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DRAFT REPORT

ASSESSING THE FISCAL HEALTH OF PUBLIC TRANSPORTATION AS COMPARED WITH STATE TRANSPORTATION FUNDING

This is a draft report, and as such, it is a work in progress.

Additional analysis will be completed in the coming weeks, including further analysis of reserves, transit system case studies, and comparisons of state and transit funding and expenditure trends. Data for 2011 will also be added.

*Readers will note sections with **yellow highlights**; these are areas staff highlighted to indicate the need for further work or analysis.*

It is expected that legislators and stakeholders will provide significant feedback to this first draft report, which will be taken into account in future report revisions.

**Joint Transportation Committee
November 9, 2012**

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DATA LIMITATIONS

This report was completed using available data. The data sets have limitations. Longer term graphs accurately portray trends, however, individual years or data points may reflect data error, or changes in data treatment. In addition, definitions of certain data may vary among transit systems, or have been changed. Data in some cases is estimated, as in the case of transit ridership in the fare-free zone in the Seattle transit tunnel.

List of Figures

Figure 1	Annual funding for all transit systems, by funding type	page 13
Figure 2	Annual funding for all transit systems, by system category	page 13
Figure 3	Distribution of total transit funding for selected years	page 14
Figure 4	Annual transit expenditures, by expenditure type	page 17
Figure 5	Revenue vehicle hours, fixed-route	page 19
Figure 6	Passenger trips, fixed-route	page 21
Figure 7	Operating costs per revenue hour, fixed-route	page 23
Figure 8	Operating costs per passenger trip, fixed-route	page 25
Figure 9	Operating cost per revenue mile, fixed-route	page 27
Figure 10	Operating cost compared to passenger trip type	page 29
Figure 11	Transit reserves by system category	page 31
Figure 12	Transit reserves by reserves category	page 31
Figure 13	Average transit vehicle age by year	page 32
Figure 14	Overall transit funding vs. expenditures	page 34
Figure 15	State transportation resources by year	page 39
Figure 16	State transportation expenditures by year	page 40
Figure 17	Funding growth for transit agencies and state programs	page 43
Figure 18	Expenditure growth for transit agencies and state programs	page 43

Public Transportation Fiscal Health and Comparing Its Funding to State Transportation Funding

This study addresses the fiscal health of public transportation in Washington State, and provides a comparison between funding for public transportation and that provided to state transportation programs in Washington.

The study was authorized by ESHB 2190, the 2012 Supplemental Transportation Budget. It came out of discussions concerning the need for additional funding sources for public transportation, as well as questions concerning existing transit funding and reserves currently held by transit agencies. To inform future discussions, the budget proviso directed the Joint Transportation Committee (JTC) to evaluate the fiscal health of public transportation in Washington and make a comparison to the fiscal health of state transportation funding.

The study was conducted by staff of the Joint, House and Senate Transportation Committees, with oversight by the JTC Executive Committee.

Assessing Public Transportation Fiscal Health

Study staff have engaged in numerous discussions to identify appropriate factors to evaluate fiscal health for public transportation. Three principles have emerged from these discussions:

1. **In many respects, fiscal health is in the eyes of the beholder.** Transit services and their cost are evaluated differently by different people with different perspectives. Some of the following factors may identify fiscal health to some people, but not to others.
 - Stable revenues and stable services?
 - Are services being delivered in cost effective manner?
 - Are the services sufficient and acceptable to those being served? Frequent? Reliable? Safe?
 - To what extent does the farebox pay for the services delivered?
 - Does the cost to the community equal the benefits? Congestion relief? Safety-net services?
 - Do revenues pay for the services that the community wants? Is the service sustainable?
2. **Metrics to measure fiscal health may conflict with one another.**
 - A high farebox recovery may discourage ridership.
 - Peak hour services are more expensive.
 - Special needs transportation is vital to many people, but it is very expensive, and serves a relatively small population.
 - Local sales tax revenues are a primary funding source, but they fluctuate with the economy, while the services transit systems provide don't always similarly fluctuate.
 - Expectations for transit vary among communities throughout the state.
3. **A better assessment of transit fiscal health requires the use of several fiscal health metrics.** A more accurate assessment of fiscal health may best be accomplished by taking into account several metrics. Use of a single metric to assess a transit system may not provide an accurate picture of that system's fiscal health, and can often be misleading.
 - Changes in local transit tax revenues may reflect changes in many factors including economic activity, population, changes in boundaries of the service (and taxing) area, or local tax rates.

- Overall revenue may vary with many factors including fares, tax receipts, and federal funds.
- Rising costs per rider means that costs are rising faster than ridership. Is this due to cost of service inputs (labor, fuel), reduced ridership, changes in productivity, changes in service levels or routes, or congestion?
- High transit ridership can mean additional tax subsidies are needed to add services. Are full buses a good thing, even if it requires more funds to operate more services?
- What is the trade-off between operating and capital investments? Does it make sense to invest more money in an operating expense like maintenance, or would customers receive better and more reliable service in new buses, a capital expense?

Study Resources

The primary data resources used in this study include the following:

- The WSDOT Public Transportation Division's annual publication, *Summary of Public Transportation*;
- Federal Transit Administration's *National Transit Database*;
- Legislative Evaluation and Accountability Program (LEAP) expenditure data for state transportation programs;
- WSDOT program expenditure data for state transportation programs; and
- Other sources including transit agencies annual reports; Washington State Transit Association materials; FHWA's National Household Travel Survey; and past JTC and Legislative Transportation Committee (LTC) transit studies.

Study staff regularly consulted WSDOT Public Transportation Division staff during the course of this study. In addition, study staff consulted with the Federal Transit Administration, the Washington Policy Center, and the Washington State Transit Association (WSTA) on issues of inflation discount factors, transit reserve fund categorization and transit fleet condition measurement. Study staff also met with two Imperial College of London consultants who conduct transit performance assessment and improvement in the United States and throughout the world.

Analytical Approach

This study analyzes transit and state transportation funding and expenditures over a 21-year period, 1991-2011. Compared with a single point-in-time analysis, this long term data analysis better depicts the effect of economic fluctuations, and changes in state and local revenue, federal aid, and in costs and ridership. This time frame includes the period when the motor vehicle excise tax (MVET) was a significant funding source for transit and state transportation purposes, and the years after the MVET was eliminated.

For transit comparisons, the analysis focuses on changes over time. It does not compare individual systems to each other, nor to systems operating elsewhere in the United States.

For certain graphs, dollars are adjusted for inflation, as noted on the graphs.

This report includes several trend and comparative graphs to help identify public transit fiscal health.

- Revenues including tax authority, fares, other sources
- Expenditures, including operating and capital
- Reserves, including breakdown by type
- Costs per hour of service delivered
- Ridership changes over time
- Costs per rider served

For analyzing fiscal trends, Washington transit systems were grouped into categories based on populations in transit services areas. The groupings are below; the year of formation is in parentheses.

Urban Systems	
C-Tran (Clark; PTBA; pre-1991)	Spokane Transit (PTBA; pre-1991)
Community Transit (Snohomish; PTBA; pre-1991)	King County Metro (County; pre-1991)*
Everett Transit (City; pre-1991)	Sound Transit (RTA; 1996)**
Pierce Transit (PTBA; pre-1991)	

* For certain data analyses in this study, King County Metro (KC Metro) and Sound Transit (ST) are analyzed separately from the other urban systems. When looking at the six urban systems other than Sound Transit, KC Metro represents about 50 percent of urban systems' ridership, vehicle hours, and operating costs. As a result, including it in the urban systems data analysis tends to distort the analysis for other urban systems. So study staff have chosen to show KC Metro separate from other urban systems in some data analyses.

** Sound Transit is a unique type of transit system in the state, both by virtue of its size and revenue base, and the service it provides. It was formed in 1996 as a three-county system focused on a capital plan to develop a light rail system, commuter rail, and a support structure for regional express bus services. ST also contracts with local transit agencies to operate its service in King, Pierce and Snohomish counties, and light rail and commuter rail. ST is included in certain of the analysis when overall funding for public transportation is portrayed.

Small Urban Systems: Areas with 50,000-200,000 persons	
Asotin County PTBA (PTBA; 2004)	Link Transit (PTBA; Chelan-Douglas; pre-1991)
Ben Franklin Transit PTBA; pre-1991)	Skagit Transit (PTBA; 1993)
City of Selah Trans. Service (City; 2007)*	Union Gap Transit (City; 2007)*
Cowlitz Transit Authority (PTBA; pre-1991)	Whatcom Trans. Authority (PTBA; pre-1991)
Intercity Transit (Thurston; PTBA; pre-1991)	Yakima Transit (City; pre-1991)
Kitsap Transit (PTBA; pre-1991)	*Selah and Union Gap data shown in Yakima Transit for 2007

Rural Systems: Areas with fewer than 50,000 persons	
Clallam Transit System (PTBA; pre-1991)	Mason County Trans. Authority (PTBA; 1992)
Columbia County Public Trans. (CTA; 2004)	Pacific Transit (PTBA; pre-1991)
Garfield County Public Trans. (UTBA; 1999)	Prosser Rural Transit (absorbed by Ben-Franklin pre 1991)
Grant Transit Authority (PTBA; 1996)	Pullman Transit (City; pre-1991)
Grays Harbor Trans. Authority (CTA; pre-1991)	Twin Transit (Lewis; PTBA; pre-1991)
Island Transit (PTBA; pre-1991)	Valley Transit (Walla Walla; PTBA; pre-1991)
Jefferson Transit Authority (PTBA; pre-1991)	Whitman County (UTBA; no operations)

Public Transit System Overview

Governance

There are 31 public transportation systems providing service in 28 of Washington's 39 counties. These systems are locally-controlled, special-purpose municipal governments. Most systems operate within a single county, while three serve multiple counties: Link Transit (Chelan and Douglas Counties); Ben Franklin Transit (Benton and Franklin Counties); and Sound Transit (King, Pierce, and Snohomish Counties).

The following describes each of the transit system types authorized under current law.

- **Public Transportation Benefit Areas (PTBA) (RCW 36.57A)** are established within a single county via a public transportation improvement conference convened by the county legislative authority. PTBAs include both incorporated and unincorporated areas. They are governed by up to nine elected officials selected by the legislative bodies of the county and the component cities. In Thurston County, citizen members also serve on the governing body. In Mason County, the elected officials include school board members, fire district members, and public hospital district members. Twenty of Washington's transit systems are organized as PTBAs.
- **County transit systems (RCW 36.56)** are permitted in counties with a population of at least 210,000. Only one such system exists, King County Metro, created in 1991 when it assumed the responsibilities of a metropolitan municipal corporation (RCW 35.58). KC Metro is governed as an agency of King County (under the authority of the County Executive) and the service area is county-wide.
- **City transit systems (RCW 35.58.2721)** are established by elected city officials, and may operate within the city's corporate limits and up to 15 miles beyond. Five city transit systems operate in Washington: Everett, Pullman Selah, Union Gap, and Yakima.
- **County Transportation Authorities (CTA)(RCW 36.57)** are established by resolution of the county legislative body. The transit system's governing body is statutorily comprised of three county commission members and three mayors; the jurisdiction boundaries are county-wide. A CTA may contract for ambulance services; it may also be established to provide service to only persons with special needs. Only two of Washington's transit systems are organized as CTA's, and they are both rural systems – Columbia County and Grays Harbor.
- **Unincorporated Transportation Benefit Areas (UTBA)(RCW 36.57.100)** are formed by the county commission, and may operate in unincorporated areas only. Two UTBAs exist: the Garfield County transit system which is currently operating, and the Whitman County system which has been formed, but is not providing service.
- **A Regional Transportation Authority (RTA)(RCW 81.112.030)** is authorized only in the Puget Sound area, and there is just one -- Sound Transit. The governing board consists of 18 members: 17 are local elected officials appointed by the respective County Executives of the three member counties (King, Pierce and Snohomish) and the 18th is the State Secretary of Transportation. The local elected officials include mayors, city council members, and county executives and

council members from within the three-county Sound Transit district. An RTA may operate or contract for commuter/express bus, commuter rail, and light rail service.

Insert map here or at end

Types of Service

Most public transit service is operated on fixed routes and fixed schedules. Other service is provided through route-deviated service, vanpools, and paratransit service. Route-deviated service is a modified version of fixed-route service, with designated time points and potential deviations to pick up riders at other locations on an on-call basis. If a transit system provides route-deviated service, they are not required to provide the paratransit services described below.

Paratransit service is designed to serve the needs of those who cannot use fixed-route service (e.g., elderly, persons with disabilities). Transit systems provide these services by equipping buses with lifts and through demand-response (door-to-door) service. The federal Americans with Disabilities Act (ADA) requires that paratransit services must be provided within three-quarters of a mile of fixed-route service for people who cannot functionally use fixed-route service.

Funding Sources

State law provides most public transportation systems with three local tax options for funding transit service, all of which are subject to voter approval:

- Sales and use tax of up to 0.9 percent (utilized by 28 systems);
- Household tax of up to \$1 per month for each housing unit (utilized by no systems); and
- Business and occupation tax (utilized by 1 system - Pullman Transit).

