



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #726

Mass Transit Operating Assistance (Transportation -- Local Transportation Aids)

[LFB 2005-07 Budget Summary: Page 475, #2]

CURRENT LAW

Mass transit operating assistance is available to local governments in areas of the state with populations of 2,500 or more. Calendar year 2005 distribution amounts are \$56,811,800 for Tier A-1 systems (Milwaukee), \$15,166,900 for Tier A-2 systems (Madison), \$21,757,600 for Tier B systems, and \$4,925,100 for Tier C systems. Mass transit aid payments are made from four sum certain, transportation fund appropriations.

GOVERNOR

Provide \$493,300 SEG in 2005-06 and \$2,476,500 SEG in 2006-07 in order to provide a 2.0% annual increase in mass transit assistance to each tier of mass transit systems for calendar years 2006 and 2007. The increased funding would be distributed as follows: (a) \$284,100 in 2005-06 and \$1,426,000 in 2006-07 for Tier A-1 (Milwaukee); (b) \$75,800 in 2005-06 and \$380,700 in 2006-07 for Tier A-2 (Madison); (c) \$108,800 in 2005-06 and \$546,200 in 2006-07 for Tier B transit systems; and (d) \$24,600 in 2005-06 and \$123,600 in 2006-07 for Tier C transit systems.

Set the calendar year distribution amounts at \$57,948,000 for 2006 and \$59,107,000 for 2007 and thereafter for Tier A-1, \$15,470,200 for 2006 and \$15,779,600 for 2007 and thereafter for Tier A-2, \$22,192,800 for 2006 and \$22,636,700 for 2007 and thereafter for Tier B, and \$5,023,600 for 2006 and \$5,124,100 for 2007 and thereafter for Tier C. Repeal obsolete statutory references relating to aid payments for each tier of systems for calendar years 2002 and 2003.

DISCUSSION POINTS

1. The current system of tiers generally parallels federal aid categories, with tiers for urbanized areas with populations over 200,000 (Tiers A-1 and A-2), urbanized areas with populations between 50,000 and 200,000 (Tier B), and nonurbanized areas (Tier C). Waukesha County and City systems are considered part of the Milwaukee urbanized area and the Monona system is considered part of the Madison urbanized area for federal aid purposes, but they are included in Tier B for state aid purposes. Urbanized areas over 200,000 receive their federal aid directly from the Federal Transit Administration, while the smaller urban systems and the nonurban systems receive their federal funding through DOT. Urban systems that receive direct federal aid must report any federal maintenance funds used to fund annual operating costs.

2. Mass transit aid payments are made from sum certain, transportation fund appropriations. For Tier A-1 and Tier A-2, each system is provided a specified amount of funding for a calendar year. For Tier B and Tier C, DOT makes transit aid distributions so that the sum of state and federal aid equals a uniform percentage of annual operating expenses for each system within a tier. The combined state and federal aid percentage for Tier B and Tier C systems floats to a level that expends the state funds administered by DOT and the level of federal funds that DOT allocates for operating expenses. Local funds, consisting primarily of local property tax and farebox revenues, finance the remaining costs. Because DOT must provide a uniform percentage of state and federal aid to systems within the tier, each system's share of the state funding is affected by the cost changes of the other systems, as well as its own costs.

3. The following table indicates the total funding provided for mass transit operating assistance over the past ten years. While the program received steady state funding increases from 1996 through 2000, the state has provided a funding increase for mass transit operating assistance for only two of the last five years.

<u>Calendar Year</u>	<u>Amount</u>	<u>Percent Change</u>
1996	\$74,050,000	
1997	76,271,700	3.0%
1998	83,592,100	9.6
1999	86,517,700	3.5
2000	93,006,500	7.5
2001	93,006,500	0.0
2002	96,726,800	4.0
2003	98,661,400	2.0
2004	98,661,400	0.0
2005	98,661,400	0.0

4. As indicated in the following table, state aid as a percentage of costs has decreased

over the past six years. However, due to federal funding increases and the required reporting of federal capitalized maintenance funds for Tier A-1 and Tier A-2, there has not been a corresponding decrease in the overall percentage of costs covered by state and federal funds. The following table indicates the state funding and combined state and federal funding as a percent of each tier's operating expenses for the past six years.

