



Legislative Fiscal Bureau

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April 30, 2009

Joint Committee on Finance

Paper #767

Dane County Regional Transit Authority (DOT -- Local Transportation Assistance)

[LFB 2009-11 Budget Summary: Page 607, #2]

CURRENT LAW

No provision.

GOVERNOR

Creation and Jurisdiction. Specify that the Dane County regional transit authority (DCRTA), a public body corporate and politic and a separate governmental entity, would be created if the governing body of Dane County adopts a resolution authorizing the county to become a member of the authority. If Dane County creates an regional transit authority (RTA), all municipalities located in whole or in part within the Madison metropolitan planning area would be members of the authority. In addition, any municipality located in whole or in part within Dane County, that is not located in whole or in part within the Madison metropolitan planning area, may join the Dane County RTA if the governing body of the municipality adopts a resolution to join the authority and the RTA Board approves the municipality's request to join the RTA.

Specify that the jurisdictional area of the Dane County RTA would be the geographic area formed by the Madison metropolitan planning area combined with the territorial boundaries of all municipalities that adopt a resolution to join the authority.

Governance. Specify that the board of directors of the Dane County RTA would consist of the following members who, unless noted otherwise, would serve four-year terms:

- a. Two members from the Madison metropolitan planning area, both of whom would

have an initial term of two years, to be appointed by the county executive and approved by the county board.

b. Two members appointed by the mayor of the City of Madison and approved by the common council.

c. One member appointed by the Governor.

d. One member from each city with a population of more than 20,000 located in Dane County, whose initial terms would be two years, and who would be appointed by the mayor and approved by the common council of each city. Based on current population estimates this provision would apply to the cities of Fitchburg, Madison, and Sun Prairie.

Imposition of Taxes. Provide the board of an RTA created under the bill the authority to impose, by the adoption of a resolution, a sales tax and a use tax at a rate not to exceed 0.5% of the gross receipts or sales price. Specify that the taxes would be imposed on the same base of products and services as the state and county sales and use taxes.

Provide DOR the authority to administer any RTA sales and use taxes on behalf of the RTA and make distributions to the authority imposing the tax. Specify that DOR would have all powers necessary to levy, enforce, and collect the taxes that it is provided under current law for the county and special district sales and use taxes. Require DOR to distribute 98.5% of the taxes reported for each transit authority that has imposed the taxes, minus the transit authority portion of the retailers' discount, to the transit authority.

DISCUSSION POINTS

National Trends in Transit

1. According to the American Public Transportation Association (APTA), despite declining fuel prices during the end of the year and a slowing economy, 10.7 billion passenger trips were provided by the nation's public transportation systems in 2008. This is the highest amount of transit ridership in the United States in 52 years, and it follows several recent years of increases in transit ridership. All forms of transit experienced increases in ridership in 2008, led by light rail (streetcars or trolleys) with an 8.3% increase in ridership, while commuter rail ridership increased by 4.7%, and bus ridership increased by 3.9%. Recognizing this increased demand, as well as the goals of increased mobility, decreased congestion, and the need to reduce the nation's fuel use by moving people more efficiently, federal, state, and local investments in public transportation service continue to increase.

2. Urban areas across the country have made significant investments in transit improvements over the past decade, including expanded bus service and new or expanded rail service. For example, new light rail or commuter rail lines were recently completed in Austin, Charlotte, Houston, Nashville, and St. Louis, among other cities. Several other cities recently

completed extensions to their light rail or commuter rail systems, including Denver, Minneapolis, Portland, Sacramento, and Seattle, among other cities. The Wall Street Journal reported recently that at the November, 2008, election, U.S. voters approved 23 measures nationally that will invest \$75 billion into public transportation systems. According to the Center for Transportation Excellence, the source for the article and an organization that tracks local transportation investment ballot initiatives across the country, overall, 70% of the local ballot measures passed, including 14 of 19 that raised local sales taxes to pay for the investments. Local business interests, citing the benefits of public transportation to local economies, improved mobility for their employees commuting to work, and the impact a viable transit system has on the ability to recruit and retain talented employees, have backed the additional tax revenues used to fund the transit improvements. Local and regional governments typically use these additional local tax dollars to leverage federal transit capital funding, the demand for which will likely be high.

3. Transit systems throughout the country provide public benefits to those who use the systems and the businesses and regions that depend on them. Decisions on making mass transit investments are often based on goals such as reduced congestion, improved mobility and choice, and economic development. Whether or not these investments in transit will achieve all of these intended goals is not clear. In 2005, the U.S. General Accountability Office (GAO) completed a review of whether highway and transit projects were successful in meeting their projected outcomes. GAO concluded the following:

"Available evidence indicates that highway and transit projects do not achieve all projected outcomes. In addition, our case studies and survey show that evaluations of the outcomes of completed projects are not frequently conducted. A number of outcomes and benefits are often projected for highway and transit investments, including positive changes to land use and increased economic development. These projected outcomes were often cited as reasons why the projects were pursued. However, because evaluations of the outcomes of completed highway and transit projects are not typically conducted, officials have only limited or anecdotal evidence as to whether the projects produced the intended results."