Sound Transit, operating under authority of an RTA, has taxing authority separate from other transit systems. As such, it is authorized to levy a sales and use tax of up to 0.9 percent, which it is now imposing, and an employer tax of up to \$2 per month per employee, which it is not currently imposing. Until the passage of Initiative 776 in 2002, Sound Transit also had the authority to levy a motor vehicle excise tax (MVET) of up to 0.8 percent. At the time Initiative 776 passed, Sound Transit had imposed a 0.3% MVET, whose revenue was pledged to the repayment of bonds. The Washington Supreme Court upheld its collection in *Pierce County v. State*, 159 Wn.2d 16 (2006), and as a result, Sound Transit will continue to collect 0.3% MVET until their bond debt is fully retired in approximately 2028.

Local Option Sales and Use Tax

In 2010, local option sales and use tax revenues provided over 64 percent of all funds for transit. Current law authorizes each transit system to seek local approval for up to 0.9 percent in sales and use tax support. Transit systems currently impose between 0.2 percent to 0.9 percent local option sales and use tax. The following table identifies the current breakdown of sales and use tax support for each transit system, as well as the type of system, the date of its last sales tax increase, and its service area population.

Transit System	Authority	Sales Tax		Service
		Rate	Last Increase	Area Population
1 Asotin County PTBA	PTBA	0.2%	4/1/2005	21,650
2 Ben Franklin Transit	PTBA	0.6%	7/1/2002	232,178
3 Clallam Transit System	PTBA	0.6%	1/1/2001	71,600
4 Columbia County Public Transportation	County	0.4%	4/1/2006	4,100
5 Community Transit (Snohomish County)	PTBA	0.9%	1/1/2002	524,954
6 C-TRAN (Clark County)	PTBA	0.7%	4/1/2012	362,175
7 Everett Transit	City	0.6%	1/1/2005	103,100
8 Garfield County Public Transportation	UTBA	0.0%	N/A	835
9 Grant Transit Authority	PTBA	0.2%	1996	90,100
10 Grays Harbor Transportation Authority	County	0.6%	2000	72,900
11 Intercity Transit	PTBA	0.8%	1/1/2011	161,407
12 Island Transit	PTBA	0.9%	1/1/2010	78,800
13 Jefferson Transit Authority	PTBA	0.9%	7/1/2011	30,050
14 King County Metro	County	0.9%	4/1/2007	1,942,600
15 Kitsap Transit	PTBA	0.8%	10/1/2001	253,900
16 Link Transit	PTBA	0.4%	1990	106,093
17 Mason County Transportation Authority	PTBA	0.6%	1/1/2001	61,100
18 Pacific Transit	PTBA	0.3%	1979	20,900
19 Pierce Transit	PTBA	0.6%	7/1/2002	747,861
20 Pullman Transit	City	0.0%	N/A	29,820
21 River Cities Transit (Kelso-Longview)	PTBA	0.3%	4/1/2009	48,650
22 City of Selah Transportation Service	City	0.3%	7/1/2007	7,205
23 Skagit Transit	PTBA	0.4%	4/1/2009	102,433
24 Sound Transit	Regional	0.9%	4/1/2009	2,762,363
25 Spokane Transit Authority	PTBA	0.6%	1/1/2005	399,304
26 Twin Transit (Centralia-Chehalis)	PTBA	0.2%	4/1/2005	23,750
27 Union Gap Transit	City	0.2%	4/1/2008	6,055
28 Valley Transit (Walla Walla)	PTBA	0.6%	7/1/2010	50,045
29 Whatcom Transportation Authority	PTBA	0.6%	2002	201,923
30 Whitman County UTBA (<i>not operating</i>)	UTBA	0.0%	N/A	14,980
31 Yakima Transit	City	0.3%	1980	91,630
Totals				5,847,118

Of the 28 systems with sales and use tax support, 16 are at a 0.6 percent sales tax rate or higher. Five systems are at the maximum level of 0.9 percent: Community Transit, Island Transit, Jefferson Transit Authority, King County Metro, and Sound Transit, while Kitsap Transit and Intercity Transit are at 0.8 percent.

Since 2008, voters have approved sales tax increases for C-TRAN, Island Transit, Intercity Transit, River Cities Transit (Cowlitz), Skagit Transit, Sound Transit and Valley Transit. Since 2008, voters have rejected sales tax increases for Pierce Transit, C-TRAN and XYZ transit systems.

For the 17 transit systems that are at a sales tax rate of 0.6 percent or more, several such as Island Transit, Clallam Transit, and Skagit Transit are in areas without a major sales tax base. This means that their sales tax rate generates relatively less revenue than a similar sales tax rate in an area with a larger sales tax base.

The only operating transit system in the state not using sales tax for a revenue source is Pullman Transit, which uses a business and occupation tax. And while Whitman County UTBA has been formed by the county commission, it does not operate a system and does not impose any tax.

State and Federal Funding

The Washington State Department of Transportation (WSDOT) distributes a variety of state and federal grants to local transit systems to support public transportation programs. These grant programs include four federal grants (Federal Transit Administration Sections 5310, 5311, 5316, and 5317), and two state grants (State Rural Mobility competitive grant, and the State Paratransit/Special Needs competitive grant for non-profit agencies).

WSDOT uses a consolidated application process for those organizations applying for both state and federal public transportation grants. Applicants describe their projects and provide pertinent information. Based on this information, the appropriate type of funding when awarding projects is determined. Timelines for all state and federal funding awards are in line with the state biennium, so applicants need to submit their grant proposals once every two years. These six grant programs can be used for both capital and operating expenses, which may include operating assistance for paratransit or special needs transportation services, feeder bus service for an intercity network, mobility management, and a program to assist persons with riding transit.

The State also offers a Regional Mobility Grant (RMG) program which provides grants to local transit systems to deliver transit mobility projects that are cost-effective, reduce travel delay for people and goods, improve connectivity between counties and regional population centers, and are consistent with local and regional transportation and land use plans. Capital construction, equipment acquisition and operating projects are eligible expenditures. Projects are competitively evaluated and a ranked list is submitted to the Legislature for appropriation.

In addition to the federal grants distributed through the consolidated grant program referenced above, a variety of revenue sources are available directly from the USDOT, including the Federal Transit Administration (FTA) and the Federal Railroad Administration (FRA). The FTA Section 5309 “New Starts” and “Bus and Bus Facilities” grants are a significant funding source for local transit agencies. Agencies apply for these grant funds, and once awarded, discretionary funding is appropriated through the

annual congressional appropriations process. Section 5307 formula funds are another significant source of federal funding for urban and small urban transit agencies. These funds are distributed on a formula basis, and as a result are considered a more reliable source of support for local transit agencies than competitive grants or discretionary funds

Motor Vehicle Excise Tax

Until the year 2000, transit agencies collected significant revenues from a motor vehicle excise tax (MVET). In 1999, MVET represented between zero and 50 percent of local tax revenues for transit among the various systems, for a total of \$259 million. This represented 31 percent of locally generated revenues, including fares, and nearly 22 percent total transit revenues in 1999.

Following the passage of I-695 in 1999, the Legislature repealed the MVET in 2000. In an effort to replace some of that lost funding, the Legislature authorized local transit agencies to impose up to an additional 0.3% local option sales tax. This increased the maximum voter approved sales tax rate for public transit agencies from 0.6% to 0.9%.

In 2002, statewide voters approved Initiative 776, which repealed MVET authority for Sound Transit and high capacity transit purposes. Prior to Initiative 776, Sound Transit was authorized to impose up to 0.8% MVET, and voters had approved a 0.3 percent MVET rate. That 0.3 percent MVET was pledged to repay bonds financing voter-approved capital expenditures. The Washington Supreme Court ruled in *Pierce County v. State*, 159 Wn.2d 16 (2006) that because the Sound Transit MVET was pledged to repay bonds, the MVET could be collected until the bonds were paid off, which is estimated to be in 2028.

Fares

Transit fares provide a significant amount of transit funding. Transit agencies have varying policies regarding fare-setting; some seek higher farebox recoveries to help cover costs, while others seek lower farebox recoveries to make service accessible to more people and increase ridership. The lower farebox recovery rates typically seen in demand-response services are due to reduced fare or fare free policies that support ridership among special needs population. State law also mandates special needs fares be set at one-half regular system fares. Systems serving larger populations often have higher farebox recovery ratios.

In 2010, transit farebox receipts were \$223 million, and with farebox recovery ranging from 2.2 percent for demand-response services to 22.8 percent for fixed-route services, and nearly 82 percent for vanpool programs. Fares have increased for many systems in the past five years, while other systems have maintained low fares or remain fare free. In 2010, fares provided 12.5 percent of all operating revenue, and 10.9 percent of all revenue.

Annual Funding for All Systems Statewide

Funding for transit systems is shown in Figures 1-3. The table below summarizes the data in Figure 1.

<i>\$ in millions</i>	1991	2010
Retail sales tax	\$220	\$1,252
Fares	\$62	\$224
Vanpool revenue	\$0	\$20
MVET	\$128	\$66
Federal funds	\$47	\$362
Other local funds	\$74	\$78
State funds	0	35
TOTAL	\$531	\$2,037

A similar graph is shown in Figure 2, organized by transit system group, and summarized below.

<i>\$ in millions</i>	1991	2010
Rural	\$15	\$53
Small urban	\$49	\$180
Large urban	\$139	\$360
KC Metro	\$328	\$644
Sound Transit	\$0	\$800
TOTAL	\$531	\$2,037

Figure 3 shows the change in the types of funding received. In 1992 (used due to an unusual amount of "other funds" in 1991), MVET represented more than a quarter of all funds received. In 2010, funding had shifted to sales taxes and federal funds, which together constituted almost 80 percent of all funding.

Observations

- Transit funding has grown by an average of 7.3%, annually since 1991. While much of the growth is due to increases in sales tax collections, (due to economic conditions, population growth, tax rate increases, or additional transit agencies), fares, federal funds, and other revenues have also grown.
- KC Metro and Sound Transit collect the largest share of transit revenues. In 1991, KC Metro received 62% of the statewide total. In 2010, KC Metro collected 32% and Sound Transit 39% of the statewide total, for a combined total of 71%.
- There was a drop in funding in 2000, related to the loss of MVET funds; and again in 2010, likely due to the effects of the recent recession.
- The local MVET was repealed by Initiative 776 in 2002, but Sound Transit continues to collect it. This is because the Washington Supreme Court ruled in *Pierce County v. State*, 159 Wn.2d 16 (2006) that Sound Transit may continue to collect the MVET pledged to pay off bonds that are expected to be retired in 2028.
- A significant portion of funding in the 2000's is categorized "local/other." This is largely attributable to funds received by transit agencies for contracted services, and the use of prior-year reserves.
- After the repeal, when the Legislature granted transit agencies additional sales taxing authority, a number of jurisdictions approved additional taxes, and the statewide average rate rose from 0.44% in 2000 to 0.78% in 2010.