State and Federal Funding as a Percentage of Expenses by Tier

<u>Year</u>	<u>Tier A-1</u>		<u>Tier A-2</u>	
	<u>State Aid Percentage</u>	<u>Combined State/Federal Percentage</u>	<u>State Aid Percentage</u>	<u>Combined State/Federal Percentage</u>
1999	46.0%	46.0%	46.0%	46.0%
2000	45.7	50.0	40.4	50.4
2001	42.2	51.5	35.7	44.6
2002	42.2	51.1	41.2	50.8
2003	42.8	53.0	42.3	52.5
2004	40.9	52.7	41.4	53.4

<u>Year</u>	<u>Tier B</u>		<u>Tier C</u>	
	<u>State Aid Percentage</u>	<u>Combined State/Federal Percentage</u>	<u>State Aid Percentage</u>	<u>Combined State/Federal Percentage</u>
1999	41.9%	60.0%	36.6%	66.4%
2000	41.2	59.9	37.1	67.4
2001	39.1	60.0	34.2	66.4
2002	36.8	60.4	35.1	65.4
2003	34.3	60.0	40.2	66.4
2004	35.2	60.0	34.6	64.5

5. Future federal funding changes for transit formula programs are unclear at this time. Both the U.S. House of Representatives (as passed on March 10, 2005, by the House of Representatives) and the U.S. Senate (the transit title, as passed on March 17, 2005, by the Senate Banking, Housing, and Urban Affairs Committee) six-year transportation reauthorization bills contain significantly higher annual funding levels for transit programs than the level that is recommended by the President.

6. Providing inflationary increases would not keep pace with recent growth in eligible costs under the program. The average, annual growth in eligible costs under the program from 1999 to 2004 was 4.3% for Tier A-1 and 4.9% for Tier A-2. The average, annual increase in the combined costs for Tier B and Tier C was 5.8% for the same period (combined costs for these two tiers are used because, as a result of the 2000 census, transit systems were added to Tier B that had previously been categorized as Tier C systems). Particularly, rising fuel costs have been a factor in increased transit costs in recent years. Higher fuel costs require systems to expend additional funds to provide the same level of transit services. Providing a percentage increase in funding that is greater than forecasted inflation would assist local governments in funding these higher costs.

7. The following table shows the funding amounts associated with several annual percentage rate increases for the mass transit operating assistance program.

<u>Annual % Increase</u>	<u>Above-Base Increase</u>	
	<u>2005-06</u>	<u>2006-07</u>
1.0%	\$246,600	\$1,235,900
2.0 (Bill)	493,300	2,476,500
3.0	740,100	3,722,200
4.0	986,700	4,972,600
5.0	1,233,400	6,228,200
6.0	1,480,000	7,488,500

8. During testimony before the Committee, the Wisconsin Urban and Rural Transit Association (WURTA) requested that funding increases of 3% for 2006 and 5% for 2007 be provided. The WURTA chairman indicated that an increase that is higher than the 2% annual increase recommended by the Governor is needed to assist transit systems in keeping up with rising fuel costs, vehicle insurance costs, and health insurance premium costs.

9. Statewide, local revenues for mass transit totaled \$44.2 million in 2004, which covered an average of 17.6% of mass transit costs for that year. These local revenues for transit expenses are funded from local general fund taxes and state shared revenues. Correspondingly, an increase in mass transit aid could be seen as a means to mitigate the impact of providing a reduction or no increase in other state aid programs that provide funds to counties and municipalities. In addition, providing a mass transit aid increase could help offset the impact of any local levy limit imposed on counties and municipalities. If no increase in transit funds is provided, local governments may choose to reduce services in order to reduce costs that would otherwise be funded from general property taxes, or they may increase fares for transit users. Both of these actions could limit current riders' access to transit services.

10. The Governor's recommendation of a 2.0% annual increase in mass transit aid is similar to the increases provided under state aid programs for local roads (the general transportation aid and local roads improvement programs), but is a smaller funding increase than is recommended for state road programs. The Governor recommends increases of 2.1% in 2005-06 and 22.5% in 2006-07 for the major state highway development program and increases of 7.0% in 2005-06 and 3.2% in 2006-07 for the state highway rehabilitation program (excluding the southeast Wisconsin freeway rehabilitation projects).

