

July 7, 2020

MEMORANDUM

To: Select Committee on Seattle Transportation Benefit District Funding
From: Calvin Chow, Analyst
Subject: Proposed Ballot Measure to Renew STBD Transit Funding

On July 7, 2020, the Mayor transmitted legislation to place a ballot measure before Seattle voters to fund transit-related services, programs, and investments at the November 2020 General Election. To be certified for the November ballot, Council must pass and the Mayor must sign the legislation by August 4, 2020. The proposed legislation will be heard in the Select Committee on Seattle Transportation Benefit District Funding, which is scheduled to meet remotely on July 10 and July 17, 2020.

Background

At the April 2014 Special Election, King County voters considered a county-wide transit funding measure to support King County Metro (Metro) service. The King County measure proposed a one-tenth of one percent sales tax and a \$60 vehicle license fee to raise revenue and avoid anticipated Metro service cuts. The measure failed, despite support from a large majority of voters in Seattle.

At the November 2014 General Election, Seattle voters considered a Seattle Transportation Benefit District¹ (STBD) proposed to support Metro transit service in Seattle. The STBD [measure](#) proposed a one-tenth of one percent sales tax and a \$60 vehicle license fee within the city limits, and was approved by Seattle voters. The STBD measure was established for six years, and the funding will expire on December 31, 2020.

The STBD measure allowed the City of Seattle to purchase additional transit service in support of the City's transit goals, and to improve and support access to transit for low-income transit riders. In June 2018, the Council adopted [Ordinance 125606](#) which expanded the STBD program to include free transit passes for Seattle Public School Students and to fund transit capital improvements that enhance transit speed, passenger amenities, and the reliability of bus service.

In 2019, prior to the economic downturn caused by COVID-19, the STBD measure generated \$56.2 million and provided approximately 300,000 transit service hours, 15,000 free bus passes for Seattle Public School students, and 1,500 free bus passes for Seattle Housing Authority

¹ The STBD was established in September 2010, under the authority of RCW [36.73](#). The STBD was an independent governmental entity that had the same geographical boundaries as the City of Seattle, and was governed by a Board consisting of all 9 Seattle Councilmembers. In July 2016, the City of Seattle assumed all the rights, powers, immunities, functions and obligations of the STBD as authorized by changes in state law. This allows the STBD to be administered and governed as part of the City of Seattle's regular business.

residents. In 2019, the STBD also funded pilot projects including on-demand first-mile/last-mile via shuttle service and the Trailhead Direct shuttle.

At the November 2019 General Election, Washington voters approved Initiative 976, which prohibits the STBD from collecting vehicle license fees.² The City has challenged the constitutionality of Initiative 976, and the case is being heard in the Washington Supreme Court. While there is no firm timeline for the Court's decision, the City received a temporary injunction to Initiative 976 and continues to collect the vehicle license fees while the issue is before the Court. If Initiative 976 is upheld, the City will need to refund the vehicle license fees that have been collected since the initiative went into effect, and the Seattle Department of Transportation (SDOT) is reserving sufficient STBD fund balance³ for refunds if the City's legal challenge is not successful.

In the first half of 2020, the COVID-19 emergency has reduced revenues from both sales tax and vehicle license fees. The City Budget Office currently projects a 16 percent decrease in sales tax and a five percent decrease in vehicle license fee revenue for 2020 compared to previously budgeted forecasts. In addition, quarantine and health concerns have reduced the demand for transit service. In April 2020, Metro reported that ridership was down approximately 75-80 percent compared to the previous year's baseline; in June 2020, Metro reported that ridership was down approximately 65-70 percent compared to baseline.⁴ The trajectory of economic recovery and transit ridership is not known at this time.

If the STBD measure is not renewed and no additional transit funding is identified, the City has sufficient STBD reserves to continue transit service purchases through Metro's March 2021 service change date.⁵ No alternate sources of funding to the proposed measure have been identified for continuing the other elements of the STBD program (the youth ORCA program, low-income access to transit program, and the transit capital program) past 2020.