Figure 1

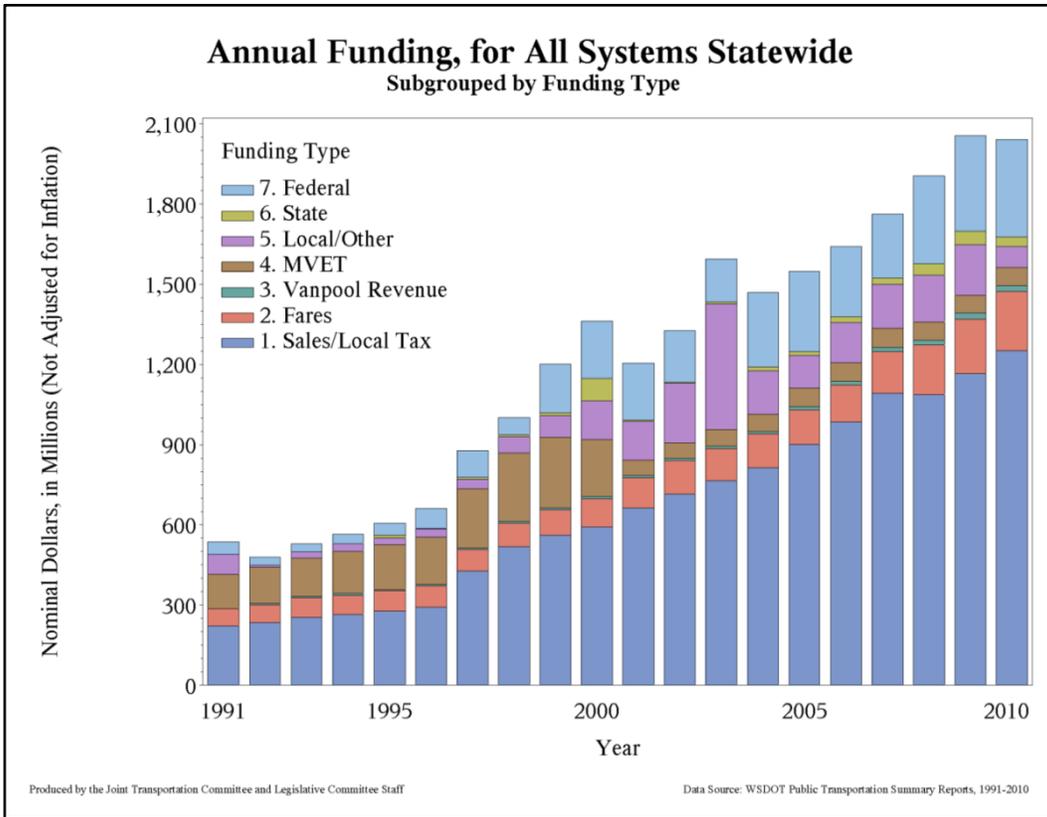


Figure 2

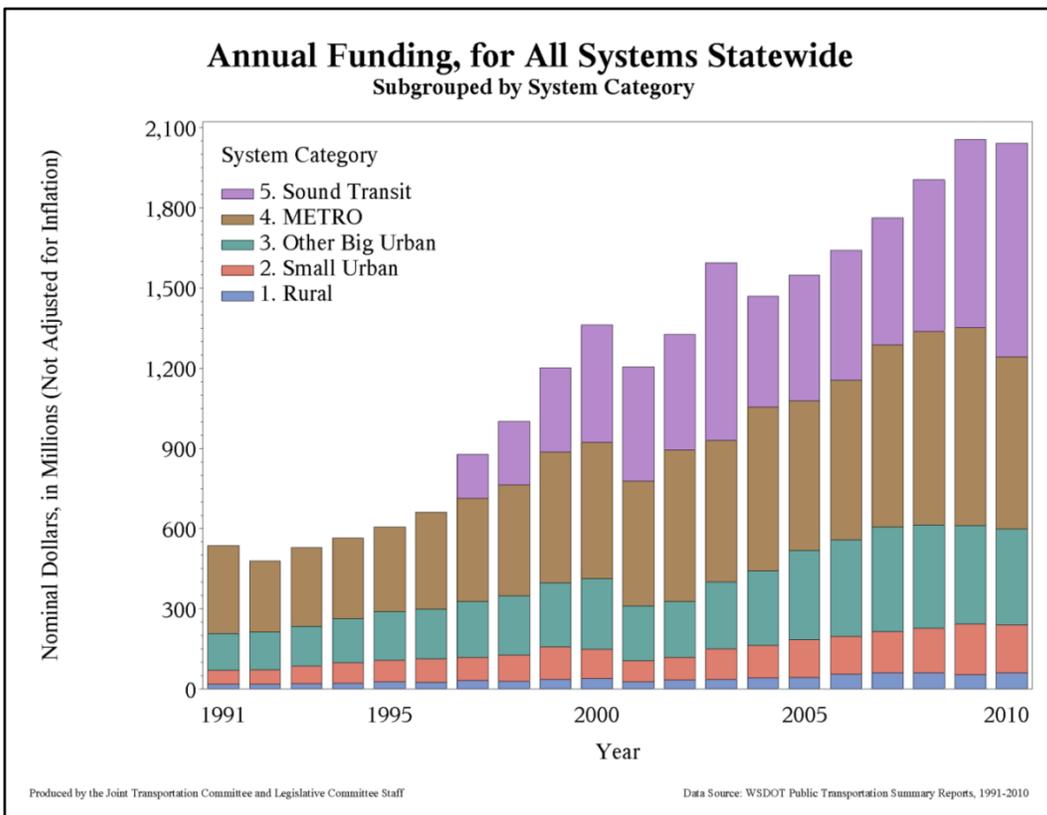
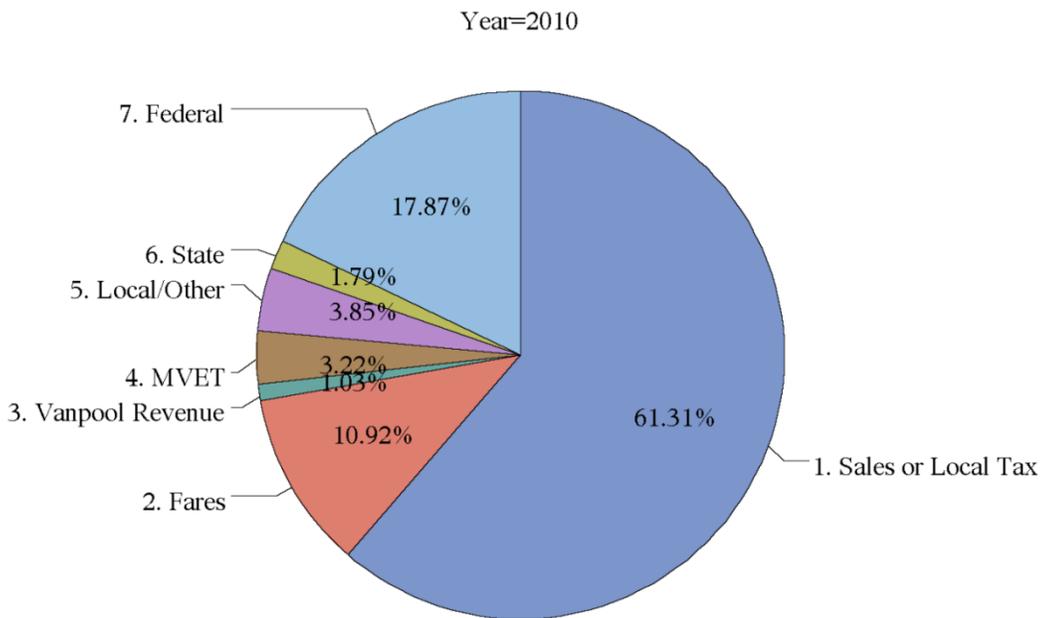
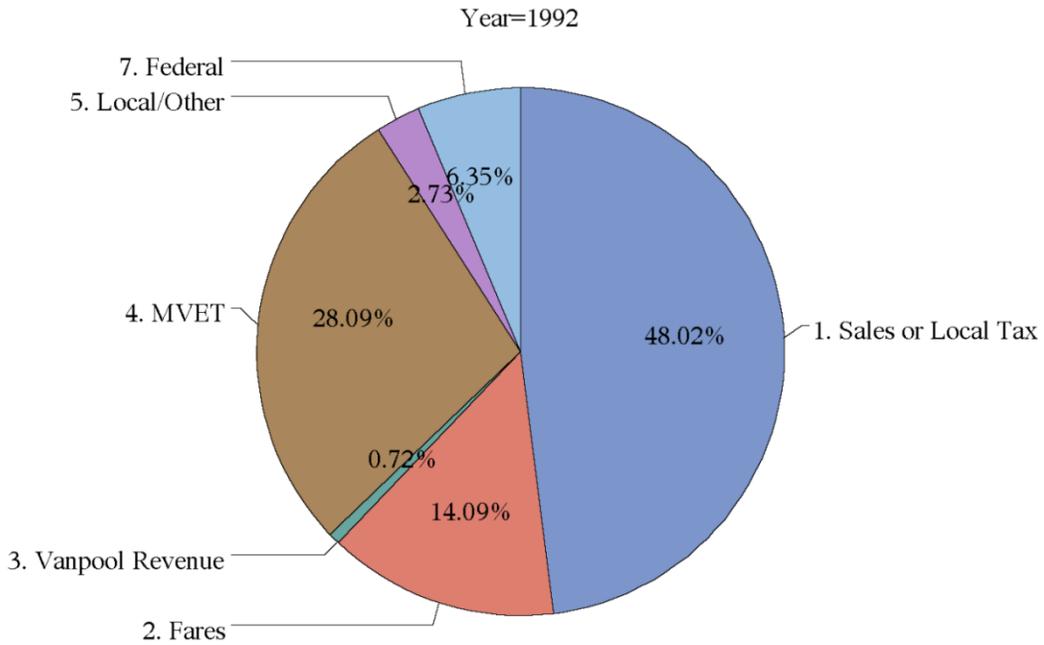


Figure 3

Distribution of Total Funding for Selected Years For All Systems Statewide



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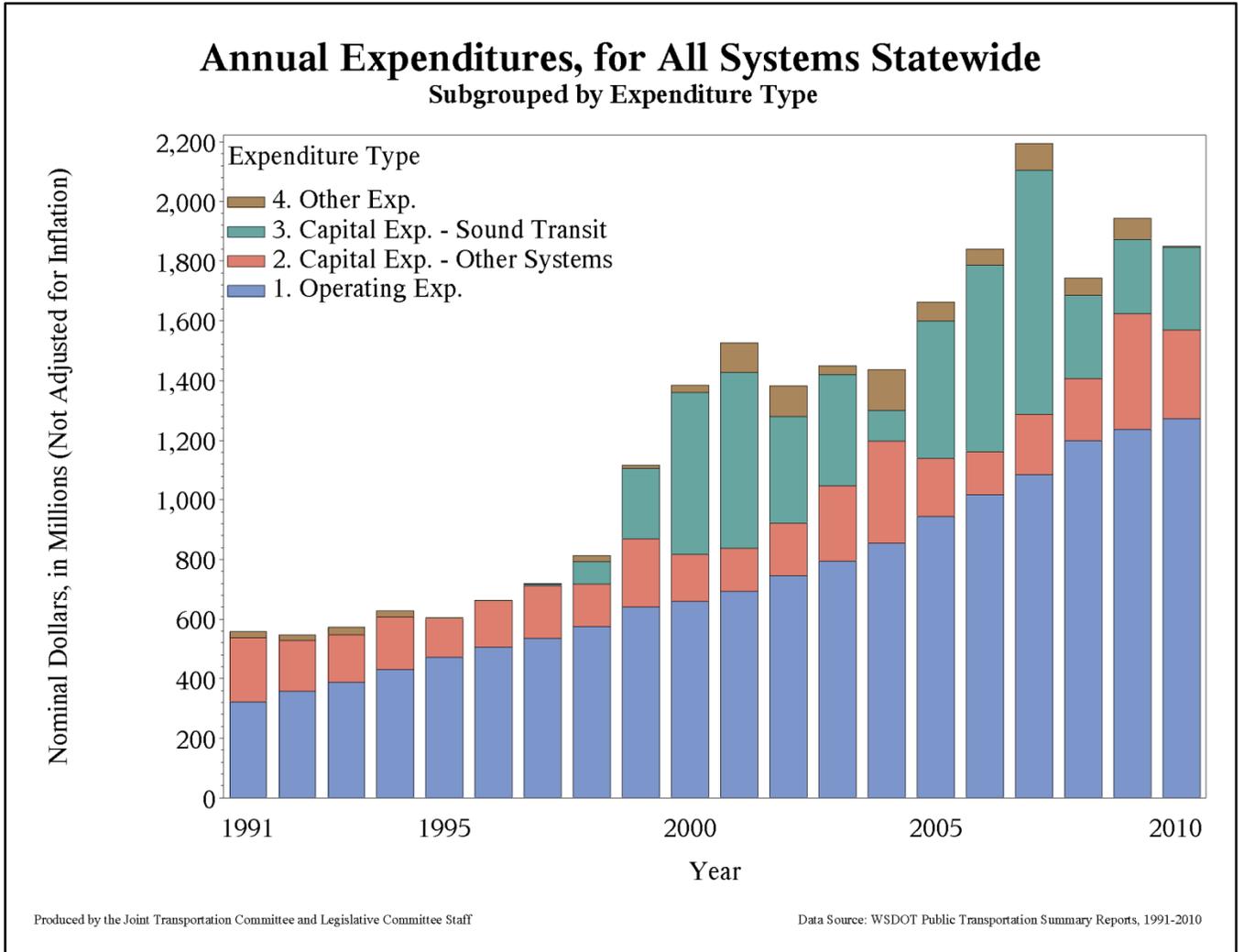
Annual Expenditures for All Systems Statewide

Funding for transit programs is spent primarily on operating and capital outlays. The distribution over time is shown in Figure 4. In 1991, out of total expenditures of \$552 million, operating expenditures were \$322 million (58%) and capital expenditures were \$212 million (38%). In 2010, out of total expenditures of \$1.9 billion, operating expenditures were \$1,270 million (67%) and capital expenditures were \$572 million (30%).

Observations

- Growth in operating expenditures was robust over the entire 1991-2010 period, 7.5 percent a year. Even during the periods of apparent fiscal stress, in 1999-2002 and 2008-2010, overall operating expenditures grew at annual rates of 5.3 percent and 3.0 percent, respectively.
- Outlays for capital varied from year to year; no steady pattern emerged. This may be because the capital needs and obligations of systems are "lumpy", meaning such obligations occur intermittently.
- After the voters approved funding for the Regional Transit Authority in 1996, the majority of statewide transit capital outlays after this time are attributable to Sound Transit's ST1 and ST2 programs. From 1999 through 2010, almost two-thirds of transit agency expenditures for capital purchases were from Sound Transit.
- Comparing with Figure 1, total expenditures in 2007 exceeded incoming total funding for the year. This imbalance occurred and was made possible as Sound Transit drew down a substantial portion of its undesignated reserves in order to finance a number of large capital obligations, including the opening of Link Light Rail and boring the tunnel under Capitol Hill.

Figure 4



Revenue Vehicle Hours by Year

Revenue vehicle hours are the number of hours that vehicles are providing service to carry passengers and do not include dead-heading or maintenance time, for example.

Figure 5 shows annual revenue vehicle hours for fixed-route and route-deviated services statewide by system group, and the data is summarized below.

