



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #771

Intercity Bus Assistance Program (DOT -- Local Transportation Assistance)

[LFB 2009-11 Budget Summary: Page 621, #3]

CURRENT LAW

No provision.

GOVERNOR

Provide \$1,228,600 annually to fund an intercity bus program created under the bill. Create a continuing SEG appropriation to provide state funds for the program. Rename the existing FED and SEG-L transit and transportation employment and mobility aids appropriations to be the transit and other transportation-related aids appropriations and add funds received from the federal government or a local unit of government, respectively, for the intercity bus assistance program to the funds expended from these appropriations.

Require the Department of Transportation (DOT) to develop and administer an intercity bus assistance program to increase the availability of intercity bus service in this state. Specify that under this program, the Department could do any of the following:

- a. contract with private providers of intercity bus service to support intercity bus service routes of the provider; and
- b. make grants to political subdivisions (counties, cities, villages, or towns) to support intercity bus service routes having an origin or destination in the political subdivision.

Define "intercity bus service," to mean regularly scheduled bus service for the general public that operates with limited stops over fixed routes and connects two or more urban areas not in close proximity. The service must have the capacity for transporting baggage carried by

passengers, and make meaningful connections with scheduled intercity bus service to more distant points if such service is available.

Require all expenditures under the program to be from the SEG, SEG-L, and FED appropriations for the program. Specify that DOT could not enter into any contract, or award any grant, that would provide funds to support any intercity bus service route in an amount exceeding the lesser of the following:

- a. 50% of a route's net operating loss (defined as the portion of the reasonable costs of operating an intercity bus service route that cannot reasonably be financed from revenues derived from the route); or
- b. the portion of the net operating loss of the intercity bus service route for which federal funds are not available.

Require DOT to prescribe the form, nature, and extent of the information that must be contained in an application for an intercity bus grant and to establish criteria for evaluating applications for the grants.

DISCUSSION POINTS

Background

1. In its Draft Connections 2030 Long Range Multimodal Transportation Plan, DOT indicates that providing mobility and choice creates the foundation of an efficient, balanced, and safe transportation system. Part of DOT's vision for mobility and choice in transportation under the 2030 plan involves making more transportation alternatives available to Wisconsin residents and improving connections among these local and intercity modes. The plan identified the state's deficient intercity bus service and connections as one area that would need to be addressed to improve the mobility of the state's citizens.

2. Intercity bus service provides a source of mobility to the less affluent, the elderly, the disabled, and the young. Improved intercity bus service would expand transportation choices for Wisconsin's growing senior population and those groups that have been adversely affected by past service reductions. Population projections show a 75% increase in persons 75 or older in the state from 2000 to 2030, which is an age at which drivers typically reduce or eliminate their automobile use. Population projections also indicate that the percentage of the state population in this age group will grow from 6.5% to nearly 10% by 2030, with many rural counties having much higher percentages. Therefore, as the number of state residents who would typically use intercity bus services grows, the demand and need for such services will grow.

3. Historically, intercity bus service in the state has been provided by privately owned and operated companies. These companies provide scheduled, fixed-route, intercity and interstate bus service. Like many surrounding states, Wisconsin has experienced the loss of several intercity

bus routes in recent years, leaving many communities without bus service and with reduced mobility options. In the middle part of this decade, due to financial reasons, Greyhound, a major intercity bus service provider, ended service in several midwestern and northwestern states. From 2004 to 2006, Greyhound ended service to 43 of the 57 Wisconsin communities that it had previously served. Currently, no intercity bus service exists in much of the northern half and southwestern portion of the state. Greyhound's decision also reduced access of others who now have to travel longer distances to use the remaining bus service. The attachment to this paper provides a recent list of the current service providers, routes, and communities served.

4. The remaining service is often infrequent, or can involve long waits for connecting buses, indirect routes, and long trips, which makes the service inconvenient for potential users. Existing service also lacks direct service or connectivity to many of the medium-sized urban areas in the state. For example, DOT indicates that a bus passenger hoping to travel the 90 miles from Madison to Dubuque must go through Chicago on a trip taking 14 hours. Similarly, trips from Madison to Wausau or from Janesville to Green Bay take seven hours because of no direct service. Efficient connections with passenger rail, public transit, and airports are also lacking.

Other States

5. Neighboring states have been experiencing the same service reductions as Wisconsin and some have implemented programs to address the service losses. Michigan currently provides approximately \$2.0 million in state funds to one provider that operates intercity bus service over several routes. In addition, the state expends the required 15% set-aside of its federal Section 5311 (the rural and small urban program) funds to further subsidize their intercity bus program efforts. Michigan also uses federal funding to purchase and maintain buses that provide intercity services, and to make other capital improvements, including bus station improvements. After purchasing the buses, Michigan leases the buses to the intercity service provider at an annual cost of \$1,000, as a way for the state to further underwrite the provider's costs.

