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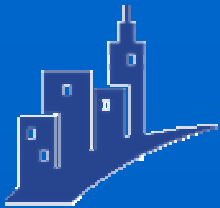
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Washington's Metro: Deficits by Design

Presentation to the WMATA Board Committee

June 3, 2004



Washington Metro: Deficits by Design

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Need for a Dedicated Revenue Source



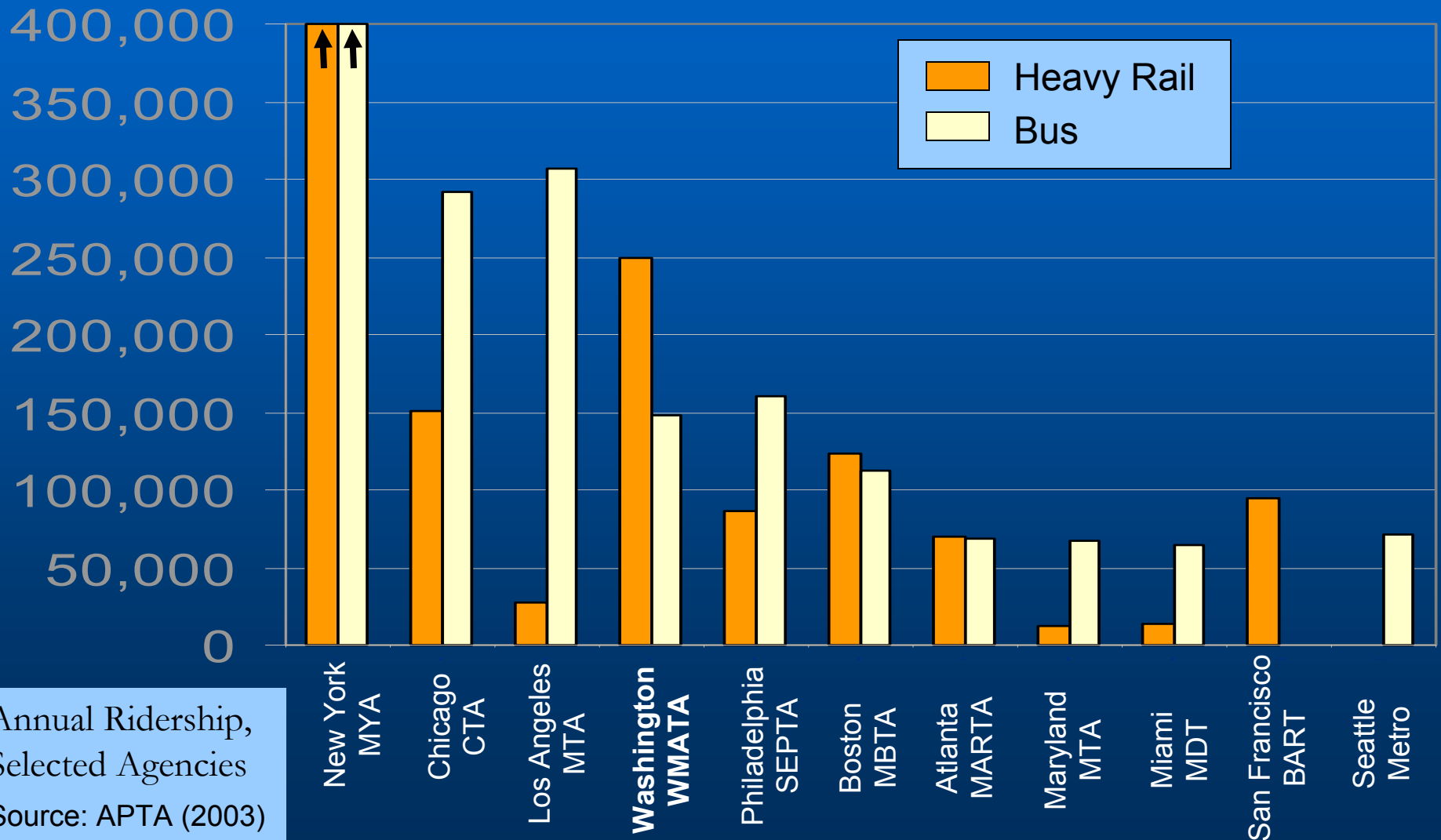
Washington Metropolitan Transit Authority created in 1967