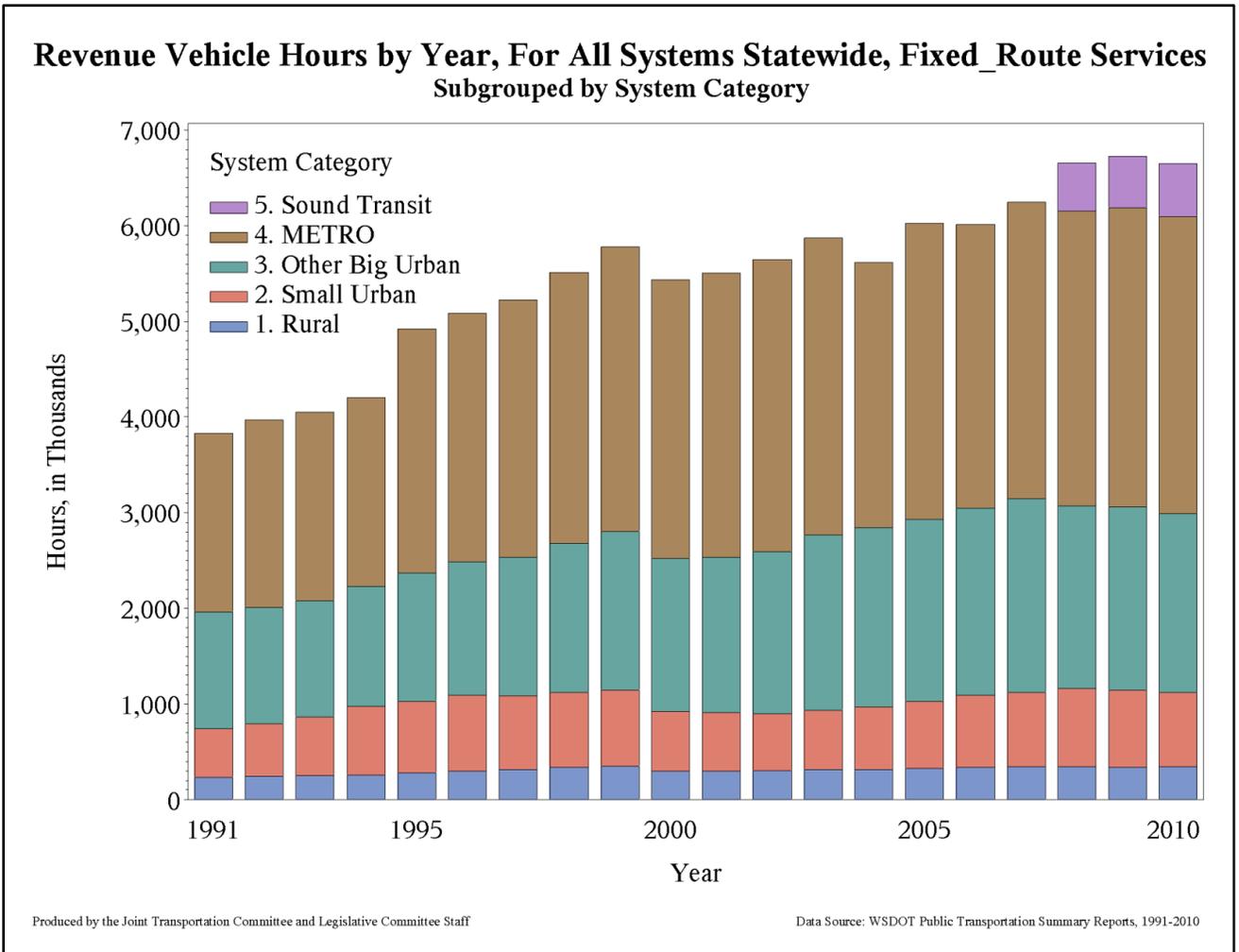
	1991 <i>Hours in millions</i>	2010 <i>Hours in millions</i>
Rural	0.2	0.3
Small urban	0.5	0.8
Big urban	1.2	1.9
KC Metro	1.9	3.1
Sound Transit*	NA	0.6
TOTAL	3.8	6.7

* Sound Transit contracted service routes

Observations

- On the whole, transit service increased significantly from 1991 - 2010, with average annual growth at 5.3 percent.
- From 1999 through 2002, average annual growth was -0.8 percent.
 - The implication is that agencies scaled back services, probably in response to the loss of MVET funding, which meant fewer routes and runs.
- Average annual growth from 2002 through 2008 was 2.8 percent. From 2008 through 2010, the average annual growth was flat (0 percent).
 - It appears that agencies have tried to maintain services, for the most part, during the recession period beginning in 2008.
- In 2008, the graph shows that Sound Transit offered contracted fixed-route services for the first time; however, this was a change in reporting required by the Federal Transit Administration where ST data was previously included in the reports for King County Metro, Pierce Transit, and Community Transit.
- The data underlying the graph shows differences between system groups during service reductions. For example, following the repeal of the MVET (1999 – 2002), rural and small urban systems scaled back services the most, with annual average growth rates of -9.5 percent and -4.3 percent respectively. This contrasts with KC Metro and other big urban systems, which grew at 0.8 percent and 0.9 percent, respectively, during the period.

Figure 5



Passenger Trips by Year

A passenger trip is identified as a one-way trip from an origin to a destination. If the person transfers to another vehicle, the second leg of the journey counts as a second trip.

Figure 6 shows the number of passenger trips for fixed-route and route-deviated services statewide by year, organized by system group. The data is summarized below.

	1991 <i>Passenger trips in millions</i>	2010 <i>Passenger trips in millions</i>
Rural	4.8	6.0
Small urban	12.2	18.8
Big urban	26.8	42.3
KC Metro	78.4	109.0
Sound Transit*	NA	13.1
TOTAL	122.2	189.2

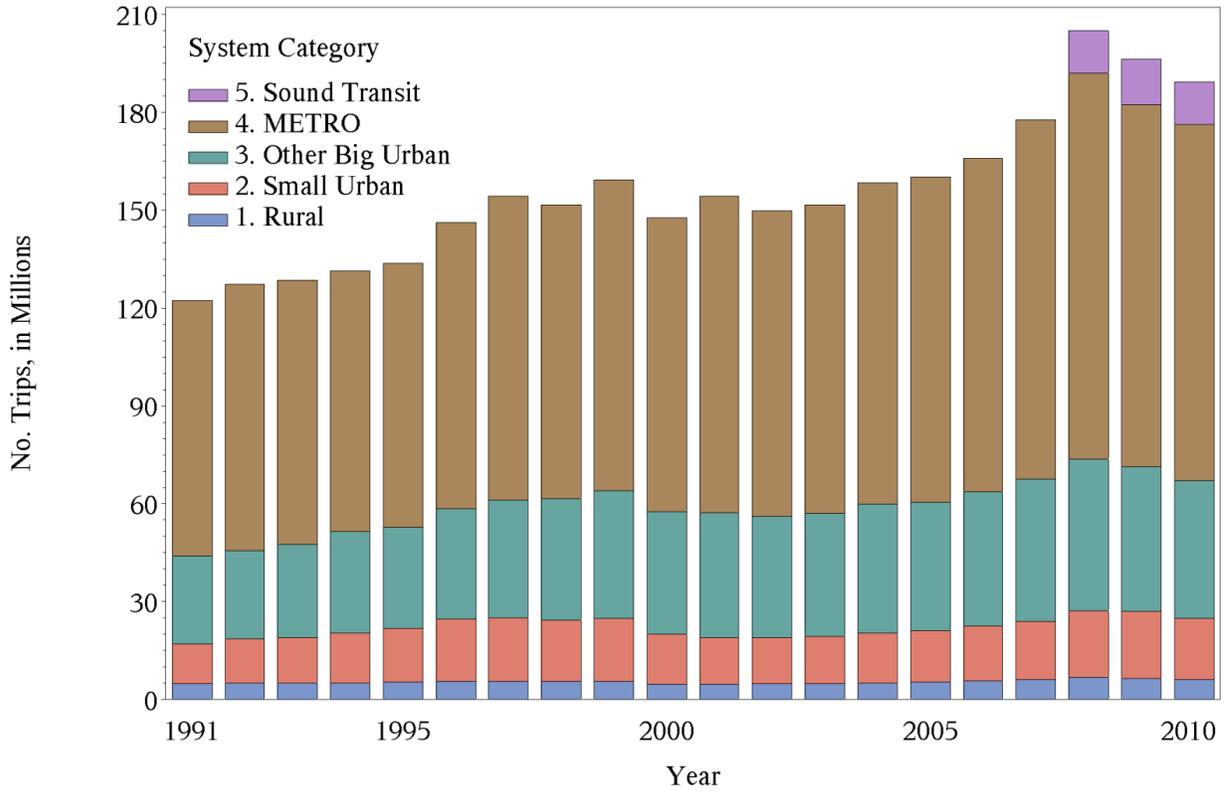
* Sound Transit contracted service routes

Observations

- Steady growth occurred in the 1990's across all groups, with average annual growth at 3.4 percent.
- From 1999 through 2002, average annual growth was -2.1 percent.
 - As indicated by the trend in revenue vehicle hours, it appears that agencies scaled back services to respond to the loss of MVET funding. The reduction meant fewer riders during that period.
- Average annual growth from 2002 through 2008 was robust at 5.4%, and particularly strong in the later years of the period.
 - Sound Transit expanded service during this period, with the addition of express bus, commuter rail and light rail services.
 - It is possible that higher gasoline costs led more people to make transit trips in the later years of the period.
- Beginning in 2008, the recession years' average annual growth was -3.9%.
 - Data suggests that agencies have tried to maintain services, for the most part. One explanation for the decrease in ridership may be related to an increase in unemployment.
- In 2008, Sound Transit appears to have riders on contracted fixed-route services for the first time; however, this was a change in reporting required by the Federal Transit Administration. Previously, their riders were included in the reports for KC Metro, Pierce Transit, and Community Transit.

Figure 6

**Passenger Trips by Year, For All Systems Statewide, Fixed_Route Services
Subgrouped by System Category**



Produced by the Joint Transportation Committee and Legislative Committee Staff

Data Source: WSDOT Public Transportation Summary Reports, 1991-2010

Operating Costs per Revenue Hour

Performance indicators such as operating costs per revenue hour are monitored to evaluate the health of transit systems. This indicator is determined by dividing the total cost of the service provided by the number of hours the vehicles are in service.

Figure 7 shows, by system group, the operating costs per revenue hour for fixed-route and route-deviated services; the data is summarized below. The costs are adjusted for inflation ("real" costs) using the implicit price deflator for the gross domestic product.

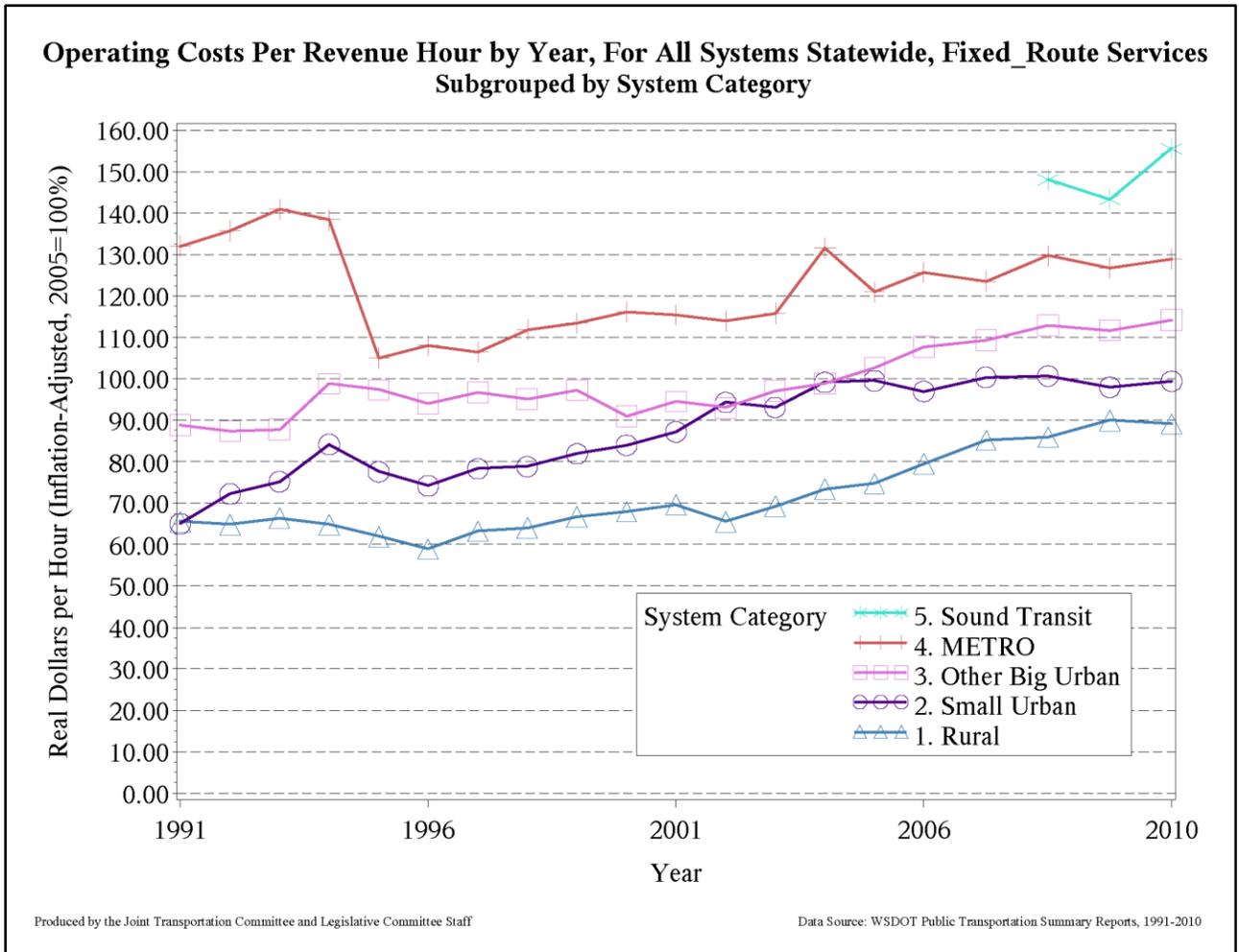
	1991	2010
Rural	\$66	\$89
Small urban	\$65	\$99
Big urban	\$89	\$114
KC Metro	\$132	\$129
Sound Transit*	NA	\$156

** Sound Transit contracted service routes*

Observations

- For all system groups, the long term trend in real operating costs per revenue hour is upward. The average annual growth rates for the period (with KC Metro's beginning in 1995) were 1.6 percent for rural systems; 2.3 percent for small urban systems; 1.3 percent for big urban systems other than KC Metro; and 1.4 percent for KC Metro.
 - The upward trend in real operating costs per revenue hour suggests that the growth in operating costs for transit entities is exceeding the growth in general inflation.
- Operating costs per revenue hour are higher for urban systems than for rural.
- KC Metro appears to have become more efficient in the decade of the 1990's. However, it is believed that the way that the agency reported changed during that time period and that there was no substantive change in KC Metro's cost per hour.

