Report of the Metro Funding Panel

January 6, 2005

Sponsors: Metropolitan Washington Council of Governments
Federal City Council
Greater Washington Board of Trade

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Preface

January 6, 2005

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Gentlemen:

I am pleased to transmit the Report of the Panel on the Analysis of and Potential for Alternate Dedicated Revenue Sources for WMATA, as reviewed and authorized by the Panel.

The Panel would like to thank the three sponsoring organizations for advancing the critical issue of dedicated funding for WMATA and their support for the Panel. In the three months since its creation, the Panel has formally met six times, and has communicated substantively a number of times informally. It has been well served by Mort Downey, its professional staff director, by representatives of the three sponsoring organizations, and by representatives of the Brookings Institution, GAO, Congress, the Department of Transportation, and WMATA itself.

Among the primary findings, conclusions, and recommendations of the Draft Report are:

- There is, and will continue to be, an expanding shortfall of revenues available to address both capital needs and operational subsidies of the Metrorail and Metrobus systems.
- Federal needs require the federal government to significantly participate in addressing these shortfalls, particularly for capital maintenance and system enhancement.

- The Compact jurisdictions of Maryland, Virginia, and the District of Columbia should mutually create and implement a single regional dedicated revenue source to address these shortfalls.
- The most viable dedicated revenue source that can be implemented on a regional basis is a sales tax.
- Federal and regional authorities should address alternate methods of funding MetroAccess, or paratransit, needs of the region.

These issues and many others are addressed in detail in the Panel's report and supporting documentation.

At its December 14 meeting endorsing the draft report, the Panel agreed to circulate the report for public comment through December 31. Comments were submitted to the Panel in writing and online through the COG web site, www.mwcog.org, and are summarized in an appendix to the report. The Panel will release the report and a summary of public comments at a press conference tentatively scheduled for January 6. The Panel also urged that the co-sponsoring organizations ---COG, the Greater Washington Board of Trade, and the Federal City Council --- advance the work of the Panel by aggressively advocating on behalf of the Panel's findings, conclusions and recommendations and take a lead role in building a coalition to support a dedicated revenue source for WMATA.

Members of the Panel are gratified for this opportunity to advance public discussion and consideration of a potential solution to the critical needs of Metropolitan Washington's most important regional resource. We stand behind the efforts of our sponsors to convince Washington area citizens and businesses, and the governments of Maryland, Virginia, and the District of Columbia, as well as Congress and the Executive Branch to create a dedicated funding source for WMATA.

Sincerely,

Rudolph G. Penner
Chairman
Panel on the Analysis of and Potential for
Alternate Dedicated Revenue Sources for WMATA

Introduction

After a quarter century, Metro is succeeding beyond expectations in ridership, has become an integral part of the region, and yet is literally falling apart. The idea was visionary, but its successful execution has been hampered by an outmoded funding arrangement. To review this issue, the Panel on Metro Funding (Panel) was formed in September 2004 by the Metropolitan Washington Council of Governments (COG), the Greater Washington Board of Trade (BOT) and the Federal City Council to examine dedicated funding for the Washington Metropolitan Area Transit Authority (WMATA or Metro). It operates under a charter from the Board of Directors of COG with a mission to research funding options for the region's major public transit operator and report to its sponsors and to the elected officials of the District of Columbia, Maryland and Virginia.[1] This report is intended to fulfill the Panel's responsibility to review underlying financial and legal assumptions, catalog and analyze potential dedicated revenue sources, and provide findings and recommendations on their legal and financial feasibility.

This effort was undertaken in response to the substantial ongoing operating and capital funding shortfalls experienced by WMATA as it operates, maintains, renews and expands the region's major public transportation assets, including the Metrorail and Metrobus systems. The Panel's 13 voting members and 2 federal observers who did not participate in the Panel's votes provide expertise in economics, political science, public finance and regional transit.[2] The Panel's work included review of already published studies[3], collection of data from WMATA and preparation of specific analyses by the Panel staff. Particular focus was put on the comparison of WMATA's financial structure with those of comparable transit agencies around the country. Much of this work is reflected in this report, including copies of key material provided for the Panel. The Panel held six public meetings between October and December 2004, including one with opportunity for public comment. The report also was circulated before publication to allow further stakeholder comment.[4]

The Panel concludes that WMATA's transportation services play a vital role in the economic and social life of the Washington region. In addition to its important role in carrying federal employees to and from work, it is a key component of the region's emergency response system. Continued success in this role is at material risk by failure to invest adequately in the system's capital needs and to provide funding for critical operating requirements with a resulting decline in the system's condition and unacceptable levels of performance. WMATA's current financing mechanism, focused on annual commitments by participating jurisdictions for funding needs, is a factor in such decline. Projecting forward with reasonable assumptions as to fare increases and subsidy growth, there is a shortfall totaling $2.4 billion over the next ten years, mainly in

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[1] See Appendix A for the Panel charter.
[2] See Appendix B for the biographies of Panel members.
[3] See Appendix C for a list of prior studies.
[4] See Appendix D for a summary of public comments received at the meeting and submitted before publication.

funds for necessary capital investment. Timely action on the recommendations in this report is critical. WMATA has in place interim capital revenues that will cover their needs for the next year or two. They have proposed a balanced operating budget for the next fiscal year. The funding gaps they face will grow rapidly after 2007. The region needs to use this window of relative stability to assure that WMATA has the long term funding it needs for the rest of the decade so that necessary investments can be planned and financed to maintain a quality service.

Accordingly, the Panel recommends that elected officials in the region take immediate steps to provide a significant degree of dedicated funding for Metro on a regional basis. Such dedicated funding will allow a greater degree of advance planning for system needs and support the management actions needed to turn these plans into reality. While maintenance of current local, state and federal effort will be needed, new sources of dedicated funding will assure that the system can continue to maintain a state of good repair while meeting growing demand for its services. In addition, the Panel recommends that the federal government play a greater continuing role in the support of Metro, given the significant contribution of Metro transportation services to the effective functioning of the government as well as the substantial environmental, economic and social benefits Metro service creates for the National Capital Region.

Key Findings, Recommendations and Conclusions

The Panel finds that the development of Metro and implementation of its rail and bus services have had positive measurable effects the Washington Metropolitan Region—development, economic growth and environmental enhancement. A variety of benefits are enjoyed by all those have helped pay WMATA's costs over the years, including the federal, state and local governments, regional businesses and the region's citizens. All those beneficiaries have shared in the development and operation of the system, with those costs divided fairly equally among the federal government, the riders and the state and local jurisdictions (see chart on page 36). Sustaining this progress will be important to the region's future.

Commitments of new resources will be required if this progress is to continue. The Panel finds that, even with reasonable assumptions about maintenance of effort by the federal, state and local governments, and a continued level of farebox support that exceeds that in most metropolitan areas, WMATA's finances are insufficient to insure continued effective Metrorail and Metrobus service. Particularly disturbing is the lack of sufficient capital funding to sustain the existing system and support an enhancement of services to meet growing demand. There is also a need for additional operating support, dependent in part on the level to which the region maintains the subsidy formulas now in place.

In addition to needs of an expanding Metro system, the Panel concludes that the expenses for MetroAccess the door-to-door transportation service operated by WMATA for the benefit of the region's disabled population are a significant and rapidly growing portion of the projected gap in Metro's operating results. The Panel finds that MetroAccess is an essential service to its users, but that the needs of this service should be met from other than transportation system revenues. It has therefore not included these needs in its consideration for uses of dedicated revenue, but views the projected $1.1 billion project shortfall in MetroAccess funding through 2015 as an urgent matter that requires the attention of the federal government, WMATA and the entire region. To include the MetroAccess subsidy as part of the gap to be met from WMATA resources would unduly burden riders of the core system with this added expense.

Compounding the need for resources is the fact that very little of the WMATA budget has any level of year-to-year assurance. Most regional transportation agencies around the country derive a significant level of their support from regionally dedicated revenue sources. As shown in Appendix G, 22 of the nation's largest transit systems have a greater degree of dedicated tax revenue than does Metro. Western cities such as Los Angeles, Houston or Seattle derive more than half their budget in that way. Comparable Eastern cities such as New York, Boston, and Chicago have tax support in the 20% to 30% range. The Panel finds that WMATA would benefit significantly from similar treatment.

The mix of sources and shares for future WMATA support has been and will continue to be the subject of discussion by elected officials and the public in the region, but the time for definitive action is now. Present operating and capital arrangements have created a short period of stability, but more permanent arrangements should be put in place soon if Metro is to avoid a downward spiral in its condition and performance. Transit systems that have entered into such a spiral find it difficult and expensive to recover. The failure to act promptly would have severe consequences on the region's economy and security.

The many parties who benefit from the existence of quality Metro service should share in those costs. The Panel identifies a number of revenue measures which could meet these needs. It finds that the federal government, whose workforce is the mainstay of Metro ridership, is the largest single beneficiary of this service and should continue to share in the costs of the system. State and local governments and riders (both residents and visitors) will contribute to meeting the system's needs, but the Panel finds the need for some dedicated revenues to assure that the projected WMATA gaps are closed, whether through new taxes or dedication of existing ones.

In light of the regional nature of Metro service and wide distribution of benefits received from that service, the Panel believes that revenue measures would most appropriately be enacted at a regional level rather than allocated among the jurisdictions.

Ultimate consideration of these revenue measures is the province of federal, state and local elected officials, and successful execution of a plan in the interests of the region will fall to the WMATA Board. The Panel notes that similar efforts around the country have succeeded, especially when there is clarity as to what will be accomplished and a rational basis of management accountability to the public for service and results. The passage of referenda to fund transportation improvements in areas as diverse as Phoenix, Denver, San Diego or Austin, as well as the overwhelming support for Metro bond financing in Arlington and Fairfax shows the degree of voter support when tangible results are offered. (See Appendix L). The Panel also notes the concerns that have been raised in recent months about WMATA's management culture and effectiveness, as is aware of steps management is taking to achieve a higher standard of results. These steps are timely and necessary. Progress in this regard will be critical in achieving public acceptance of the need for new revenues.

Based on these findings, the Panel concludes and recommends as follows:

1. **The Compact jurisdictions of Maryland, Virginia, and the District of Columbia should mutually select, authorize, and implement a regional dedicated revenue source sufficient to address the projected shortfall for capital maintenance and system enhancement** necessary to service the public transit needs of those persons living in, working in, and visiting the area of the WMATA Compact. This regional dedicated revenue source would be significantly less if the federal government participates in proportion to the benefit it receives.

2. **The most desirable, workable, and acceptable dedicated revenue source that the compact jurisdictions can utilize, particularly since it captures funds not only from regional residents but from visitors to the area, is an increase of the sales taxes applicable to the area covered by the compact.** The Panel recommends that a sales tax increase of 0.50% (½ of one percent) applicable to goods and services sold within the Compact area would be sufficient to meet the projected shortfall. This amount would be reduced to as little as 0.25% (¼ of one percent) if the federal government participates as strongly as the Panel believes it should. Jurisdictions would have the option of reducing their current sales tax level so as not to generate a net tax increase if their fiscal circumstances permitted. There is also the option of enacting a higher level of tax to substitute for increased local contributions necessary under the current allocation formulas. The Panel offers that option as one which local elected officials might consider. Localities are also urged to take whatever actions they deem appropriate to reduce the impact of such increases on those less able to pay. In this regard, the Panel notes that the provision of good transit service is a policy with strong positive outcomes for lower income and other transit dependent residents.

3. **Fare increases should be implemented in a way that maintains the current farebox operating ratio averaging 57%,** while taking into account the need to maintain healthy ridership levels.

4 **The federal government should participate significantly in addressing the projected shortfall for capital maintenance and system enhancement,** since Metro service is a critical service for effective federal operations. A significant portion of the federal workforce uses the service to and from work at locations convenient to Metro stations. Metro is a critical component of the homeland security response system for our nation’s capital, as well as a service to the capital’s many visitors. For purposes of financial projections and analyses, the Panel identified a federal participation level of up to fifty percent of the projected shortfall, subject to future negotiations as to appropriate shares and sources.

5. **If the Compact jurisdictions conclude that a regional sales tax is not the most financially and politically viable dedicated revenue source, the Panel recommends that the compact jurisdictions mutually select, authorize, and implement a regional payroll tax, mutual and equivalent increases in ad valorem property taxes, or a**

special real property assessment based upon accessibility to mass transit in sufficient amount, together with federal contributions, to meet the WMATA shortfall.

6. **With respect to MetroAccess, the Panel recommends a concerted effort, perhaps involving the formation of a new panel with expertise on this issue to focus on existing federal, state and local social service funding.** The Panel agrees with the importance of this service but not with the premise that its financing is solely a WMATA burden The Panel views this as a societal expense that should be borne through social service funding rather than as a transportation cost.

Defining WMATA's Needs

In support of the Panel's work, WMATA was asked to provide multi-year forecasts of its capital and operating needs. These forecasts, summarized below, were the basis for the Panel's considerations. In line with its charter, the Panel did review the underlying assumptions in the WMATA forecasts and offered its views on certain key issues. The assumptions that underlie the forecasts are shown in Table 1.

Table 1
Blue Ribbon Panel Assumptions

Operating

- **Minimum Cost Recovery –** WMATA will maintain a combined 57% cost recovery for Metrobus and Metrorail
- **MetroAccess Subsidies—**not included pending review by others of funding policies and opportunities.
- **"Maintenance of Effort" –** State/local contributions to meet WMATA's base system subsidy requirements for the current system and extensions (~5.3% growth per year).
- **Mix of Dedicated Revenues and New Federal Funding –** A mix of new funds sufficient to cover the subsidy requirements of core capacity enhancement projects - $501M ($61M/Year FY08-FY15)
- **Optional Case-**An additional amount of new funding to permit "capping" of state/local subsidy requirements.

Capital

Funding Requirements

- Metro Matters Program (FY05-10) $3.3B to meet renewal needs, provide 120 additional rail cars, 185 buses
- "Maintenance of Effort" (FY11-FY15) $2.2B – continue core system renewal
- Mix of Dedicated Revenues and New Federal Funding -$1.88B or ($235M/year FY08-FY15) to meet remaining capital program needs.

Capital Projects

- Balance of Metrorail system included in ongoing renewal program
- 130 Rail Cars supported by power and facilities to permit 75% of all trains to operate as 8-car consists, utilizing 90% of Metrorail design capacity.
- Station Enhancements (additional elevators/escalators, expanded mezzanines, etc.) at Union Station, Gallery Place, and Metro Center
- Station Connections (Farragut North to Farragut West; Gallery Place to Metro Center)
- Bicycle/Pedestrian Improvements at approximately 25 stations
- 275 Buses and 3 Bus Garages (2 new, 1 replacement)
- 140 Miles of Bus Corridor Improvements

Total Dedicated/New Federal Funding-Operating and Capital

- Total funding shortfall of $2.36B between FY2008 and FY2015 (~$296M/Year).
- To be met by a combination of new dedicated revenues enacted at the state and local level and a new commitment of federal funds. For analytical purposes, allocated 50/50

Looking forward, the responsibility for setting financial policies and budgets for WMATA will, of course, rest with its Board, but the Panel wishes to be certain that decisions about future resources are consistent with a broader view of the region's demands for services and fiscal resources to meet those demands. At the same time, the Panel recognizes the impact that fare and service policies will have on the effective discharge of WMATA's transportation mission, and the fact that the WMATA board will use these policy tools as required to reach desired outcomes. The Board also is expected to continue strong oversight and scrutiny on the growth of WMATA costs, driven in part by the fact that local jurisdictions continue to share in those costs.

Built over a period of 25 years at the scale of a national monument, the Metro system is soon to reach 106 miles and is transitioning into a mature system. The funding challenges currently facing WMATA are in many ways greater than those posed by the construction of the system. Over the next 20 years, the cost of renewing and maintaining Metro will approach the original cost of construction. In addition, operating expenses will continue to grow as inflation pushes costs higher and demand for Metro service increases.

As WMATA faces these requirements, it does so in a funding environment nearly unique among transit agencies around the nation (see discussion below for comparative data). Each year, WMATA appeals to two states, the District of Columbia, eight local jurisdictions, and the federal government for funding and support. Because WMATA's local support does not come from a dedicated revenue source, it must compete at every level on an annual basis for scarce funds with schools, roads, health care and other priorities. While other transit systems throughout the country also compete for some of their funding, no other system has the unique demands put upon it that come with being located in the nation's capital. As spelled out at length below, the federal government is highly dependent on the Metro system, yet the burden of operating the system falls overwhelmingly on state and local governments and the customer. The need to revisit the total balance annually is a serious strain on the system.

WMATA's budget is also burdened by the need to meet the costs of its MetroAccess paratransit system, which provides service throughout the region for disabled riders. According to a recent study, total expenses during FY03 for such service in this area were $86.7 million, with $34.4 million coming from WMATA's revenue budget. If the current arrangements continue, WMATA's cost for this service would rise to more than $200 million a year by 2015, and would represent 60% of WMATA's operating shortfall in that year.

WMATA's capital budget is no less difficult to fund. Over the fall of 2004, WMATA and local jurisdictions negotiated a comprehensive agreement for key elements of capital investment over the next two or three years. The development of this recently agreed to "Metro Matters" Funding Agreement brought many of WMATA's capital funding issues to light. WMATA's operating and capital budgets are basically limited to the amount supportable by the jurisdiction with the greatest financial limitations, i.e., the lowest common denominator. This dictates the amount of service provided to the region and the level of capital investment in the Metro system. The Metro Matters Funding Agreement meets WMATA’s short-term capital funding requirements, but WMATA’s funding partners were unable to commit to WMATA’s long-term capital needs. Without dedicated funding and a regional basis to operate and maintain the current system, WMATA’s level of service will inevitably decline each year as critical maintenance work is deferred. Having the Metro Matters agreement in place will provide a short window of time to put the needed long-term arrangements together.

Operating Needs

WMATA's operating needs are broken into three components: Metrorail, Metrobus, and MetroAccess, WMATA's paratransit service. In FY2005, the operating expenses of each of these services comprised 56%, 38%, and 6% of the annual budget respectively. By 2015 they will constitute an estimated 50%, 38%, and 12% of the total annual budget. Table 2 shows WMATA’s operating requirement from 2005 through 2015. As discussed below, the Panel did not incorporate the MetroAccess funding needs in calculating the funding shortfall and believes that these services, while important to the well being of regional residents are of a nature different from the basic WMATA mission, and funding for these services should be met through creative packaging of the social service, medical and other non-transportation resources that flow into the region.

Table 2: Projected Operating Requirements Through 2015 Under Baseline Assumptions

FY2005 to FY2015 Operating Requirements

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Revenue												
Base System	$ 534.5	$ 552.5	$ 567.0	$ 581.3	$ 596.1	$ 611.2	$ 622.4	$ 633.6	$ 645.1	$ 656.9	$ 668.8	$ 6,669.5
Capacity Enhancement	$ -	$ 2.0	$ 4.1	$ 6.5	$ 9.8	$ 15.2	$ 15.3	$ 20.3	$ 25.3	$ 31.6	$ 38.3	$ 168.5
Extensions	$ -	$ -	$ 0.3	$ 0.4	$ 0.4	$ 0.4	$ 24.9	$ 25.5	$ 26.4	$ 27.2	$ 54.4	$ 159.8
Fare Action	$ -	$ -	$ 4.0	$ 26.8	$ 43.4	$ 56.9	$ 81.6	$ 101.3	$ 122.0	$ 161.5	$ 192.9	$ 790.4
Subsidy	$ 354.5	$ 398.0	$ 422.2	$ 441.5	$ 459.4	$ 475.6	$ 519.6	$ 535.7	$ 553.2	$ 553.1	$ 595.9	$ 5,308.7
Total	***$ 889.0***	***$ 952.6***	***$ 997.6***	***$ 1,056.5***	***$ 1,109.1***	***$ 1,159.3***	***$ 1,263.7***	***$ 1,316.4***	***$ 1,372.1***	***$ 1,430.2***	***$ 1,550.4***	***$ 13,096.9***
Expense												
Base System	$ 889.0	$ 950.3	$ 991.5	$ 1,047.7	$ 1,096.9	$ 1,141.7	$ 1,187.3	$ 1,234.8	$ 1,284.5	$ 1,336.1	$ 1,389.7	$ 12,549.5
Capacity Enhancement	$ -	$ 5.2	$ 16.0	$ 29.0	$ 40.5	$ 55.4	$ 57.1	$ 73.7	$ 89.9	$ 140.2	$ 162.4	$ 669.3
Extensions	$ -	$ 0.3	$ 2.0	$ 2.3	$ 2.4	$ 2.4	$ 61.1	$ 61.3	$ 62.2	$ 62.5	$ 122.4	$ 378.9
Total	***$ 889.0***	***$ 955.8***	***$ 1,009.5***	***$ 1,079.0***	***$ 1,139.8***	***$ 1,199.5***	***$ 1,305.5***	***$ 1,369.8***	***$ 1,436.6***	***$ 1,538.8***	***$ 1,674.5***	***$ 13,597.7***
Funding Shortfall												
Total	***$ -***	***$ 3.2***	***$ 11.9***	***$ 22.5***	***$ 30.7***	***$ 40.2***	***$ 41.8***	***$ 53.4***	***$ 64.5***	***$ 108.6***	***$ 124.1***	**$ 500.8**

Additional Funding Requirements

MetroAccess

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Revenue	$ 4.0	$ 4.9	$ 6.0	$ 7.3	$ 9.0	$ 11.0	$ 13.5	$ 16.5	$ 20.2	$ 24.7	$ 30.2	$ 147.1
Expense	$ 51.7	$ 51.1	$ 56.7	$ 71.4	$ 90.1	$ 114.0	$ 129.6	$ 147.2	$ 167.3	$ 190.2	$ 216.1	$ 1,285.3
Shortfall	$ (47.7)	$ (46.2)	$ (50.7)	$ (64.0)	$ (81.1)	$ (103.0)	$ (116.1)	$ (130.8)	$ (147.2)	$ (165.5)	$ (185.9)	$ (1,138.2)

Source: WMATA

Operating Funding

WMATA's operating budget is funded through four sources: passenger revenue (fares and parking fees), state and local funding, non-passenger revenue (advertising and joint development), and a limited amount of federal funding.

