Action Committee for Transit

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Testimony of Benjamin Ross

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House Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, Postal Service, and District of Columbia

April 29, 2009

Mr. Chairman and members of the committee, I am very pleased to have the opportunity to speak to you today about the condition of Washington's Metro system. My name is Ben Ross. I am speaking today as the president of the Action Committee for Transit in Montgomery County, Maryland. We are the largest transit riders' group in the Washington area with over 500 dues-paying members. I also chair the Transit First Coalition, an alliance of transit advocacy, environmental, civic, and labor organizations formed to oppose service cuts on Metro and local bus systems.

ACT, like our coalition partners, is deeply troubled by current proposals to cut service on Metrobus. These cuts will work severe hardship on many commuters who depend on bus service to get them to work in a reasonable amount of time. For many working families in the Washington area, the high cost of housing is bearable only because our transit system makes it possible to get by without a car or with one car in a two-wage-earner family. The deep cuts in bus service now under consideration would force a choice between losing hours every week waiting for bus transfers and busting the family budget by paying the high cost of buying and operating an automobile.

More broadly, something is wrong here with our overall policy-making mechanism. The threat of global warming and the need to protect national security by lessening our dependence on foreign oil require a shift from driving to transit. Yet transit service is shrinking while we continue to build new facilities for automobile travel.

I would like to devote most of my time here this morning to a search for the roots of this dilemma. Fundamental changes in transportation preferences are occurring in Washington and throughout the nation. These changes can be seen in travel behavior and they are a major cause of funding shortfalls that affect all modes of ground transportation. But public policy responses have lagged behind the times. Metro's current budget problems are just one manifestation of this phenomenon.

The American love affair with the automobile is over. Nation-wide, people are riding transit more and driving less. A year ago, this trend was attributed to high gas prices – but no more. Even though gas prices today are much lower than a year ago, transit ridership is still up and vehicle miles traveled are down. When we do drive – and we still drive a lot – it's a way to get where we want to go, not something we value for its own sake.

In Washington, the trend toward transit goes back ten years. Metrorail ridership started to go up in 1998 after a decade of little change. Since then it has grown at breakneck speed. Average weekday ridership rose from 528,000 in May 1998 to 752,000 in May 2008 – an increase of 42% in just 10 years. That far exceeds population growth. Despite the worsening economy and falling gas prices, ridership in recent months has continued to be significantly higher than a year earlier.

We can better understand what is happening by looking at these data in more detail. The biggest growth in transit use is not for traditional commuting trips, but for non-work travel. A fundamental shift in lifestyle is occurring as people no longer organize their lives around the automobile. Between 1999 and 2007, Metrorail boardings during the morning rush hour – a good measure of commuting travel – increased 33.5%. But ridership increased 47% on Saturdays and 57% on Sundays.

Metro is now a way to live, not just a commute. New transit-oriented neighborhoods are springing up through out the region – not just on U Street and Columbia Heights, but also in suburban locations like Clarendon, Silver Spring, and Hyattsville. Demand for housing in these areas remains strong despite the bad economy, while real-estate prices plunge in automobile-oriented outer suburbs.

Along with the shift in travel preferences, voters' attitudes toward transportation funding have changed. Tax increases are never popular with the electorate, of course, but they are more easily accepted when they fund well-liked, high-prestige activities. Years ago, driving was one of these enjoyable, prestigious activities. Roads like the George Washington Parkway in Virginia were built for a now-forgotten activity called "pleasure driving." In past years, tax increases could be made more acceptable by convincing the public that the revenues would go to highways. On occasion, general taxes were disguised as dedicated funding for road-building to gain public acceptability – in many states, gasoline is subject to a special tax at a higher rate in lieu of the general sales tax. In my state of Maryland, the sales tax on automobile purchases is called a "titling tax" and dedicated for transportation.