4. Throughout the United States, regional transit authorities have become a common model used to deliver public transportation services. The policy reasoning for this model is that it recognizes the need to plan, construct, and deliver transportation services across political boundaries in order to provide citizens the most efficient mobility linkages as well as transportation options. Several states, including California, Illinois, Ohio, Texas, Washington, and several northeastern states with large population centers and extensive public transportation systems, have had regional transit authorities in place for decades. However, in recent years, other states have adopted legislation enabling the creation of regional transit authorities and the local adoption of dedicated funding sources for public transportation. For example, New Mexico recently enacted legislation allowing the creation of regional transit districts. Other states, like Wisconsin, are currently debating legislation to create regional authorities with public transportation responsibilities and taxing authority.

5. The policy reason for a regional approach to public transportation is similar to the

reasoning behind a regional approach to highway infrastructure. A regional approach recognizes the need to coordinate planning and resources and merge public transportation services among urban areas and the adjacent communities. This has been especially true in metropolitan areas of the country that have experienced significant population growth and the expansion of the population center from the urban core to adjacent municipalities and counties. The development of regional transit authorities nationwide also indicates state and local recognition of the need for investment in public transportation services as part of a balanced regional transportation system that also includes roads, rail, and airports and that serves commuter travel as well as providing intermodal connections for intercity travel.

Transit in Dane County

6. In 2008, Dane County had a population of 471,500. Recent population estimates indicate that Dane County will experience the largest growth in population by 2030 among Wisconsin's counties, with its population reaching nearly 625,000 by that year. Madison's central urban area and its adjacent communities are the focal point of commuters for employment in the county and for personal travel for shopping and entertainment activities. In addition, Dane County, and primarily the Madison urban area, is increasingly the place of employment for non-county residents who commute for work. For example, a 2000 study by Dane County indicated that nonresident commuters made up 13.2% of Dane County's labor force.

7. Currently, Madison Metro is the primary transit service provider in the Madison area. Of the communities that would be included in the DCRTA, the cities of Madison, Fitchburg, Middleton, and Verona, and the Town of Madison are fixed route service partners that receive Metro transit services. The Village of Shorewood Hills partners with Madison Metro on paratransit services. Residents of the City of Monona, and the villages of Maple Bluff and Shorewood Hills, have access to Madison Metro services along routes adjacent to those municipalities. The City of Monona contracts for fixed route transit services for weekday commuters and provides flexible route service for the elderly and disabled, and the cities of Stoughton and Sun Prairie provide shared-ride taxi service programs. In addition, residents in Madison's outlying communities can access Madison Metro service at park and ride facilities near the city's southeast and northeast boundaries. The remaining municipalities that would be included in the proposed DCRTA do not currently provide any fixed route or shared-ride taxi transit services to their residents.

8. Madison Metro has been experiencing increased ridership in recent years. According to the Federal Transit Administration's National Transit Database, from 2000 to 2007, the number of unlinked trips on Madison Metro increased by 18.3% compared to an 8.5% increase in the city's population over the same period. Further, the system appears to perform well when compared to its peers. According to the Department of Transportation's 2007 Cost Efficiency Analysis for Wisconsin Public Transit Systems, Madison Metro ranked above its peers across the country in most performance standards.

9. Like other areas of the country experiencing growth, Dane County's population and employment trends have led local officials to prepare long-term transportation plans to address the impact of this growth on the mobility of area residents. Studies completed by the Dane County

Regional Planning Commission and by Transport 2020, a planning stage study group jointly funded by the City of Madison, Dane County, and the Wisconsin Department of Transportation (DOT), have determined the need to develop a balanced transportation plan, including transit improvements and expansions, throughout the Madison metropolitan area. In November, 2006, the Madison Planning Organization completed a Regional Transportation Plan 2030 for the Madison Metropolitan Area and Dane County that recommended the continued expansion of local transit services along with the provision of an interconnected roadway system that collects and distributes traffic within and through the region.

10. These studies generally concur that a regional transportation system should consist of expanded Madison Metro bus service, new regional bus service to numerous Dane County communities, additional park and ride facilities to allow more effective access to transit in the region, and continued share-ride taxi and elderly and disabled services. In addition, the studies recommend the creation of commuter rail transit service, with the initial service consisting of a 16-mile long commuter rail line along existing freight rail routes from Middleton through downtown Madison and out to Sun Prairie. However, in order to receive any federal funding for any major service expansion like commuter rail, a dedicated local funding source, such as the proposed RTA sales tax authority, would likely need to be in place.

11. Aside from the construction costs of transit expansion, once a system is expanded it will likely require additional federal, state, and local funding to assist in the operations of that service. For example, farebox revenues for Madison Metro, like other transit agencies in the country, cover only a portion of the agency's cost of providing the transit services. In 2008, according to DOT estimates, farebox revenues covered only 34.8% of Madison Metro's costs in that year. The remaining operating funds were from federal, state, and local government sources. Discussions regarding the expansion of transit service in the region should balance the benefits of such service with the likely increased governmental funding that will be needed to operate the service.