Figure 7



Operating Cost per Passenger Trip

Operating costs per passenger trip for fixed-route and route-deviated services are shown in Figure 8. This performance indicator is calculated by dividing all the operating costs associated with providing fixed and route-deviated services by the number of passenger trips utilizing those services.

The graph in Figure 8 shows the indicator in real dollar terms (i.e., inflation-adjusted, with 2005=100 percent), using the IPD for GDP index. The data is summarized below.

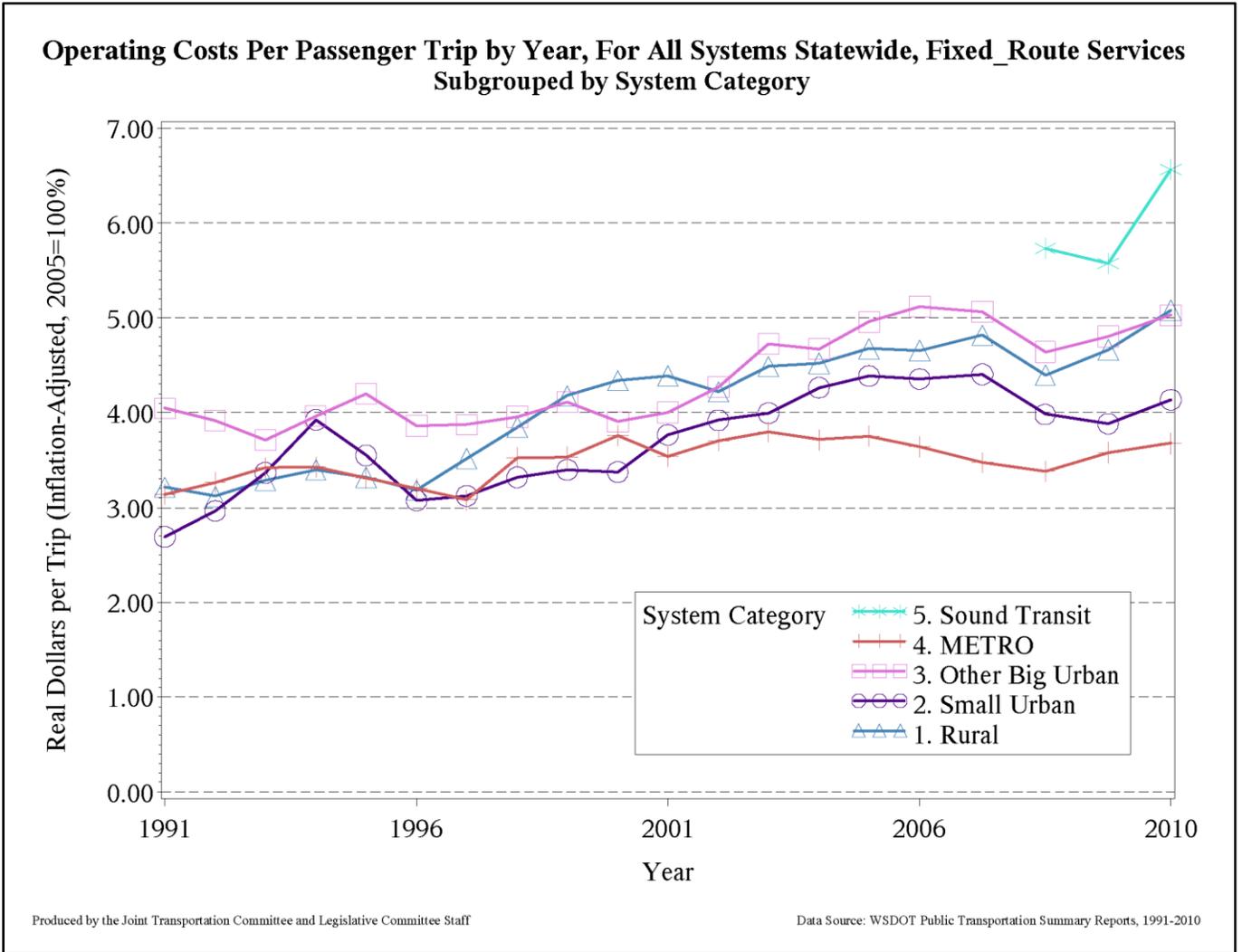
	1991	2010
Rural	\$3.22	\$5.08
Small urban	\$2.69	\$4.14
Big urban	\$4.05	\$5.03
KC Metro	\$3.14	\$3.68
Sound Transit*	NA	\$6.57

* Sound Transit contracted service routes

Observations

- All system groups experienced upward growth in real costs per passenger trip over the period. The average annual growth is shown below. As with operating costs per revenue hour, the implication is that costs per trip are rising faster than the general rate of inflation.
 - Rural, 2.4%
 - Small urban, 2.3%
 - Big urban, 1.1%
 - KC Metro, 0.8%
- Urban systems appear to have lower costs per passenger trip than do smaller urban systems and rural systems.
 - This suggests that, if costs are otherwise the same, urban systems are more efficient on a per-passenger basis because more passengers are served with an equivalent amount of service.
 - The system group data for big urban systems runs contrary. In large part, this is because the underlying data attributable to Community Transit skews the data. If Community Transit is excluded from the analysis, then the large urban and small urban system costs are comparable and typically between Metro's costs and rural systems' costs.
- Sound Transit's costs per trip are the highest of all transit systems, a fact that can in part be attributed to the XYZ issues.

Figure 8



Operating Cost per Revenue Mile

The operating cost per revenue mile performance indicator is somewhat similar to operating cost per revenue hour. The indicator is determined by dividing total operating costs of the service provided by the number of miles driven by the vehicles providing the service while in "revenue service." This is shown as real (i.e., inflation-adjusted) costs per revenue mile in Figure 9, by system group, and is summarized below.

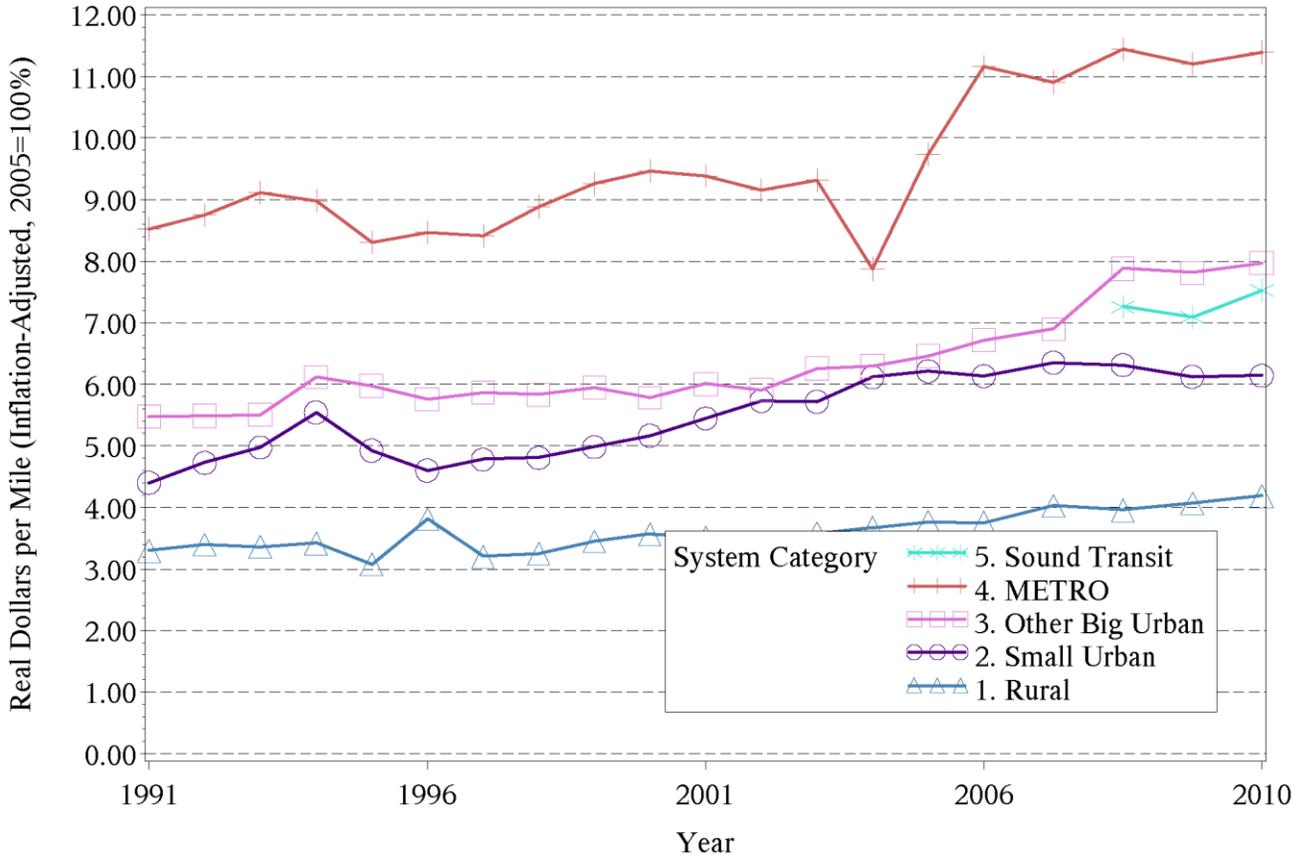
	1991	2010
Rural	\$3.30	\$4.19
Small urban	\$4.40	\$6.14
Big urban	\$5.48	\$7.97
KC Metro	\$8.53	\$11.40
Sound Transit	NA	\$7.53

Observations

- As with the other performance indicators relating to costs, this one shows an increasing trend over time for all system groups, with annual average growth rates as follows:
 - Rural, 1.3%
 - Small urban, 1.8%
 - Big urban, 2.0%
 - KC Metro 1.5 %
- Urban systems tend to have higher operating costs per revenue mile than do rural systems.
 - Congestion can drive higher costs.
 - Urban operating environments have higher costs due to lower speed limits.
 - Urban pay scales may be higher than rural pay scales.

Figure 9

Operating Costs Per Revenue Mile by Year, For All Systems Statewide, Fixed_Route Services Subgrouped by System Category



Produced by the Joint Transportation Committee and Legislative Committee Staff

Data Source: WSDOT Public Transportation Summary Reports, 1991-2010

Operating Cost by Type of Service

Much of the analysis has focused on fixed and route-deviated services, which comprise the majority of the service most transit systems provide to their customers. However, transit systems also provide demand-response and vanpool services. Demand-response services are provided for people with mobility issues, and vanpool services are used by commuters traveling to and from work in a shared van.

Figure 10 addresses operational costs as compared to passenger trips, for small urban systems. Using 1994 as an example, it shows the following:

- Demand-response service accounted for just 5.4% of trips but 19.1% of costs.
- Fixed-route service accounted for nearly 91% of trips but just 79.5% of costs.
- Vanpools accounted for 3.7% of trips but just 1.42% of costs.

By 2010, the disparity in cost for demand-response service was even greater.