Rail system, in particular, was profoundly important to the federal government

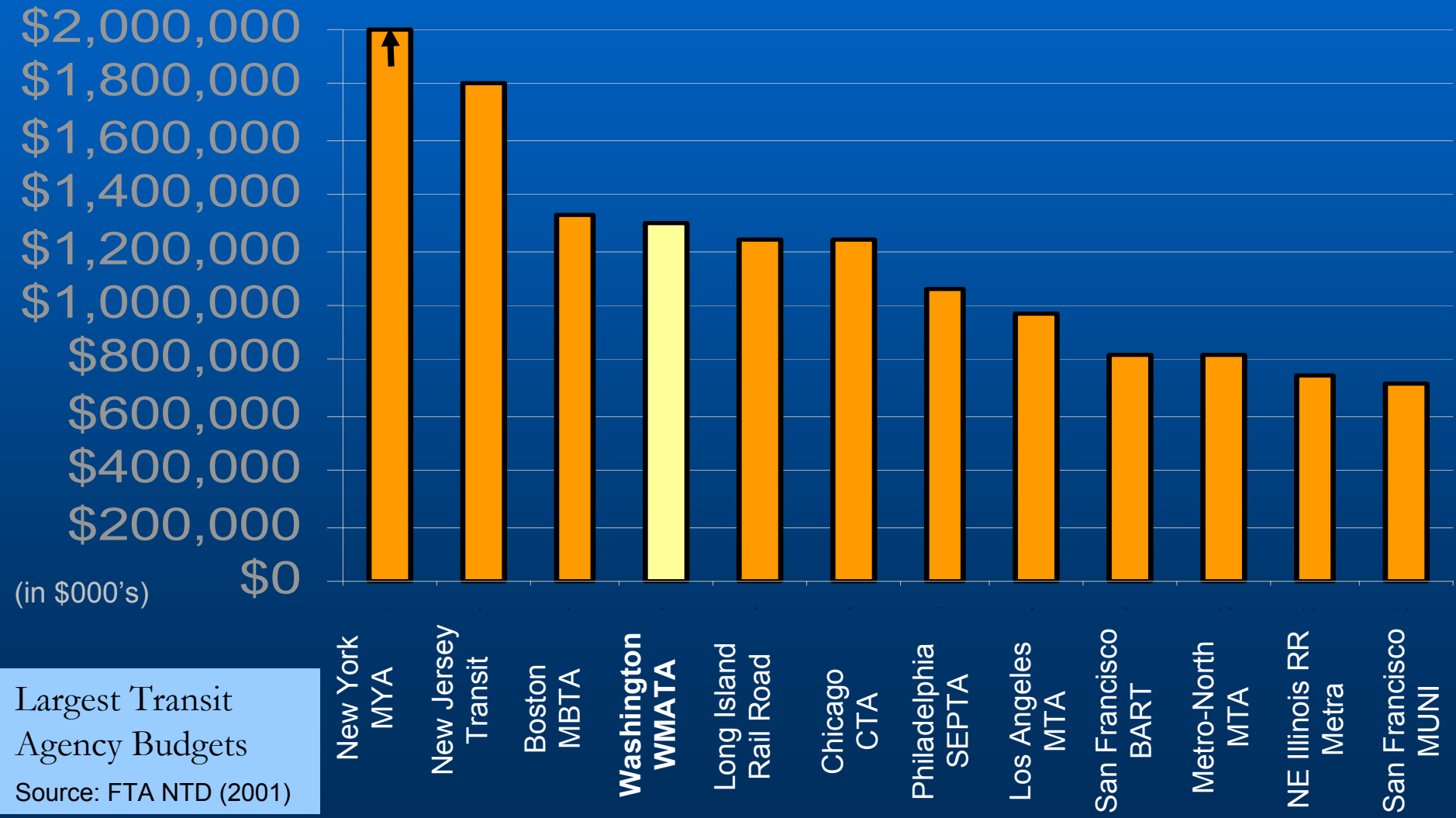
National Capital Transportation Act Amendments of 1979 required a dedicated & reliable funding source