But things have changed. No one today would call driving on the Beltway a pleasure. Driving is not a prestige activity and voters don't like to be taxed for it any more than they like to be taxed for anything else. Gasoline taxes in Metro's service area have not increased since 1993. In Maryland, there have been four modest increases in transportation revenues in that period. Two of them affected highway users: a toll hike and an increase in vehicle registration fees. On two other occasions, Maryland legislators saw fit to use general tax revenues rather than user fees as a source of needed transportation revenues. Increases in sales and corporate income taxes were viewed as more acceptable to the public than new automobile user fees.

With the public no longer happy to pay for roads, revenues from automobile user fees have dropped. Gasoline usage is falling as a result of improved fuel economy and slower growth in car travel. But this is only part of the problem. A full analysis must consider the exemption of gasoline and automobiles from general sales taxes. This exemption is an indirect subsidy for transportation; money that would otherwise appear in general tax revenues goes instead to fund transportation. It relieves drivers of much of the burden of paying for highways and makes the general public, including transit riders, pay instead. When this subsidy is taken into account, we find that the user fees paid by drivers are dropping much more steeply than generally recognized.

As a consequence of voters' growing resistance to gas tax increases, the tax per gallon has remained fixed as the price of gasoline went up. This has caused the indirect subsidy to increase rapidly as a fraction of gas tax revenues. In 1993, when the Maryland gas tax was last increased, gas sold for $1.10 per gallon and only 4.3¢ out of the 23.5¢ gasoline tax was lost from the state's general fund by the sales tax exemption. When gasoline peaked at $4 per gallon last year, the gas tax was nearly equal to the sales tax – a 6% sales tax would have been 22.6¢ per gallon, nearly equal to the 23.5¢ gas tax. When gas passes $4, the gas tax is no longer a user fee at all; it is simply the sales tax applied to gasoline.

The consequences of this shift can be seen by comparing the funding of the Washington Metro to the Maryland state automobile transportation system. Attached is a breakdown of revenue sources in the current fiscal year's budgets. To identify the true source of transportation dollars, the subsidy provided by the sales tax exemption has been taken out of the user fee component of transportation revenues and put into the general taxation category. We find that some conventional wisdom about transportation funding needs to be corrected.

For one thing, federal aid to Metro is no higher, as a percentage, than in the Maryland highway budget.[1] Yet Metro plays a unique role in supporting the federal government's presence in the nation's capital. Clearly, the current level of federal support is incommensurate with this role. Funding of the recently authorized $150 million per year dedicated funding program is badly needed. Looking into the future, the steady growth of Metro ridership will soon be augmented by new riders from the Dulles rail project, and downtown Washington Metro lines will become overloaded in ten or twenty years. A major federal commitment will be needed to augment Metro's core capacity so that civil servants can get to work and the public can have access to its government.

Second, we see that only 19.8% of Maryland's automobile transportation program is funded by user fees. This is far less than the 32% that users pay Metro through fares and parking fees. Automobile taxes do not subsidize transit. On the contrary, transit riders are subsidizing highway programs.

One piece of common wisdom cannot be questioned. Transportation budgets are being severely stressed. We see a growing tendency to borrow from the future. Borrowing is now the

1 The table shows Metro receiving 16.6% of its budget from federal aid, which is less than the 18.3% received by the Maryland highway program. Some federal aid to the jurisdictions that passes through to Metro is included in the table under general tax revenues; moving these pass-throughs into the federal aid category would slightly increase the share of federal aid in Metro's budget.

largest source of revenue for Maryland's automobile transportation program – by my estimate, fully 35% of total expenditures.

I believe that the cause of this stress can be traced back to the lessened popularity of automobile travel. The shift in public preferences can be seen both in travel choices and in voters' resistance to new automobile user fees, but it has not been reflected on the expenditure side of transportation budgets. Major highway construction projects are in full swing on both sides of the Potomac. This combination – continued road-building alongside shrinkage of the user fee revenues that formerly paid for the roads – has put transportation budgets in a vise.