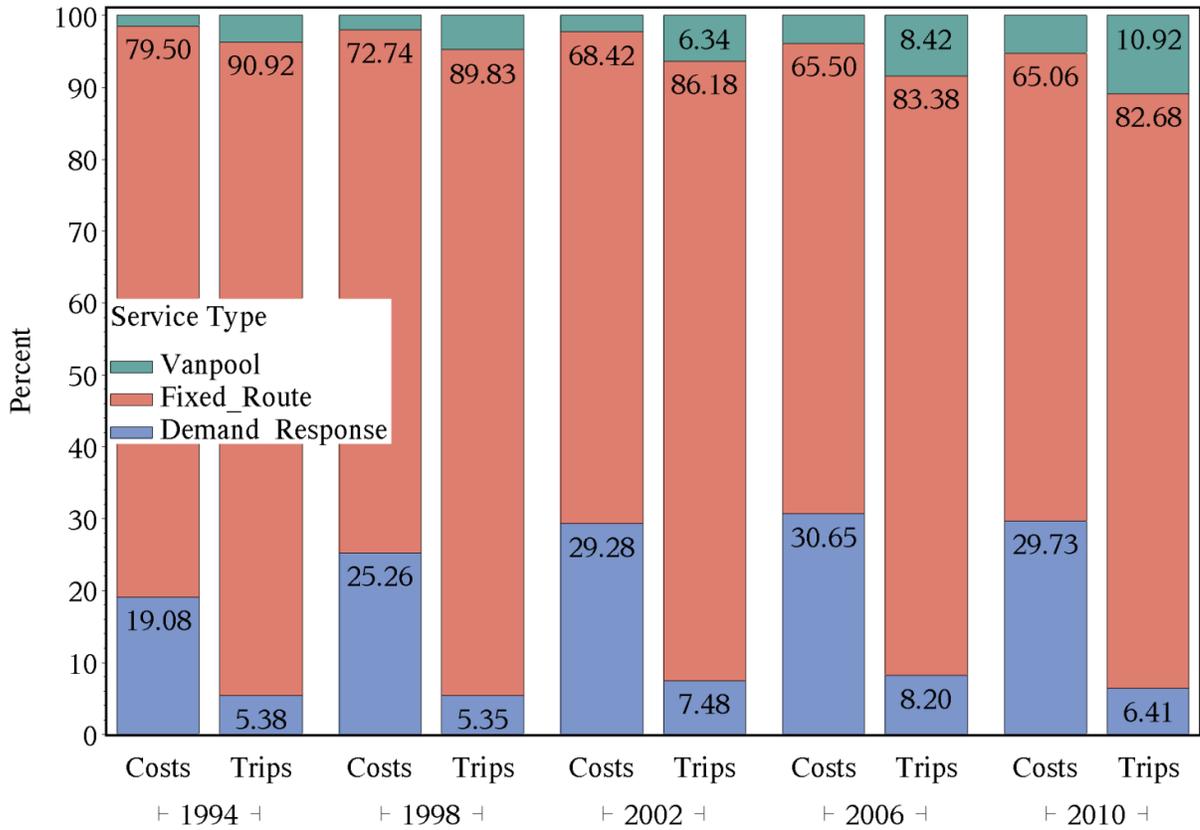
- Demand-response service accounted for 6.4% of trips but 29.7% of costs.
- Fixed-route service accounted for 82.7% of trips but just 65.1% of costs.
- Vanpools accounted for 10.9% of trips but just 5.2% of costs.

Observations

- Demand-response services are relatively expensive compared to fixed-route and vanpool services.
- Demand-response and vanpool service is growing at a faster rate than fixed-route service for small urban systems.
- The cost of demand-response service is growing at a faster rate than other transit services.

Figure 10

Comparison of Operating Cost Distribution to Passenger Trip Distribution By Service Type, For Small Urban Systems



Produced by the Joint Transportation Committee and Legislative Committee Staff

Data Source: WSDOT Public Transportation Summary Reports, 1991-2010

Reserves

Figures 11 and 12 depict the amount of reserves held by all 31 transit systems, by year. Transit agencies maintain different categories of reserves for various reasons. Two major uses of reserves are for capital purchases and cash flow purposes. Most transit agencies do not issue bonds to pay for capital improvements. Rather, they set aside reserves from operating funds to pay for future capital replacement needs, and then pay cash for their capital purchases. Many transit systems also maintain reserves to address cash flow issues and to help them maintain operations during economic swings that reduce revenue collections.

The graphs show that the amounts held in reserves have increased dramatically since 1991, and are summarized below.

	1991 <i>\$ in millions</i>	2010 <i>\$ in millions</i>
Rural	\$14	\$32
Small urban	\$36	\$77
Big urban	\$140	\$265
KC Metro	\$116	\$386
Sound Transit	NA	\$1,049
TOTAL	\$306	\$1,809

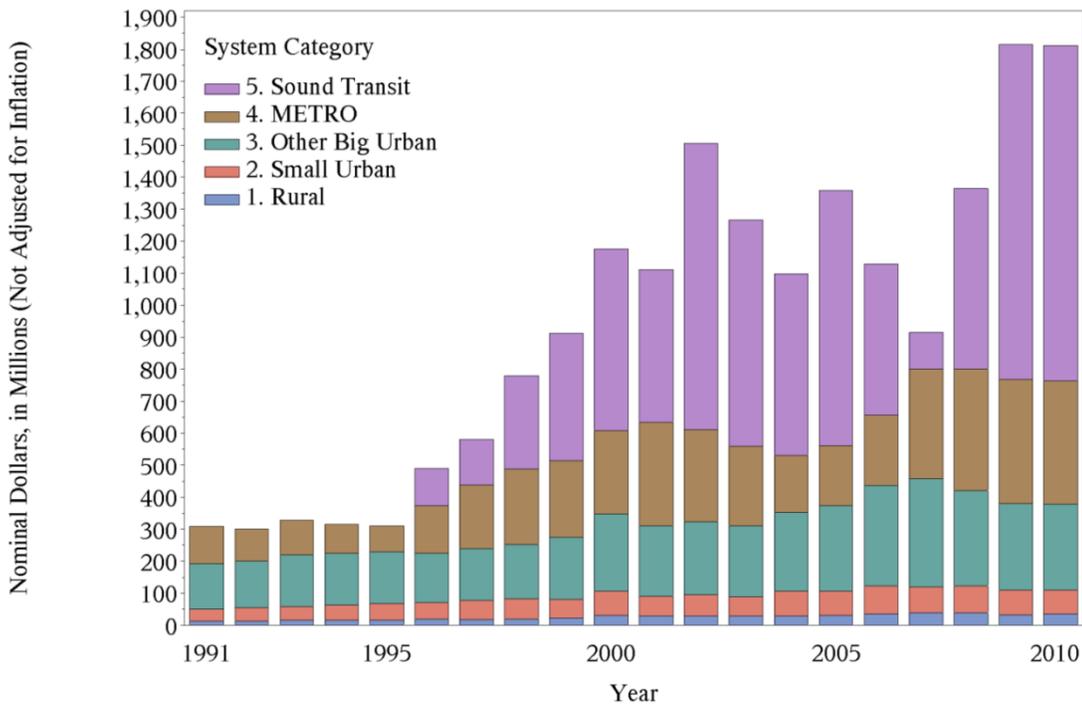
Most of the reserves held in the early 1990s were for specific purposes designated by transit boards, chiefly capital replacement purposes. However, once Sound Transit was established, much of its reserves (and thus much of the reserves held statewide) were held in an "undesignated" status. "Undesignated" does not necessarily imply "unplanned"; many of such reserves are actually committed to contracts and intended for future planned purposes.

Observations

- The amount of reserves held by transit systems varies greatly. In 2010 Sound Transit and Metro maintained hundreds of millions of dollars in reserves each, while rural and small urban systems maintained much less, in some cases just several hundred thousand dollars.
- The level of reserves appears to depend on planned capital expenditures, and the state of the economy. For example, Sound Transit used significant portions of its reserves in 2006 and 2007 to help fund capital obligations. Other transit agencies drew down their reserves in 2008 through 2010 to help pay for capital obligations.

Figure 11

Reserves by Year, For All Systems Statewide Subgrouped by System Category

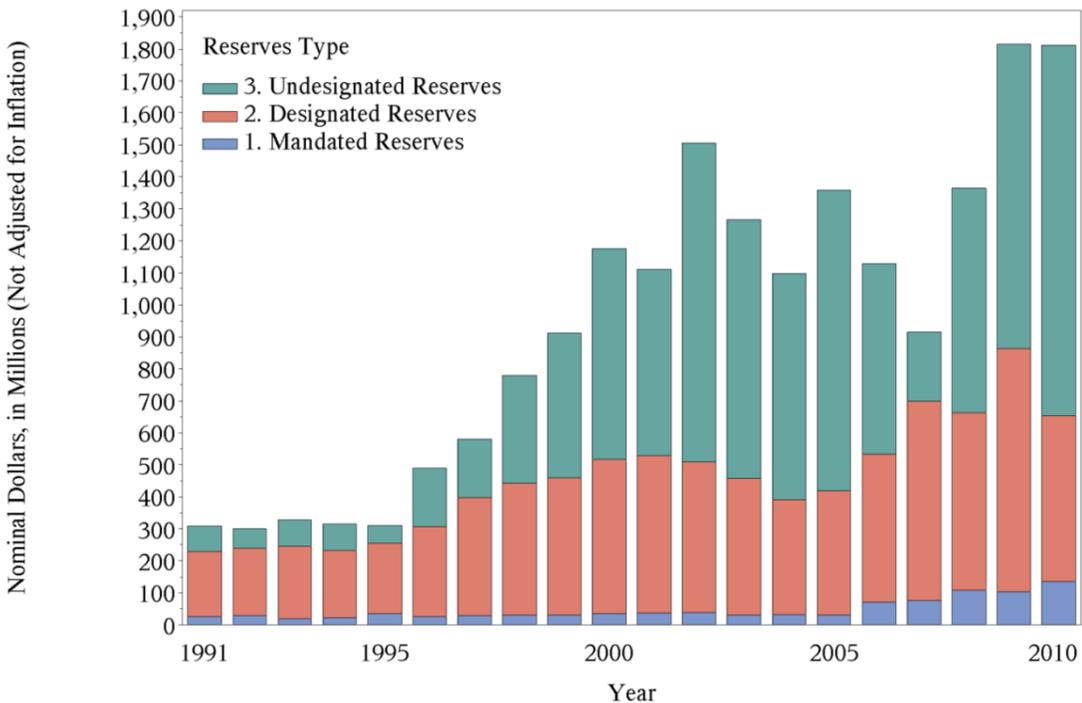


Produced by the Joint Transportation Committee and Legislative Committee Staff

Data Source: WSDOT Public Transportation Summary Reports, 1991-2010

Figure 12

Reserves by Year, For All Systems Statewide Subgrouped by Reserves Category



Produced by the Joint Transportation Committee and Legislative Committee Staff

Data Source: WSDOT Public Transportation Summary Reports, 1991-2010

Average Age of the Fleet

One suggested indicator of transit system fiscal health is the average age of its active fleet. One might assume that transit agencies may defer capital acquisitions during times of fiscal stress, in order to maintain operating services. (However, it should also be noted that age alone does not provide definitive insight on vehicle condition. A number of agencies replace vehicles at an earlier age because the vehicles accumulate miles much more quickly than in other transit agencies.)

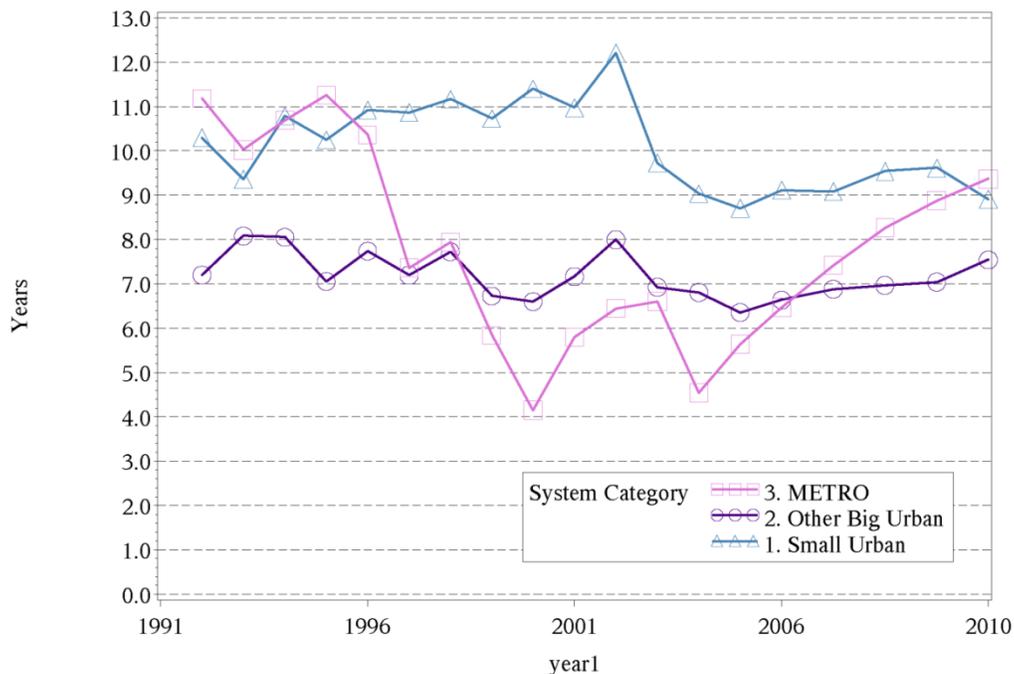
The National Transit Database contains vehicle age data for big and small urban systems. Figure 13 uses that data to show the average age of the active vehicle fleet for fixed-route services. The active vehicle fleet includes buses that are in revenue service during the course of the year. For the year 2010, the average age of vehicles in KC Metro's fixed-route service active fleet was 9.4 years, while for other big urban agencies it was 7.5 years and for rural systems 8.9 years.