No agreement could be reached and localities have subsidized a major chunk of operations ever since

WMATA is a very large agency in terms of ridership



WMATA is a very large agency ... and in terms of the budget



Largest Transit Agency Budgets

Source: FTA NTD (2001)



Unlike other agencies, WMATA is not able to rely on dedicated funds for capital expenses.

Type	Source	WMATA	Agencies with over 1 million	National total
Directly Generated Funds	Dedicated Sources	0%	29.68%	27.68%
State Funds	General Revenue	12.11%	2.80%	3.10%
	Dedicated Sources	0%	8.89%	8.54%
Local Funds	General Revenue	20.63%	4.79%	4.83%
	Dedicated Sources	0%	14.53%	15.27%
Federal	Formulas	67.26%	39.31%	40.58%

Total from Dedicated Sources	0%	53.10%	51.49%
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Sources for Capital Funds Applied
 Source:
 FTA NTD (2002)



Unlike other agencies, WMATA is not able to rely on dedicated funds or for operating expenses.

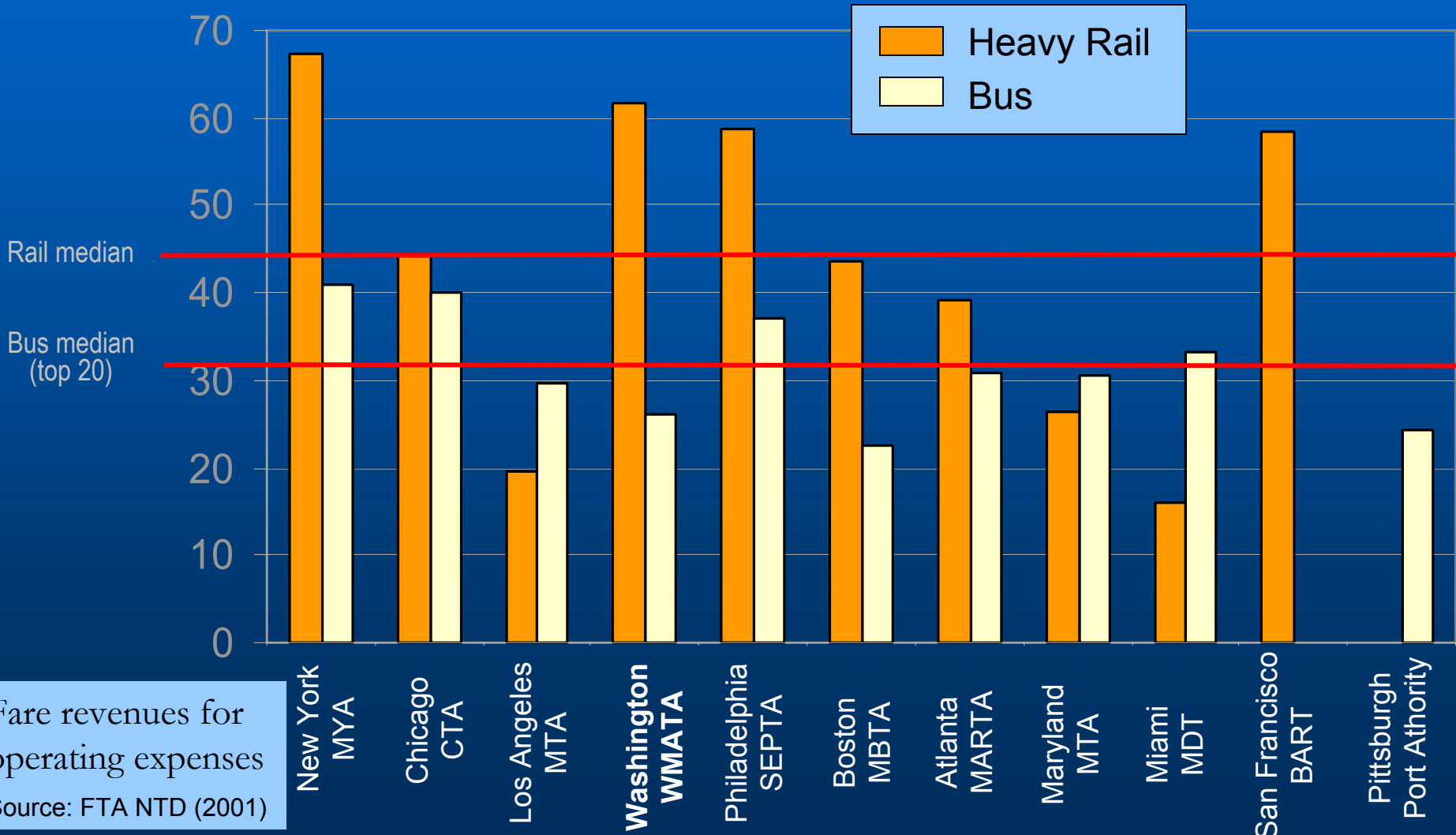
Type	Source	WMATA	Agencies with over 1 million	National total
Directly Generated Funds	Fare revenue and other	61.45%	42.97%	46.15%
	Dedicated Sources	0%	7.85%	3.09%
State Funds	General Revenue	20.32%	6.54%	7.18%
	Dedicated Sources	0%	19.22%	18.10%
Local Funds	General Revenue	14.61%	7.63%	8.46%
	Dedicated Sources	1.98%	11.53%	11.64%
Federal	Formulas	1.64%	4.26%	5.38%