The level and ability of passenger fares to cover operating costs is dictated by two competing policy decisions: the desire to provide comprehensive service and the desire to limit fare increases so as to make that service affordable. Given these two factors, WMATA frequently must increase service, and thus costs, while not raising fares. The result is a farebox that tends to cover a declining percentage of its costs, although in recent years, some of this decline was offset through ridership growth. Non-passenger revenues are also dictated by non-economic decision-making. For example, advertising revenues are driven by the amount of advertising permitted in the Metrorail and Metrobus system. As WMATA's public hearings on the FY2005 Fare Increase and Advertising Proposal showed, WMATA's stakeholders are sensitive to the over-commercialization of the Metrorail system. Likewise, WMATA's joint development revenues are limited not by market demand but by local zoning decisions and community acceptance of joint development proposals. For these and other reasons, WMATA is somewhat constrained in maximizing its non-passenger revenue.

State and local funding, or subsidy, is provided on an annual basis by WMATA's contributing jurisdictions. Between FY1997 and FY2005, such subsidies grew by approximately 3.5% per year. Under a complex formula, those costs attributable to regional rail and bus services are allocated among the jurisdictions, while the costs attributable to locally-sponsored bus services are charged directly to each jurisdiction. In recent years, certain of the local jurisdictions have chosen instead to provide their own local bus services. In the Panel's work, the focus has been on those services that are regional in nature.

Federal funding provides about 2% of WMATA's operating budget and is used solely for capitalized maintenance. Under Federal law, WMATA could allocate additional FTA capital funds toward this purpose, thereby closing the operating gap. This would open up capital requirements by the same amount.

Table 2 shows the projected growth in WMATA's funding sources and needs from 2005 to 2015. The operating projections are based on the following assumptions:

- <u>Cost Recovery—</u>WMATA will maintain its current 57% cost recovery (i.e., proportion of operating expenses met from system revenues-fares, parking fees and other ancillary operating revenues) on its non MetroAccess services. The line entitled "fare actions" in Table 1 shows the amount of additional revenue, beyond that provided under the current structure that must be raised to meet the 57% goal. It should be noted that the 57% is an average figure for rail and bus fares, with the rail system achieving a much higher recovery of its costs. It is also important to consider that these recovery ratios, especially the one for rail service, are among the very highest in the country, reflecting the economic circumstances of the ridership base and the historically high quality of the service. Fare revenue increases to achieve this goal may have short and long-term effects on ridership, which the WMATA Board will have to balance as part of their policy decisions over time. As shown in Table 1, the WMATA Board is not contemplating significant fare increases before 2008. To satisfy this assumption of cost recovery ratio will require a steeper level of increases in the later years.

- "Maintenance of Effort"—the baseline operating projections assume that WMATA's funding partners will continue to meet basic subsidy requirements of the existing system and its planned extensions. Any change in this assumption would require additional revenue from the dedicated source. Some options in this regard are discussed below. It is assumed that WMATA's funding partners will fund the operating subsidy of system extensions according to the current allocation formulas.

Under these assumptions, new dedicated funding primarily will serve to cover the subsidy requirements of core capacity enhancement projects needed to serve expanded demand for the current system.

With these assumptions on fare and subsidy policy, state and local contributions would grow by 5.3% a year over the period. WMATA's average annual shortfall, to be met by dedicated funding, would be $50 million—growing from $3.2 million in FY2006 to $124 million in FY2015. During those years when WMATA expects to experience a capital shortfall, the average annual operating shortfall would be $61 million. This average is the one the Panel has used to assess WMATA's operating need.

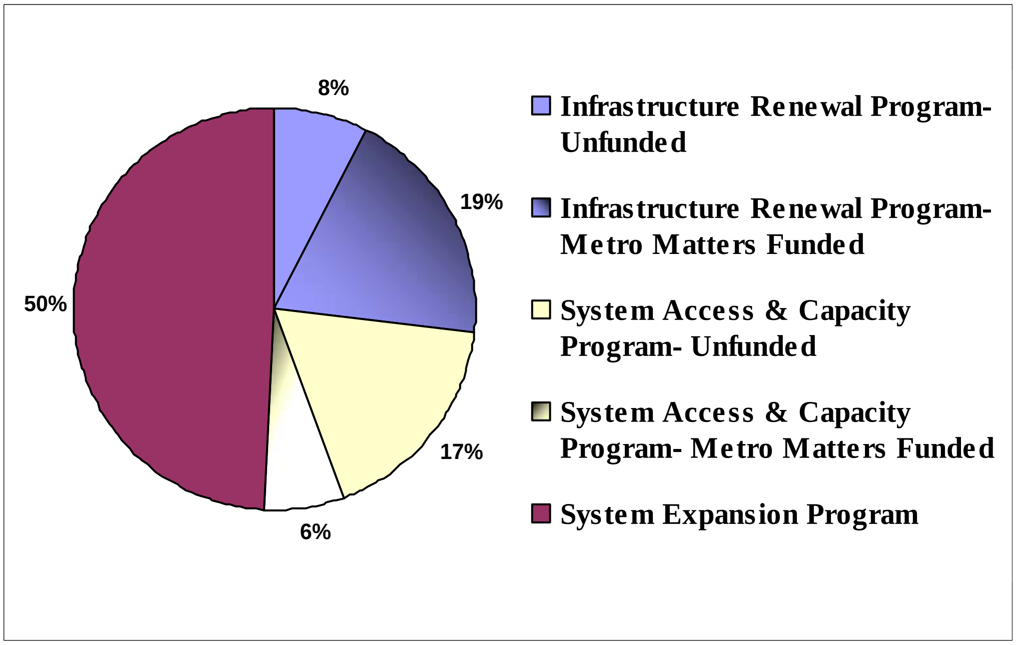
Capital Needs

WMATA's 10-Year Capital Improvement Plan (CIP), published in November 2002, identifies $12.2 billion in projects to: (a) maintain the existing system, (b) expand access to the existing Metrobus and Metrorail system, and (c) to build extensions to the existing Metrorail system and other fixed guideway investments. The components of the Capital Improvement Program are described in an appendix, and Chart 1 shows the allocation of these costs.[5]

Within the overall Capital Improvement Plan, WMATA's Board of Directors identified a $3.3 billion, 6-year program ("Metro Matters") to address WMATA's most pressing needs in categories (a) and (b). The remaining $8.9 billion is composed of $6.0 billion in expansion projects expected to be met through specific federal-state-local funding applications under the Federal Transit Act. The balance of capital needs would be met primarily with the resources to be generated by dedicated revenue and new federal contributions.

[5] See Appendix E "Description of WMATA Capital Improvement Program"

Chart 1: Capital Program Components



Note: Excludes Metro Matters funding of $143 million security component and $15 million credit facility
Source: WMATA

On October 21, 2004, the WMATA Board of Directors signed the Metro Matters Funding Agreement. This $3.3 billion agreement funds WMATA's most urgent capital needs for the next six years. As described in Appendix E, it provides for the rehabilitation of WMATA's existing infrastructure, eliminating past maintenance deferrals, and sufficient capacity increases (120 rail cars and 185 buses) to meet existing demand for services. The Metro Matters Funding Agreement does not fund solutions to WMATA's capacity problems beyond FY2012 and does not fund basic infrastructure renewal for the 17 miles of the Metro system which, being relatively new has not yet been included in the 10-Year CIP. In the Metro Matters agreement, the Compact jurisdictions agree in principle to a "maintenance of effort" that will share the post FY2010 costs of renewal for the current system, but specific funding arrangements will have to be arrived at and balanced with the debt service obligations incurred by WMATA and the jurisdictions for Metro Matters work.

Table 2 shows WMATA's capital funding needs through FY2015, including the Metro Matters program, ongoing rehabilitation needs, and additional capacity enhancements. These capital requirements are the minimum needed to stave off unmanageable congestion on Metrorail and satisfy unmet demand on Metrobus.

Capital Funding Sources

WMATA receives capital funding from two primary sources, state and local governments and the federal government. WMATA has used small amounts of funding from the joint development program to fund capital projects for the jurisdiction in which the funding was generated and has issued small amounts of debt secured and repaid with fare revenue. Table 3 compares the capital needs with projected capital sources.

Even with modest growth (2.75%) in state and local funding (including a "maintenance of effort" in the years beyond Metro Matters), equally modest growth in federal formula funding (2.75% per year post-2010) expected with reauthorization of the Transportation Equity Act for the 21st Century (TEA-21), and a one-time, $260 million discretionary federal grant for 120 new rail cars which WMATA is seeking legislatively, WMATA faces a capital shortfall of approximately $1.9 billion between FY2008 and FY2015 (in addition to the funds needed to support the System Expansion Program). Failure to close this $1.9 billion shortfall will result in deferrals to needed rehabilitation projects and attendant operating cost increases. Severe overcrowding will be alleviated by cars now on order, but will re-emerge as WMATA is constrained from meeting increasing demand. If, however, the project capital funding needs are met, the system will be materially better by the end of the ten-year period. Capital facilities generally should be in a good state of repair, eight car trains will be operating on most lines, nearly 90% of the system capacity will be utilized without undue congestion and the demand for bus services will be met. If at that time additional capacity is needed, it will likely entail very expensive new tunnels and connections. The Panel did not consider these future needs, although regional agencies should begin to consider them in their future planning.

Funding Shortfall

WMATA faces an average annual operating and capital shortfall of approximately $236 million between FY2006 and FY2015. In FY2006, 100% of the $3.2 million shortfall is in the operating budget. In FY2008, $23 million of the projected $107 million shortfall (21%) will be in the operating budget and the remainder ($84 million) in the capital budget. By FY 2015, the shortfall is projected to be split 32% and 68% between the operating and the capital budget, $124 and $265 million, respectively. Overall, 21% of the FY2006 to FY2015 shortfall is anticipated to be in the operating budget and 79% in the capital budget. Taking into account that there is essentially no shortfall over the first two years of the period, the Panel defined an average gap of $296 million for the period FY2008-FY2015 as the amount needed to be sought through sources defined below. As noted below, the Panel did consider ways in which future revenue sources could be managed in order to meet this gap on an annual basis, with perhaps some revenues to carry forward beyond 2016. The Panel did not, however, review needs or revenues beyond the ten-year period.

Table 3: Projected Capital Requirements

FY2005 - FY2015 Capital Requirements

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Capital Revenue												
State/Local	$ 102.5	$ 132.0	$ 141.7	$ 164.8	$ 178.7	$ 198.0	$ 203.5	$ 209.1	$ 214.8	$ 220.7	$ 226.8	**$ 1,992.4**
Federal Formula	$ 159.4	$ 173.3	$ 183.6	$ 195.1	$ 210.2	$ 227.3	$ 233.5	$ 240.0	$ 246.6	$ 253.3	$ 260.3	**$ 2,382.4**
Federal Discretionary	$ -	$ -	$ 65.0	$ 65.0	$ 65.0	$ 65.0	$ -	$ -	$ -	$ -	$ -	**$ 260.0**
IGF	$ 31.3	$ 13.7	$ 19.7	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 1.3	$ 1.3	$ 1.3	$ 1.3	**$ 93.9**
Debt Issuance	$ 48.2	$ 154.6	$ 201.4	$ 115.4	$ 56.6	$ 34.6	$ 0.0	$ 8.3	$ 78.8	$ 52.3	$ 30.1	**$ 780.5**
Total	***$ 341.3***	***$ 473.7***	***$ 611.3***	***$ 546.2***	***$ 516.5***	***$ 530.9***	***$ 443.0***	***$ 458.6***	***$ 541.5***	***$ 527.6***	***$ 518.5***	*$ 5,509.2*
Capital Expense												
Metro Matters	$ 341.3	$ 473.7	$ 611.3	$ 546.2	$ 516.5	$ 530.9	$ 252.4	$ 184.2	$ 131.8	$ 81.1	$ 70.0	**$ 3,739.4**
Infrastructure Renewal Program	$ -	$ -	$ -	$ -	$ -	$ -	$ 435.0	$ 435.0	$ 435.0	$ 435.0	$ 435.0	**$ 2,175.0**
Capacity Expansion	$ -	$ -	$ -	$ 84.2	$ 84.2	$ 84.2	$ 84.2	$ 278.4	$ 278.4	$ 278.4	$ 278.4	**$ 1,450.5**
Total	***$ 341.3***	***$ 473.7***	***$ 611.3***	***$ 630.4***	***$ 600.6***	***$ 615.1***	***$ 771.5***	***$ 897.6***	***$ 845.2***	***$ 794.6***	***$ 783.4***	*$ 7,364.8*
Shortfall												
IRP Shortfall	$ -	$ -	$ -	$ -	$ -	$ -	$ (244.3)	$ (160.5)	$ (25.3)	$ -	$ -	**$ (430.1)**
Capacity Shortfall	$ -	$ -	$ -	$ (84.2)	$ (84.2)	$ (84.2)	$ (84.2)	$ (278.4)	$ (278.4)	$ (278.4)	$ (278.4)	**$ (1,450.5)**
Total	***$ -***	***$ -***	***$ -***	***$ (84.2)***	***$ (84.2)***	***$ (84.2)***	***$ (328.5)***	***$ (439.0)***	***$ (303.7)***	***$ (278.4)***	***$ (278.4)***	*$ (1,880.6)*

Source: WMATA

The Case for Metro Support

The funding needed to close WMATA's operating and capital gap is a moderate sum in comparison to the total already invested in the system or even to the annual funds currently provided. But simply stating the need is insufficient justification for the application of public funds, whether from governmental budgets or dedicated revenues, towards gap closing. The key issue is whether the benefits of Metro, including those which would be enabled by new funding, are sufficient to warrant the expense. The following pages define the fiscal, business community, federal and citizen benefits brought by Metro operations—tax base growth, real estate value, security support, environmental enhancement and the like. These benefits to the region's citizens, businesses, governments and to the federal government are further described in an appendix to the report.[6] These benefits clearly support the case for a public investment to maintain the quality of service needed to attract ridership to Metro.

Metrorail service in particular has become an important transportation resource to the region over a period of nearly 30 years, but the growth has been gradual and almost imperceptible over this period. A review of the current situation is in order to put the question of increased and dedicated resources in perspective.

WMATA benefits the $290 billion Washington regional economy in a number of tangible and intangible ways, improving the local tax base, stimulating high-value, transit-oriented development, improving regional productivity, and enhancing the overall quality of life. A brief summary of these benefits is provided below.

Impacts on State and Local Governments:

- WMATA services expand the state and local tax base as the system and the development it stimulates are constructed, followed by a steady tax stream from the economic activities supported by Metro's existence.
- Capital investment reduces the need for highway construction.

Impacts on the Business Community

- WMATA, particularly Metrorail, promotes high-value, transit-oriented development, attracting jobs and housing to Metro station areas.
- Metrorail and Metrobus services expand the workforce available for jobs.
- WMATA substantially reduces congestion, saving businesses and employees over $1.2 billion per year through reduced travel time and greater productivity.

Impacts on the Federal Government

- WMATA provides an affordable commute for a substantial share of federal workers, thus supporting the effective functioning of the national government.
- WMATA access supports federal policy in locating facilities in urban settings.
- WMATA's continued development has fulfilled its mandate as a system in character with the nation's capital.

[6] See Appendix F for a more detailed paper outlining public benefits of WMATA's rail and bus services.

- Metrorail and Metrobus are critical links in the national capital region’s security network, providing for continuity of operations and emergency evacuation. WMATA also serves as a test-bed and model for the country on new transit security initiatives.

Impacts on the Citizens and Visitors to the Region

- WMATA serves 1.1 million customer trips on its rail and bus services each day, reducing congestion on the region’s highways, saving drivers approximately 35 hours in travel time per year and approximately 75 million gallons of gas per year.
- Metrorail and Metrobus improve regional air quality, reducing smog and ozone, volatile organic compounds (VOCs) and nitrogen oxides (NOx), and facilitating compliance with national air quality standards.
- WMATA improves the health of the region by reducing sprawl and promoting transit-oriented development, which studies have shown to improve health
- Metrorail and Metrobus are significant assets for the millions of annual visitors who come to the National Capital for business, educational and recreational purposes.

WMATA Services and Finances Benchmarked with Peers

The Brookings Institution's June 2004 Report on WMATA, *Washington's Metro: Deficits by Design*[7], drew attention to the lack of dedicated revenues in the WMATA resource base. It found "that the agency's serious budgetary challenges owe in large part to its problematic revenue base." Most notably, the report finds that "WMATA's extraordinary lack of dedicated funding sources has necessitated an over-reliance on annually appropriated support that makes the agency vulnerable to recurring financial crises." The report did recognize some of the recent issues raised about WMATA's management and operations, but identified the financial and budgetary challenges as the issues that must be overcome if WMATA is to avoid the crippling problems that have beset transit agencies in other large cities like Boston, New York and Philadelphia.

Work by the Panel staff, reviewing recent information from federal government databases, confirms the Brookings Institution findings. Looking at two dozen large U.S. transit agencies, including all those with multi-modal responsibilities similar to WMATA's, an average 34.7% of combined capital and operating budgets of those agencies are met through the use of dedicated funding sources.[8] WMATA, by contrast, derives only 1.6% of its funding in this way. Sales taxes are the predominant source of transit support in most metropolitan areas, which have dedicated revenue sources, but other revenues include petroleum or motor fuel taxes, tolls and fees on motor vehicles, property taxes, and payroll taxes.

Another comparative consideration is WMATA's relative efficiency and effectiveness as measured against its peers. The Panel reviewed information that would allow a benchmarking of how well WMATA performs in the use of available resources and productivity in achieving results with those resources. This benchmarking initiative was drawn from the Federal Transit Administration's National Transit Data Base. With some caveats, this source allows an analysis of critical agency performance areas against national norms. A detailed set of comparisons is contained in an appendix to this report.[9]

The analyses compare WMATA to other transit agencies in the commonly-used performance measures of fare recovery, operating costs per passenger trip and passenger trips per vehicle mile. In the rail comparisons the national average is computed both with and without New York's statistics. This is because New York's extensive, dense, and heavily used subway service accounts for about half of the national average figure. The comparison of WMATA to other transit agencies shows that WMATA is above average on practically all measures, and an industry leader in many areas.

In terms of productivity, both Metrobus and Metrorail are above national norms. The ratio of passenger trips per vehicle mile measures how much use the system gets for the service provided. Even including New York, Metrorail is above the national average, and

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7 Authored by Robert Puentes, Brookings Institution Center on Urban and Metropolitan Policy.
8 See Appendix G for data on Revenue Sources for Major US Transit Agencies.
9 See Appendix H "Benchmarking Date for WMATA Rail and Bus Operations."

when New York transit is excluded, Metrorail productivity is 25% above the norm. Metrobus performs even more effectively, at 40% above the national average. Metro provides service effectively to its ridership.