6. According to Michigan officials, their program is set up to allow service providers a certain level of profits. However, if ridership increases and providing the service becomes more favorable to the operator, as it has in recent years due to higher fuel prices, the state expends fewer funds to subsidize the service. That is, as the operating deficit of the service provider for a specific route is reduced, the amount of the state subsidy is reduced. By limiting the state aid to the lesser of 50% of the net operating loss or the portion of the net operating loss for which federal funds are not available, the proposed intercity bus program for Wisconsin could essentially work the same way.

7. Minnesota currently provides nearly \$2.0 million in federal Section 5311 funds to subsidize intercity bus service. The funding is provided in the form of a subsidy for up to 50% of the operating deficit. In addition, similar to Michigan, the state purchases buses for the providers in order to further subsidize those service providers' routes. Minnesota also intends to use the \$2.8 million in federal stimulus funds that will be provided under the Section 5311 formula to purchase additional buses for service providers.

Existing Funding

8. Some federal funding for intercity bus service is available under the Federal Transit Administration's (FTA), rural and small urban area program, which provides formula funding to states for the purpose of supporting public transportation in areas with populations under 50,000. These funds may be used for transit capital, operating, and administrative assistance to state agencies, local public bodies, Indian tribes, nonprofit organizations, and operators of public transportation services. The maximum FTA share for operating assistance is 50% of the net operating costs. States must use 15% of their annual apportionment to support intercity bus service, unless the Governor certifies, after consultation with affected intercity bus providers, that these needs of the state are adequately met. In 2008, the state spent less than 1% of the federal Section 5311 funds on intercity bus service. Thus, the state has received a partial waiver of this requirement from FTA and these funds are used instead to provide operating assistance to small, nonurbanized transit systems under the state's mass transit operating assistance program. The state expects to spend a similar amount of Section 5311 funds in 2009, which means another waiver will be requested.

9. Under the supplemental transportation rural assistance program (STRAP), the state will receive approximately \$2 million in federal fiscal year 2009 for capital projects, operations, purchase or lease of vehicles, and integration, planning, and coordination of public transportation services in the state. Funds received under this program may be used to fund the same activities allowed under other federal public transportation programs for rural populations, and federal funds may be made available for up to 80% of the net operating deficits of such activities.

10. DOT indicates that in 2009 the state will spend a combined \$642,600 in Section 5311 and STRAP funding to subsidize one daily intercity bus route in both directions between Milwaukee-Green Bay-Minneapolis, with Wisconsin stops in Milwaukee, Sheboygan, Manitowoc, Green Bay, Shawano, Wausau, Abbotsford, Stanley, Chippewa Falls, Eau Claire, and Hudson. DOT began subsidizing this route in 2008 with \$276,500 in federal funding. The current cost of a one way adult fare from Milwaukee to Minneapolis is \$53. Service began on July 17, 2008, and ridership data through November, 2008, indicated that the route had 12,300 riders, or nearly 90 passengers per day.

11. The current federal funding is provided despite the fact that DOT is not allowed to contract directly with the operator of the intercity bus service. Rather, DOT can only contract for this service with a local sponsor, which has to be a county, municipality, or transit commission or authority. As a result, DOT has contracted with the City of Stanley as the local sponsor of this service, which has, in turn, contracted with Jefferson Lines to provide the service.

Budget Proposal

12. No state funds are currently provided for intercity bus service. Under the proposed program, \$1,228,600 in annual state funding would be available for DOT to contract for intercity bus service. This funding would be provided despite the state's choice to get a federal waiver and use the federal Section 5311 funding provided to the state for other transit-related programming,

rather than use the required 15% set-aside for intercity bus service.

13. DOT indicates that the proposed program and funding would remove two main impediments the Department currently has in establishing contracts with service providers: (a) DOT would be allowed to negotiate and contract directly with providers rather than through a local government; and (b) the state funding, by supplementing the federal funding and further underwriting potential providers' costs, may entice more providers to contract with the state to provide service. Currently, DOT indicates that certain routes, including the existing Milwaukee to Minneapolis route subsidized by the Department, are not profitable for providers at the Section 5311 subsidy limit of 50% of net operating costs. Therefore, the state funding, similar to the STRAP funding for the Milwaukee to Minneapolis route, could be used to provide a larger operating subsidy and make more routes profitable for providers, which could reduce some of the gaps in service in the state.

14. If the Committee decides not to provide state funding for the intercity bus service program, the Committee could still provide DOT the authority to negotiate and contract directly with intercity bus service providers (Alternative 3). This would remove the contracting impediment identified by DOT, allowing the Department to negotiate future intercity bus service contracts directly with providers using available federal funds.