Creation and Jurisdiction of the Dane County RTA

12. Under the bill, three regional transit authorities in the state could have sales tax authority and spending authority relative to transit service: a Dane County RTA, a Fox Cities RTA, and a Southeast RTA. Discussions at the local level regarding enabling legislation for RTAs in Wisconsin have been going on for several years. Recently, a Legislative Council Study Committee on Regional Transit Authorities completed its work on enabling legislation for RTAs that is somewhat similar to the Governor's recommendations. Many local elected and transit officials believe that the state government should provide this authority, and let the local governing bodies and citizens determine whether or not an RTA is created.

13. Unlike the DCRTA, the Governor recommends that the state automatically create a Fox Cities RTA, with no regional or local decision as to whether the RTA should be established. Some contend that the local governing bodies or the citizens themselves, who will be paying for the RTA services, should determine whether an RTA is created. However, if the state determines that the benefit of a regional approach to public transportation service is in the best public interest, it

may be reasonable for the Legislature to create and define the initial RTAs in these regions. The state has often preempted local decision making on matters of common state interests when the need to protect or encourage such interests overwhelms the desire for local control over that matter. In this instance, in order to cut through what are often competing local interests, and in recognizing the same benefit other states have recognized in having a regional body oversee the public transportation decisions of a region, it could be seen as being in the state's best interest for the state to create and define the jurisdictions of each of these regional transit authorities.

14. The bill would allow for a county decision with regard to the DCRTA. The Dane County board would have the authority to adopt a resolution authorizing the county to become a member of the RTA, which would create the RTA. Among other powers, the DCRTA could impose sales and use taxes within the RTA's jurisdictional area and would be required to provide, or contract for the provision of, transit service within that area. If the Dane County board creates the RTA, the members of the DCRTA would consist of municipalities currently located wholly or partly in the Madison metropolitan planning area, which would include: (a) the cities of Fitchburg, Madison, Middleton, Monona, Stoughton, Sun Prairie, and Verona; (b) the villages of Cottage Grove, Maple Bluff, McFarland, Shorewood Hills, and Waunakee; and (c) the towns of Blooming Grove, Bristol, Burke, Cottage Grove, Dunn, Dunkirk, Madison, Middleton, Pleasant Springs, Rutland, Springfield, Sun Prairie, Verona, Westport, and Windsor. Other Dane County municipalities located entirely outside the Madison metropolitan planning area could choose to join the DCRTA by a vote of their governing body, if the RTA board agrees to their joinder. This includes the City of Edgerton, which is located partly in Dane County, the other 14 villages located wholly or partly in Dane County, and the remaining 19 towns.

15. The Dane County Executive and board, several county officials, the Madison mayor and city council, the Middleton city council, and others have made declarations showing support for some type of regional approach for the provision of transit services in the Madison urban area. Therefore, it seems likely that the Dane County board would vote to create the RTA allowed under the bill.

16. Some local municipal officials have expressed concern that their municipalities would be included in the proposed DCRTA without a vote either of their governing body or their residents. The RTA would have taxing and spending authority under the bill, but those residents who would pay the taxes and receive the transit services would not be allowed a vote on whether the RTA is created. Recognizing this concern, some local officials, who favor the creation of a DCRTA, have indicated a willingness to hold a referendum vote on its creation. Therefore, despite not being required, it is possible that political pressure on local elected officials would result in a referendum vote being held before any RTA is created.

17. By requiring a referendum vote, the Committee could make it certain that the residents within the proposed jurisdictional area of the RTA would have a say in whether it is established. A referendum vote could also improve local buy-in of the RTA and its actions and potentially alleviate any impression among area officials and residents that the RTA is being forced upon them by the state or county. This referendum requirement could also be extended to include

any municipality that may choose to join the DCRTA after its creation. Under the bill, such municipalities could join by vote of their governing bodies.

18. Concern also exists that under a district-wide referendum the electorate of the larger municipalities could overwhelm the vote decision. For example, residents of the larger municipalities, who may favor an RTA, could sway the vote in favor of its creation. This could result in municipalities that would not have voted individually to create the RTA having to be part of the RTA. While this is a fundamental characteristic of elections, and would be similar to any vote within any sized jurisdiction, this concern could be eased by requiring that each municipality within the proposed RTA hold a separate referendum on its creation, on a date specified by the Dane County board. Under this alternative, only those municipalities that vote to create the RTA would be part of its jurisdictional area and be subject to any taxes it imposes.

19. The state has a long tradition of local control, or allowing local governments the authority to make decisions that impact the citizens represented by those governments. Allowing the governing bodies of each municipality to vote whether to join the RTA would be consistent with this tradition. Under this option, the governing bodies of each municipality located wholly or partly within the Madison metropolitan planning area would have to adopt a resolution on whether the municipality would be a member of the RTA. This would be similar to the bill provisions for those Dane County municipalities located outside the Madison metropolitan planning area. Allowing the elected representatives to vote on being a part of the RTA would allow some level of citizen input. Provisions could be included to allow the Dane County board to set a date by which municipalities would have to make a determination as to whether to be a member of the RTA. Under this option, the initial jurisdictional area of the RTA would be consistent with the boundaries of all the municipalities whose governing bodies vote to be a member.