Metrobus costs less than the national average and Metrorail just above average on a measure of efficiency: operating cost per passenger trip, or how much does it cost to carry each passenger. Thus, Metrobus is cost effective compared to the national norm. Although Metrorail is above the average, it is competitive with similar systems. Compared to Metrorail at $1.90 per passenger trip, BART in San Francisco costs $3.41 per passenger trip, the Miami rail system is at $4.47, the New York-New Jersey Port Authority Trans Hudson (PATH) line costs $3.38, and Chicago is $1.99. Metro provides substantial service to a growing ridership at a lower cost, relative to its peers.

Fare recovery measures how much of the cost of providing service is paid for by the passengers, and in that measure, Metrorail is second only to New York City, with its exceptionally heavily used rail transit service. Metrobus is lower than the national average because as the rail system has expanded, Metrobus has increasingly become a feeder service to rail, and as a policy decision fares have been kept low. What this measure shows is that, overall, the taxpayers contribute less to subsidizing Metro, compared to what passengers contribute, than is the case nationally.

Need for Revenue Dedication

Consideration of these other agencies and the comparison to WMATA raises the question of what constitutes a dedicated tax and why this is important to WMATA. As spelled out in the Brookings Report, the need to revisit the sources of revenue, the means of capital and operating support, the contribution of farebox and other revenues, and other controversial budgetary matters each year put a considerable strain on the process. While there always is a need for an effective budgetary review, the current system tends to peg costs to a level driven by the jurisdiction least willing or able to contribute. Arguably, this continual bargaining process can be a diversion from other important oversight and policy activities. The provision of truly dedicated revenues (i.e., revenues available through the tax system without intervening actions and appropriations) has provided other transit agencies around the country with greater latitude to plan and finance capital needs on a multi-year investment basis consistent with the nature of a major capital asset.

The desirability of WMATA receiving dedicated funding has been recognized in the past. Federal legislation enacted as part of the provision of Metrorail construction funding called for the region to adopt a source of "stable and reliable" revenues. However, as spelled out in a briefing paper developed for the Panel, this requirement turned out to be impossible to execute and the federal requirement was not truly enforced. [10]

The Panel finds that a means of providing new revenues to WMATA would be beneficial, but only if such revenues, whatever their source and amount, are truly dedicated. Actions to provide such revenues, potentially including amendment to the WMATA Compact, should ensure that payments flow to WMATA in the most direct fashion possible, enabling WMATA to plan for its future and potentially to pledge such revenue as support for debt issued in connection with the capital needs of the system. Similar commitments of federal revenue would be desirable, but more difficult to achieve.

[10] See Appendix I Briefing Paper on "Stable and Reliable" Revenues for WMATA.

Panel Considerations

A key consideration for the Panel was the definition of the funding problem for which recommendations were to be offered. There were various potential options for the scope of Panel recommendations as described below:

- *Capital Needs for Renewal and Capacity:* The most limited definition would be that related to meeting WMATA's capital needs exclusive of the cost of new system extensions. As noted above, extension costs, such as the proposal to run service to Dulles Airport and beyond, are handled through special arrangements put together by the jurisdictions most directly involved. While such extensions would ultimately become part of the operating system, their capital financing was not considered part of the Panel's scope. What remains are the capital needs for renewing the aging components of the system and for adding system capacity to meet growing demands, such as increasing the car fleet or capacity of existing stations. Partial funding for these needs is identified in WMATA projections, including an assumed ongoing federal transit program and the provision of consistent amounts of state and local funds for renewal of the current system.

- *Operating Needs Not Included in Current Projections:* Going a step beyond the capital needs, the Panel identified a class of operating expenditures related to capital investment, such as the operating and maintenance costs for the expanded rail fleet, that could arguably be included in its scope of consideration. These operating costs are the unfunded gap in the WMATA budget projections, related mainly to core system capacity initiatives as these come on line. As this occurs, expenses grow faster than revenues, opening an unfunded gap. While these costs will likely be put back directly to jurisdictions through the subsidy formulas, an alternative approach would involve providing some resources on a dedicated basis while redistributing the residual operating need among the jurisdictions under the formula.

- *Operating Needs Related to MetroAccess:* Another source of WMATA's increased subsidy requirements, as noted above, is the deficit relating to the provision of specialized paratransit services to disabled residents of the region. A substantial portion—more than half—of WMATA's projected operating gap relates exclusively to these services. This growing deficit is brought about by rapidly increasing demand for a service in which fares are constrained by federal regulation and each ride incurs a very large subsidized cost. The Panel did not view its scope as including the development of revenue sources to meet this gap, and urges WMATA, the region, and the federal government to continue efforts to provide funding for this necessary social service through non-transportation resources. More effective use of current or potential resources in a variety of medical and social service programs could mitigate the financial impact of this service. There are a number of specific steps that can be explored with each level of government and with the agencies responsible for social services. A number of these options are discussed in an appendix to this report.[11] Consideration might also be given to the creation of a special entity to keep focus on the cost and service implications of paratransit.

- *Replacement of Current Subsidies with Dedicated Revenues:* While the Panel focused primarily on closing the gap between WMATA's revenues and expenses, it recognizes that elected officials, in considering a new dedicated revenue, might wish to substitute that revenue for some of the general fund operating contribution now provided to WMATA from the jurisdictions. Therefore, the Panel has included estimates of the tax levels necessary to "cap" the overall local subsidy contributions at either the dollar level expended in 2005 or at a level of 3.5% per year increase, consistent with recent history of subsidy growth. Such a substitution would add even more fiscal stability to WMATA albeit at the expense of a higher tax level and a redistribution of the subsidy shares around the region.

Based on these assumptions by the Panel, the residual need for funding is shown in Table 4 below, totaling $500.8 million in operating shortfall and $1,880.6 million in capital shortfall over the period through 2015.

Table 4: WMATA Total Shortfall Through 2015

WMATA Projected Shortfall Assuming No Special Federal Participation ($M)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Operating Shortfall	$3.2	$11.9	$22.5	$30.7	$40.2	$41.8	$53.4	$64.5	$108.6	$124.1	**$500.8**
Capital Shortfall	$0.0	$0.0	$84.2	$84.2	$84.2	$328.5	$439.0	$303.7	$278.4	$278.4	**$1,880.6**
Total Shortfall	**$3.2**	**$11.9**	**$106.7**	**$114.9**	**$124.4**	**$370.3**	**$492.4**	**$368.2**	**$387.0**	**$402.6**	**$2,381.4**

Notes: Excludes MetroAccess costs and includes operating costs for the Dulles Extension and Anacostia Light Rail.

Excluding the early years in which the gaps are small, the average need during the period FY2008-FY2016 is approximately $296 million. The Panel recommendations are intended to define federal, state and local sources of revenue and meet a gap of this magnitude over the period through 2015. To summarize, this shortfall takes into account the unfunded need for capital to renew and increase capacity of the system, as well as the net operating shortfall of the expanded system. It assumes that a fare recovery ratio comparable to today's ratio will be maintained, and that subsidy contributions continue with moderate growth. It does not include the unfunded costs of MetroAccess or the capital costs of the specially funded extension programs.

[11] See Appendix J-Findings of the Metro Regional Task Force on Paratransit Service.

Review of Potential Revenue Sources

As part of its deliberations, the Panel considered a number of potential revenue sources to close the funding shortfall. These sources included both federal and state/local measures, and the Panel evaluated the feasibility and revenue likely to be produced by each. Further work needs to be done as to how federal, state and local sources would interact.

Regional Contribution

The Panel evaluated eight potential mechanisms for funding to meet the WMATA shortfall from regional (state or local) sources. The evaluation included estimates of the tax or fee rate needed to produce the desired revenues on a region-wide basis as well as an analysis of potential impacts and problems or opportunities arising from the use of such a revenue source.

The Panel emphasizes its firm view that this issue must be addressed at the regional level. The Washington region has engaged in good faith over the past 30 years to fund WMATA on a cooperative basis, but this experiment is showing signs of coming apart. With increasing pressures on state and local budgets, it cannot assume that each jurisdiction will continue to meet the funding challenge of the recapitalization of the system.

The Metro system is truly the only institution that provides regional services across the three participating jurisdictions. It is the system that binds this region together—the arteries for its economic lifeblood. With forecasted growth in population and jobs, it will continue to be critical to the region's future.

Given the demands of growth and recapitalization, it is no longer possible to piecemeal the funding of this regional system. The region must develop the collective will to create a regional revenue source that will allow us to plan together for that future. If we can do that together, it will strengthen us as a region. If we continue to finance in a fragmented and unpredictable fashion, the transportation future will be chaotic. It is in this spirit that the Panel recommends a region-wide approach.

The revenue sources that were evaluated included the following:

- *Access Fee*—A per square foot charge on commercial and federal government property benefiting from the existence of Metro service, particularly Metrorail. Amounts attributable to federal property would be allocated against a proposed federal contribution towards WMATA needs as discussed below.[12]
- *Congestion Charges*—a system, similar to that now in place in London, for charging fees to vehicles entering the region's core area. Alternatively, consideration was given to a system of area-wide road pricing.
- *Gas Tax*—an add-on to or dedication of existing gas taxes, collected on all fuel sold in the WMATA Compact area.

[12] Additional information about how such a charge would be levied is shown in Appendix K "A National Capital Transit Access Program.

- *Land-Value Capture*—a tax scheme under which incremental growth in property taxes generated in the Metrorail service areas would be shared with WMATA.
- *Property Tax*—an incremental region-wide tax or dedication of existing tax on all taxable property in the Compact area.
- *Parking Tax*—A direct charge to those parking on a daily basis at work and business locations in the Compact area. An alternative would be an annual levy against the owners of such parking spaces with the assumption that they would pass it through.
- *Payroll Tax*—an incremental level of taxation on all payrolls in the Compact area.
- *Sales Tax*—an incremental sales tax added onto the existing sales taxes within the Compact area, or a dedication of existing sales taxes within the jurisdictions.

In the Panel's evaluation of these sources, two—congestion charges and land-value capture—were excluded from further consideration because their implementation would be complex and would not provide adequate revenue during the time period covered in the analysis. In each case, the Panel feels these sources have merit from a public policy perspective but that the shortcomings are too great to overcome in the immediate future. In the case of congestion charging or road pricing, an entire system of technology and enforcement would have to be created, and once in place, revenues might be more appropriately dedicated to highway needs. The land-value capture tax was more directly connected with Metro-related benefits, but revenues would grow slowly and there would be implementation issues as to which properties should be covered. Thus, further analyses and revenue estimates were made only for the remaining six sources.

Revenue estimates for these six sources were based on the productivity of existing taxes in the case of gas taxes, property taxes, payroll taxes and sales taxes. The access fee estimates were based on a review of federal and commercial property within the region, and the parking fees on an estimate of auto travel origins and destinations. All of these estimates are preliminary and would require additional work to validate, especially the latter two. In each case, the estimates are based on activities within the historic WMATA Compact area that includes the District of Columbia, Montgomery, Prince George's, Arlington, Alexandria, Fairfax, Falls Church and Fairfax City. The Compact area has been expanded to include Loudoun County, but since service to Loudoun will not be implemented until the very last year of the analytical period, no revenues were included from Loudoun at this time.

Table 5 uses these revenue estimates to establish the levels of tax dedication required on a uniform basis across the region in order produce an average annual contribution of $148 million for local participants, equal to one-half of the shortfall in total resources. This amount would be proportionally higher or lower depending on the size of the ultimate federal contribution. It is not the Panel's assumption that dedication of taxes will automatically drive tax increases. If economic forecasts are correct, the jurisdictions should be in much better fiscal shape over the next few years and may be able to dedicate a portion of an existing tax rather than increasing a tax. This analysis assumes taxes dedicated to WMATA are collected beginning in FY2006.

In general, the fee levels are relatively small, given the fact that only $148 million per year is being raised region-wide. For example, if a sales tax were chosen, a rate of approximately 0.25% would generate $148 million a year. The table also shows the amounts that would be needed if only the average annual capital shortfall of $118 million were to be closed by the new revenue source, making the levies proportionally lower. On the other hand, as noted above, if a policy decision were reached both to fund the shortfalls and to replace some or all of the present operating contributions, the rate would be much higher. If regional officials were to determine that a greater proportion of WMATA's operating subsidy should be provided from the dedicated revenue source, additional tax revenues would be required.

Table 5: Local Revenue Sources to Close WMATA Shortfall (Assumes 50% Federal Contribution)

Preliminary Estimates of Potential WMATA Dedicated Revenue Sources (Current WMATA Compact Area)

	Region-Wide Fee Level Required to Meet the Average Total Shortfall of $148M	Region-Wide Fee Level Required to Meet the Average Capital Shortfall of $118M
Access Fee[1]	**$0.30/square foot/year**	**$0.24/square foot/year**
Gas Tax[2]	**$0.111/gallon**	**$0.088/gallon**
Property Tax[3]	**$0.0344 per $100 of assessed value**	**$0.0274 per $100 of assessed value**
Parking Tax[4]	**$0.59/day ($147/year)**	**$0.48/day ($121/year)**
Payroll Tax[5]	**0.16% ($58/employee/year)**	**0.13% ($46/employee/year)**
Sales Tax[6]	**0.25%**	**0.20%**

Notes: Average calculation based on years 2008 to 2015. 2006 and 2007 are considered outliers due to significantly lower shortfall requirements. By including 2006 and 2007 in the calculation the average total shortfall would be $120M and the average capital shortfall would be $90M. Excludes MetroAccess costs and includes operating costs for the Dulles Extension and Anacostia Light Rail. Loudoun County, while in the WMATA Compact, has been excluded from the analysis due to lack of rail service until at least 2015.

[1] Includes 395M square feet of federal (170M sf) and commercial (209M sf) space and hotels (16M sf) in areas that are broadly served by the Metrorail system. Fees are estimated to grow 2.88% annually based on historical inflation. New building equivalent to 1% annual growth assumed.

[2] Based upon a 2010 forecast of the annual vehicle miles of travel in the area and applying the estimated fuel economy for cars/light trucks of 24 mpg, an estimated 1.3 billion gallons will be consumed. Assumes 325 days of vehicle use per year.

[3] Property Tax (rate per $100 of assessed value) in addition to and collected on parity with existing property taxes on residential and commercial real estate. Tax assessed on entire compact area, assumes 2.7% average annual growth of property values, based on historical assessed value growth.

[4] It is assumed that users will pay the fee. Based upon an analysis using the regional travel model, is estimated that about 1.15 million commuter parking spaces will be utilized and pay the fee. The costs of increased transit service to accommodate the additional demand was estimated at about $40 million per year, which reduces the net revenues. Additional revenue from increased transit service is estimated to be half of the associated cost, or $20 million. Fees are estimated to grow 2.88% annually based on historical inflation.

[5] Based on COG Round 6.3 total employment forecast for 2000 to 2015 for the Compact Area, averaging 1.4% annual growth. Employment is stratified into income categories based on median household income data for the Compact Area, obtained from the US Census. Individual's annual income below $15,000 and above $100,000 is not taxed. Annual income growth of 2.88% is assumed based on historical inflation.

[6] Taxable sales base estimates based on historical tax revenue and tax base data from counties and cities currently in the WMATA Compact Area.

To "cap" the contributions at their 2005 level would require that the dedicated tax amount increase from the $148 million per year assumed above to a level of $310 million. At this level, federal contributions would be covering one-half the basic shortfall, while local contributions finance the other half plus the capping of subsidy. A sales tax of approximately 0.50% would be required. An intermediate option would be to cap the growth rate in local subsidy to 3.5% a year, which would require tax revenues of $220 million a year. This would equate to a tax level of 0.37% across the region.

As noted above, the Panel also reviewed these revenue sources in terms of their feasibility and their effects on key policy issues within the region. The criteria applied included the following:

- *Ease of Implementation*
  Is there an existing mechanism for collection of this revenue source? What would be the administrative costs associated with implementation?
- *Revenue Yield and Adequacy*
  How much would the proposed revenue source yield and is the level sufficient to address the funding problem facing WMATA? Will existing revenues together with the alternative sources be adequate for current and projected needs?
- *Stability and Sustainability*
  It is important that the new revenues track the funding needs over time and not fluctuate unpredictably. Some revenue options may produce high levels initially but diminish over time due to economic, technological or other forces. Associated with the question of stability is the issue of maintenance of effort. In this analysis, it has been assumed that new revenues (both regional and federal) would be incremental, not substituted for existing contributions.
- *Fairness and Equity*
  It is useful to identify the groups that are going to be economically impacted by a new revenue source and to assess whether the impacts are commensurate with the benefits of transit. Some new taxes will impact residents but not visitors while others impact only employers and businesses. Broad-based revenue options such as sales taxes, gas taxes, payroll and income taxes affect lower income persons differently than those with higher incomes. Another consideration must be how the revenue source distributes itself across the jurisdictions? Will there be a sufficient regional balance relative to the benefits of Metro service? In considering such issues, it must be remembered that the burden imposed by a tax need not rest on the person or business handing the money over to government. For example, a payroll tax paid by a business need not impact business profits. It may be shifted back to workers in the form of lower wages or forward to customers, in which case it resembles a sales tax.
- *Economic Efficiency*
  Consideration of the impacts that tax changes could have on economic behavior is another important consideration. The impacts of new revenue options may be difficult to fully anticipate. It is important to identify unintended consequences that could result. For example, in the short-term most of the owners and residents located near transit stations could accept increased proximity taxes for the benefit of improvements in transit service and reliability. However, in the longer term the higher costs to live or work in the area could influence some people and businesses to relocate outside of the taxed areas. The greater the differential with taxes outside the region, the greater such impacts might be.
- *Federal Role*
  WMATA and other transit agencies across the country receive capital funding under the existing federal transit program, relating to broad national policy

objectives. An enhanced federal role in transit funding for this region is entirely appropriate because in the National Capital region, the federal government is not only the largest employer but also a dominant tax-exempt property owner. All of the federal agencies near Metrorail stations and the numerous federal workers throughout the region receive large benefits from the transit system. New revenue sources related to these benefits could be applied to an overall federal/regional cost sharing arrangement.

- *Accountability and Tangible Results*
  For all revenue sources, the public needs to have assurances that the money will be spent in ways that will meet the identified needs and on projects and purposes that are well defined. It is important to ensure that the funding mechanisms are administered in ways that are fully audited and transparent for the public to see how the funds address the needs. Experience with transportation referenda around the country shows the correlation between meeting these concerns and achieving success.
- *Political Acceptability*
  Finally, there is the issue of political acceptability. Any new revenue source will have to be adopted by a variety of jurisdictions, preferably in a uniform way. This could rule out certain proposals on the basis that they could not achieve consensus of elected officials.

Each of the six revenue sources remaining in consideration by the Panel was evaluated according to these criteria. Table 6 shows the evaluation.

Table 6: WMATA Revenue Source Evaluation

MATRIX FOR REVENUE SOURCE EVALUATION						
Source Specific	**Access Fee**	**Gas Tax**	**Parking Tax**	**Payroll Tax**	**Property Tax**	**Sales Tax**
Ease of Implementation	(-) New revenue collection mechanism required, with controversy over boundaries of tax district.	(-) Will require a basis to allocate or create a new mechanism	(-)New mechanisms to levy tax on both public and private facilities, enforcement problems in a cash business	(?)Ability to piggyback on existing mechanisms. May need legislative change.	(?)Ability to piggyback on existing mechanisms, but potential problems with different property assessment schemes.	(+)Ability to piggyback on existing mechanisms
Revenue Yield	(+)Substantial revenue generated at a reasonable tax level	(-)Substantial increase to existing federal and state taxes needed to generate needed revenue	(+) Assuming collectibility, a moderate level would generate significant revenues	(+) Relatively low rate would provide significant revenues	(+) Rates low relative to existing property taxes	(+) Rates comparable to transit taxes in other metro areas would generate significant revenues.
Stability/ Sustainability	(+) Once in place, would be very stable year-to-year	(?) Future gas tax revenues can be affected by world oil prices, demand for gasoline, fuel economy and other factors	(+) Likely to be stable once introduced--recognize that transit success will reduce revenues	(+) Relatively stable year-to-year although some impact of business cycles	(+) Very stable and predictable year to year	(+) Relatively stable year-to-year, some impact of business cycles
Fairness/Equity	(?) Not clear where the impact of this source would fall	(?) Motorists are beneficiaries of good transit to reduce congestion, but will still object to paying.	(?) Similar to the gas tax, the issue of motorist benefit will arise	(+) All those who work in the region benefit from WMATA service, equity will depend on design of the tax	(?) Mixed fairness in terms of property owner benefits throughout the region	(-) Connection to sales tax less clear, general concern about the regressive nature of the tax
Economic Efficiency	(-) Could be a negative factor for business location	(-) Higher tax rates in the area could divert purchase locations	(?) Possible positive consequences in reducing auto use, congestion, air pollution offset by possible shifts in work locations	(?) Possible encouragement to locate business elsewhere	(?) Possible impact on real estate values and investment decisions	(?) Possible redirection of purchases outside region, on-line, etc.
Federal Role	(+) Fee could be made applicable to federal owned or occupied space	(-) No strong connection to federal government	(+) Federal workers would be among those to pay	(+)Federal workers would pay the payroll tax	(-) Not applicable to federal government properties	(?)No strong connection to federal government

General

Accountability and Tangible Results	Any successful program will need to define a specific program and show how WMATA will be accountable for positive results.
Political Acceptance	Each feasible source will have to be considered in terms of the political issues and barriers to adoption.