Observations

- The average fleet age for small urban systems is two to three years older than for big urban systems, generally.
- The data does not appear to show a correlation between increased vehicle age and fiscal stress. This suggests that the average age of the fleet is more dependent on an agency's capital replacement program cycle and at what point it is in the cycle at any given time.
- No rural data is shown, due to the limitations of the National Transit Database.

Figure 13

Average Vehicle Age by Year, For Urban Systems Except Sound Transit, Fixed Route Services Subgrouped by System Category



Produced by the Joint Transportation Committee and Legislative Committee Staff

Data Source: FTA National Transit Database, 1992-2010

Transit System Overall Funding vs. Expenditures

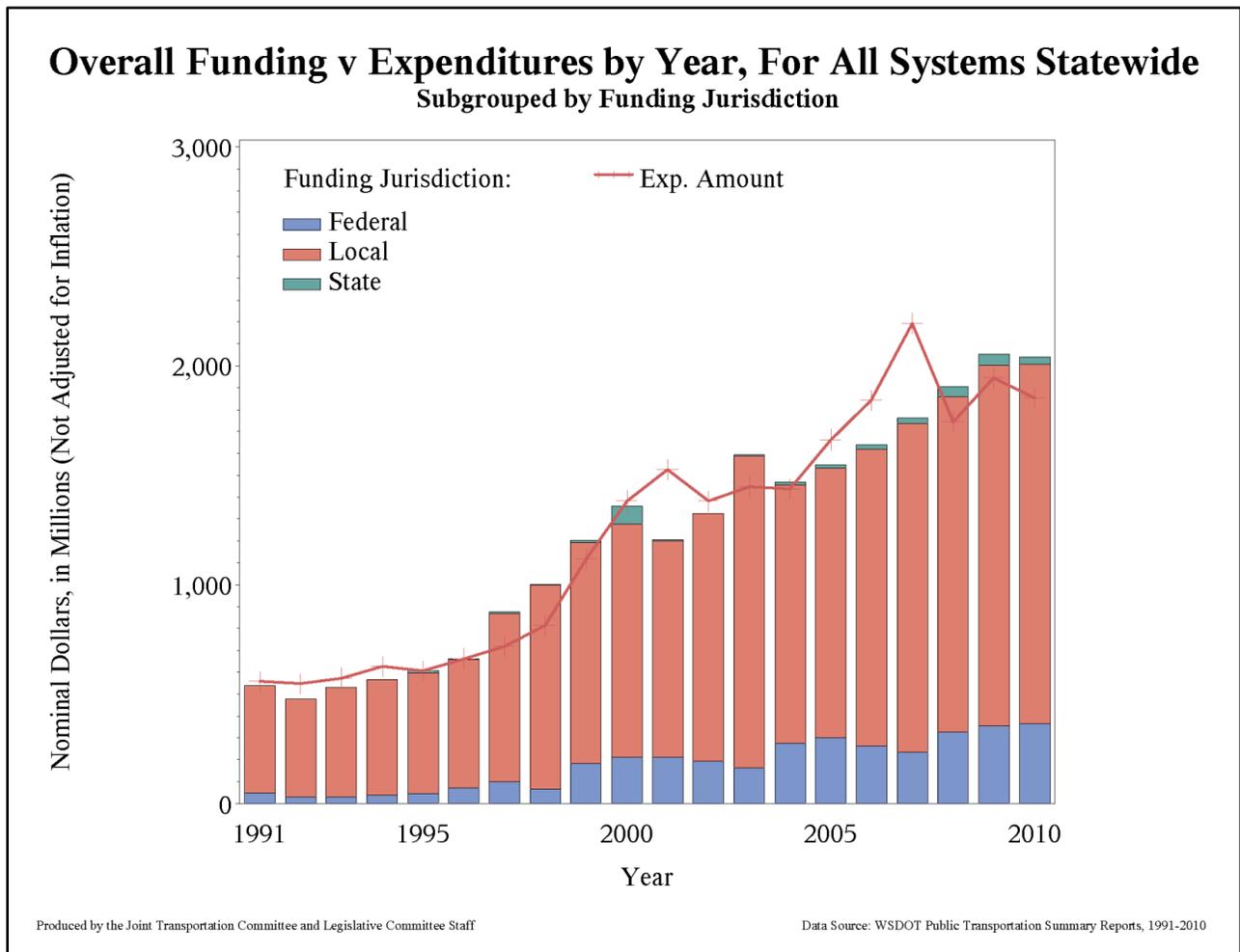
Figure 14 shows the annual funding and expenditures for all transit systems statewide. Funding is shown in the bars, and is subgrouped by funding source (federal, state, and local). Expenditures are shown by the red line with cross-hatched data points.

For 1991, local funding is just under \$500 million, while federal funding is about \$50 million. In 2010, local funding exceeds \$1.6 billion, federal component is more than \$350 million, and state funding is \$35 million. Regarding expenditures, the graph shows total expenditures of \$550 million in 1991 and over \$1.8 billion in 2010.

Observations

- At several points along the timeline, the amount of expenditures exceeds the amount of incoming funding for the year. In these years, the transit systems collectively funded outlays by drawing down reserves.

Figure 14



State Transportation Funding Overview

State Transportation Agencies

The omnibus transportation budget provides operating and capital funds to state agencies that provide a wide variety of transportation functions and services. The major agencies include the following:

- The Washington State Department of Transportation (WSDOT) is responsible for building, maintaining and operating the state highway system and the state ferry system, and works in partnership with various other entities to maintain and improve local roads, railroads, airports, and multi-modal alternatives to driving. WSDOT system responsibilities include 18,600 state highway lane-miles; more than 3,600 bridge structures, including the four longest floating bridges in the United States; 23 ferry vessels active in the largest vehicle-ferry system in the world carrying 23 million ferry passengers annually; and a staff of more than 6,800 full-time employees.
- The Department of Licensing (DOL) licenses and regulates the approximately six million drivers and identification card holders, registers the approximately seven million vehicles and vessels, and collects \$3 billion annually in transportation revenue. DOL also provides other services which are not related to transportation, and which are financed by non-transportation dollars.
- The Washington State Patrol (WSP) provides a variety of traffic law enforcement services through its approximately 1,900 employees, approximately 650 of whom are highway troopers. These services include motor vehicle equipment standards, commercial vehicle enforcement, vehicle identification, traffic investigations, roadside assistance, and ferry security. Because the WSP also provides a variety of non-transportation related services, it receives approximately 75% of its budget from the omnibus transportation budget and 25% from the omnibus operating budget.

A number of smaller transportation agencies and committees are also funded through the transportation budget including the Transportation Improvement Board (TIB), County Road Administration Board (CRAB), Traffic Safety Commission, and the Joint Transportation Committee.

Transportation appropriations in the 2011-13 biennium total \$9.86 billion. Of that amount, 68% is for capital purposes and 32% is for operating purposes.

Transportation Revenue Sources

The revenues available for transportation purposes can be classified into four categories:

- state funds (including taxes and fees),
- bonds,
- federal funds, and
- local funds.

These funds are appropriated through the omnibus transportation budget. The amounts distributed by statute directly to cities and counties are not appropriated through the budget (and are not included in

chart totals). The sources of transportation funds are displayed in the pie graph below and are estimated at \$ ___ billion for the 2011-13 biennium.

Insert Revenue Pie Chart from TRM

Motor Vehicle Fuel Tax

Washington State has a 37.5 cent per gallon tax on gasoline and diesel fuels as of July 1, 2008.

Motor vehicle fuel tax increases since 1990	
1990	22 cents (effective 4/1/90)
1991	23 cents (effective 4/1/91)
2003	28 cents (effective 7/1/03)
2005	31 cents (effective 7/1/05)
2006	34 cents (effective 7/1/06)
2007	36 cents (effective 7/1/07)
2008	37.5 cents (effective 7/1/08)

In 2003, the Legislature enacted a gas tax increase of five cents per gallon as part of the “Nickel Package”, with the proceeds dedicated to the debt service on \$2.6 billion in bonds for state highways and ferry projects authorized in that same package. In 2005, the Transportation Partnership Act utilized a similar approach, with a gas tax increase of 9.5 cents per gallon. Of that amount 8.5 cents per gallon was dedicated to debt service on \$5.1 billion in bonds for state highway and ferry projects, and one cent was distributed to cities and counties.

Of the current 37.5 cent tax, 11.95 cents is distributed to local governments, either directly or through grants distributed by the TIB and the CRAB. The remaining 25.55 cents is retained by the state and appropriated in the transportation budget.

Vehicle Licenses, Permits, and Fees

License, permit, and fee revenues are primarily generated from the \$30 vehicle license fee and the combined license fee paid by trucks (commonly called the gross weight fee). Other fees include title fees, vehicle inspection fees, and special permit fees. These licenses, permits, and fees are the second largest source of state funds for transportation, with funds going to the motor vehicle fund, the Washington State Patrol, and the multimodal account, among others.

Motor Vehicle Excise Tax

Following the passage of I-695 in 1999, the Legislature repealed the MVET in 2000, including the MVET for state transportation purposes.

Just prior to the passage of I-695, the MVET was significantly modified by Referendum 49, which was approved by the voters in 1998. Prior to the passage of Referendum 49, MVET was projected to provide approximately \$200 million for the Washington State Ferry (WSF) system, and approximately \$320 million for other state transportation activities in the 1999-01 biennium. After the passage of

Referendum 49, WSF was projected to continue to receive approximately \$200 million in the 1999-01 biennium, while other state transportation purposes were expected to be funded with almost \$500 million in MVET revenue – a significant increase.

Ferry Fares

Ferry passengers pay a toll (fare). The fares vary significantly for different routes and seasons. Currently, the fares cover approximately 65% of state ferry operating costs. Ferry fares for the 2011-13 biennium generated over \$300 million to support the ferry system.

Driver Licenses

The DOL collects fees to cover costs associated with licensing drivers. In recent years, a portion of these funds have been used to fund other transportation purposes. The fees that generate the greatest amount of revenue are driver license fees and the sale of drivers abstracts. Other license fees include motorcycle and commercial drivers' license endorsements. These funds support DOL's licensing program, as well as a variety of programs funded from the highway safety account, including the Washington State Patrol.

Vehicle Sales Tax

The 2003 new revenue legislation created a 0.3% sales tax on used vehicle purchases. These revenues, along with the rental car sales tax, are deposited in the Multimodal Transportation Account, and generate most of the funds used for non-highway purposes, as well as funds for highway projects and debt service on bonds.

Rental Car Sales Tax

Washington State has a 5.9% sales tax on rental cars. In terms of flexible revenue sources, the rental car tax is the second largest contributor to the Multimodal Transportation Account, which is used to fund both highway and non-highway transportation projects.

Vehicle Weight Fees

In 2005, the Legislature imposed motor vehicle weight fees of \$10, \$20 or \$30 per vehicle, depending in weight; and \$75 per motor home. The weight fees contributed about \$110 million in 2011-13, and the motor home fee raised about \$11 million.

Other Revenue

Other revenue sources include interest earnings on fund balances, aircraft fuel taxes, ferry concessions, speeding fines in school zones, sales of WSDOT-owned right-of-ways, and transfers from existing fund balances.

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State Transportation Resources by Year (1994-2011)

In FY 1994, the state transportation funding totaled \$1.5 billion; in FY 2011 the total was \$3.8 billion. The table below summarizes the state's fund sources, and the revenues for 1994 and 2011.