20. Allowing individual municipalities the option of joining the RTA could result in the loss of some of the regional benefits of the proposal. The Madison metropolitan planning area, as the jurisdictional area for the proposed DCRTA, contains the densest population centers in the county and the areas and corridors where the most immediate growth and development are expected. Many consider this planning area to be the best scope for developing a regional transportation system, which is the primary policy reason for creating a regional transit authority. Allowing individual municipalities to choose whether to be a part of the RTA may result in several expanding suburban municipalities choosing not to be part of the RTA, despite being vital linkages in a balanced, long-term regional plan for transit and the overall transportation system of the region. Allowing such local decisions could also create a non-contiguous RTA district, which could create sales tax islands within the region and make transit service decisions more difficult.

21. Many residents of the growing municipalities around Madison commute to the Madison urban center or fringes for work, using Madison's transportation infrastructure and adding to regional congestion and mobility concerns. Some contend that these suburban residents receive somewhat of a "free ride" because they use the area's transportation infrastructure and services, but may not pay their proportionate share of the associated costs. If allowed to choose not to be part of the RTA, some area residents would not pay the RTA sales tax within their municipality, but would

likely benefit from any regional transit investments, either directly by accessing the expanded transit services or indirectly through any reduced congestion that occurs as a result of such investments. Under this argument, a system that would require a single, region-wide decision as to whether the DCRTA should be created could help to ensure that those receiving the benefits from having a balanced regional transportation system would pay for those benefits.

22. Conversely, not all suburban residents, who would be paying the RTA sales tax, work in, or commute to, the Madison urban center. Therefore, these suburban residents place little burden on the transportation infrastructure within the Madison urban center and would likely receive little benefit in the form of reduced congestion, or improved transit service. However, under the RTA proposal, such residents would be subsidizing the costs of the area's transit system, and the benefits users of the area's transportation system may derive from increased transit service. In addition, while commuters to the Madison area experience some traffic congestion during commute times, it is generally short-lived and not likely as costly to Dane County commuters as it is to commuters in other areas of the country. It may not be costly enough at this time for a significant number to seek a transit alternative, which could limit the benefits of increased transit investments. Difficulty in balancing the taxes imposed on residents with the cost those residents impose on the region's transportation systems or the benefits derived from the expenditure of those tax revenues on transit service may be a concern to some relative to the proposed RTA.

23. The jurisdictional area of the DCRTA would be consistent with the boundaries of the Madison metropolitan planning area, plus the territorial boundaries of any Dane County municipalities outside that area that choose to join the RTA. The proposed jurisdictional area would not include all of the City of Fitchburg, and only portions of several towns that straddle the boundary of the metropolitan planning area. As a result, for purposes of the creation of the district, these municipalities would be members of the proposed RTA, but only the portions of these municipalities within the metropolitan planning area would be subject to any sales and use tax imposed by the DCRTA and would be within the transit service area of the proposed RTA.

24. For these "straddling" municipalities, the Department of Administration (DOA) indicates that it was their intent to allow the entire municipality to be a member municipality of the DCRTA, but they wanted the tax to apply only to the portions of those municipalities located in the Madison metropolitan planning area, because these areas are most likely to receive transit service in the near term. Allowing portions of a municipality to be included in the jurisdictional area of an RTA and be subject to the sales and use taxes could prove difficult from a tax administration standpoint and could be confusing for taxpayers paying the tax. DOR would have to determine which retailers in these municipalities would have to impose the tax. Taxpayers, in making their shopping decisions, may find it difficult to determine which retailers impose the tax. Also, from a transit service standpoint, the DCRTA would not be allowed to provide service directly to the portions of these municipalities outside the Madison metropolitan planning area. Specifying that the RTA's jurisdictional area would include all municipalities located wholly or partly within the Madison metropolitan planning area would make the jurisdiction of the RTA consistent with the RTA membership and alleviate these concerns.

Governance

25. Under the bill, the DCRTA board would consist of eight members: (a) two from the Madison metropolitan planning area; (b) three from the City of Madison; (c) one each from the cities of Fitchburg and Sun Prairie; and (d) one appointed by the Governor, whose required residency would not be specified. The bill specifically gives the City of Madison two representatives on the DCRTA board. However, a separate provision that provides a representative to the board for all cities with 20,000 or more in population would provide Madison with a third representative on the Board. On March 19, 2009, DOA submitted an errata to the Committee that indicated that it was the Governor's intent to provide the City of Madison only two representatives on the board.

26. During the Committee's public hearings, it was suggested that since the jurisdiction of the proposed RTA would include villages and towns in Dane County, the RTA board should be required to have a village member and a town member. Other RTA or transit agency boards around the country allow the smaller municipalities within their regions to have representation on their boards. For example, the Denton County (Texas) RTA board, which serves a population of nearly 300,000, includes three members who are designated by the municipalities within the RTA region that have a population between 500 and 17,000. The Committee could increase the size of the DCRTA board to nine members by including: (a) one village member, to be mutually designated by the village boards of all participating villages; and (b) one town member, to be mutually designated by the town boards of all participating towns. Alternatively, the Committee could require that one of the two Dane County members be from a town or village within the proposed RTA.