(-) Negative implications
(?) Mixed or unknown
(+) Positive implications

Panel Findings With Respect to Revenue Sources

Based on revenue production and the rating criteria, the Panel finds that four revenue sources would be most appropriate for consideration by regional elected officials. Among these the preferred option would be a uniform regional sales tax. The four are:

- Regional Property Access Fee
- Regional Ad Valorem Property Tax
- Regional Payroll Tax
- Regional Sales Tax

Each of these four proposed sources could be implemented relatively easily, would produce adequate revenue to close WMATA's shortfall, and would have limited impact on regional productivity and competitiveness. The sales tax, which a substantial majority of the Panel recommends, is particularly advantageous and has been successfully used in meeting transportation needs in a number of jurisdictions. While there are issues as to the incidence of the tax and its regressivity, at the levels contemplated these should not overcome its simplicity, its effectiveness in capturing visitor revenue, and its ability to grow with the regional economy.

While the majority of the Panel preferred the sales tax as the best means of generating dedicated revenue, others had expressed preference for the payroll tax or a property levy. Their arguments are important to note, especially if the region's elected officials choose to move in a direction other than a regional sales tax.

With respect to the payroll tax, it is noted that the necessary rate would be low, and that it might be structured to reduce the impacts on lower-paid workers. Such a tax has proven to be very stable and effective in the Portland, Oregon area. The payroll tax, structured properly could apply to all sectors of the region's economy. To apply this fee to federal employees may require special legislation, but it would correlate well to the service that Metro provides for the federal government. It also has the benefit of reaching the substantial number of employed individuals who reside outside the Compact area but benefit from Metro service either as direct users or through the relief it gives to the highway system.

With respect to the property tax, it is noted that a tax on commercial property could serve well as a reasonable proxy for the relative benefits of Metro among the jurisdictions. It would be the easiest to apply administratively, since each of the jurisdictions has a property tax assessment and collection system in place. For their own reasons, each jurisdiction has the incentive to keep assessments up to date in an active real estate market. Extending this tax to federal and federally-mandated exempt property would require legislative action, but could be administered effectively. In addition, given the drivers of economic activity in this region, a good portion of the impact of this tax might well be "exported" to those corporations and institutions that benefit from their Washington outposts.

One of these sources could also be adopted to provide federal gap-closing revenues of $148 million annually. The property access fee would provide $148 million per year at a rate of $0.71 per square foot on all federal owned or leased space, as compared to the local fee of $0.52 per square foot. If this source were used for both federal and local revenue, equalizing the fee would probably be desirable. With respect to taxes on payrolls or sales, the Panel does not see a similar direct linkage with the federal government. With the exception of the access fee and the possibility of a charge on parking spaces under federal control, the other sources do not generate revenues attributable to a federal share, leaving the need for federal contribution to come from annual general fund appropriations.

Two other sources are more problematic and are not recommended by the Panel. These are:

- Regional Gas Tax
- Regional Parking Tax

These two measures would have to be at a relatively high amount to produce the needed revenues, and would have significant to severe problems in implementation. While they would be appropriate from a public policy standpoint, encouraging transit use rather than use of the automobile, but there are difficulties of collection as well as competition with funding needs for highway repair and maintenance.

As noted above, two other sources—congestion charges and value capture—were eliminated in the Panel's consideration.

Means of Collection

Additional work will be needed to define the mechanisms for collection and distribution of dedicated revenues. The Panel offers for consideration a model under which the current WMATA Compact, or a new compact for the new agency, could be enacted by the states and the District of Columbia with the approval of the Congress to provide for a Washington Metropolitan Area Transit Funding Authority. This authority could contract with the cognizant entities to provide the tax collection on a "piggyback" basis, and could provide a external mechanism for guaranteeing a balancing of annual needs with revenue flows as well as a vehicle for bond financing for capital needs if that becomes the means for best using the dedicated revenues. It could be structured with the same Board and staff as WMATA.

An earlier comment alluded to the issue of annual flows of funds as compared to the needs of the system. With a growing gap, a fixed tax rate will not grow in proportion to the growing needs. The analysis undertaken by the Panel addresses the average needs over the period with the average revenues of various measures. Using the recommended option of the sales tax, for example, it should be possible to manage these flows through a trust fund or other intergovernmental arrangement to smooth out the requirements. As shown in Table 7, projected sales tax revenues at a rate of 0.25% region-wide will exceed the need in the early years and fall short in the later ones, under the assumption of a robust federal contribution. If a larger levy were applied because of a federal shortfall or in order to shift subsidy costs from the jurisdictional formula, the result would be the same for the larger amount. However, the total revenues over the ten-year period, if the tax is enacted in 2006, are more than adequate to cover the needs and provide for a transition into the next ten years.

The adequacy of the new revenue beyond 2016 will depend on factors such as the growth of WMATA's costs and needs as compared with the growth of the base for the tax. Similarly, period adjustments would be necessary to any federal contribution.

Table 7: Projected Sales Tax Revenues

Preliminary Estimates of a Potential Dedicated 0.25% Sales Tax Assuming 50% Special Federal Participation

($ millions)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual Need	$1.6	$5.9	$53.3	$57.5	$62.2	$185.1	$246.2	$184.1	$193.5	$201.3
Annual Revenue	$117.3	$122.1	$127.2	$132.5	$138.0	$143.7	$149.7	$155.9	$162.5	$169.2
Annual Surplus/(Deficit)	$115.7	$116.2	$73.8	$75.0	$75.8	($41.4)	($96.5)	($28.1)	($31.0)	($32.0)
Fund Balance	$115.7	$231.8	$305.7	$380.7	$456.5	$415.0	$318.6	$290.4	$259.4	$227.3

Note: Taxable sales base estimates based on historical tax revenue and tax base data from counties and cities in the WMATA Compact Area (excluding Loudoun County).

Region-Wide vs. Local Implementation

In the Panel's charter, it was also asked to consider whether the revenue sources contemplated would be appropriate for enactment on a "mix and match" basis, with each jurisdiction selecting its own preferred options. As noted above, the Panel recommends strongly that a regional solution is the most desirable outcome, given the interconnected economy of the area and the broad importance of Metro. It is possible to allocate the costs of the system by jurisdiction and make some correlation with the places where revenues are generated It is the panel's view that such a process would unduly prolong the debates that have occurred over decades about cost and benefit allocation. However, in light of the obvious interest in comparing the indicidence of future taxation with the current system of allocating WMATA subsidy needs by jurisdiction, the Panel did generate analyses of the intra-regional impacts of various potential revenue sources. These estimates are contained in an appendix to the report.[13]

Federal Contribution

The Panel concludes that the case is strong for a special federal contribution towards the WMATA revenue gap. As noted above, the federal government and federal policy goals derive substantial benefit from the existence of the Metro system. Over the past 50 years, every Administration has supported a Metro system because of its essentiality to federal operations in the National Capital region.

[13] See Appendix L "Intra-regional Distribution of Proposed Revenue Sources.

With almost 50% of the system's peak hour riders consisting of federal workers and with its major stations in or near federal buildings housing over 300 federal agencies, it is clear that continued Metro service is critical to the smooth functioning of the national government. Other federal benefits include the contribution of Metro to the homeland security need for capacity and reliability in emergencies, and its support of major national events and celebrations. In fact, it is fair to say that the federal government is the largest single beneficiary of Metro service.

Based on these benefits, the Panel concludes that it is entirely appropriate to include federal support as a funding source for a significant portion of the total WMATA shortfall. While the federal government has expressed policy concerns with providing operating assistance, such an incremental contribution outside of the Federal Transit Administration programs could be structured to consist of capital and capital-eligible items.

The federal government has also articulated a policy that WMATA, with the completion of the 103-mile base Metrorail system, should be treated "like any other city." This policy is being implemented with respect to system extensions. Current projects such as Largo and Dulles are competing for national funds and competing well on their merits. But this should not preclude special consideration of the federal role with respect to the ongoing system. There are strong precedents, notably the continuing federal role with respect to maintaining and improving the region's parkway network and the streets within the Mall and downtown area. The federal government is also involved on a continuing basis with the area's water supply system and serves as one of the partner agencies in the regional airports authority. A similar case can be made for the importance of Metro service in furthering national objectives in the areas of clean air, reduced energy consumption and urban development.

In that regard, it is instructive to consider policies towards public transit systems in other national capitals. The extensive investment in cities like Paris, Tokyo, Rome, Seoul and Moscow shows the importance with which other countries approach mobility in the national capital. Recent developments in the United Kingdom emphasize this point. Legislation was enacted in the mid 1990's to devolve responsibility for London's transportation system to a new regional government entity governing Greater London. But this devolution has included substantial national investment through long term agreement—as much as $3 to $4 billion per year—in order to assure the system is brought to a state of good repair and operated to the benefit of the region and the nation.

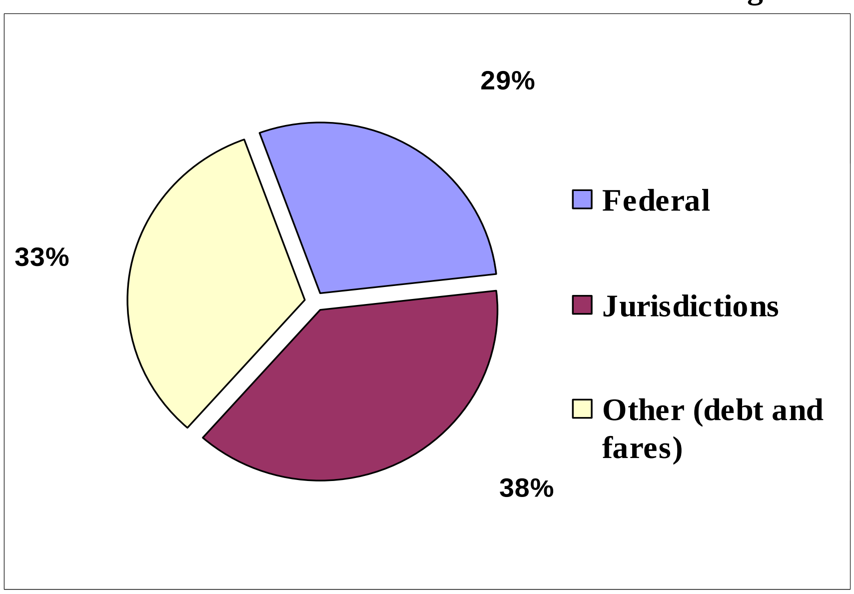
To be of use in closing the WMATA gap, any new federal funds need to be a special commitment, incremental to federal contributions projected under current programs. At present WMATA's federal funding is made available on the same basis as funding to all other transit systems in the country, through a combination of formula grants based largely on system size and regional population, and discretionary grants provided for system extensions based on the merit of the expansion proposals against federally defined criteria. In this regard, the anticipated $260 million federal contribution for rail car purchases under Metro Matters is considered to be part of the ongoing transit support and not part of any future package. In the event such a grant is not forthcoming, there is agreement to finance these cars through debt secured by future growth in the federal transit program. Since that growth is also a resource counted towards the ten-year capital program discussed above, a failure to achieve the federal contribution for rail cars will create a future gap beyond what is now estimated.

The federal government also provides subsidies to its workers for transit fares in the same way that subsidies are provided at employer discretion in the private sector. Neither of these funding streams could be described as a unique contribution to WMATA's needs.

Some potential sources of revenue that could finance an increased federal contributions mirror those also being considered as state/local revenue sources. Where this is the case, the estimates for certain of the revenue sources noted below have been adjusted to exclude collections directly from, or managed by, the federal government. In particular, the Panel notes that a proposed property access fee to be charged to federal facilities would generate significant revenues directly from those agencies and operations that benefit from Metro. The way in which such a fee might operate is described more fully in an appendix to this report.[14]

It is also important to note that what is being sought from the federal government is a reasonable sharing of the incremental burden over the next ten years, not a blanket share of WMATA's baseline costs. An analysis done as part of WMATA's most recent strategic plan shows that the overall costs—capital and operating—over the life of the system divide out almost equally among federal grants, local contributions and system revenues. This is shown in Chart 2. A similar allocation for the future reflects the continuing interests of all the parties.

Chart 2: Historical WMATA Sources of Funding



[14] See Appendix K "A National Capital Region Transit Access Program."

Closing the gap to support effective Metro services over the next ten years will involve contributions by all those with an interest in a successful outcome. Based on the projections describe above, a total of $7.4 billion in new operating and capital revenue needs to be generated above the levels provided in 2005, not including those federal and local funds allocated to extension projects. Of the $7.4 billion total, increased ridership and fare actions as described above will provide nearly $1.9 billion or 26%. Continued "maintenance of effort" by state and local governments through the operation of current operating and capital cost-sharing formulas will generate $2.3 billion, or 30%. The anticipated growth in federal capital support, both through the formula programs and through a discretionary contribution to new cars will provide $889 million or 12%.

The residual need represented in the gap closing estimates is $2.4 billion, or approximately 32% of the total. If allocated equally between federal and state/local sources, each would be contributing 16% to this important effort.

The Panel recognizes that the division of this need between the federal government and the state-local partners will be the subject of discussion once this report is issued. To the extent the federal government is not forthcoming, the burden on the state-local partners will grow. But the Panel concludes that in light of the significant contributions coming from riders and state/local governments, an equitable sharing of the burden by the federal government is in line with the benefits it achieves.

Other Considerations

As noted in the section on analytical criteria, there are some general considerations that would apply to whatever revenue source or mix of sources is selected. Given the shortness of time and the specificity of the Panel's charge, it did not attempt a full evaluation of these criteria, which include accountability and tangible results as well as political acceptability, but did discuss them and offers the following comments:

- *Accountability and Tangible Results*--Experience in other parts of the country, as well as in this region, shows the importance of specific commitments in gaining acceptance for tax contributions to transportation investment. In the past year, a substantial number of transportation referenda have passed in areas all across the United States, showing that voters are sympathetic to additional taxes when they can measure what they will receive for their payments.[15] Since much of the new revenue is intended to close WMATA's capital funding shortfall, there will need to be a clear indication of expected capital investments, their cost and schedule, and a tracking mechanism to assure that promises made are promises kept. The Panel also notes the concerns that have been raised in recent months about WMATA's management culture and effectiveness in light of widely-reported incidents on trains, buses, and in stations and parking facilities. The Panel is aware of the steps that management is taking to get tighter control of operations and achieve a higher standard of results for the public it serves. These steps are timely and necessary. Progress in this regard will be critical in achieving public acceptance for new revenues.
- *Political Acceptability*—this will be tested by the response of elected officials, federal, state and local, to the Panel recommendations. The Panel believes that with adequate information about the benefits to be gained and the risks to be reduced by meeting the WMATA needs, a strong case can be made for dedication of revenues, although it will not be a simple case in light of general concern over tax levels nationally and locally.

[15] See Appendix M "Public Transportation Ballot Intiatives-2004" prepared by the Center for Transportation Excellence.

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APPENDIX A

RESOLUTION CREATING A REGIONAL PANEL TO ADDRESS DEDICATED FUNDING FOR WMATA

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Resolution R39-04
Adopted September 8, 2004

Metropolitan Washington Council of Governments
777 North Capitol Street, N.E.
Washington, D.C. 20002

RESOLUTION
CREATING A REGIONAL PANEL
TO ADDRESS DEDICATED FUNDING FOR WMATA

WHEREAS, the Washington Metropolitan Area Transit Authority ("WMATA") is facing substantial ongoing operating and capital shortfalls for the foreseeable future; and

WHEREAS, in 2002 the Government Accountability Office ("GAO") noted that the Metro system is suffering from both aging and growing pains and recognized that WMATA, without a dedicated revenue source to fund its capital needs, is subject to the vagaries of federal, state, and local appropriations processes; and

WHEREAS, in February, 2004 the National Capital Region Transportation Planning Board ("TPB") issued a report, *Time to Act*, concluding that substantial additional financial commitment at federal, state, regional, and local levels is necessary to meet WMATA's capital funding needs; and

WHEREAS, in June 2004, the Brookings Institution report, *Washington Metro: Deficits by Design*, found that WMATA's unprecedented lack of dedicated funding sources necessitates an over-reliance on annual appropriations of general funds from state and local governments that makes Metro vulnerable to recurring and chronic financial crises, particularly when Metro's needs tend to parallel other financial needs of the region's governments; and

WHEREAS, WMATA, responsible for the fourth largest transit system in America, but has the lowest percentage of dedicated funds of any transit system in the nation; and

WHEREAS, a unique federal, state, and local partnership was formed half a century ago to create Metro as a world-class transit system, reflecting the unique federal, state, and local needs for the National Capital Region; and

WHEREAS, this partnership has invested over $9.4 Billion in public funds, valued at $24 Billion in today's dollars) to create and maintain this world-class transit system, which investment and which system must be protected; and

WHEREAS, renewal of this federal, state, and local partnership and commitment is necessary to address WMATA's need for long-term stable, predictable, and reliable capital funds; and

WHEREAS, based on the foregoing premises, both the WMATA Board of Directors and the Northern Virginia Transportation Authority have called for the creation of a regional "blue ribbon" panel to examine alternatives for a dedicated revenue source, or sources, for WMATA.

NOW THEREFORE BE IT RESOLVED, by the Board of Directors of the Metropolitan Washington Council of Governments that:

1. There is hereby authorized and established a "Panel on the Analysis of and Potential for Reliable and Adequate Dedicated Revenue Sources for WMATA" (hereinafter the Dedicated Revenue Panel" or the "Panel").

2. The Greater Washington Board of Trade and the Federal City Council are hereby requested to sponsor the functions, activities, and results of the Panel jointly with Metropolitan Washington Council of Governments.

3. The Panel shall consist of 13 persons with a knowledge of and background in transit, public finance or economics, or political science and with a reputation in the community for public and political credibility. Persons named to the Panel should *not* be currently serving as an elected official or a senior administrative official of a compact jurisdiction or a local government served by WMATA.

    a) Nine members representing local governments, transit stakeholders, user populations, or the transportation and public finance interests of the compact jurisdiction: three members representing each of the District of Columbia, Maryland, and Virginia.
    b) Three members representing regional governmental and business interests: one representing each of the sponsors.
    c) A Chairman with professional or academic credentials in regional transportation, infrastructure, or public finance.

4. The Panel should review all existing research and analyses addressing:

    a) The current and future financial needs of WMATA.
    b) Studies or recommendations to date on possible dedicated revenue sources for WMATA.
    c) Studies on dedicated revenue sources for other transit systems or similar regional services with significant current and future capital requirements.
    d) Legal authorities for or impediments to creation of dedicated revenue sources in the three compact jurisdictions.

5. On or before December 15, 2004, the Panel should issue a report to the three sponsors and to the District of Columbia, the State of Maryland, and the Commonwealth of Virginia, including

a. Underlying financial and legal assumptions which must be addressed in creating possible dedicated revenue sources for WMATA.
b. A catalog or narrative list of the various alternative dedicated revenue sources currently or historically used by transit or similar regional services.
c. Pro and con analysis of each of these alternative dedicated revenue sources, recognizing that the pros and cons may differ among the three compact jurisdictions.
d. A menu of findings, conclusions, and recommendations, indicating which alternative dedicated revenue sources might be financially and legally workable for each of the compact jurisdictions, recognizing that alternatives may be workable in one jurisdiction but not in others.

