencies the types of service they provide, and the communities they serve. There were, however, similarities throughout the state. Five general categories were created and the 27 different mission components were organized into these groups. This includes: Community Development, Efficiency and/or Effectiveness, Environment, Service Characteristics, and Service Types.

The individual mission statements and the compilation do not set priorities, however, and may only imply, in local situations, a priority. Individual plans and budgets reflect the local priority as established by

the Board or Council for a defined period of time. All transit authorities have one or more specific mission elements from each of the five categories in their overall statement.

Therefore, annual priorities at a local level may be modified from time to time to reflect changing conditions while the "mission" of the agency need not be amended. The breadth of the mission statement, the absence of direct links to specific objectives, and the flexibility of priority setting means that the evaluation of missions and structures must look to the annual planning process for clarifications.

2. Annual Planning/Budgeting Process

Throughout the State a wide variation exists in the degree of sophistication of planning and budgeting. This is only reasonable given the variation in size and complexity of the transit agencies. Generally, the process includes the following steps:

- (1) Quantify
 - (i) Additional operating expenditures needed to maintain existing service (e.g. fuel or running time-labor);
 - (ii) Highest demands for expansion of service (from surveys, telephone complaints, Board discussions);
 - (iii) Expected demands for new service (e.g. new subdivisions or activity centers);
- (2) Calculate
 - (i) Revenue generated by sales tax and MVET (or other sources);
 - (ii) Ridership and farebox revenue;
 - (iii) Other revenues (e.g. advertising, charts etc.);
- (3) Plan
Plan for the baseline services plus those services in 1. only to the point that they both equate to revenues generated in 2.

Two factors impact this simplified annual process. The first is the provision for capital acquisitions, a parallel planning path, and one that affects the total revenues available for operations and maintenance.

The second also reduces the available resources by a reserve for operating costs. The cash flow reserve varies in size throughout the state but is a prudent protection against the reimbursement schedule and potential shortfalls in other revenue accounts. Again, the sophistication of the accounting practices, the amounts of reserves and the level of detailed planning vary considerably.

Federal revenues, since they are generally used for capital purposes, are not, therefore, a factor in the determination of annual operating strategies.

3. Observations

- It appears that there is not a specific impact of tax structures on the mission (either stated or implied) of local transit agencies. Even though the tax structures are surrogates for different governance strategies, research has shown that all transit agencies have embraced elements in each of the five general mission categories. Variations in funding sources have not resulted in different overall direction for transit agencies.
- A prudent, almost conservative, financial strategy underlies the plans of each transit system. Capital budgets are generally on a "pay-as-you-go" basis, with contributions from annual sources a prime cost factor in annual budgets.
- The missions for each agency are similar in content, varying in the size, complexity and cost of the transit response. Tax structure has not impacted the general nature of the missions.
- The Six Year Transit Development and Financial Programs that are currently being prepared in virtually every agency do not have a clearly defined state priority for public transportation on which to build local plans. Without State priorities, the local plans must reflect an interpretation of the State's objectives.
- State and Federal initiatives are having immediate and far reaching effects on local agencies. Prior to 1990 the impacts of most policies and legislative initiatives was relatively minor or on an annual basis. However, Americans with Disabilities, and Clean Air at the Federal level, and Growth Management and TDM at the State level have changed that situation. The quantification of these impacts is underway, and it is expected that the financial effect will be felt at different levels throughout

the State. ADA will be significant. Planning to incorporate the expected regulations has indicated that other expansion/service priorities will be deferred for some time to accommodate the ADA services.

- The nature of the funding authorization facilitates the development of long range plans and transit programs. The result of this situation is a strong financial plan and capital development program that enhances the agencies' ability to provide cost effective services.

II. Conclusions

Based on the previous discussion outlined in this report, the following is a summary of conclusions.

1. MVET Implications:

There will be a reduction in the MVET rate, effective with tax distributions in calendar 1993, from 0.7824% to 0.725% for agencies in King, Pierce, Snohomish, Thurston, Clark, Kitsap, and Spokane Counties and from 0.815% to 0.725% for agencies in other counties. As a result, transit agencies: 1) will experience a decrease in the increase in their MVET revenues (i.e., MVET revenues will not increase at the same rate); and 2) will have less MVET revenues that they could potentially match (i.e., lost potential for future revenues). In the cases where agencies are not able to match revenue at 0.725%, the change in the law will have no apparent effect.

2. Flow:

Transit MVET revenues collected by the state are distributed quarterly to transit agencies according to state law, with a six-month lag from the beginning of the quarter in which the tax is collected until the money is distributed to the agencies.

3. Limitations:

- a. City transit agencies and unincorporated county transportation authorities cannot use local sales tax as matching revenue for MVET revenues.
- b. Transit MVET revenues cannot be pledged as a source of security for the repayment of long-term debt.
- c. MVET taxes paid directly to Department of Licensing at their headquarters office in Olympia are treated as not being collected within a transit jurisdiction regardless of where the taxpayer resides. These "County 40" revenues are distributed in the same manner as other MVET revenues collected in non-transit areas. "County 40" MVET revenues are equal to approximately 1% of total MVET revenues.

- d. All transit agencies are authorized to impose local sales/use tax at any of the following rates: 0.1%, 0.2%, 0.3%, 0.4%, 0.5%, or 0.6%. Local sales/use taxes cannot be imposed in other increments (i.e., less than one-tenth of 1%).
- e. MVET collected as pro rate (tax applied to trucks based on the percent of the year spent on Washington roads) is deposited into the state general fund including the transit share of the 2% base rate.
- f. Given that random drug testing of transit employees has been determined to be unconstitutional in the State of Washington and that federal funds will likely be conditional on the implementation of such a testing program, Washington's eligibility for federal assistance could be jeopardized. However, federal legislation now under consideration may contain a clause that would preempt state law on this issue.