27. As indicated in the attachment to this paper, representation on the RTA boards that use sales tax revenues to fund transit services varies throughout the country. Of the 14 transit boards or agencies identified in the attachment (for areas similar in population size to the proposed DCRTA), four transit systems are run as part of the city government. However, for one of those systems, the Mountain Metropolitan system of Colorado Springs, CO, a regional transit authority has the sales tax authority. Of the 11 transit regions governed by a board, including Mountain Metropolitan, six are made up of citizen members appointed by the county or local governing bodies and four boards are made up of local elected officials appointed by their city or county governing board. The remaining board, in Charleston, SC, is made up of a mixture of elected officials and citizen members appointed by the county's legislative delegation and member cities.

28. The proposed RTA would have general sales tax authority, but would not be directly elected by the citizens paying the tax. Having the RTA board members appointed by the Governor and local officials could insulate the board from the concerns of those paying the sales tax. If the board is unresponsive to their concerns, taxpayers could vote against the elected officials who appointed the RTA board members at the next election, but there would be no direct way for citizens to express their disapproval of individual board members. This is similar to the situation that exists with the state's technical college district boards, which have general property tax authority, but are appointed to the board rather than elected by those paying the local property tax. An alternative would be to specify that the board members would have to be elected by residents of

the district they represent. Conversely, if a decision is made to require referendum approval to impose the sales and use taxes, this could be viewed as providing enough taxpayer oversight to mitigate any perceived need for electing board members.

29. As indicated earlier, some of the RTA boards listed in the attachment to this paper require the members appointed to their board to be locally elected officials. Having elected officials serve on the RTA Board could make the board more directly responsible to the taxpayers. Under this option, if the voters of a member's county or municipality disapprove of that member's decisions on the RTA board, the voters could vote that member out of office.

30. None of the 11 regional transit authorities mentioned earlier has a representative to their board appointed by the Governor. Their boards consist solely of county and municipal appointees. However, because the state provides nearly \$17.5 million in annual mass transit operating assistance to municipalities within the DCRTA and could be in a supporting role for further transit investments, having a Governor's appointee to represent the state's interests may be warranted. If the Committee provides the Governor an appointee to the RTA board, it could require that the Senate approve the appointment. This requirement would be similar to those for many of the Governor's other appointments to state, regional, or local boards.

Imposition of the Sales Tax

31. The use of sales tax revenues to pay for transit is common across the country. According to the National Transit Database, in 2007, over 100 metropolitan or regional transit authorities used sales tax revenues to fund their transit operations. Nationwide, these authorities have authority to tax the residents of thousands of municipalities in order to fund transit services in their regions. The urbanized areas that are serviced by these transit authorities range from 52,000 in Skagit, WA, to nearly 18 million in New York City. The attachment to this paper lists the sales tax rate and the annual sales tax revenues of those transit authorities or agencies with sales tax authority in medium-sized urban areas (populations between 300,000 and 800,000).

32. Many states have multiple metropolitan or regional transit authorities with sales tax authority. For example, the State of Washington has 13 transit authorities or districts that have the authority to impose up to 1% sales and use taxes in their jurisdictional areas. The State of Texas may make the most extensive use of transit authorities with local sales tax authority. Texas has 10 transit authorities or districts that impose either 0.5% or 1% sales and use taxes to fund regional transit services to over 60 major Texas municipalities and numerous unincorporated areas.

33. Several metropolitan transit authorities use sales tax revenues to back bonds issued to fund major transit service improvements. In many instances, the use of sales tax dollars for transit operation or improvements was approved by voters at referendum. As mentioned earlier, in November, 2008, 14 local ballot measures that increased the local sales tax for transit funding were approved by voters across the country. Similarly, in discussions regarding RTA legislation in Wisconsin, it has been suggested that a referendum vote on whether to impose a sales tax within the RTA district should be required. The Committee could amend the bill to specify that voters within the RTA's jurisdiction would have to approve the sales and use taxes for transit at referendum. If

the Committee also requires that a referendum on the question of creation of the RTA district be held, the question as to whether to impose sales and use taxes within the region could be included in the same referendum.

34. One concern related to the use of the sales tax as a source of funding for transit is that the sales tax can be an unstable source of revenue. During the recent economic downturn, sales tax revenues have fallen off across the country, which has impacted the existing transit service or transit expansion plans of many local transit authorities. However, the proposed sales tax would be dedicated for transit use, which could ensure some stability in transit funding, unlike the current system where local transit agencies have to vie with other local programs for a share of local property tax levies. Also, as the economy expands or prices increase, the sales tax, as a revenue source, would have some potential for revenue growth over time.