6. The Executive Director of the Metropolitan Washington Council of Governments, in consultation with COG participating jurisdictions, and in conjunction with his counterparts at the Board of Trade and Federal City Council, is authorized to invite and select persons for the Panel consistent with this resolution, giving due deference to political entities and other stakeholders in the region with an abiding interest in the development and maintenance of an efficient, effective, and financially stable transit system. Further, the sponsors are authorized to invite up to two federal representatives to participate in an *ex officio*, non-voting basis.

7. The Executive Director, pursuant to existing delegation, is authorized to commit and expend funds to support this effort jointly with co-sponsors without further action of this Board.

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APPENDIX B

BIOGRAPHICAL MATERIAL ON PANEL MEMBERS AND PARTICIPATING STAFF

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Chair:

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- Other significant positions include: Assistant Director, Economic Policy, Office of Management and Budget; Deputy Assistant Secretary, Economic Affairs, U.S. Department of Housing and Urban Development; Senior Staff Economist, Council of Economic Advisors; Professor of Economics, University of Rochester.

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- Other significant positions include: Senior Attorney, U.S. General Accounting Office; Counsel, Commission on Government Procurement; Private law practice.

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APPENDIX C

LIST OF PRIOR STUDIES PROVIDED TO THE PANEL

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List of Prior Studies Provided to the Panel

1. The Brookings Institution, "Washington Metro: Deficits by Design." June 2004.
2. United States General Accounting Office, "Mass Transit: WMATA is Addressing Many Challenges, but Capital Planning Could Be Improved." September 21, 2001.

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APPENDIX D

SUMMARY OF FIRST ROUND PUBLIC COMMENT RECEIVED BY THE PANEL

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SUMMARY OF ISSUES
PUBLIC COMMENT
METRO FUNDING PANEL – OCTOBER 19, 2004

Public comments covered a broad range of topics – many of them contrary or inconsistent. For example, testimony both favored (Washington Airports Task Force; Dulles Corridor Rail Association) and questioned (Landowners Workgroup) the proposed extension to Dulles Airport. Similarly, some testimony requested priority be given to better funding of highway and bridge projects, in lieu of or in addition to transit funding (Landowners Workgroup; Northern Virginia Transportation Alliance).

In general however, testimony was favorable to increased funding for transit, and in particular for dedicated sources of revenue.

- Several presenters cautioned that Maryland funding must remain statewide and through the Transportation Trust (Action Committee for Transit; Chesapeake Bay Foundation; Maryland Transit Coalition).

- About half of the presenters urged against additional reliance on the farebox for additional revenue (e.g., New Transit Riders; Washington Regional Network for Livable Communities; Sierra Club, etc.)

- Several presenters suggest that the most preferable sources of dedicated revenue should also encourage ridership or discourage automobile reliance, such as gas tax, parking fees, or consumption charges (e.g., Washington Regional Network; Chesapeake Bay Foundation). However, some testimony suggested greater farebox reliance – a market-based rather than social based concept of income (e.g., Washington Airports Task Force).

- Several presenters indicated a need for greater management accountability in lieu of or as a condition for increased funding (e.g., Sierra Club; McGuirl; Breakthrough technologies Institute; Landowners Workgroup). Some specifically wanted a change in governance, including public or stakeholder directors (Washington Regional Network; Americas Institute).

- About half of the presenters requested the ability to present public comment at a later date (e.g., New Transit Riders Group; Action Committee for Transit; Chesapeake Bay Foundation; Maryland Transit Coalition).

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APPENDIX E

SUMMARY OF SECOND ROUND PUBLIC COMMENT RECEIVED BY THE PANEL

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SUMMARY OF ISSUES
PUBLIC COMMENT
METRO FUNDING PANEL – DECEMBER 31, 2004

The Metro Funding Panel approved its draft report for public release and comment on December 14, 2004. The draft report was made available to the public by the Panel's three sponsoring organizations: the Metropolitan Washington Council of Governments, the Greater Washington Board of Trade, and the Federal City Council. Comments were requested by December 31, 2004. Unlike the public comments received by the Panel in October 2004 at the beginning of its deliberations, these comments were much more pointed and directed to the specific questions before the Panel. In all, a total of 79 comments were received – some favorable, some unfavorable; some general, some specific; some lengthy and reasoned; and some pithy and conclusory.

- Among those general comments, 15 supported the draft report, while 18 generally dismissed or discounted the report and its recommendations.
- The single largest group of comments (29) condemned tax increases of any sort to support WMATA.
- 15 Comments specifically recommended against use of a sales tax increase to fund WMATA's needs (6 specifically endorsed a sales tax as the preferable solution).
- 12 comments stated the shortfall should be made up by cutting WMATA expenses.
- Increasing fares to cover any deficit or need was the position taken by 8 comments.
- Several persons recommended revenue sources which simultaneously would operate as a disincentive to vehicular traffic – 7 supported a gasoline tax, 8 supported a parking tax or fee, and one supported a higher registration or "car tax" on luxury or poor mileage vehicles.
- 4 persons laid the current shortfall at the foot of Metro management, and would condition any relief to controls on management (3) or a full management restructure (1).
- Other comments recommended real property tax increases, particularly where increases in land value could be captured, and congestion related charges, whether in the core only, or by toll roads.

Although many comments could be viewed as negative to the purposes and conclusions of the draft report, several comments pointed out that whether or not any individual taxpayer uses Metro, the region as a whole benefits from its presence.

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APPENDIX F

DESCRIPTION OF WMATA CAPITAL PROGRAM

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Capital Requirements

In November 2002 WMATA published a 10-Year, $12.2 billion Capital Improvement Plan (CIP) identifying WMATA's capital needs between FY2004 and FY2013. The Capital Improvement Plan included $3.3 billion in projects to maintain WMATA's existing facilities (Infrastructure Renewal Program - IRP), $2.9 billion in projects to expand the capacity of the existing system (System Access and Capacity Program - SAP), and $6.0 billion in projects to extend fixed guideway transit to new markets (System Expansion Plan – SEP). WMATA has partially funded the Capital Improvement Plan, but a significant portion remains unfunded and will require dedicated funding to complete. Below is a list of the contents of the 10-Year Capital Improvement Plan:

- **FY2004 to FY2013 Infrastructure Renewal Program –** Includes all the projects necessary to maintain WMATA's existing infrastructure and rolling stock. It includes projects such as the replacement of old buses and trains, elevator and escalator rehabilitation, track rehabilitation, and a number of other projects needed to maintain the bus and rail systems.

- **System Access and Capacity (SAP) Rail Car Program –** The SAP Rail Car Program will allow the Metrorail system to run 75% eight car trains during the peak period, operating at 90% of its design capacity. In order to accommodate the fleet expansion, WMATA must invest in additional maintenance and storage facilities and the systems necessary to run the expanded fleet. Station enhancements and connections and bicycle and pedestrian connections will improve customer movement within the system and increase the capacity of Metrorail. Below is the list of projects in the SAP Rail Program, a portion of which would be paid for by new dedicated and federal funds:

    - 300 Rail Cars
    - 6 Maintenance Facility Improvements
    - Terminal Station Improvements
    - 2 Storage Facility Improvements
    - Upgraded Traction Power and Precision Stopping Systems
    - Station Enhancements and Station Connections
    - Bicycle and Pedestrian Connections

- **System Access and Capacity Bus Program –** The SAP bus program is a 460-bus expansion to WMATA's fleet. It includes the vehicles, the facilities to store and maintain them, strategic corridor improvements to improve operations, and customer facility improvements. This level of investment will allow WMATA to meet demand for current services and expand into new markets, where there currently is demand for transit but no supply. Improvements to corridors and customer facilities will allow WMATA to improve bus operations and improve customer safety and satisfaction. Below is the list of projects in the SAP Bus

Program, a portion of which would be paid for by new dedicated and federal funds:

  - 460 Buses
  - 4 Garages (3 New, 1 Replacement)
  - 140 Miles of Corridor Improvements (ROW treatments, traffic management, etc.)
  - Improved Customer Facilities (New Signs, Safety Improvements, ITS)

- **System Expansion Program –** The system expansion plan contains a number of fixed guideway projects, including expansions to the existing Metrorail system (Dulles Extension, New York Avenue, Wilson Bridge, Purple Line, etc.), new modes (DC LRT system, Columbia Pike, Inner Purple Line, etc), and new stations (New York Avenue). A complete listing of projects can be found in the 10-Year Capital Improvement Plan. The capital cost of the System Expansion Program is not included in the Blue Ribbon Panel's analysis, and is assumed to be funded at the local level by the jurisdiction in which the project is built.

The capital requirements outlined in this report are based on the 10-Year CIP. Funding for these programs can be broken down into 4 sources:

- **Prior Year Capital Programs-** Capital programs prior to and including the FY2004 Capital Program
- **Metro Matters Funding Agreement –** All projects funded under the Metro Matters Funding Agreement
- **"Maintenance of Effort" –** It is assumed that WMATA jurisdictions will continue to fund the capital needs of the Metrorail and Metrobus system. This commitment was made in principle in the Metro Matters Funding Agreement and is carried forward in this report.
- **Dedicated/New Federal Funding –** This is the amount of funding provided by a dedicated funding source and new federal contributions to help fund WMATA's capital shortfall.

The contents of the capital program funded under each source are documented below:

Prior Year Capital Programs

WMATA has funded the FY2004 Capital Budget and the purchase of 62 new rail cars in FY2004 or prior. The purchase of 62 cars is 12 more than contemplated under the 10-Year CIP and allows WMATA to reach approximately 70% of its design capacity.

Metro Matters

The Metro Matters program fully funds the FY2005 through FY2010 Infrastructure Renewal Program. In addition, it funds the purchase of:

- 120 Rail Cars
- 2 Maintenance Facilities
- Traction Power and Precision Stopping Systems
- 185 Buses
- 1 Garage
- 20% of the Customer Facilities Described in the 10-Year CIP

The Metro Matters program allows the Metrorail system to achieve the following:

- 33% of all peak period trains will be 8-car trains, the maximum length
- 75% of its design capacity
- Relieve unmanageable congestion through 2012

The Metro Matters program allows the Metrobus system to meet the growth in demand for existing services, improve customer facilities, and provide ITS improvements (real-time bus information, signal prioritization, etc.) in several high-priority corridors.

"Maintenance of Effort"

A "maintenance of effort" by WMATA's state and local funding partners will allow WMATA to partially fund the FY2011 through FY2015 Infrastructure Renewal Program (FY2014 and FY2015 were not included in the original 10-Year CIP). The "maintenance of effort" will fully fund the renewal needs of the original system, but only funds the IRP needs of 89.5 of Metrorail's 106.5 mile system (3.5 miles were added to the 103-mile system with the opening of the Blue Line extension to Largo on December 18).

Dedicated Funding/New Federal Funding

Dedicated funding and new federal funding is needed to fully fund WMATA's IRP (the final 17 miles of the Metrorail system). In addition, it is required to fund the remainder of WMATA's Bus and Rail SAP program, as outlined in the 10-year CIP.

Metrorail projects funded by the dedicated/new federal funding source include:

- 130 Rail Cars
- Improvements to 4 Maintenance and 2 Storage Facilities
- Station Enhancements (additional elevators/escalators, expanded mezzanines, etc.) at Union Station, Gallery Place, and Metro Center
- Station Connections
    - Farragut North and Farragut West
    - Gallery Place and Metro Center
- Bicycle/Pedestrian Improvements (approximately 25 stations)

Projects funded by the dedicated/new federal funding source will allow the Metrorail system to achieve the following:

- 75% of all peak period trains will be 8-car trains, the maximum length
- 90% of its design capacity

- Relieve unmanageable congestion through 2017
- Station connections and enhancements will reduce crowding at Metrorail's most heavily used stations and transfer points

Metrobus projects funded by the dedicated/new federal funding source include:

- 275 Buses
- 3 Bus Garages (2 new, 1 replacement)
- 140 Miles of Corridor Improvements
- 80% of the Customer Facility/ITS Improvements described in the 10-Year CIP

Projects funded by the dedicated/new federal funding source will allow the Metrobus system to

- Meet demand for existing services and expand into new markets
- Improve operational efficiency through strategic corridor improvements
- Provide customers with real-time information and customer amenities at bus stops and transit centers throughout the region

Table 7 shows the projected capital needs and funding sources for WMATA's FY2005 through FY2015 Capital Budget. Even with modest growth (2.75%) in state and local funding (a "maintenance of effort"), equally modest growth in federal formula funding (2.75%) expected with reauthorization of the Transportation Equity Act for the 21st Century (TEA-21), funding, and a one-time, $260 million discretionary Federal grant for 120 new rail cars; WMATA faces a capital shortfall of approximately $1.9 billion between FY2008 and FY2015, with an average annual shortfall of $232 million. This shortfall does not include the $6.0 billion System Expansion Program, which remains unfunded even with the dedicated funding levels identified in this report.

Table 7: WMATA Capital Requirements FY2005 to FY2015

FY2005 - FY2015 Capital Requirements

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Capital Revenue												
State/Local	$ 102.5	$ 132.0	$ 141.7	$ 164.8	$ 178.7	$ 198.0	$ 203.5	$ 209.1	$ 214.8	$ 220.7	$ 226.8	**$ 1,992.4**
Federal Formula	$ 159.4	$ 173.3	$ 183.6	$ 195.1	$ 210.2	$ 227.3	$ 233.5	$ 240.0	$ 246.6	$ 253.3	$ 260.3	**$ 2,382.4**
Federal Discretionary	$ -	$ -	$ 65.0	$ 65.0	$ 65.0	$ 65.0	$ -	$ -	$ -	$ -	$ -	**$ 260.0**
IGF	$ 31.3	$ 13.7	$ 19.7	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 1.3	$ 1.3	$ 1.3	$ 1.3	**$ 93.9**
Debt Issuance	$ 48.2	$ 154.6	$ 201.4	$ 115.4	$ 56.6	$ 34.6	$ 0.0	$ 8.3	$ 78.8	$ 52.3	$ 30.1	**$ 780.5**
Total	***$ 341.3***	***$ 473.7***	***$ 611.3***	***$ 546.2***	***$ 516.5***	***$ 530.9***	***$ 443.0***	***$ 458.6***	***$ 541.5***	***$ 527.6***	***$ 518.5***	*$ 5,509.2*
Capital Expense												
Metro Matters	$ 341.3	$ 473.7	$ 611.3	$ 546.2	$ 516.5	$ 530.9	$ 252.4	$ 184.2	$ 131.8	$ 81.1	$ 70.0	**$ 3,739.4**
Infrastructure Renewal Program	$ -	$ -	$ -	$ -	$ -	$ -	$ 435.0	$ 435.0	$ 435.0	$ 435.0	$ 435.0	**$ 2,175.0**
Capacity Expansion	$ -	$ -	$ -	$ 84.2	$ 84.2	$ 84.2	$ 84.2	$ 278.4	$ 278.4	$ 278.4	$ 278.4	**$ 1,450.5**
Total	***$ 341.3***	***$ 473.7***	***$ 611.3***	***$ 630.4***	***$ 600.6***	***$ 615.1***	***$ 771.5***	***$ 897.6***	***$ 845.2***	***$ 794.6***	***$ 783.4***	*$ 7,364.8*
Shortfall												
IRP Shortfall	$ -	$ -	$ -	$ -	$ -	$ -	$ (244.3)	$ (160.5)	$ (25.3)	$ -	$ -	**$ (430.1)**
Capacity Shortfall	$ -	$ -	$ -	$ (84.2)	$ (84.2)	$ (84.2)	$ (84.2)	$ (278.4)	$ (278.4)	$ (278.4)	$ (278.4)	**$ (1,450.5)**
Total	***$ -***	***$ -***	***$ -***	***$ (84.2)***	***$ (84.2)***	***$ (84.2)***	***$ (328.5)***	***$ (439.0)***	***$ (303.7)***	***$ (278.4)***	***$ (278.4)***	*$ (1,880.6)*

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APPENDIX G

PUBLIC BENEFITS PROVIDED BY WMATA RAIL AND BUS SERVICE

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Background

The Washington Metropolitan Area Transit Authority's services are an integral part of the region's transportation network. With a replacement cost of approximately $24 billion it is one of the largest single infrastructure projects in the region. It is also one of the few assets that truly bind the Washington region together. Over the past thirty years, WMATA's impact on the region has continued to grow. Over 1.1 million trips per day are made on the Metrobus and Metrorail systems, saving time for people on its vehicles, reducing congestion on the region's roadways, and improving air quality. Like every other transit property in the world WMATA requires public support to close the gap between passenger revenues and costs. However, it substantially expands the tax base of its sponsoring jurisdictions by stimulating high-value, property development and job growth around transit stations. Finally, WMATA is a critical link in the region's security system, offering a safe, fast means of evacuating the core. The benefits that WMATA provides transcend the users of its service. Even those never setting foot on a WMATA vehicle benefit from its services.

Beneficiary: State and Local Governments

WMATA impacts state and local governments in two primary ways. First, it expands the tax base by increasing the property value of land adjacent to Metrorail stations and sales and income taxes in funding jurisdictions. Second, it places a burden on state and local tax dollars, which must be used to pay the operating and capital costs of WMATA services.

<u>Tax base generated by WMATA</u>
Tax revenues to jurisdictions served by WMATA can be classified as both recurring and nonrecurring. Non-recurring sources of tax revenue include:

- Metrorail construction activities
- Permits for new development in station areas
- Sales of housing units.

Recurring tax revenues include:

- Sales at Metrorail station area office, retail and hotel developments
- Property taxes of residents and business locating near Metrorail station.
- Incomes earned at jobs located near Metrorail stations
- Income tax generated by Metro operations and maintenance

A 1994 study completed by KPMG Peat Marwick for the Northern Virginia Transportation Commission concluded that the tax revenues for the Commonwealth of Virginia linked to the Metrorail system yield an annual return on investment of 12.4% for the Commonwealth. It estimated that between 1977 when the first station opened in Virginia and 2010 in Virginia alone, Metrorail will generate an estimated $2.1 billion in tax revenues and 91,000 permanent jobs. The Urban Land Institute estimated that in

Arlington County, development in two Metrorail corridors is concentrated on six percent of the land in the county but produces almost half of the county's tax revenue.

Beneficiary: Business Community

WMATA also has a strong impact on the business community. The Metrorail and Metrobus system stimulates substantial property development around the region; eliminates congestion, thereby lowering the cost of doing business; adds new jobs through construction and the provision of transit service; encourage transit oriented land-use; and improve homeland security.

Property Development

The presence of a Metro station encourages the highest and best use of land, a key factor in the development of the regional economy. Region-wide, Metro has already generated more than $15 billion in increased value at station sites, and the Urban Land Institute estimates the Metrorail system will have contributed $25 billion of commercial, office and retail growth by 2010. Between 1980 and 1990, 40% of the region's new retail and office space was built within walking distance of a Metrorail station. Additionally, average office rents near transit stations rose with ridership and joint development projects, adding more than three dollars per gross square food to annual office rents. The National Association of Realtors notes that more and more Americans are choosing to live in locations that put them within easy walking distance of transit. Demographers estimate that as much as 30% of the demand for housing is for denser, walkable, mixed-use communities.

Investment in transit also promotes vital economic growth and development by revitalizing neglected neighborhoods and serving as a catalyst for new business partnerships between public agencies and private businesses. The New York Avenue in-fill station on Metrorail's Red Line is being developed through a partnership between the federal and DC governments and local businesses. The station will trigger significant new mixed-use development, revitalizing an underdeveloped and underserved part of DC.

Regional Economy

The local economy in which WMATA operates has a gross regional product of $290 billion, fourth highest in the United States.

Public transportation contributes to the region's economy in two fundamental ways: direct dollar investment, multiplied throughout the economy; and improved transportation options, which create economic benefits for individuals, households, businesses and governments. Dollars invested in public transportation flow through all sectors of the economy and provide an economic stimulus far exceeding the original investment – as much as six dollars for every dollar invested.

In additional to directly stimulating the economy, investment in public transportation enhances mobility for businesses and households thereby providing increased mobility and access to opportunities. In fact, over the next 30 years accessibility to jobs by transit will increase throughout the region, while the number of jobs accessible by auto will decrease. Finally, businesses and employees benefit from the reduced time and cost of congestion that transit provides. According to the 2004 Texas Transportation Institute Urban Mobility Study the Washington region cost of congestion is valued at $2.3 billion. However, $1.2 billion per year in congestion costs are cut due to public transportation. In this region, the public transportation the cost in this region due to congestion would be $3.5 billion instead of the $2.3 billion.