15. The distances involved in intercity bus service and the types of equipment used make this service more expensive on a per passenger basis than the urban bus service that DOT also subsidizes. For example, the one intercity bus route the state currently subsidizes involves a per passenger subsidy of \$16.87. The per passenger subsidy for the state's larger urban bus service providers ranges from \$1.19 to \$3.34. However, the difference may decrease when the subsidies are considered on a per mile basis. In the case of each type of service, the cost of the subsidy may need to be evaluated against the importance of providing additional mobility for the population served.

16. The Department of Administration indicates that the proposal was included in the Governor's budget recommendations to provide additional funding and mobility for those residing in areas outside the regional transit authority jurisdictional areas (Southeastern Wisconsin, Dane County, and the Fox Cities) created under the bill. DOT indicates that the funding requested is the estimated funding needed to provide an additional 30% state subsidy for these seven routes in order to supplement additional Section 5311 funding that would be used for them, including the current Milwaukee-Green Bay-Minneapolis route. The estimate of the funding needed is based on the cost per mile for the existing route. The Department indicates that the other routes considered include:

Madison-Fond du Lac-Oshkosh-Appleton-Green Bay
Madison-Stevens Point-Wausau
Eau Claire-Duluth/Superior
Madison-Dubuque
Janesville-Whitewater-Milwaukee
Madison-Tomah-La Crosse

17. Because DOT would have to develop the intercity bus program in the first year, find service providers for potential routes, and then solicit proposals from those providers, the program would not likely be in place until early 2010. As a result, a full year's funding may not be necessary in 2009-10. The contracts for intercity service, whether annual or multiple year contracts, would likely be for time periods that would not be consistent with a state fiscal year. Therefore, DOT could enter into multiple year contracts in early 2010 that extend beyond 2009-11. DOT would not have to expend the entire amount of funds under these contracts by the end of 2009-10 and could use the amount appropriated for 2010-11 to fund the remainder of the first year of the contract. The base level funding would be available in subsequent years to complete these contracts. The Committee could consider providing only \$614,300, or half the proposed annual amount of funding, to cover the 2009-10 portion of the costs associated with these initial contracts (Alternative 2).

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$1,228,600 SEG annually to fund the intercity bus program created under the bill. Create a continuing SEG appropriation to provide state funds for the program and modify the existing FED and SEG-L appropriations to reflect the creation of the program.

2. Modify the Governor's recommendation by reducing the amount of SEG provided in 2009-10 by \$614,300 in order to provide one-half the amount recommended by the Governor in that year. Funding in 2010-11 would remain at the \$1,228,600 level recommended by the Governor.

ALT 2	Change to Bill Funding
SEG	- \$614,300

3. Delete the SEG funding recommended by the Governor and the creation of a SEG appropriation for the intercity bus program. Retain the other provisions recommended by the Governor, including the authority for DOT to contract directly with intercity bus providers (DOT could use any available federal funding to contract directly with intercity bus service providers).

ALT 3	Change to Bill Funding
SEG	- \$2,457,200

4. Delete provision.

ALT 4	Change to Bill Funding
SEG	- \$2,457,200

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Attachment

ATTACHMENT

Intercity Bus Service Provider Routes (2008)

Badger Coach

Milwaukee (downtown and Mitchell airport) to Madison

Greyhound

Minneapolis, St. Paul, Eau Claire, Madison, Milwaukee, Chicago

Minneapolis, Eau Claire, Madison, Beloit, Rockford, Chicago

Minneapolis, Duluth

Madison, Milwaukee, Chicago

Green Bay, Appleton, Oshkosh, Milwaukee, Chicago

Milwaukee, Kenosha, Chicago

Madison, La Crosse, Winona, Rochester (via connection with Jefferson Lines at Tomah)

Indian Trails

Milwaukee, Sheboygan, Manitowoc, Green Bay, Escanaba, Marquette, Houghton

Ironwood, Escanaba, St. Ignace

Jefferson Lines

Milwaukee, Sheboygan, Manitowoc, Green Bay, Shawano, Wausau, Eau Claire,

Menominee, Hudson, St. Paul, Minneapolis

Tomah, La Crosse, Winona, Rochester, St. Paul, Minneapolis (connection to Madison via Greyhound at Tomah)

Lamers Bus Lines

Milwaukee, Fond du Lac, Oshkosh, Appleton, Stevens Point, Wausau

Megabus

Minneapolis, Milwaukee, Chicago

Minneapolis, Madison, Chicago

Van Galder

Madison, Janesville, South Beloit, Chicago [O'Hare and Midway airports, and downtown Chicago Amtrak station]

Wisconsin Coach Lines

Airport Express - Waukesha, Milwaukee (downtown & Mitchell Airport), Racine, Kenosha, Chicago (O'Hare and Midway airports)

Milwaukee, Racine, Kenosha

Whitewater, Milwaukee (limited weekend service only)