Local Fiscal Effect of the Proposal

35. The RTA sales tax would be a dedicated revenue source for transit that could be used to replace all or a portion of the local property tax amounts currently levied for the operation and capital purchases of the mass transit systems in the region, although this would not be required. Remaining revenues would be available to fund expanded transit operations and capital improvements. Alternately, the RTA could establish the sales tax rate at a lower level.

36. The following table compares the estimated revenue from sales and use taxes imposed in the DCRTA jurisdictional area at either 0.25% or 0.5% (the maximum allowable), if the taxes had been imposed in 2008, with the 2008 mass transit operating expenditures paid from property taxes for transit system services in the area. DOR would administer the RTA sales and use taxes and would receive 1.5% of the tax revenue for administering the taxes. The revenue amounts are based on DOR's 2008 distributions of the current Dane County 0.5% sales and use tax revenues (\$43.8 million). That amount was then adjusted using the population and per capita income of those municipalities within the DCRTA.

TABLE 1

**Comparison of 2008 Potential DCRTA Sales and Use Tax Revenue and
2008 Transit Operating Expenditures Paid from Property Taxes**

Sales and Use Tax Rate	0.25%	0.5%
Net Sales and Use Tax Revenues	\$18,997,000	\$37,994,000
Less Transit Operating Expenditures*		
Madison Metro**	\$17,015,400	\$17,015,400
Monona	31,900	31,900
Stoughton	32,800	32,800
Sun Prairie	84,100	84,100
Verona	<u>55,100</u>	<u>55,100</u>
Total Existing Transit Expenditures	\$17,219,300	\$17,219,300
Remaining Tax Revenues	\$1,777,700	\$20,774,700

* Projected 2008 system operating costs submitted to DOT less state and federal aid and farebox revenues. Amounts do not include any existing local funding for transit capital improvements.

** Other municipalities contribute to Madison Metro Services.

37. Under the bill, the RTA board would determine the tax rate for the DCRTA. The RTA would also have the authority to determine where these local transit funds would be spent within the RTA's jurisdictional area. This would allow the RTA board, which may have a more regional perspective of the transit needs and the overall transportation system, to determine the transit service and funding priorities within the RTA's region.

38. The existing southeastern Wisconsin RTA, in its November, 2008, report to the Legislature on legislative changes for that RTA, included a recommendation that the RTA board be required to allocate funds for transit services in each urbanized area or county within the RTA in an amount equal to the amount of sales tax revenue raised in each urbanized area or county. This recommendation would attempt to ensure that each urbanized area or county would be guaranteed to receive a level of transit expenditures or service that would be representative of the amounts they would be asked to pay.

39. The Committee could put in place a similar requirement for the Dane County RTA. However, such a provision could tie the hands of the RTA board members in determining how best to provide transit services in the region. In addition, the amount collected within a municipality is not the same as the amount paid by residents of that municipality, since people frequently cross municipal boundaries to make purchases. Since sales tax reports are often filed centrally by firms that do business in multiple locations, DOR cannot currently report sales tax collection data by municipality, or by part of a municipality. County data is available for those counties that have a county sales tax. Imposing a "return to origin" system by municipality would likely require DOR to change the sales tax return forms to collect this information from businesses, which could involve significantly greater tax compliance costs for them. Alternatively, DOR could develop procedures to

estimate the tax incidence, based on the populations and business characteristics of each municipality. However, this would be costly on an ongoing basis for the Department, as these characteristics would change over time, and would still be subject to estimating error.

40. An estimate of the impact of the DCRTA proposal on the sales and use taxes paid by households in the DCRTA would first have to determine the amount of sales and use taxes that would be paid by consumers who are residents of the Madison urban area. A recent Department of Revenue study, Wisconsin Tax Incidence Study, (December, 2004), estimates that 67% percent of the sales and use taxes paid in the state are paid by consumers and 33% are paid by businesses. In addition, of the portion of sales and use taxes paid by consumers, the study found that 2% of these taxes (or approximately 1.3% of the total sales and use taxes) are paid by out-of-state consumers. However, given the fact that Madison is the major city in the region, a tourist draw, and a major regional shopping center, this estimate assumes that nonresidents of the Madison urban area would account for 5% of the sales and use taxes paid by consumers (or approximately 3.4% of total sales and use taxes).

41. The following table indicates the estimated amount of the proposed sales and use taxes allocated to the residents of the DCRTA under the assumptions indicated above and an estimate of the amount paid per household. Because the table indicates the amount of sales and use taxes paid per household, the amount of revenue used to fund DOR's 1.5% administrative fee is included in the amount of estimated taxes paid. This table indicates the amount paid per household under a sales and use tax rate of 0.25% or the maximum rate of 0.5%. If the sales and use tax revenues are used to supplant existing transit expenditures being paid by the property taxpayers in the municipalities of the RTA, those taxpayers could experience some reduction in their property taxes, if the taxes aren't shifted to support other municipal functions.