Beneficiary: Federal Government

Facility Location

WMATA provides an important mobility service to federal employees. So much so that proximity to a Metro station now ranks high in determining the location of many institutions. The federal government has required that agencies looking to relocate must try to find new offices near Metro stations. Metro was built to serve many existing federal workplaces – the Capitol, the Pentagon, the National Institutes of Health, the Census Bureau in Suitland, and the cluster of departments a the Federal Triangle, L'Enfant Plaza, and the Southwest Federal Center. More recently other federal facilities have relocated to near Metro stations, including the US Patent and Trademark Office near the King Street station, the Internal Revenue Service at the New Carrollton station and the National Oceanic and Atmospheric Administration near the Silver Spring station. As a result, 47% of Metro's peak period riders are federal employees. This suggests that the federal government is the single largest beneficiary of WMATA.

Homeland Security

Metro provides essential capacity to the region's transportation network helping to ensure safe and secure travel in times of extraordinary need. Public transportation has shown its ability to serve in times of emergency, playing a critical role in maintaining basic access and mobility. Of the 83 Metrorail stations, 35 serve federal facilities; Metro is a key means of mobility for federal workers during emergencies. On September 11, 2001, WMATA moved hundreds of thousands of federal workers and other commuters safely from the core and provided buses to deploy police and to serve as shelters for rescue workers.

The *National Strategy for Homeland Security*, released in July 2002 by the Bush Administration, details a comprehensive plan to enhance America's "protection and reduce our vulnerability to terrorist attacks," including several Homeland Security initiatives that relate to WMATA's role as a national security asset. The national strategy seeks to:

Protect critical infrastructure and assets – The Homeland Security Strategy is intent on protecting "individual targets whose destruction could create local disaster or profoundly damage our Nation's morale or confidence." Nationally transit systems have been identified as potential targets.

Defend against catastrophic threats, including chemical, biological, radiological or nuclear contamination – WMATA has led the world in developing a chemical sensor system for the transit environment, working in partnership with the U.S. Departments of Transportation, Homeland Security, Energy and Justice and the National Laboratories. This trail-blazing technology being installed in underground Metrorail stations has applicability across the nation and the world in enclosed spaces where large crowds gather.

Provide intergovernmental coordination – The national capital region, home of the District of Columbia, two states, 17 local jurisdictions and the federal government, must have seamless decision-making and coordination to protect the many physical and symbolic assets in our nation's capital. WMATA stands ready to act as an integral partner in protecting the federal workforce, and other people in the region, as well as the critical transportation infrastructure, federal buildings and national monuments served by Metro.

Beneficiary: Citizens and Visitors to the Region

WMATA impacts the quality of life of the Washington region in a number of ways: reducing congestion and saving time, reducing pollution, and improving the health of the region.

<u>Congestion</u>
During peak travel periods, 18 percent of all person-trips in WMATA's service area, and 42 percent of all peak-period trips to the region's core, are made on transit. This level of transit use, the second highest in the country, saves time for all travelers and reduces delays on region's severely congested streets and highways. In addition, individual riders save money by not driving their vehicles.

The Washington DC Metropolitan Area is one of the worst in the nation with regard to traffic congestion. According to the Texas Transportation Institute Urban Mobility Report, which reviews the levels of congestion in America's urban areas, travel in on area highways during the peak period took 50% longer than under free flow conditions, up from 27% in 1982. Thus a trip that should take 20 minutes under free flow conditions instead takes 30 minutes.

As a result of congestion, the average Washington commuter spends 67 hours in congestion, the third worst in the nation. This has grown three-fold since the study began in 1982, when the average annual congestion was 21 hours per commuter. However, without the region's public transportation system, the average commuter would spend 102 hours each year without the region's public transportation system. That's 35 hours, or 50% more time that would be spent in traffic were it not for this region's transit services. This indicates the importance of WMATA, both for WMATA customers as well as those who live in the region but do not use the system. The increasing trends in congestion indicate an urgent need to improve the region's transportation system. One important component of any improvement strategy is to accommodate more demand on transit.

According to Paul M. Weyrich and William S. Lind in their publication *Twelve Anti-Transit Myths: A Conservative Critique,* transit, in particular rail transit, relieves congestion because it attracts choice riders, people would can and would drive if the train or the bus were not there. 65% of Metrorail riders are considered to be choice riders. Surprisingly, over 42% of bus riders are choice riders. This is especially impressive considering the fact that the Washington region is one of the wealthiest in the nation, second only to San Francisco.

<u>Air Quality</u>
Nationally public transportation reduces annual emissions of the pollutants that create smog and ozone, volatile organic compounds (VOCs) and nitrogen oxides (NOx), by more than 70,000 tons and 27,000 tons respectively. Public transportation also reduces carbon monoxide (CO) emissions by nearly 745,000 tons annually and carbon dioxide (CO_2) by more than 7.4 million tons per year.

The 2004 Texas Transportation Institute Urban Mobility Study indicates that in 2002, the Washington DC region wasted 204 million gallons of fuel due to traffic congestion. This makes the region the seventh most wasteful in the nation and also contributes to significant emissions of pollutants into the region's air. In fact, The Washington region is a severe non-attainment area for ozone, which is created in large part by the emissions of idling vehicles stuck in traffic. In fact, passenger cars and light trucks account for over 50% of air pollution nationwide (APTA Benefits of Public Transportation September 2002). Metro's very existence reduces harmful vehicle emissions as more than 1.2 million daily Metrobus and Metrorail trips remove 350,000 cars from the local road system every day and save more than 75 million gallons of gasoline every year.

Metro's clean-fleet program uses ultra-low-sulfur diesel fuel and exhaust after- treatment devices on its diesel buses and recently upgraded 60 old diesel engines to current emissions standards. WMATA has also purchased compressed natural gas buses and will soon be purchasing hybrid-electric buses to ensure that the system minimizes its impact on the region's air quality.

<u>Health Benefits</u>
The health effects of pollution from vehicles can be severe and even life threatening, particularly to children, older adults and adults with respiratory illnesses. Air pollution claims 70,000 lives a year and the costs related to health damage from motor vehicle pollution is estimated to be between $29 billion and $530 billion (APTA Health report). However, for every passenger mile traveled, public transportation produces only a fraction of the harmful pollution of automobile traffic: 95% less carbon monoxide, 92% fewer volatile organic compounds and nearly half as much carbon dioxide and nitrogen oxides.

Metro also contributes to better public health by enabling transit-friendly, walkable communities that reduce reliance on motor vehicles and promote higher levels of physical activity. This benefit has recently received national attention in light of a new study by the American Journal of Health Promotion that identified a link between sprawl and obesity.

APPENDIX H

SUMMARY OF REVENUE SOURCES FOR MAJOR U.S. TRANSIT AGENCIES

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Dedicated Revenue Sources for Major U.S. Transit Agencies

Agency	2001 Total Budget Op & Cap (millions)	% from Dedicated Funds	Key Source of Dedicated Funding
New York MTA (TA, LIRR, M-N)	$8,055.1	19.5%	New York MTA Sources include a variety of taxes and revenues, including: 1/4% sales taxes throughout region, tax on gross receipts of petroleum business, tax on long-distance transportation and communications, mortgage recording taxes in region, surplus tolls from bridges & tunnels In addition, these revenues are used to support debt that finances much of the MTA capital program.
New Jersey Transit	$1,806.3	15.3%	New Jersey Transit has no dedicated sources per se, but is largely funded from the State Transportation Trust Fund (motor fuel taxes, etc).
Chicago Agencies (CTA and RTA)	$1,981.6	25.6%	Transit Revenues for the Chicago region raised through sales taxes (1% in Chicago and Cook County, 1/4 % in collar counties) and distributed among agencies by formula.
Massachusetts Bay Transportation Authority (MBTA)	$1,331.0	36.5%	Recent legislation in Massachusetts allocates 20% of all State sales tax revenues raised in region to MBTA.
Washington Metropolitan Area Transit Authority (WMATA)	$1,296.9	1.6%	WMATA has no dedicated revenues except a small Northern VA gas tax.
Southeastern Pennsylvania Transportation Authority (SEPTA)	$1,059.4	12.0%	Pennsylvania has state legislation dedicating a variety of taxes to a statewide transit fund (Public utility tax, auto rentals, vehicle leases, and a portion of sales tax) However, this package has been unstable and has not provided security to its recipients.
Los Angeles County Metropolitan Transportation Authority (LAMTA)	$972.5	52.2%	Sales tax package including 1/4% of state sales tax and two 1/2%.
San Francisco Bay Area Rapid Transit District (BART)	$819.3	22.0%	Mixed package including 1/4% of state sales tax, two 1/2% local optional sales tax and a small district property tax.
San Francisco Municipal Railway (Muni)	$718.5	24.2%	Sales tax package including 1/4% of state sales tax and 1/2% local optional sales tax.
Metropolitan Atlanta Rapid Transit Authority (MARTA)	$664.0	35.9%	Sales tax within two counties: 1%, with no more than 1/2 for operations.

Dallas Area Rapid Transit Authority (DART)	$589.2	76.6%	Sales tax of 1% within participating jurisdictions in county.
Denver Regional Transportation District (RTD)	$583.0	64.9%	Sales tax of 0.6% within district, referendum pending to increase to 1%.
Metropolitan Transit Authority of Harris County (Houston Metro)	$572.0	61.4%	Sales tax of 1% within participating jurisdictions in county.
Santa Clara Valley Transportation Authority (VTA)	$532.2	42.7%	Sales tax package including 1/4% of state sales tax and 1/2% local optional sales tax (recently extended).
Maryland Mass Transit Administration (MTA)	$445.1	0.0%	Maryland MTA funded from proceeds of State Transportation Trust Fund (fuel taxes and transportation fees).
King County DOT (Seattle Metro)	$400.5	58.1%	King County bus operations funded with 0.8% sales tax
NYC Department of Transportation	$377.6	58.0%	NYC transportation shares in taxes identified under NY MTA above Transaction pending to transfer these bus operations to MTA.
Port Authority of Alleghany County (Pittsburgh)	$374.4	17.6%	See note for SEPTA above.
Minneapolis Metro Transit	$368.7	20.8%	Pass through of State Motor Vehicle Excise Taxes, plus small property tax for transit debt service.
Tri-County Metropolitan Transportation District of Oregon (Portland)	$347.8	44.3%	Regional payroll tax of .06218%.
Miami-Dade Transit Agency (MDT)	$323.2	17.6%	Local option increase to state gas tax, recently augmented by 1/2% sales tax to fund "People's Transportation Program".
Central Puget Sound Regional Transit Authority (Seattle Sound Transit)	$293.2	59.5%	Sound Transit operations & construction funded by separate 0.4% sales tax.
The Greater Cleveland Regional Transit Authority (GCRTA)	$286.2	61.3%	1% sales tax.
Bi-State Development Agency (BSDA) (St. Louis Metro)	$286.0	5.2%	Dedicated 1/4 cent sales tax in the City of St. Louis and St. Louis County. Sales tax of 1/2 cent in the City of St. Louis, St. Louis County, and St Clair County, IL collected primarily for Bi-State, but are subject to reappropriation.
Average		**34.7%**	

Sources: Budget Data from FTA National Transit Database as shown in Brookings Report "Deficits by Design"

Dedicated Revenue Sources from Agency Reports

APPENDIX I

BENCHMARKING DATA FOR WMATA OPERATIONS

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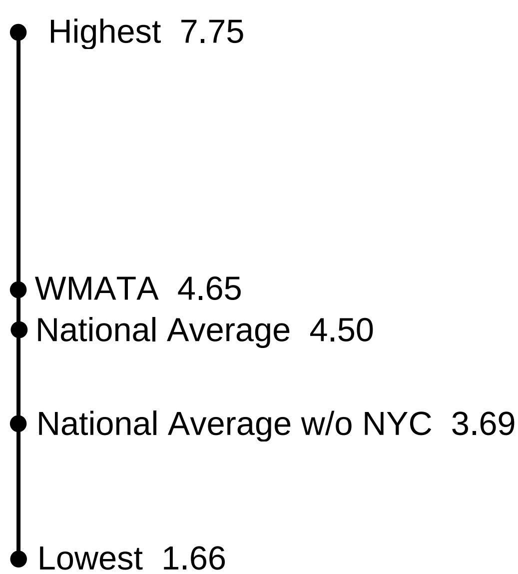
One method for assessing how well an organization operates is benchmarking: comparing that organization's efficiency (good use of available resources) and effectiveness (producing the most with those resources) with similar organizations to determine relative performance. In the transit industry, the data source that provides the broadest and most comparable such information is the National Transit Database, information collected by the Federal Transit Administration on transit agencies throughout the country. With some caveats, this source allows one to analyze critical agency performance areas against national norms.

The analyses below compare WMATA to other transit agencies in the commonly-used performance measures of fare recovery, operating costs per passenger trip and passenger trips per vehicle mile. In the rail comparisons the national average is computed both with and without New York's statistics. This is because New York's extensive, dense, and heavily used subway service accounts for about half of the national average figure.

Benchmarking

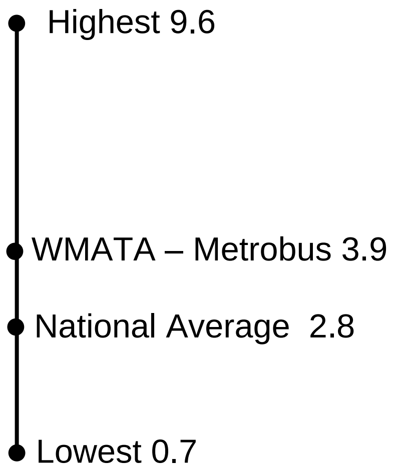
The comparative data discussed above are shown below:

Passenger Trips Per Vehicle Mile
Rail Transit Statistics



The measure of passenger trips per vehicle operating mile gives insight to the volume of passengers moved through respective systems. WMATA's Metrorail system is ranked above the national average by 0.15 more passengers operating mile and 0.96 more than the average when New York City transit is removed from the calculation. Ahead of WMATA are New York City Transit and the Port Authority of NY and NJ. Systems in Atlanta, San Francisco's BART and Maryland's (Baltimore) Mass Transit Administration have lower passenger trips per operating mile.

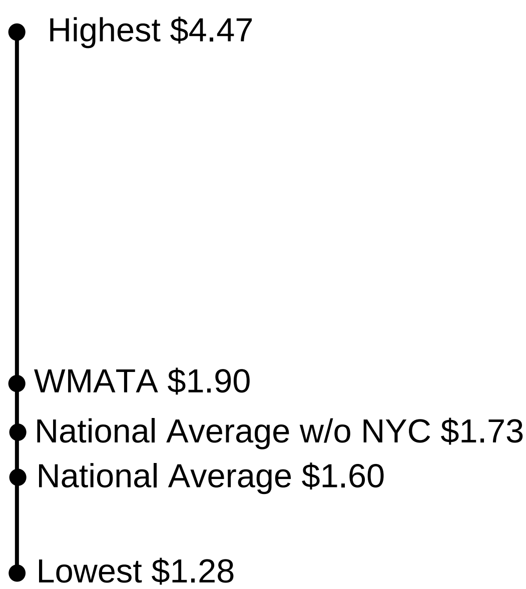
Passenger Trips Per Vehicle Mile
Bus Transit Statistics



2002 NTD Transit Statistics

The measure of passenger trips per vehicle operating mile gives insight to the volume of passengers moved through respective systems. WMATA's Metrobus system is ranked above the national average by 1.1 more passengers operating mile. Ahead of WMATA are Los Angeles, Chicago, and the extremely heavily used New York bus system leads the pack with 9.6 trips per vehicle mile.

Operating Cost Per Passenger Trip
Rail Transit Statistics



The measure of operating cost per passenger trip gives a gauge of efficiency of service delivery. WMATA's Metrorail system is ranked in the middle of the pack at just above the national average by $0.30 per passenger trip or $0.17 above the average when New York City transit is removed from the calculation. Labor costs (often reflecting living costs) and density of use drive this factor, and Chicago, San Francisco's BART and Maryland's (Baltimore) Mass Transit Administration have higher rates for operating cost per passenger trip.

Operating Cost Per Passenger Trip
Bus Transit Statistics

Highest $5.10

National Average $2.40

WMATA – Metrobus $2.30

Lowest $1.50

2002 NTD Transit Statistics

The measure of operating cost per passenger trip gives a gauge of efficiency of service delivery. WMATA's Metrobus system is ranked in the more effective range, below the national average by $0.10 per passenger trip. New Jersey Transit, Seattle and Pittsburgh have higher cost per trip and Boston, Chicago, Los Angeles and New York City Transit all have lower cost per trip.

Fare Recovery Ratio
Heavy Rail Systems

Highest 67.3%

WMATA - Metrorail 61.6%

National Average 58.4%

National Average w/o NYC 56.7%

Lowest 16.1%

Fare recovery ratio is the performance measure of fare revenues per operating expense. WMATA's Metrorail system is ranked second behind New York City Transit at 67.3%, and ahead of the national average. When NYC is removed from the national figures, WMATA's Metrorail system is even farther ahead.

Fare Recovery Ratio

Bus Systems

- Highest 46.8%
- National Average 29.6%
- WMATA – Metrobus 26.2%
- Lowest 11.5%

> Fare recovery ratio is the performance measure of fare revenues per operating expense. WMATA's Metrobus system is a feeder system to rail, and therefore has deliberately low fares, ranking it below the national average.

2002 NTD Transit Statistics

Other items from the Nation Transit Database in 2002:

Metrorail is second to Chicago in longest average revenue mile runs before a failure	**121,017mi**
Metrobus is second to Boston in longest average revenue mile runs before a failure	**4,360mi**
Metro carries nearly the same number of passengers as Boston and Atlanta combined each year	**377M/yr**
Only New York delivers more passenger miles than WMATA each year	**1.8B/yr**

Examining WMATA's own records, after adjusting for inflation between 1996 and 2004…

Cost per vehicle mile is **down 14%**

Cost per passenger is **down 16%**

Average fare per passenger is **down 16%**

In the same time span, by not allowing inflationary (CPI) "creep" into fares and costs…

Metro has **saved passengers almost $360M** in foregone fare actions

Metro has **contained inflationary expense pressure of almost $600M**

Information sources on transit efficiency and effectiveness:

2002 National Transit Database   www.ntdprogram.com
National Transit Database, National Transit Summaries and Trends – FTA 2002
Counting Transit So That Transit Counts – www.apta.com
Transit Finance Learning Exchange (TFLEx)   www.tflex.org

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APPENDIX J

BRIEFING PAPER ON “STABLE AND RELIABLE” REVENUES FOR WMATA

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“Stable and Reliable”

A Look at the History

The current consideration of dedicated revenues for WMATA is not a new issue, and a look at the history of prior efforts may shed some light on the difficulty of the task at hand. The subject was very much an issue in the period 1979-1982, along with the consideration of Federal funding to support completion of rail system construction.

Early capital contributions for Metrorail came in the form of Federal guarantees for local borrowing, with the optimistic assumption that the system would have sufficient revenues to retire this debt. Later, these bond proceeds were supplemented by funds made available through the “trade-in” of Interstate Highway entitlements by jurisdictions which had concluded that building such highways was not a good use of funds.

However, by 1979 it was clear that additional funding would be required, and the region began efforts to enlist Federal support and contributions in light of the importance of the system to Federal government operations. Such funds were being sought outside of the Urban Mass Transit Act Funds made available across the nation.

Following the completion of alternatives analysis studies demanded by the Ford Administration, the Carter Administration, then in office, accepted the premise that the entire 101-mile system then on the regional plan should be completed and negotiations began with the Congress to develop such support.

In that process, the Administration strongly endorsed the need for dedicated taxes as a form of local support to mirror the Federal commitment. As stated in the House Report on the legislation, “...UMTA is communicating to the local jurisdictions, and particularly the statehouses in Maryland and Virginia, that a financial plan incorporating some form of a dedicated tax for Metro operations must be forthcoming.”

Following lengthy negotiations, the House District of Columbia Committee produced a bill which would authorize the $1.7 billion then estimated as the need to complete the system, including in that bill a provision that mandated local participating governments show their support. In the legislation, this was described as “a stable and reliable source of revenue” rather than a dedicated tax. In the hearings held on the bill, testimony and statements from DC Mayor Barry, Governor Hughes of Maryland and Governor Dalton of Virginia all pledged their effort to meet this requirement. Governor Dalton indicated, however, his opposition to a dedicated State or local tax. The U.S. Department of Transportation witness (Assistant Secretary Mortimer Downey), as noted in the House Report, “suggested that this problem be resolved by changing the wording to stable and reliable source of revenue.”