Executive Proposal

The proposed legislation would place a ballot measure on the November 2020 General Election to renew the STBD transit funding. The Executive's proposal is to continue the one-tenth of one percent sales tax for six years, ending on December 31, 2026. Given the legal uncertainty around Initiative 976, the proposal does not include extending the vehicle license fee.

The proposed ballot measure includes four categories of eligible spending, with annual maximum limits on some of these categories. The proposed spending categories include:

² In addition to the voter-approved \$60 vehicle license fee for transit service, the STBD also collects a councilmanic \$20 vehicle license fee for basic infrastructure maintenance.

³ SDOT reduced 2019 and 2020 transit service purchases to provide the reserve of funds.

⁴ The Washington State Department of Transportation [website](#) tracks the impact of COVID-19 on transit ridership. The data show that Metro ridership is slowly increasing since a ridership low in early April 2020.

⁵ Metro administers regular service changes in March and September of each year. The City's contract for Metro service allows the City to make changes in service hour purchases on this schedule. To manage the reduced STBD revenues and respond to lower transit demand, SDOT anticipates reducing purchased transit service levels in September to 150,000 annualized service hours.

- Transit Service – STBD funds may be used to purchase Metro service hours on RapidRide lines and Metro routes that operate with more than 65 percent of stops within Seattle. The ballot measure does not put a restriction on the allowable spending in this category.
- Emerging Needs – Up to \$6 million annually may be used to support emerging mobility needs related to COVID-19 response and recovery, and the closure of the West Seattle Bridge. This funding could support targeted transit service or transportation demand management strategies to mitigate the West Seattle Bridge closure. The measure anticipates that this spending would be implemented for the first four years of the proposal but could continue if warranted.
- Mobility Access – Up to \$10 million annually may be used to implement programs that support transit access by low income residents, seniors and youth, including the ORCA Opportunity program, which provides transit passes for Seattle Public School students.
- Transit Infrastructure – Up to \$9 million annually may be used for transit infrastructure maintenance and capital improvements.

The proposed ballot measure is projected to raise \$169 million over 6 years. If voters approve the measure, the sales tax would go into effect in April 2021, reflecting an administrative delay to implement the sales tax through the Washington State Department of Revenue.

For a comparison, Table 1 shows the average annual spending under the expiring STBD measure for 2019 and 2020 and the average annual spending of the proposed measure. Actual spending levels would be determined during the City’s annual budget process, subject to the spending limitations established in the ballot measure; and the citizen-led Seattle Transit Advisory Board would continue to serve as the public oversight committee charged with advising on spending of the STBD funds.

Table 1. Comparison of Annual STBD Spending Levels by Category

	Average 2019/2020 Spending (Expiring STBD Measure)	Average 2021-2026 Spending (Proposed STBD Measure)
Transit Service	\$55,372,000 / year	\$11,333,000 / year
Emerging Needs	--	\$3,333,000 / year
Mobility Access - Youth ORCA	\$3,299,000 / year	\$4,083,000 / year
Mobility Access - Low Income Access	\$1,712,000 / year	\$3,000,000 / year
Transit Infrastructure	\$2,886,000 / year	\$5,833,000 / year
Administration	\$89,000 / year	\$80,000 / year
Average Annual Spending	\$63,358,000/year⁶	\$27,662,000 / year

The proposed level of spending is roughly equivalent to 80,000 annual service hours (when combining the Transit Service and Emerging Needs categories). For comparison, the STBD

⁶ SDOT is expending available STBD fund balance and Federal CARES grant funding in 2019 and 2020 to sustain these funding levels. Actual STBD revenue was \$56.2 million in 2019, and is projected to be \$50.7 million in 2020.

purchased approximately 300,000 service hours in 2019, and will reduce service levels to approximately 150,000 annualized hours beginning in the September 2020 Metro service change. With this reduced level of funding for Transit Service, SDOT intends to focus on supporting the City's [Frequent Transit Network](#). The goal of the Frequent Transit Network is to provide all-day 15-minute service on a core network serving all of Seattle. Prior to COVID-19, a significant portion of STBD spending was focused on alleviating overcrowding.

