

## Metro Sales Tax Revenue Forecast

Metro has said that its proposed list of service reductions would be revised to reflect the March 2014 sales tax forecast. The forecast recently released by King County's Office of Economic and Financial Analysis shows the economy strengthening in the near-term.

- Improved sales tax will allow Metro to reduce the proposed package of cuts. Transit planners are finalizing the revised list of reductions following Metro's Strategic Plan for Public Transportation and service guidelines.
- Additional revenues collected in the near-term will also be used to:
  - replace aged buses
  - replenish the “rainy day” reserve fund that helps Metro keep service stable as revenues fluctuate
  - create a new reduced fare for people with low incomes
- Metro takes a long-term approach to its financing, with the goals of maintaining a stable level of service and of minimizing cuts if unexpected economic fluctuations occur.
- The revised forecast does not project sufficient revenue to enable Metro to maintain current service levels.
- If the King County Transportation District ballot measure is not approved by voters, the reduction proposal will move forward. If the ballot measure is approved by voters, the reduction proposal will not be submitted.

## Q&A

### **Does this forecast mean Metro no longer has a funding problem?**

Projected revenues are not sufficient to cover the costs of current service levels.

### **How does the new forecast compare with previous forecasts?**

Based on previous approved County forecasts, Metro's adopted budget estimated 4.4 percent growth in sales tax collections in 2013 and 3.8 percent growth in 2014. Based on the March forecast, sales tax revenue in 2014 is expected to grow 6.5 percent from 2013 levels—2.7 percentage points higher than assumed in Metro's adopted budget.

### **How do Metro's 2014 finances compare to 2008?**

Sales tax collections in 2014 are now estimated to exceed the amount collected in 2008. The March 2014 sales tax forecast is below what was projected in 2008, before the recession.

Metro has added bus services since 2008 and inflation has affected Metro's costs. The King County Council recently approved fare increases effective March 1, 2015 as well as a new reduced fare for qualified riders at or below 200 percent of the federal poverty level. With the inclusion of the low-income fare, the set of fare changes will generate about \$3.6 million dollars less per year than it would otherwise. The low-income fare will also require additional administrative costs.

### **Why will Metro use some of the additional revenue to replenish its revenue stabilization reserve fund?**

Metro takes a long-term approach to its financing with, the goal of maintaining a stable level of service and minimizing bus cuts if unexpected economic fluctuations occur. Over the next several years, Metro's sales tax revenues are projected to range from a high of about \$30 million to a low of about \$15 million more than assumed in Metro's adopted 2013-2014 budget and financial plans.

The forecast assumes uninterrupted economic growth through 2022. Sales tax remains a funding source that can vary from year to year. Metro has experienced unforeseen events in the past that have changed its tax structure or resulted in revenue reductions:

- Initiative 695 and the resulting state legislative action that removed one-third of Metro's revenue
- the Dot-Com recession that reduced Metro's sales collections
- the Great Recession that resulted in a loss of \$1.2 billion in anticipated revenue for the years 2009 to 2015

Metro's financial plan calls for maintaining a reserve fund that can be used to stabilize transit service levels as sales tax revenues fluctuate. Since the recession, Metro has used reserves as well as the temporary congestion reduction charge, fare increases and operational changes to preserve service. Metro proposes that the reserves be replenished in case of another downturn.

The revised proposal for a reduced cut in service hours could maintain the resulting level of service should a mild economic downturn impact the region over the next several years.

### **What routes will be taken off the list of reductions now that the sales tax picture has improved?**

Transit planners are finalizing a revised list of reductions based on Metro's strategic plan and service guidelines, beginning with the lowest performing routes.

### **When will the revised service reduction plan be transmitted to the County Council?**

If voters approve the transportation funding measure proposed by the King County Transportation District, there will be no need to submit a revised service reduction schedule to the County Council.

If voters do not approve the funding measure, the reductions proposal will move forward. The proposed revisions will be submitted following the vote so they can be considered by the Council in time for the first round of reductions to be phased in as part of Metro's September service change.

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