With the support of the Administration, the House passed the bill (popularly known as the Stark-Harris bill in recognition of its chief proponents: Congressman Herb Harris of VA and Congressman Fortney “Pete” Stark of CA) by a roll-call vote of 261 to 125. The

Senate took up the bill late in 1979, having amended the "stable and reliable" provision to extend to the bus system as well as rail operations. The Senate bill also defined the time frame for the execution of the provision. In addition to the September 30, 1980 deadline for submission of a report, it set a date of August 15, 1982 for having the revenues in place, prior to the release of the first installment of the newly-authorized capital funds. This time frame was identified as permitting Maryland and Virginia to consider funding options during their 1980 legislative sessions.

The Bill with its Senate amendments was accepted by the House and signed by President Carter on January 3, 1980. The relevant section is quoted below:

Requirement that Local Participating Governments Have Stable and Reliable Source of Revenue for Contributions for Bond Expenses and for Operating Expenses

"SEC. 16. (a) The Secretary of Transportation shall not make any grant under section l4(a) for the cost of construction of the Adopted Regional System, until the Secretary has determined that the local participating governments, or signatories (as defined in subparagraph (d) of paragraph I of Article I of title III of the Washington Metropolitan Area Transit Authority Compact) to the Compact, have provided a stable and reliable source of revenue sufficient to meet both (1) their payments to the Transit Authority under subsections (a) (4) and (b) (4) of section 15, relating to payment of the principal and interest on bonds issued by the Transit Authority, and (2) that part of the cost of operating and maintaining the Adopted Regional System that is in excess of revenues received from the Transit Authority from the operation of the system and any amount to be contributed for operating expenses by the Secretary of Transportation under any other provision of law." (b) The Transit Authority, in consultation with each governmental entity that is a local participating government or signatory to the Compact as referred to in subsection (a) of this section, for the purposes of this Act, shall submit a program to the Secretary of Transportation on or before September 30, 1980, showing how each such governmental entity will have in place on or before August 15, 1982, a stable and reliable source of revenue to provide for its contributions (1) for payments to the Washington Metropolitan Area Transit Authority for the payment of principal and interest on bonds issued by the Transit Authority, and (2) for the cost of operating and maintaining the Adopted Regional System of the Washington Metropolitan Area Transit Authority."

Implementation of the Stark-Harris "Stable and Reliable" provisions fell far short of what some had expected. The required program submittal in the summer of 1980 contained only broad statements of intent from the jurisdictions, deferring the issue until the time that the Department of Transportation would have to certify these sources in order to release capital funds. Guidance from USDOT was not very detailed. It simply stated that the mechanism should be sufficient to provide the necessary funds, that it should be enacted into law and that "the executive and legislative entities have publicly committed themselves through official declarations to routinely making sufficient funds available through the budget process of the state and local jurisdictions or the funds generated are dedicated by law to meet the local share of the Metro costs."

According to a 1983 GAO report, Urban Mass Transportation Administration officials indicate that they had given oral guidance to local jurisdictions that “70 to 75 percent of the stable and reliable funding sources to be from sources earmarked for WMATA.” However, it is not clear that this guidance was received or understood. The ability, both legal and political, for all jurisdictions to enact clearly dedicated sources proved limited. The District proposed and enacted legislation that dedicated several revenue sources, including its entire gas tax to “stable and reliable purposes.” However, this action was tempered by the fact that the Congress retained the ability to change or reappropriate any of the funds in the District’s budget. A small local gasoline tax in Virginia was pledged for WMATA purposes (and continues to be pledged today), but no wider action was taken. Maryland debated a dedication similar to that proposed by the District, but ultimately was reluctant to attempt something that was not being done across the entire region.

Ultimately, the requirement was met through promises from the jurisdictions that funding would flow through their normal budgetary process. Based on these representations, the Secretary of Transportation certified on August 13, 1982 that the requirements had been met, opening the way to a flow of Stark-Harris capital funds for continued construction of the rail system.

Subsequently, at the time these funds were exhausted, the Congress did authorize a second round of Stark-Harris funding, with $1.3 billion made available in 1991. No debate occurred over the stable and reliable requirements, since there was no provision in the original legislation that required any update or review subsequent to the 1982 determination.

In looking forward on the issue of Metro funding, it should be instructive to look at this experience and identify the factors that led to inaction and the steps that all players—WMATA. States, locals, Administration and Congress could take to make a new effort successful. Discussion at an early committee meeting would be useful.

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APPENDIX K

FINDINGS OF THE METRO REGIONAL TASK FORCE ON PARATRANSIT SERVICE

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Metro Regional Task Force on Paratransit Service

In 2003, WMATA established a Regional Task Force to identify ways to improve paratransit services and reduce the cost of providing that service. The WMATA paratransit service, MetroAccess, serves only 1% of the transit ridership but accounts for over 5% of the operating budget. MetroAccess costs, like those of fringe benefits and fuel continue to experience hyper-inflation. An average paratransit trip costs over $30, but WMATA only charges $2.50 per trip.

To assist the task force, WMATA initiated a Specialized Transportation Study in December 2003. The purpose of the study was to provide information, analysis, and recommendations on ways to increase the cost-effectiveness of paratransit service, human services transportation and other specialized transportation in the WMATA service area. The study identified 39 different but related transportation programs in the region. These programs account for over $100 million per year in funding.

After several meetings the Regional Task Force made 10 recommendations. Seven of the recommendations focus on enhancing regional coordination. The other three recommendations proposed ways to improve cost containment through pricing the service, offering incentives to use fixed route service, and strengthening certification requirements.

Coordination Recommendations

Medicaid - Possibility of WMATA Becoming a Medicaid Transportation Provider
The strategy is to create an incentive for Medicaid-eligible MetroAccess riders to maximize their use of fixed-route service. Without knowing the how many MetroAccess riders are also eligible for Medicaid and taking Medicaid-eligible trips, it is not possible to estimate a decrease in MetroAccess costs due to shifts. However, this strategy will also seek ways to charge human service transportation programs for the cost of eligible trips provided by MetroAccess.

Regional Clearinghouse on Transit Options for Riders with Disabilities
The purpose of this strategy is to provide information and support to riders with disabilities on the many transit options available, including accessible fixed-route and local specialized transportation services provided by and within the jurisdictions. To the extent that riders with specialized transportation needs use transit options other than MetroAccess, there will be cost savings for MetroAccess service. While difficult to quantify, potential savings are likely small.

Create WMATA Same-Day Taxi Subsidy Program
A same-day taxi subsidy program would supplement next-day ADA paratransit service, providing ADA riders with a more spontaneous option for travel and providing WMATA cost savings to the extent ADA riders chose the same-day program over next-day MetroAccess. Assuming five percent of ADA riders switch to same-day taxis and

assuming a $10 taxi trip subsidy, annual savings are estimated to be approximately $732,600.

On-Going Regional Task Force Interaction with MetroAccess Service Improvements

An ongoing Regional Task Force will allow the disabled community to expand its interaction with WMATA management with regard to MetroAccess service issues.

Improve Accessibility of and to Bus Stops

The region should improve the accessibility of and to bus stops in the region to allow greater independence for persons with disabilities and provide WMATA and local providers cost savings by shifting some clients onto Metrobus or local bus service, reducing the demand and need for paratransit services. It is not possible to predict how many trips the accessible bus stop program will shift off of MetroAccess but assuming one percent of ADA riders switch to regular service and based on the current operating subsidy per trip of $23.32, annual savings are estimated to be approximately $256,520.

Establish Dedicated Funding Source for Accessible Transportation Service

A dedicated funding source is necessary to sustain accessible transit services and MetroAccess services as the aging and disabled population grows in the region. A dedicated funding source for WMATA would potentially benefit riders, WMATA, and the local jurisdictions, giving a guaranteed funding base for public transit in the region. Accessible services and an accessible environment would benefit the economy of the states and local government providing for the health and welfare of persons with disabilities.

Create an Implementation Committee to Implement Regional Task Force Coordination Recommendations

The Regional Task Force should establish on ongoing, working committee to implement its recommendations and then evaluate and monitor the results as they are implemented. The committee would consist of appropriate staff from local jurisdictions, WMATA, regional bodies, and consumers. It is difficult to quantify cost savings from such committee, although without the committee, cost savings from other recommendations may not be realized.

Cost Containment Recommendations

Charge Supplemental Fare for MetroAccess Service Beyond 3/4 Mile Corridor or Fixed Routes

The purpose of this strategy is to help contain costs for ADA paratransit service by establishing a lower subsidy for ADA trips outside the ADA mandated service area of 3/4 mile of fixed routes as riders would pay a supplemental fare per trip. Annual savings estimated at $360,000.

Offer Free Fixed-Route Service to Companions and PCAs of Persons Determined to be ADA Paratransit Eligible

Free fixed-route service may encourage persons who are eligible for MetroAccess service but who can use bus and rail service for some trips to travel by fixed-route whenever possible. Net savings per year would be about $228,548-$485,068.

Improve ADA Paratransit Eligibility Determination Process

WMATA and other paratransit providers should improve the current eligibility certification process and ensure it meets the ADA regulations, which state that the process is to “strictly limit ADA paratransit eligibility to individuals specified” (ADA Regulations, Title 49 CFR Part 37, Section 37.125) in the regulations that is, persons who are functionally unable to use fixed-route service. Eventual annual savings will be between $466,000 and 1.2M.

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APPENDIX L

A NATIONAL CAPITAL AREA TRANSIT ACCESS PROGRAM

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A NATIONAL CAPITAL REGION TRANSIT ACCESS PROGRAM

The Washington Metropolitan Area Transit Authority (WMATA) faces a crisis of over-crowding and deferred maintenance on infrastructure that is now 30 years old. In response, a $1.5 billion initiative is proposed to accelerate the pace of capital renewal, expand the capacity of the Metrorail system, and provide more service on key bus routes.

As the largest employer in the National Capital Region, federal operations depend upon high quality transit access:

- The most crowded conditions on Washington-area public transportation occur during peak hours when almost *one-half* of Metrorail riders are federal employees. A high proportion of off-peak Metrorail service is used by federal employees on government business and visitors to federal facilities and national monuments. There is no other transit system in the country upon which the federal government is so dependent. In fact, Metrorail was built largely to serve federal workers:

  "The Congress finds that an improved transportation system for the National Capital region is essential for the continued and effective functions of the Government of the United States, for the welfare of the District of Columbia, for the orderly growth and development of the National Capital region, and for the preservation of the beauty and dignity of the Nation's Capital...." National Capital Transportation Act (Public Law 86-669)

- Safe, efficient operation of the federal government and the ability to recruit and retain employees depend upon reliable Metrorail and Metrobus service.

- A preliminary survey has identified approximately 170.2 million square feet of space owned or leased by federal agencies in the District of Columbia and Metrorail-accessible areas of Maryland and Virginia.[16] More than 300 federal offices are served by Metrobus and Metrorail encompassing a wide range of uses – office, research, medical, museum, library, and others. The ability of the region to absorb future increases in federal activity is dependent upon increasing Metro capacity.

- Federal selection criteria for evaluating competing sites for future installations give automatic preference to locations with Metrorail access.

- In recent years, federal policies and security requirements have limited the amount of parking at many locations thereby increasing the reliance of employees and visitors on WMATA services, as well as reducing agency costs of providing parking.

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[16] *Source: Fore Consulting, Inc. Memorandum of May 18, 2004.* Approximately 62.6% of the space identified is located within the District of Columbia, with Northern Virginia accounting for 19.7 % and Suburban Maryland accounting for 17.7 %. Not all federal installations in Maryland and Virginia have been identified at this time. Approximately 70.5 % of facilities included represent federally-owned, rather than leased space. Due to limitations on the available data federally owned space includes a mix of gross and net square footage, while leased space is reported on a net (or usable) square footage basis.

There are also many other demands placed on Metrorail as a result of the federal presence: last year, nearly 17.3 million visitors came to Washington, DC and more than 29.0 million persons visited the Smithsonian Museums and the National Zoo.

Surges in demand arising from special events (such as demonstrations, inaugurations, and parades), as well as national security considerations require WMATA to have the capability to move large numbers of people safely and quickly. For example:

- Six of Metrorail's top ten ridership days involved special events on the National Mall, including the highest ridership ever recorded during the memorial for President Ronald Reagan – over 850,000.
- About 10% of all Metrorail trips involve the stations adjacent to the U.S. Capitol and the Pentagon.
- On September 11, 2001 Metro safely evacuated hundreds of thousands of people and future federal emergency plans rely heavily on Metro.

A new federal partnership is needed to share the costs of increasing the capacity of the original Metrorail system and its feeder bus network in the National Capital Region. As the region's largest employer and consistent with the original intent of the National Capital Transportation Act, the federal government has an obligation to contribute towards the cost of increasing transit capacity in the National Capital Region.

Transit Access Fee

Support for WMATA core capacity expansion would be in the form of a *contract for services access fee.* The fee would be calculated on a square footage basis of federally owned and leased space in the National Capital Region.

Federal agencies leasing privately-owned space benefit from reduced parking subsidies to employees, while Federal agencies in government-owned space benefit by not having to provide parking facilities. Continuing to accommodate federal employee travel on public transit reduces regional highway congestion, improves air quality, increases productivity, and provides for continuity of federal government operations, especially in the event of an emergency.

Equity would be maintained by distributing the access fee on a pro rata basis among the agencies according to their level of occupancy in the National Capital Region. As a result, the burden of the fee on each agency would be relatively modest.

> *The General Services Administration (GSA) participates in the Downtown Business Improvement District (BID) in Washington, DC. For leased space GSA supports the BID like any other tenant under a pass-through arrangement at a rate of $0.1428 per square foot. Government owned space pays at a negotiated rate of $0.12 per square foot as a contract for services fee.*

It is anticipated that an agreement for the contract for services access fee would be negotiated with GSA on behalf of all federal agencies and that a single payment would be made directly to WMATA pursuant to the terms of the agreement. The GSA agreement would be referenced by federal statute to authorize continuing annual payments.

Allocation of the single payment to individual agency budgets would be handled in a manner similar to the treatment of payments to the D.C. Water and Sewer Authority:

> *The D.C. Water and Sewer Authority is compensated for water and wastewater services it provides to the federal government under federal laws that direct single quarterly payments to the Authority on behalf of all federal customers. The federal government budgets for and pays its bills quarterly directly from the U.S. Treasury. These payments represent about 10% of the Authority's operating revenues.*

The proposed transit access fee will assure sufficient transport capacity to accommodate the growing travel demands of federal agencies in the National Capital Region over the years ahead.

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APPENDIX M

INTRA-REGIONAL DISTRIBUTION OF PROPOSED REVENUE SOURCES

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In the Panel's charter, it was asked to consider whether the revenue sources contemplated would be appropriate for local enactment on a "mix and match" basis, with each jurisdiction selecting its own preferred options. As stated in the report, the Panel's firm view is that this would clearly be an unattractive outcome, possibly leading to results similar to the "stable and reliable" initiative in the early 1980's. It would be preferable, from the Panel's view to treat WMATA as a truly regional entity and provide for its needs as much as possible on a regional basis. To allow each jurisdiction to enact its own set of taxes requires that a "quota" of funding for each be established, rather than allowing the incidence of the activity being taxed across the region to drive the contributions. It would mean continued negotiation of the cost allocation formulas as the basis for revenue collection, recognizing that these formulas are likely to change as the system grows and matures (e.g., inclusion of additional mileage and stations as the Dulles extension comes on line.).

However, to facilitate the discussion of the issue, the Panel did review the implications of such a local choice approach. As shown in the tables below, the location where these revenues would be raised (District of Columbia, Maryland, and Virginia) as compared with the current allocation of operating subsidies under the current formula does vary on a tax-by-tax basis. The current complex formula involves factors such as miles of route, number of stations, population, density, etc. It has changed and will change as the system evolves. Especially large changes will occur as the extension of service to Dulles Airport and beyond comes on line. As shown in Table 1, the present subsidy distribution of 38.1% to the District of Columbia, 37.4% to Maryland and 24.5% to Virginia will tilt further in Virginia's direction.

Percentage Distribution of WMATA Operating Subsidy (Metrorail)

Timeframe	Washington DC	Maryland	Virginia
Current	**32.9%**	**37.7%**	**29.4%**
2011 (Operations to Wiehle Ave)	**32.9%**	**36.0%**	**31.1%**
2015 (Operations to Dulles & Beyond)	**31.6%**	**34.2%**	**34.3%**
2020 (Operations to Dulles & Beyond)	**31.5%**	**34.3%**	**34.2%**

Note: Includes allocation for the Metrorail system only

Taking these subsidy distributions as a template, the various revenue sources were allocated (where possible) to the jurisdiction from which they would be collected, as measured by current patterns to economic activity. It should be noted that, just as the system will grow, so will the patterns of collection. These estimates do not reflect the future allocation of taxes to Loudoun once that county becomes a paying member of the Compact.

With the exception of the access fee, each of the proposed taxes would shift the burden away from the District of Columbia towards the Maryland and Virginia suburbs. A separate table shows the allocation of the payroll tax from the point of view of employee work place as contrasted with employee residence.

Table 2: Estimated Geographic Distribution of Region-Wide Taxes

Preliminary Estimates of the Geographic Distribution of Potential WMATA Dedicated Revenue Sources
(Current WMATA Compact Area)

	District of Columbia	Maryland	Virginia
Access Fee	58%	22%	20%
Gas Tax	9%	49%	42%
Property Tax	16%	37%	47%
Parking Tax	16%	39%	45%
Payroll Tax	24%	36%	40%
Sales Tax	20%	32%	48%

Notes: Loudoun County, while in the WMATA Compact, has been excluded from the analysis due to lack of rail service until at least 2015. Parking tax federal distribution based on employment data.

An alternative perspective on regional distribution is provided by looking at the tax rates required within each jurisdiction to provide an allocated share of the WMATA shortfall. To undertake this analysis, it was assumed that the current distribution of subsidies, i.e., 38.1% to the District of Columbia, 37.4% to Maryland and 24.5% to Virginia would be the allocation, although that would likely change in the future. Based on those percentages, the share of the $148 million annual average shortfall to be funded locally translates to $57 million from the District, $55 million from Maryland, and $36 million from Virginia. The various potential revenue sources were then calculated in terms of the tax rate required in each area in order to meet the respective funding requirement. As shown in the table below, these rates vary substantially. The District would need a 44¢ gas tax in contrast of a rate of 7¢ in Virginia. A similar differential would exist for the sales tax—0.48% for the District vs. 0.13% in Virginia. In contrast, the access fee in the District would be 20¢ a square foot vs. 49¢ in Maryland. Presumably, in a “mix and match” case, each area would choose the tax most attractive from its own local consideration, although there then would be intra-regional competitiveness considerations created.

Table 3: Required Tax Rates for Local Contribution

Preliminary Estimates of Potential WMATA Dedicated Revenue Sources
(Current WMATA Compact Area)

$148M Shortfall	District of Columbia	Maryland	Virginia
Current WMATA Subsidy Allocation	*38.1%*	*37.4%*	*24.5%*
Access Fee[1]	$0.20/square foot/year	$0.49/square foot/year	$0.37/square foot/year
Gas Tax[2]	$0.444/gallon	$0.084/gallon	$0.065/gallon
Property Tax[3]	$0.0800 per $100 of assessed value	$0.0350 per $100 of assessed value	$0.0177 per $100 of assessed value
Parking Tax[4]	$1.35/day ($337/year)	$0.54/day ($135/year)	$0.31/day ($78/year)
Payroll Tax[5]	0.22% ($92/employee/year)	0.17% ($70/employee/year)	0.11% ($46/employee/year)
Sales Tax[6]	0.48%	0.30%	0.13%

Notes: Average calculation based on years 2008 to 2015. 2006 and 2007 are considered outliers due to significantly lower shortfall requirements. By including 2006 and 2007 in the calculation the average total shortfall would be $130M. Excludes MetroAccess costs and includes operating costs for the Dulles Extension and Anacostia Light Rail. Loudoun County, while in the WMATA Compact, has been excluded from the analysis due to lack of rail service until at least 2015.

[1] Includes 395M square feet of federal (170M sf) and commercial (209M sf) space and hotels (16M sf) in areas that are broadly served by the Metrorail system. Fees are estimated to grow 2.88% annually based on historical inflation. New building equivalent to 1% annual growth assumed.