Sources for Operating Funds Applied
 Source:
 FTA NTD (2002)

Total from Dedicated Sources	1.98%	38.60%	32.83%
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Metrorail has the 2nd highest recovery ratio. Metrobus is somewhat below average.



Fare revenues for operating expenses
Source: FTA NTD (2001)

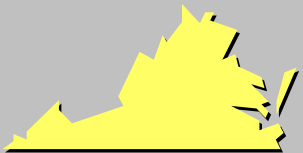


Revenues are derived from a variety of sources.



Funds come from the District's highway trust fund. (parking meter fees, traffic fines, vehicle fees, restaurant and hotel taxes).


Montgomery and Prince George's share is paid by the state transportation trust fund which is fed primarily by state gas tax – but not dedicated.



Only dedicated funding source in region is a 2% gas tax (13% of NoVa subsidy); state and federal sources (43.2%) and local general revenues (43.3%) provide the rest.



It has long been understood that the lack of a dedicated revenue source is problematic for WMATA

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- Several GAO reports have pointed this out since 1979.
 - Moody's rating service has expressed concern over "appropriations risk."

No agency is as reliant on annually authorized funds as WMATA



There are a number of potential sources of dedicated revenue for WMATA

→ A **gas tax** has potential because of potential to reduce externalities – but is a tough political sell.

→ **Sales taxes** generate considerable revenues for transit. Not directly related to transit. Plus Virginia issues.

→ **Congestion charges** are untried but a popular idea. London revenues fund transit.



There are a number of potential sources of dedicated revenue for WMATA (cont.)

→ Prior proposals for regional **parking taxes** have been shelved.


→ WMATA already does **land value capture** with joint development projects. Potential for more.

→ A **payroll levy** would generate considerable revenue but faces many problems.



Certainly pitfalls exist and implementation is not easy

But the need for a dedicated funding source is clear



Best option may be for a mix of dedicated sources on the subregional level - supplemented by federal sources.

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