11. Because the quarterly transit aid payments are made in April, July, October, and December of each calendar year, only one quarter of any calendar year 2007 increase (the April payment) would be paid in 2006-07. The remaining portion of the calendar year 2007 increase would have to be funded in each year of the next biennium. This future funding commitment would total \$1,429,800 under an inflationary increase and \$1,509,500 under the 2.0% annual increase included under the bill. If no increase is provided over the 2006 statutory distribution level, no future commitment would exist.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$493,300 SEG in 2005-06 and \$2,476,500 SEG in 2006-07 in order to provide a 2.0% annual increase in mass transit assistance to each tier of mass transit systems for calendar years 2006 and 2007. Set the calendar year distribution amounts at \$57,948,000 for 2006 and \$59,107,000 for 2007 and thereafter for Tier A-1, \$15,470,200 for 2006 and \$15,779,600 for 2007 and thereafter for Tier A-2, \$22,192,800 for 2006 and \$22,636,700 for 2007 and thereafter for Tier B, and \$5,023,600 for 2006 and \$5,124,100 for 2007 and thereafter for Tier C. Repeal obsolete statutory references relating to aid payments for each tier of systems for calendar years 2002 and 2003.

2. Modify the Governor's recommendation by providing annual mass transit aid increases (SEG) for 2006 and 2007 at one of the following percentages. Set the distributions for each tier and change the mass transit aid appropriations as shown below:

	Calendar Year Distribution Amounts		Change to Bill	
	2006	2007	2005-06	2006-07
A. One Percent				
Tier A-1	\$57,379,900	\$57,953,700	-\$142,100	-\$714,400
Tier A-2	15,318,600	15,471,800	-37,900	-190,700
Tier B	21,975,200	22,195,000	-54,400	-273,600
Tier C	<u>4,974,400</u>	<u>5,024,100</u>	<u>-12,300</u>	<u>-61,900</u>
	\$99,648,100	\$100,644,600	-\$246,700	-\$1,240,600
B. Three Percent				
Tier A-1	\$58,516,200	\$60,271,700	\$142,000	\$717,300
Tier A-2	15,621,900	16,090,600	38,000	191,500
Tier B	22,410,300	23,082,600	54,400	274,600
Tier C	<u>5,072,900</u>	<u>5,225,100</u>	<u>12,400</u>	<u>62,300</u>
	\$101,621,300	\$104,670,000	\$246,800	\$1,245,700
C. Four Percent				
Tier A-1	\$59,084,300	\$61,447,700	\$284,000	\$1,437,400
Tier A-2	15,773,600	16,404,500	75,900	383,700
Tier B	22,627,900	23,533,000	108,800	550,400
Tier C	<u>5,122,100</u>	<u>5,327,000</u>	<u>24,700</u>	<u>124,600</u>
	\$102,607,900	\$106,712,200	\$493,400	\$2,496,100
D. Five Percent				
Tier A-1	\$59,652,400	\$62,635,000	\$426,100	\$2,160,300
Tier A-2	15,925,200	16,721,500	113,800	576,700
Tier B	22,845,500	23,987,800	163,200	827,300
Tier C	<u>5,171,400</u>	<u>5,430,000</u>	<u>37,000</u>	<u>187,400</u>
	\$103,594,500	\$108,774,300	\$740,100	\$3,751,700
E. Six Percent				
Tier A-1	\$60,220,500	\$63,833,700	\$568,100	\$2,886,000
Tier A-2	16,076,900	17,041,500	151,700	770,500
Tier B	23,063,100	24,446,900	217,600	1,105,300
Tier C	<u>5,220,600</u>	<u>5,533,800</u>	<u>49,300</u>	<u>250,200</u>
	\$104,581,100	\$110,855,900	\$986,700	\$5,012,000

Repeal obsolete statutory references relating to aid payments for each tier of systems for calendar years 2002 and 2003.

3. Modify the Governor's recommendation by providing \$740,100 SEG in 2005-06 and \$4,230,200 SEG in 2006-07 in order to provide a 3.0% increase in funding for mass transit assistance to each tier of mass transit systems for calendar year 2006 and a 5.0% increase for 2007. Set the calendar year distribution amounts at \$58,516,200 for 2006 and \$61,442,000 for 2007 and thereafter for Tier A-1, \$15,621,900 for 2006 and \$16,403,000 for 2007 and thereafter for Tier A-2, \$22,410,300 for 2006 and \$23,530,800 for 2007 and thereafter for Tier B, and \$5,072,900 for 2006 and \$5,326,500 for 2007 and thereafter for Tier C. Repeal obsolete statutory references relating to aid payments for each tier of systems for calendar years 2002 and 2003.

<u>Alternative 3</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$2,000,500

4. Maintain current law regarding mass transit operating assistance funding and distribution levels.

<u>Alternative 4</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	- \$2,969,800

Prepared by: Al Runde