These trends are not the fault of individual leaders; they are widespread and they reflect a very deep-rooted shift in public attitudes. We see funding shortfalls in Maryland despite a strong commitment to transit and to fiscal responsibility under Gov. Martin O'Malley and his Secretary of Transportation John Porcari, who has now been nominated as deputy secretary of USDOT. Elsewhere in the Washington area, neither D.C. nor Virginia has increased gas taxes since 1993. Transit systems in other parts of the country are suffering cutbacks even more severe than Metro.

Failure to adjust transportation budgets to the new reality is, I believe, the true cause of Metro's fiscal troubles and the reason commuters are threatened with service cuts. The public has spoken for a shift from autos to transit – indeed, it has spoken twice, with its feet and with its votes. But the political system has been slow to listen. Money continues to pour into highway projects of marginal value while transit is starved of resources.

The immediate crisis of threatened cuts in Metro service must be addressed now, but we must also understand that it is a symptom of a deeper-rooted problem. The era of suburban sprawl fueled by ever-more highways has ended. A fundamental reassessment of transportation planning is needed. Transit must be first in budgets as it is in the minds of the public.

Attachment

Estimated Composition of Funding Sources

Comparison of Washington Metro System and Maryland Highway Program

All Dollar Amounts in Millions

Stimulus Spending Not Included

April 29, 2009

Washington Metro System (Including Dulles Rail Project) - FY 2009

Expenditures

WMATA (net of $26 debt repayment)	1 878	
Dulles Rail Project (average of CY08 & CY09)	350	
Total		2 228

Revenues

User fees (passenger revenues)		712
As percentage of expenditures		32.0%
Federal aid		
Direct WMATA	262	
Dulles Rail (pro-rata share of expenditures)	108	
Total		370
As percentage of expenditures		16.6%
Business revenues		
WMATA (advertising, joint development, other)	108	
Dulles Rail (access road toll surplus)	50	
Total		158
As percentage of expenditures		7.1%
Net borrowing		
MWAA for Dulles Rail	115	
WMATA net borrowing	35	
Total		150
As percentage of expenditures		6.7%
Non-user tax revenues[2]		
WMATA state & local contributions	741	
WMATA reimbursable projects	20	
Dulles Rail (estimated as remainder after other sources)	77	
Total		838
As percentage of expenditures		37.6%

Sources: WMATA FY 2009 budget; Dulles Corridor Rail Project Management Plan 2008; Dulles Corridor Rail Financial Plan, submitted to FTA Feb. 1, 2008.

2Includes federal aid and borrowed money collected by local jurisdictions and passed through to WMATA and the Dulles Rail project..

Maryland Highway Program - FY 2009

<u>Expenditures</u>

SHA – operating		222	
SHA – capital		893	
MVA – operating		156	
MVA – capita		132	
MdTA - highway operating (FY08)		96	
MdTA – capital		1 103	
Total			2 502

<u>Revenues</u>

User fees			
Gasoline tax – gross	503		
Less 30% locality share	151		
Less value of sales tax exemption[3]	304		
Gasoline tax – net		48	
Vehicle registrations – gross	236		
Less 30% locality share	71		
Vehicle registrations – net		165	
MdTA toll revenues (FY08)		283	
Total user fees			496
As percentage of expenditures			19.8%
Federal aid (SHA – capital)			457
As percentage of expenditures			18.3%
Net borrowing[4]			878
As percentage of expenditures			35.1%
Business revenues (MdTA concessions)			8
As percentage of expenditures			0.3%
Non-user tax revenues (TTF spending not accounted for above)			663
As percentage of expenditures			26.5%

Sources: MDOT Overview, FY2010 Budget Allowance; FY10 Consolidated Transportation Plan; MdTA FY08 Annual Report.

3Assumes average gasoline price of $2.60 per gallon. Price net of gas tax is $2.365; 6% sales tax is 14.2¢ per gallon. Thus 14.2/23.5 or 60.4% of gross gas tax receipts is the implicit subsidy from the General Fund via the sales tax exemption for gasoline.

4Estimated as MdTA capital expenditures less net highway revenues and $30 transfer from TTF.