The proposed spending plan would generally maintain existing program levels for Mobility Access programs. In 2019 and 2020, the STBD budget allocated \$3.3 million/year to support 15,000 Youth ORCA passes, and \$1.8 million/year for Low Income Access programming (including the Seattle Housing Authority (SHA) pilot program which provided 1,500 ORCA passes to SHA residents). SDOT is proposing a modest increase in spending for these programs.

The proposed annual spending for Transit Infrastructure represents an increase from 2019 and 2020 spending levels. In 2019, SDOT spent \$2.3 million on STBD Transit Infrastructure. As part of the 2020 budget rebalancing response to COVID-19, SDOT reduced planned 2020 spending on Transit Infrastructure from \$9.4 million to \$3.5 million.

STBD Revenue Options

In considering the proposed legislation, Council should be aware of the revenue sources available to Transportation Benefit Districts (TBDs) under state law. Under RCW [36.73](#), TBDs may impose the following taxes and fees:

- **Sales Tax** – With voter approval, a TBD may impose a sales tax of up to two-tenths of one percent, for up to 10 years. The proposed legislation is for a one-tenth of one percent sales tax, for six years. The STBD's sales tax authority is independent from the taxing authority of other overlapping jurisdictions, such as the King County Transportation Benefit District (KCTBD).
- **Tolling** – With voter approval, a TBD may establish tolls on roads, subject to the authority of the Washington State Transportation Commission.
- **Property Tax Excess Levy** – With 60 percent voter approval, a TBD may raise additional property taxes above the one percent tax limit. This is duplicative of the City's existing authority to propose excess property tax.
- **Developer Impact Fees** – A TBD may establish a developer impact fee or charge for transportation improvements that are reasonably necessary as a result of the development. The City has separate authority to establish developer impact fees under the Growth Management Act (RCW [82.02](#)).
- **Local Improvement District** – A TBD may form a local improvement district (LID) through a petition of a majority of the property owners within the proposed LID boundaries. The City has separate authority to establish LIDs, and may initiate the formation of an LID through a resolution of intent in addition to the property owner petition method.

- Vehicle License Fees, Voter-Approved – If Initiative 976 is invalidated by the courts, a TBD could impose a vehicle license fee of up to \$100 per vehicle, with voter approval. The STBD’s authority is shared with the KCTBD’s authority and limits the combined vehicle license fee that may be imposed to \$100.
- Vehicle License Fees, Councilmanic – If Initiative 976 is invalidated by the courts, a TBD may impose a vehicle license fee of up to \$50 per vehicle, without voter approval. The TBD may first establish up to a \$20 fee. After a \$20 fee has been in effect for two years, the TBD may raise the fee to \$40. After a \$40 fee has been in effect for two years, the TBD may raise the fee to \$50. The STBD’s authority is shared with the KCTBD’s authority and the combined non-voted vehicle license fee that may be imposed is \$50. The STBD instituted a \$20 councilmanic vehicle license fee in October 2010 and would continue to collect these fees if Initiative 976 is invalidated.

In addition to these STBD revenue sources, the City of Seattle could consider use of other General Fund revenue sources to substitute or provide additional funding for transit spending.

Potential for Future Regional Funding Measure

The proposed ballot measure would not constrain the KCTBD from seeking voter approval for a separate regional transit funding package in the future. A future regional proposal could include duplicative or additive service to the proposed STBD measure, and a future Council may wish to suspend collection of the STBD sales tax in deference to a successful regional vote.

If approved by voters, the STBD ballot measure would permit, but does not require, the collection of the sales tax. If a regional package were proposed during the term of the STBD measure, the STBD funding could provide backup funding in the event a regional package was not successful; or could continue to be imposed if the regional package did not fully fund the City’s priorities.

Considerations

1. The Council may wish to consider changes to the proposed one-tenth of one percent rate of the proposed sales tax.
2. The Council may wish to consider changes to the proposed six-year term of the ballot measure.
3. The Council may wish to consider adjustments to the proposed allowed spending categories included in the ballot measure.

Central Staff is available to assist Councilmembers in developing proposed amendments to the legislation.

cc: Kirstan Arestad, Executive Director
Dan Eder, Deputy Director