TABLE 2

**Estimated Amount of Sales and Use Taxes Paid
Per Household in the Proposed DCRTA**

Sales and Use Tax Rate	0.25%	0.50%
Estimated Annual Sales Taxes Paid	\$19,286,500	\$38,573,000
Percent of Sales and Use Taxes Paid by Consumers		
DOR Study Estimate	67.0%	67.0%
Nonresidents of the DCRTA	<u>-3.4</u>	<u>-3.4</u>
Net Percentage Paid by Residents	63.6%	63.6%
Sales and Use Taxes Paid by Resident Consumers	\$12,266,200	\$24,532,400
Amount Paid per Household*	\$85.98	\$171.96

* Based on U.S. Census Bureau three-year estimates (2005 thru 2007) of the number of households in the Madison urban area.

42. These estimates do not take into account the extent to which businesses may pass on the cost of their sales and use taxes to consumers. To the extent that businesses are able to pass on a portion of the cost of their sales and use tax burden, the consumer share of the total taxes paid would increase, both for residents of the DCRTA and nonresidents. It should also be noted that making any estimate of the sales and use tax incidence for certain geographic areas or population groups is difficult. The estimates of sales and use tax incidence presented here could vary depending on how the demographics and spending patterns in the DCRTA vary from the statewide estimates used to derive these estimates. Further, the taxes paid by individual residents or households could vary significantly from the average amounts based on individual income and spending patterns.

ALTERNATIVES

A. Creation and Jurisdiction of the Dane County RTA

1. Approve the Governor's recommendation to provide the Dane County board the authority to adopt a resolution to create a RTA, whose members would be the 27 Dane County municipalities located partly or wholly within the Madison metropolitan planning area. Specify that the jurisdictional area would consist of the Madison metropolitan planning area. Allow other Dane County municipalities to join the RTA by adopting a resolution to do so, if the RTA board approves their joinder.

2. Modify the Governor's recommendation for the creation of a Dane County RTA by doing one of the following:

a. Create a RTA that would consist of the 27 Dane County municipalities located partly or wholly within the Madison metropolitan planning area (no vote of the county board, local governing boards, or local electorate would be required).

b. Allow for the creation of a RTA by a majority vote of all electors within the 27 Dane County municipalities located partly or wholly within the Madison metropolitan planning area at referendum. Provide the Dane County board the authority to set the date for the referendum vote and specify that the referendum must be held on the date of a spring or fall general election.

c. Allow for the creation of a RTA that would consist of only those Dane County municipalities located partly or wholly within the Madison metropolitan planning area whose electors vote to create the RTA at a municipal referendum. Provide the Dane County board the authority to set a date for the individual municipal referenda votes and specify that the referenda must be held on the date of a spring or fall general election.

d. Allow for the creation of a RTA that would consist of only those Dane County municipalities located partly or wholly within the Madison metropolitan planning area whose governing boards vote to create the RTA. Provide the Dane County board the authority to set a date by which the governing boards must vote to be initially included in the RTA.

3. Specify that any municipality not located in the Madison metropolitan planning area

may join the RTA only if the electors of that municipality, at a municipal referendum, elect to join the RTA. Specify that the referendum must be held on the date of a spring or fall general election.

4. Specify that any municipality that does not initially pass a referendum to join the RTA may do so at a later date, at a subsequent municipal referendum. Specify that the referendum must be held on the date of a spring or fall general election.

5. Specify that the jurisdictional area of the RTA would be the territorial boundaries of the Dane County municipalities that would be members of the Dane County RTA (this would make the jurisdictional area of the RTA consistent with any membership allowed for the Dane County RTA under Alternatives #1 or #2).

6. Delete the Governor's recommendation relative to the creation of a Dane County RTA.

B. Governance

1. Approve the Governor's modified recommendation to specify that the Dane County RTA board of directors would consist of the following members who, unless noted otherwise, would serve four-year terms: (a) two members from the Madison metropolitan planning area, both of whom would have an initial term of two years, to be appointed by the county executive and approved by the county board; (b) two members appointed by the mayor of the City of Madison and approved by the common council; (c) one member appointed by the Governor; and (d) one member from each city, other than Madison, with a population of more than 20,000 located in Dane County, whose initial terms would be two years, and who would be appointed by the mayor and approved by the common council of each city (Based on current population estimates, this provision would apply to the cities of Fitchburg and Sun Prairie). This would incorporate the Governor's intent to provide the City of Madison only two members on the RTA board.

2. Modify the Governor's recommendation by doing one or more of the following:

a. Approve the Governor's modified recommendation for the membership to the RTA board. In addition, require that members be an elected official from the governing body of the county or municipality of the appointing authority. Specify that the Governor's appointee would have to be an elected official within the Madison metropolitan planning area.

b. Approve the Governor's modified recommendation for the membership to the RTA board, but require that the members be elected by the voters of the areas they represent. The Governor would continue to appoint one member.

c. Expand the RTA board to include the following: (1) one village member, to be mutually designated by the village boards of all participating villages; and (2) one town member, to be mutually designated by the town boards of all participating towns.

d. Specify that one of the two board members appointed by the Dane County executive

must be from a town or village within the RTA's jurisdictional area.

- e. Delete the Governor's appointee to the RTA board.
- f. Require that the Governor's appointee to the RTA board be subject to confirmation by the Senate.