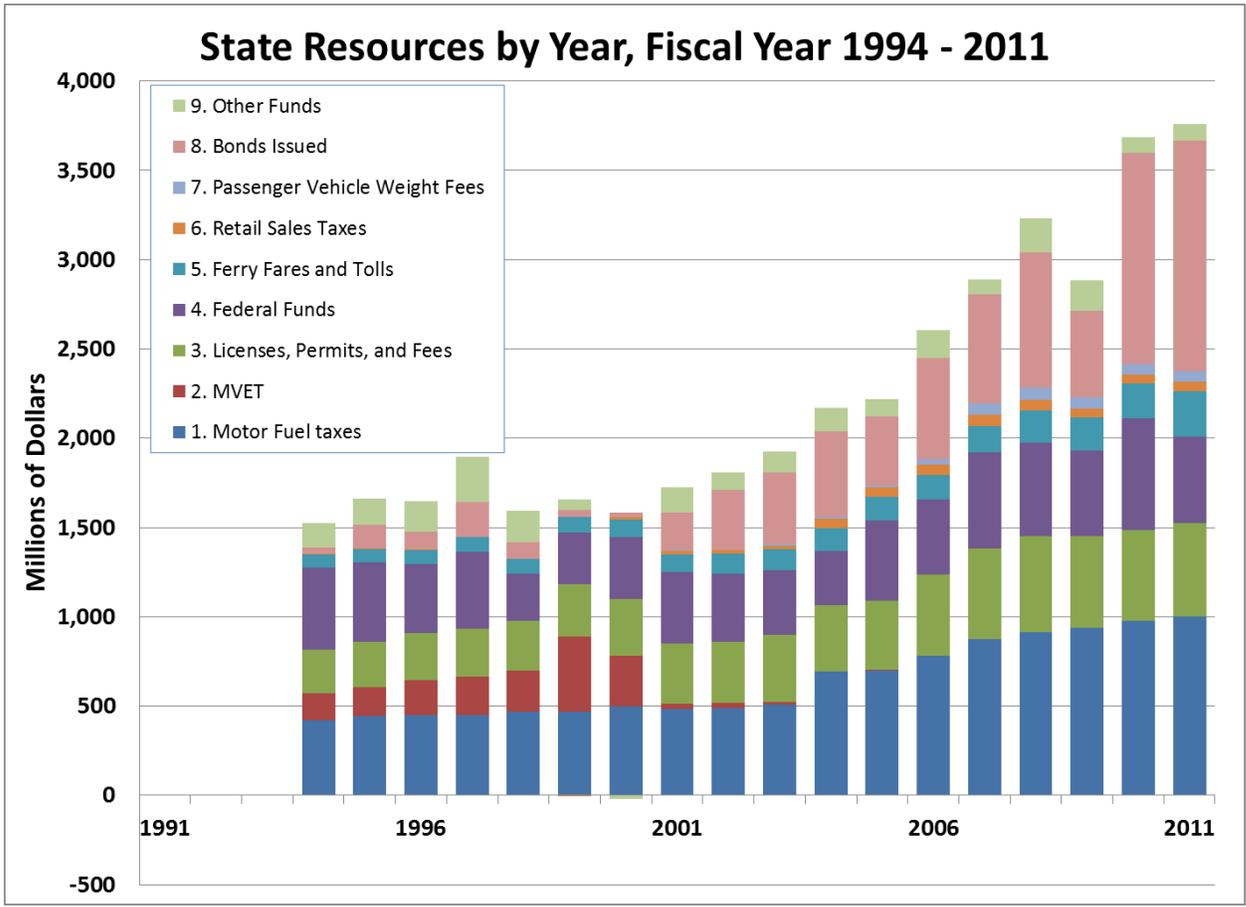
State Fund Source	FY 1994 \$ in millions	FY 2011 \$ in millions
1. Motor Fuel taxes	\$419.6	\$1,003.6
2. MVET	\$152.3	\$0.0
3. Licenses, Permits, and Fees	\$244.9	\$520.0
4. Federal Funds	\$459.6	\$486.1
5. Ferry Fares and Tolls	\$72.2	\$252.1
6. Retail Sales Taxes	\$2.6	\$52.6
7. Passenger Vehicle Weight Fees	\$0.0	\$62.7
8. Bonds Issued	\$35.0	\$1,290.3
9. Other Funds	\$139.4	\$90.5
TOTAL	\$1,525.6	\$3,757.9

Observations

- State transportation funding grew by an average of 5.4 percent from fiscal year 1994 to 2011.
- The biggest changes in state transportation funding from 1994 to 2011 included:
 - repeal of the MVET in 2000
 - significant ferry fare increases after MVET was repealed
 - the enactment of special sales tax increases (on rental cars and new motor vehicle sales) after the MVET was repealed.
 - 14.5 cent increase in the gas tax, a penny of which was dedicated to cities and counties
 - the utilization of bonds in the latter part of the period
 - tolling implemented on the Tacoma Narrows Bridge and SR 167
- Just prior to its repeal, the MVET represented about a quarter of state transportation funding in FY 1999 (\$420 million of a total \$1.6 billion).
- The MVET was historically a much smaller proportion of state transportation revenue than it was for transits. In FY 1994, for example, MVET was about 10 percent of all state funds, but 30 percent of transit funds (calendar 1994).
- The MVET represented 20% of the ferry system's revenues at the time of its repeal. To replace some of that lost revenue, ferry fares were increased substantially. Fare revenues totaled \$148.8 million in FY 1993-1995, and \$294.5 million in FY 2009-11, a 98% increase. Since the loss of the MVET, fares increased between 42% and 127%, depending on the route.
- Bonds represented just 2 to 3 percent of state resources in the 1990s; in FY 2011, bonds represented 34 percent of state resources.
- The State's non-bond resources decreased by 9 percent from FY 1999 to 2002.

Ferry fare rate increases	
1994	6.0%
1998	2.3%
1999	4.4%
2001	22.9%
2002	13.6%
2003	7.7%
2004	5.4%
2005	6.3%
2006	6.0%
2007	2.5%
2009	2.5%
2011	2.5%
2012	3.0%

Figure 15



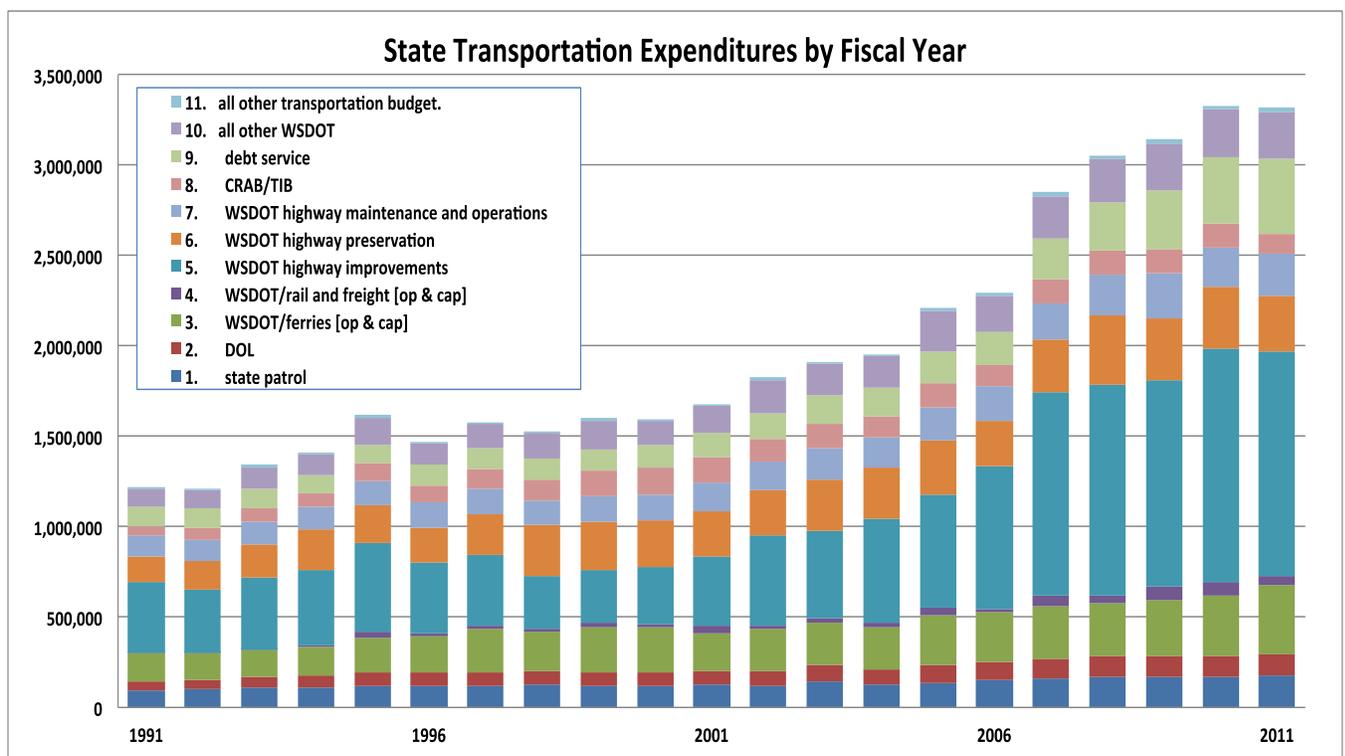
NOTE: This graph begins with FY 94, because data from FY 1991-1993 was unavailable.

State Transportation Expenditures by Year (1991- 2011)

Figure 16 shows state transportation expenditures by programmatic area from 1991 to 2011. In 1991, total expenditures were \$1.2 billion; in FY 2011, expenditures were \$3.3 billion, representing average annual growth of 5.2 percent.

The state transportation budget funds the State Patrol, the Department of Licensing, WSDOT ferries, rail and freight programs; highway improvements and preservation; highway maintenance and operations and toll operations programs; the County Road Administrative Board; the Transportation Improvement Board; debt service, and other smaller programs.

Figure 16



Observations

- The biggest change over the period was in highway improvements and debt service, reflecting the amount of bonds issued previously.
- In the mid 1990s, highway improvements were roughly a quarter of the budget and debt service was about \$107 million, or about 9 percent of all expenditures.
- In FY 2011, highway improvements constituted over 37 percent of the expenditures, and debt service, at \$421 million, represented about 13 percent of expenditures.

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Comparing Funding and Expenditures for Transit Systems and the State Transportation Programs

Figures 17 and 18 compare the growth in funding and expenditures for transit agencies and for state transportation programs, 1994 - 2010.

Figure 17 compares of funding growth for the state and transit agencies. Each line represents the cumulative growth from 1994 (with the line for transit agencies based on the calendar year and the line for the state based on the state fiscal year). So, for example, the state funding (green line) had increased by more than 100 percent (doubling) by FY 2008. Two separate series are shown for transit agencies, one with Sound Transit included and one without. The one without Sound Transit indicates growth across a consistent set of agencies over the time period.

Figure 18 shows a similar comparison, but for expenditure growth.

Observations

- Sound Transit has had a profound effect on the amount of funding received for transit agencies statewide, in terms of growth. Total funding growth between 1994 and 2010 is 260 percent, whereas total transit funding growth excluding Sound Transit is about 120 percent, less than half the growth rate.
- Since 1997, the annual growth in transit funding - including or excluding Sound Transit - has been fairly consistent from year-to-year; for instance, excluding Sound Transit, the year-over-year growth rates are, for the most part, consistently between 5 and 15 percent.
- State funding growth, on the other hand, trends upward during the period examined. Before 2001, most of the year-over-year growth for the state was less than 5 percent, but after 2000 most of the year-over-year growth was more than 5 percent. *(NOTE: The figures are based on cumulative growth, not year-over-year growth; the distinction is that cumulative analyses add each year's growth to the previous year-over-year growth rates.)*
- The expenditure growth graph shows somewhat similar patterns to that of the funding growth. However, there are at least a couple of things to note:
 - Transit agencies show lower cumulative growth rates for expenditures than for funding, while for the state the rates are very similar. This suggests that the state spends nearly all of its incoming funding, while transit agencies save (via reserves) some of the incoming funding.
 - The expenditure curves for transit agencies are "lumpier". This suggests that there may be years in which the capital outlays are rather significant relative to the overall budget, and in other years when capital outlays are less significant.

Figure 17

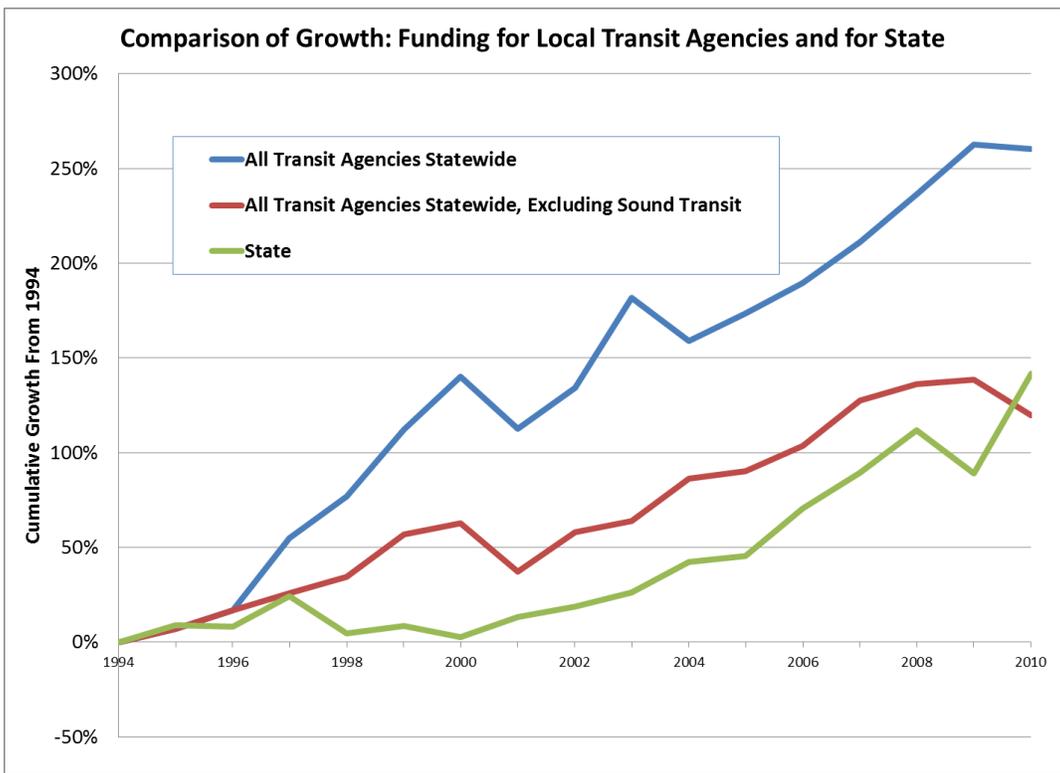


Figure 18