[2] Based upon a 2010 forecast of the annual vehicle miles of travel in the area and applying the estimated fuel economy for cars/light trucks of 24 mpg, an estimated 1.3 billion gallons will be consumed. Assumes 325 days of vehicle use per year.

[3] Property Tax (rate per $100 of assessed value) in addition to and collected on parity with existing property taxes on residential and commercial real estate. Tax assessed on entire compact area, assumes 2.7% average annual growth of property values, based on historical assessed value growth.

[4] It is assumed that users will pay the fee. Based upon an analysis using the regional travel model, is estimated that about 1.15 million commuter parking spaces will be utilized and pay the fee. The costs of increased transit service to accommodate the additional demand was estimated at about $40 million per year, which reduces the net revenues. Additional revenue from increased transit service is estimated to be half of the associated cost, or $20 million. Fees are estimated to grow 2.88% annually based on historical inflation.

[5] Based on COG Round 6.3 total employment forecast for 2000 to 2015 for the Compact Area, averaging 1.4% annual growth. Employment is stratified into income categories based on median household income data for the Compact Area, obtained from the US Census. Individual’s annual income below $15,000 and above $100,000 is not taxed. Annual income growth of 2.88% is assumed based on historical inflation.

[6] Taxable sales base estimates based on historical tax revenue and tax base data from counties and cities in the WMATA Compact Area.

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APPENDIX N

PUBLIC TRANSPORTATION BALLOT INITIATIVES

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Public Transportation Ballot Initiatives – 2004

(Current as of 12/1/04)

STATE	CITY	SUBJECT	DATE/COMMENT
AK	Anchorage	Proposition 11 asks voters whether Anchorage should issue up to $1.57 million in general obligation bonds to pay for public transportation improvements.	ON BALLOT 04/06/04 **DEFEATED 52% TO 48%**
AZ	Phoenix	Maricopa County officials have a scheduled a 1/2 cent sales tax extension and a $16 billion regional transportation plan on the May ballot. Phoenix's light rail system would also be funded with these two initiatives. The state legislature has pushed this vote back to November. Maricopa 2020 website: www.maricopa2020.com	ON BALLOT 11/02/04 **APPROVED 57% TO 43%**
AR	Jonesboro	The North East Arkansas Transit Authority board unanimously approved a motion to request that the Craighead County Quorum Court place a referendum on November's general election ballot to create and support through funding a Jonesboro-Craighead County transit system for a 3-year trial period.	DELAYED UNTIL 2005
CA	Bay Area	Under SB 916 of 2003, residents of seven Bay Area counties would vote in March 2004 to raise bridge tolls by $1 to spend an estimated $125 million a year for transit, planning and roads. The Bay Area's priorities include a $50 million fourth hole in the Caldecott Tunnel, $36 million to expand ferry service and $50 million for a new five-lane span for the Benicia-Martinez bridge. Funds would also strengthen Bay Area Rapid Transit underground tunnels, renovate the TransBay Terminal in San Francisco and study Bay Area access to a proposed high-speed rail system in California. The measure needs majority approval of voters in seven counties with state-owned toll bridges to pass. That includes Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara and Solano counties. Yes on Measure 2 website: www.measure2.org	ON BALLOT 3/2/2004 **APPROVED 56% TO 44%** How Bay Area voted on Measure 2 County: YES NO Alameda 54% to 46% Contra Costa 51% to 49% Marin 64% to 36% San Francisco 69% to 31% San Mateo 55% to 45% Santa Clara 59% to 41% Solano 41% to 59%
CA	Bay Area	Voters in San Francisco, Alameda and Contra Costa counties will vote in November on a $980 million bond issue to pay for earthquake safety modifications to BART. The same measure lost by 2.2 percentage points in 2002.	ON BALLOT 11/02/04 **APPROVED 70% TO 30%**
CA	Statewide	Initiative No. SB 1856 would authorize $10 billion in bonds for a high-speed rail system between L.A. and San Francisco. It would also tackle other public transportation needs. The bipartisan measure passed in the legislature and was referred to the voters for approval.	DELAYED UNTIL 11/06
CA	East Bay Area	On August 4, the AC Transit Board of Directors voted to place Measure BB on the November 2, 2004 ballot. Should voters approve Measure BB by a two-thirds margin, AC Transit will use funds for the operation and maintenance of its service. Measure BB increases an existing parcel tax by $2 per month and extends the tax for 10 years,	ON BALLOT 11/02/04 **APPROVED 72% TO 28%**

		until 2015. The existing independent citizens oversight committee will ensure that all Measure BB funds are spent only in cities and counties identified below and for the purposes approved by voters.	
CA	Contra Costa County	Contra Costa County Transportation Authority is pushing for a renewal of Measure J, the countywide half-cent sales tax, set to expire in 2009. The measure has funded highway and transit projects since 1989. The new Measure C would raise $1.6 billion in transportation funding through 2029 and update the "Growth Management Program" initiated by the first Measure C. CCTA Measure C website	ON BALLOT 11/02/04 **APPROVED 70% TO 29%**
CA	Sacramento County	Sacramento County Transportation Authority officials have proposed extending Measure A, the existing half-cent transportation sales tax, which is set to expire in 2009. If approved, the extension would raise $4.7 billion for road and transit improvements	ON BALLOT 11/02/04 **APPROVED 75% TO 25%**
CA	San Mateo County	The San Mateo County Transportation Authority has adopted an expenditure plan for the reauthorization of Measure A, a half-cent transportation sales tax, which will net approximately $1.5 billion over 25 years. Transit projects will receive 30%. A local group, Citizens for Better Transit, has opposed the expenditure plan considered adding a competing ballot initiative.	ON BALLOT 11/02/04 **APPROVED 75% TO 25%**
CA	Solano County	The Solano County Transportation Improvement Authority is advancing its plans for a separate, countywide tax that would raise an estimated $1.43 billion during the next 30 years. A daunting, two-thirds approval, however, would be required to pass the tax measure. www.solanotraffic.org	ON BALLOT 11/02/04 **DEFEATED 64% TO 36%**
CA	Sonoma County	This November, Sonoma County voters will be asked to approve a sales tax hike that could raise $470 million over 20 years to relieve the traffic congestion on Highway 101 and local streets. The spending plan for Measure M, the Traffic Relief Act for Sonoma County, also funds bike and pedestrian projects and continues work on a North Bay passenger rail line.	ON BALLOT 11/02/04 **APPROVED 67.2% TO 32.8%**
CA	Sonoma and Marin Counties	The Sonoma-Marin Area Rail Transit board is considering adding a quarter-cent sales tax on the November ballot to fund commuter rail	DELAYED UNTIL 2006
CA	Santa Cruz County	The widening of Highway 1 and the construction of a 31-mile rail trail along the old Union-Pacific Rail line are now linked together on a November transportation ballot initiative. Residents of Santa Cruz County will be asked to pay a half-cent sales tax to raise $530 million for the new projects as well as a passenger train station in Pajaro and a tourist trolley to run between Aptos and Capitola.	ON BALLOT 11/02/04 **DEFEATED 43% TO 57%**
CA	San Bernadino County	A plan to spend $6 billion in local transportation money over the next 30 years was approved by the county's transportation agency, SANBAG, paving the way for a November ballot. According to the plan, nearly $362 million would be allocated for a MetroLink extension to Redlands and a Gold Line extension to Montclair. Other improvements include $180 million for bus and rapid transit. Measure I Central	ON BALLOT 11/02/04 **APPROVED 79% TO 21%**
CA	Marin County	The Marin Transportation Authority has called for a Marin-specific half-cent sales tax increase that would generate an estimated $331 million over 20 years. Funds would be dedicated to maintaining and improving bus service, including special services for seniors and disabled persons; fully funding and completing Highway 101 carpool lanes through the heart of the county; maintaining and improving roads, bikeways, sidewalks, and pathways; and reducing school-related congestion and providing safe access to school. Marin County Sales Tax Expenditure Plan website	ON BALLOT 11/02/04 **APPROVED 71% TO 29%**
CA	Ventura	Ventura County supervisors voted 4 to 1 to place a 1/2 cent sales tax	ON BALLOT

	County	increase measure on the November ballot to pay for road and transit improvements. Ventura County is the largest county in the state without its own transportation tax. 1/2 Cent Sales Tax Information	11/02/04 **DEFEATED 40% TO 60%**
CA	San Diego	San Diego's regional planning agency, SANDAG, has produced a $14 billion draft Expenditure plan for the TransNet program, a half-cent sales tax extension that funds transit and highway projects throughout the region, set to expire in 2008. The extension would provide funding through 2028. TransNet website	ON BALLOT 11/2/04 **APPROVED 67% TO 33%**
CO	Denver	The Regional Transportation District is moving forward with their $4.7 billion FasTracks transit expansion plan which calls for construction of new light-rail or commuter-rail lines from central Denver to Lakewood/Golden, Arvada, Boulder/ Longmont, north Adams County and Denver International Airport, as well as along I-225 in Aurora. Fastracks Yes website: www.fastracks.org	ON BALLOT 11/02/04 **APPROVED 57% TO 43%**
CO	Garfield County	Garfield County commissioners agreed to put a question on the November ballot asking voters outside [Aspen] city limits to decide if Garfield County should join the Roaring Fork Transit Authority.	ON BALLOT 11/02/04 **DEFEATED**
CO	El Paso County	County commissioners have proposed and approved a plan to form The Rural Transportation Authority which would serve Colorado Springs, Manitou Springs, Green Mountain Falls and unincorporated El Paso County if approved by voters. It would be funded with a 1-cent sales tax increase, with 55 cents of the tax expiring after 10 years. Fifty-five percent of the funding is set to go for road construction, 35 percent toward maintenance and 10 percent to transit. Roadway and maintenance money will be apportioned to the cities and county based on population.	ON BALLOT 11/02/04 **APPROVED 55% TO 45%**
CO	Aspen	Facing a 50% service cut, and for the second time in four years, the Roaring Fork Transit Authority plans to approach voters to bail it out of a financial jam. RFTA's board of directors voted 6-1 to seek a sales tax increase from the towns and counties throughout the Roaring Fork Valley, the size of the increase yet to be determined, although the total amount collected cannot exceed one cent in any jurisdiction.	ON BALLOT 11/02/04 **APPROVED 77% TO 22%**
FL	Statewide	A repeal provision to develop and operate a high-speed ground transportation system in the state.	ON BALLOT 11/02/04 **APPROVED 64% TO 36%** NO HSR IN FLORIDA!!!!
FL	Miami Beach	Miami Beach voters will be able to weigh in on a nonbinding question to determine whether BayLink, the light-rail trolley system that would move people around South Beach and connect to downtown Miami, should be built.	ON BALLOT 11/02/04 **APPROVED**
FL	Broward County	To improve Broward's mass transit options, the county hopes to develop a program with the Metropolitan Planning Organization that would pay for transit partly through an expanded impact fee.	MONITOR PROGRESS
KY	Lexington	LexTran's new general manager, Terry Garcia Cruz, wants to put a 6 mill property tax on the November ballot, which would be the agency's first dedicated funding source, and would allow for necessary service expansions.	ON BALLOT 11/02/04 **APPROVED 54% TO 46%**
IN	Indianapolis	A 1% food and beverage tax to fund transit projects has been proposed by IndyGo. Monitor development.	DELAYED UNTIL 2005
MI	Van Buren County	The Van Buren Public Transit system, at risk of complete service elimination, has operated without a dedicated funding source. The	DELAYED UNTIL 2005

		county board has recommended a county levy of up to a quarter-mill for the November 2 election. If passed, the levy would raise an estimated $513,853 per year	
MI	Port Huron	Residents in Fort Gratiot, Port Huron and Port Huron Township will vote on renewing a four-year property tax that funds bus services run by Blue Water Area Transit.	ON BALLOT 5/4/04 **APPROVED 69% TO 31%**
MI	Saginaw	The City of Saginaw has approved the proposed ballot language for the renewal of 3 mills for the Saginaw Transit Authority Regional Services (STARS)	ON BALLOT 3/2/04 **DEFEATED BY 200 VOTES**
MI	Flint	The MTA (Flint) is proposing a new tax, 0.3 mills would pay to support existing services, and 0.1 mills would finance additional service, including additional vehicles on the road and expansion of night hours on fixed routes. The tax would raise $3.8 million in new money.	ON BALLOT 8/3/04 **APPROVED 54% TO 46%**
MI	Lansing	The Capital Area Transportation Authority is calling for a .0322 millage increase, a total of 2.22 mills on property for five years. If approved, the millage would bring approximately $12.1 million annually.	ON BALLOT 8/3/04 **APPROVED 60% TO 40%**
MI	Ludington and Scotville	The Ludington Mass Transit Millage renewal request is for 0.75 mills for Ludington residents and 1.3 mills for Scottville residents. The renewal is for 5 years. The November ballot will include a two-county transportation proposal for all residents of Mason and Oceana counties. All residents would pay 0.6 mills for the service. If that proposal passes in November, it will over-ride this Primary ballot request.	ON BALLOT 8/3/04 **APPROVED 71% TO 29%**
MI	Marquette County	The Marquette County Transit Authority is calling for an additional .2 mill on an existing .4 mill (total .6 mill) ad valorem property tax. If approved, the tax would yield approximately $836,000 annually.	ON BALLOT 8/3/04 **APPROVED 65% TO 35%**
MI	Lake County	To provide funding for the Yates Dial-A-Ride program that serves all of Lake County, the proposal calls for a .4 mill over 5 years, and would raise $165,000 annually	ON BALLOT 8/3/04 **APPROVED 56% TO 44%**
MI	Midland County	This millage renewal calls for .15 mill over a period of 5 years for the provision of county-wide public transportation services, and is expected to raise approximately $512,443 annually.	ON BALLOT 8/3/04 **APPROVED 70% TO 30%**
MI	Shiawassee County	The Shiawassee Area Transportation Agency is calling for a first-time millage in the amount of .225 mills over a 2 year period. If approved, the millage would generate approximately $56,000 a year.	ON BALLOT 8/3/04 **APPROVED 62% TO 38%**
MI	Charlevoix County	This proposal will permit the County of Charlevoix to restore the .25 mill, previously approved by the electors for the purpose of providing funds for the operation of the County Transit System. The millage is for a period of 4 years and would raise $396,755 annually.	ON BALLOT 8/3/04 **APPROVED 65% TO 35%**
MI	Gogebic County	This millage renewal proposal would fund Gogebic County Transit for 4 years at a rate of .33 mills. If approved, it would raise approximately $122,010 annually.	ON BALLOT 8/3/04 **APPROVED 77% TO 23%**
MI	Tuscola County	This millage renewal proposal would fund public bus transportation services in Almer Township and Indianfields Township for 4 years. At a rate of 1 mill, the approved proposal would raise approximately $190,000 for both townships.	ON BALLOT 8/3/04 **APPROVED 61% TO 39%**
MI	Manistee County	This proposal would fund Dial-A-Ride services in Manistee County for 6 years with a .33 millage. Estimated annual revenue, if approved, would be $276,794.	ON BALLOT 8/3/04 **DEFEATED 45% TO 55%**
MI	Kalamazoo	City commissioners have approved placing a 1-mill property tax renewal for Metro Transit on the Nov. 2 general election ballot. If	ON BALLOT 11/02/04

		approved, the levy will raise a projected $1.56 million. The owner of a home with a market value of $100,000 and taxable value of $50,000 would pay $50 in property taxes.	**APPROVED 67% TO 32%**
MO	Branson	Voters in Branson will be able to decide in August whether to extend a 1/2% retail sales tax that is set to expire in November 2005. The tax will fund roads and public transportation.	ON BALLOT 8/04 **APPROVED 81% TO 19%**
MT	Flathead County	County commissioners in October voted unanimously to put a $1 million tax levy request on the June 2004 primary election ballot. The tax would bring approximately $106,000 annually for Eagle Transit, which when matched with federal dollars, would total about $212,000 annually.	ON BALLOT 6/8/04 **APPROVED 62% TO 38%**
OH	Hamilton	In early December the Hamilton City Council voted to place a 0.5-mill property tax on the March 2 ballot for continued transit services. The levy would generate about $449,000 a year for the city's general fund, but council members have said the funds would be used solely for transit operations.	ON BALLOT 3/2/04 **DEFEATED 69% TO 31%**
OR	Bend	Interim City Manager Ron Garzini has proposed establishing an independent transit district funded in part with a new property tax of roughly 29 cents per $1000 assessed value. The proposal has gained approval from Deschutes County Commissioners and will go to Bend voters.	ON BALLOT 11/02/04 **DEFEATED 41% TO 53%**
SC	Charleston	After the Supreme Court overruled the 2002 transit tax that voters approved due to ballot language errors, the county wide 1/2¢ sales tax to fund transit, greenspace, and roads is again on the ballot	ON BALLOT 11/02/04 **APPROVED 59% TO 41%**
TX	Austin	Capital Metro is asking voters in November to consider a commuter rail starter line, utilizing an existing railroad track that it owns. The proposal would call for diesel-powered trains to run from Leander to downtown Austin, at a cost of less than $100 million.	ON BALLOT 11/02/04 **APPROVED 62% TO 37%**
TX	Balcones Heights	Balcones Heights residents will cast ballots to decide whether to stay with VIA Metropolitan Transit, and they will also decide whether to create an economic development corporation with the estimated $540,000 in sales tax funds that now go to VIA	ON BALLOT 9/11/04 **APPROVED 82% TO 18%**
TX	San Antonio	VIA is proposing a sales tax measure for ¼ cent. Half the funds raised will go to VIA Metropolitan Transit, a quarter will go to the City for street, drainage, bicycle and pedestrian facilities, and quarter will go to TxDOT for projects within the San Antonio City Limits.	ON BALLOT 11/02/04 **APPROVED 58% TO 41%**
TX	Richland Hills	In December 2002, the City Council voted to hold a special election to decide whether the city should remain with the Fort Worth Transportation Authority, aka the "T." Keep the "T" Website	ON BALLOT 2/7/04 **APPROVED 67% TO 33%**
VA	Arlington County	Arlington County has a proposal to issue $18.5 million in bonds to finance, together with other available funds, the cost of construction , acquisition, and rehabilitation of Metro facilities by the Washington Metropolitan Area Transit Authority	ON BALLOT 11/02/04 **APPROVED 81% TO 19%**
VA	Fairfax County	The Fairfax County Board of Supervisors on June 21 agreed to let residents vote Nov. 2 on more than $300 million worth of bonds for transportation, human services, parks and libraries. The board proposed issuing $165 million worth of bonds for transportation projects. Two-thirds of those moneys – $110 million – would go to the Washington Metropolitan Area Transit Authority for infrastructure renewal, improved system access and system expansion.	ON BALLOT 11/02/04 **APPROVED 76% TO 24%**
WA	Vancouver	Voters will decide whether to double a 0.3 percent transit sales tax to stave off deep cuts in Clark County's bus system. C-Tran's board of directors voted unanimously to put a ballot measure before voters that	ON BALLOT 11/02/04 **DEFEATED 46%**

		would increase frequency and duration of bus service in Clark County and continue commuter routes to Portland that would otherwise be cut.	**TO 54%**
WA	Spokane	After voters turned down a 3mil tax to fund transit in 2002, Spokane Transit Authority is facing a 45% service reduction. Board members decided in February to place a 3mill tax on an upcoming ballot May 18.	ON BALLOT 5/18/04 **APPROVED 69% TO 31%**
WA	Everett	City officials are discussing whether to ask voters to approve a sales tax increase for financially strapped Everett Transit. The agency cut service 14 percent last year, and the City Council last week reviewed a public-transit plan that forecasts further reductions in 2005.	**APPROVED 56% TO 44%**
WA	Seattle	I-83, to kill the Seattle Monorail project, just made it onto the November ballot after a state Court of Appeals overturned an earlier ruling.	ON BALLOT 11/02/04 **DEFEATED 37% TO 63%** MONORAIL WILL BE BUILT!!!!
WA	King County	The Metropolitan King County Council has placed two advisory measures on the Nov. 2 ballot. One asks voters if they support developing a package of congestion-relief and safety projects and placing it on the ballot in November 2005. The other asks how they'd like to pay for it.	ON BALLOT 11/02/04 **APPROVED 67% TO 32%**
WV	Parkersburg	The Mid-Ohio Valley Transit Authority is seeking a renewal levy as it works to expand its routes. The agency is asking for $1.595 million a year over five years, an increase from the $1.25 million, two-year levy now in effect.	ON BALLOT 11/02/04 **APPROVED 65% TO 35%**

Source: Center for Transportation Excellence