C. Imposition of Sales and Use Taxes

1. Approve the Governor's recommendations that the RTA board could impose up to 0.5% sales and use taxes within the jurisdiction of the RTA, and allow DOR the authority to collect the taxes on behalf of the RTA and distribute the revenues, less the 1.5% administrative fee, back to the RTA.

2. Specify that the RTA would have authority to impose up to 0.5% sales and use taxes only if their imposition is approved by a majority vote of the electors within the RTA's jurisdictional area at referendum. Provide the Dane County board the authority to set a date for the RTA tax referendum and allow that if a referendum vote is held on the question of creation of the RTA, the referendum vote on the sales and use taxes could be included in the same question.

3. Specify that the RTA board, after paying the administrative costs of the RTA, would be required to expend the remaining sales and use taxes for transit services in each municipality in a percentage equal to the estimated percentage of the overall RTA sales and use tax revenues that are paid by residents in each municipality. Require DOR to assist the RTA in determining the RTA sales and use tax amounts paid by residents in each municipality.

4. Delete the Governor's recommendation allowing the RTA to impose up to 0.5% sales and use taxes.

Prepared by: Al Runde
Attachment

ATTACHMENT

**Transit Authority Boards or Agencies with Sales Tax Revenue
(Urban Areas Between 300,000 and 800,000 in Population)**

Board or Agency (Membership)	Sales Tax Rate (Current)	Sales Tax Revenue for Transit (2007)*	Urban Area Population (2007)
<p>San Joaquin Transit District (Stockton, California) Five members: two members appointed by the Stockton city council, two members appointed by the San Joaquin County board, and one member appointed jointly by five members of the county board and five members of the Stockton city council.</p>	.50%**	\$22,039,400	313,400
<p>Spokane Transit Authority (Spokane, Washington) Nine members: nine elected officials chosen from the jurisdictions served by the Public Transportation Benefit Area, which could include municipal and county representatives.</p>	.60	33,084,200	334,900
<p>Gold Coast Transit (Oxnard, California) Five members: one elected official representing each of the four city member governments and one elected official representing Ventura County.</p>	.25%**	6,604,000	337,600
<p>Golden Empire Transit District (Bakersfield, California) Five members: two members appointed by the Kern county board, two members appointed by the Bakersfield city council, and one member appointed by majority vote of the other four members.</p>	.25%**	11,324,200	396,100
<p>Charleston Area Regional Transportation Authority (Charleston, South Carolina) 18 members: three members appointed by the Charleston County legislative delegation and 15 elected representatives from the member governments.</p>	.50	7,623,200	423,400
<p>Mountain Metropolitan Transit/Pikes Peak Rural Transit Authority (Colorado Springs, Colorado) City Department administers transit system. Pikes Peak Rural Transit Authority (PPRTA) has sales tax authority. PPRTA has eight members: three El Paso County commissioners appointed by the county board, three Colorado Springs council members appointed by the council, one council member each appointed by the councils of Manitou and Green Mountain Falls.</p>	.10	6,681,300	466,100
<p>Central Contra Costa Transit Authority (Concord, California) 11 members: one each from ten cities and one from the one unincorporated area of Central Contra Costa County appointed by the governing body of the member jurisdictions.</p>	.25%**	\$15,754,200	552,600

Board or Agency (Membership)	Sales Tax Rate (Current)	Sales Tax Revenue for Transit (2007)*	Urban Area Population (2007)
Livermore/Amador Valley Transit Authority (Livermore, California) Seven members: two elected city officials from each city council of the cities of Dublin, Livermore, and Pleasanton and one member appointed by the Alameda county board.	.25**	8,064,500	552,600
Metro Regional Transit Authority (Akron, Ohio) 12 members: six appointed by the City of Akron; three by Summit County, and one each from the cities of Barberton, Cuyahoga Falls, and Stow	.25	18,590,000	570,200
Portage Area Regional Transportation Authority(Akron-Kent, Ohio) 15 members: three appointed by the county board, three appointed by the Kent city council, and seven members appointed by the governing boards of the remaining member jurisdictions.	.25	3,124,200	570,200
ABQ Ride (Albuquerque, New Mexico) City department.	.25	6,796,646	598,200
City of El Paso - Mass Transit Department (El Paso, Texas) City department.	.25	674,800	674,900
Greater Dayton Regional Transit Authority (Dayton, Ohio) Nine members: six appointed by the Montgomery county commission, two appointed by the Dayton city commission, and one appointed by the Kettering city commission.	.50	31,780,900	703,400
Charlotte Area Transit System (Charlotte, North Carolina) City department.	.50	56,227,900	758,900

* Sales tax revenue is from the National Transit Database, and is the amount of transportation sales tax revenue dedicated to transit. Some agencies have the entire sales tax amount going to transit, while others use a portion of the transportation sales tax for other transportation purposes..

** Sales tax is a 0.25% California statewide tax that is distributed back to local government to be used for transportation purposes. Local governments also have the authority to enact an additional tax for transit purposes, which the San Joaquin Transit District has done.