



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #655

Eliminate Southeast Wisconsin Transit Capital Assistance Program (DOT -- Local Transportation Assistance)

[LFB 2011-13 Budget Summary: Page 435, #1]

CURRENT LAW

The Department of Transportation (DOT) is required to develop and administer a southeast Wisconsin transit capital assistance program. There is \$100,000,000 in general fund supported, general obligation borrowing provided the program for the purpose of making transit capital improvement grants to the southeastern regional transit authority (SERTA). Any single transit capital improvement project is limited to the lesser of \$50,000,000, 25% of the total project cost, or 50% of the portion of the total project cost not funded with federal aid.

GOVERNOR

Repeal the southeast Wisconsin transit capital assistance program and delete \$100,000,000 in general fund supported bonding associated with the program. Delete references to the transit capital assistance program under the current, GPR debt service appropriation that would be used to make debt service payments on bonds issued for the program.

DISCUSSION POINTS

SERTA and KRM Commuter Rail Project

1. 2009 Act 28 created SERTA, which is the only possible recipient under the southeast transit capital assistance grant program. SERTA is a public body corporate and politic, comprised of Kenosha, Milwaukee, and Racine counties. The jurisdictional area of SERTA is the territorial boundaries of the member counties. The powers of the Authority are limited to those

necessary and convenient for the creation, construction, and management of a KRM commuter rail line, defined as a commuter rail transit system connecting the cities of Kenosha, Racine, and Milwaukee. The SERTA board has the authority to impose up to an \$18 per transaction vehicle rental fee in its jurisdictional area. The board also has the authority to annually index the vehicle rental fee by the average, annual change in the consumer price index, rounded to the next highest quarter-dollar amount. To date, the SERTA board has not imposed a vehicle rental fee. SERTA also has authority to issue up to \$50,000,000 in bonding, backed by the vehicle rental fees, for the KRM commuter rail project.

2. Act 28 also created the southeast Wisconsin transit capital assistance grant program administered by DOT and funded with \$100,000,000 in general fund supported, general obligation bonding. No grants have been made under the program, and, as a result, no state bonding has been issued for the purposes of the program.

3. The KRM project would involve new transit service that would extend to Milwaukee's Amtrak station, with potential intermediate stops in Kenosha, Somers, Racine, Caledonia, Oak Creek, South Milwaukee, and Cudahy-St. Francis. The service would consist of 14 weekday trains in each direction between Kenosha and Milwaukee. In addition, certain trains could also run to and from Waukegan, IL. The proposed service would be coordinated with the existing Metra commuter rail service to allow for timed transfers at Kenosha or Waukegan with Metra trains to and from Chicago.

4. Act 28 required the SERTA board to submit an application to the Federal Transit Administration (FTA) to enter the preliminary engineering phase of the federal new starts grant program for the KRM commuter rail line no later than July 1, 2010. In May, 2010, the SERTA board voted to submit the KRM commuter rail project new starts application, which was formally submitted on June 24, 2010. Any FTA decision on preliminary engineering would not entail a full funding grant agreement, which could only occur after final engineering and design are complete. To date, FTA has yet to make a decision on SERTA's KRM application. Before using its authority to impose up to an \$18 per transaction vehicle rental fee, the SERTA board is waiting for the Federal Transit Administration decision on the KRM project.

5. The estimated construction cost of the proposed KRM commuter rail project is \$233.1 million (2009 dollars), with the annual operating costs associated with the project estimated at \$13.4 million (2009 dollars). The proposed funding plan for the capital costs of the project outlined by SERTA was approximated as follows: (a) \$140 million in FTA new starts funding; (b) \$18 million from the Federal Highway Administration's congestion mitigation and air quality improvement program; and (c) \$35 million to \$40 million each in funding from the state (bonding) and local level (SERTA bonding backed by vehicle rental fees).

6. The Governor is recommending that the transit capital assistance program and related bonding be deleted because funding is unlikely to be needed in the biennium and the administration wants to reduce the state's overall bonding authorization levels. In December, 2010, the Southeast Wisconsin Regional Planning Commission, which staffs the SERTA board, compiled the following general schedule for the KRM commuter rail project.

<u>Stage/Task</u>	<u>Completion</u>
FTA Decision on Preliminary Engineering	January, 2011*
Conduct Preliminary Engineering	March, 2011 - July, 2012
Apply for FTA Final Design Funding	July, 2011
FTA Decision on Final Design	October, 2012
Conduct Final Design	October, 2012 - April, 2014
FTA Decision on Full Funding	July, 2014
Construction	July, 2014 - October, 2016
Service Begins	October, 2016

* FTA approval has yet to be received, which could lead to delays in this timeline.

7. Based on this project schedule, the bonding available under the program will not be needed until the KRM commuter rail project moves to the construction phase (July, 2014, at the earliest). If FTA approves the project for preliminary engineering, SERTA could use its authority to impose a vehicle rental fee to cover the costs of engineering and design or could issue up to \$50 million in bonding backed by the vehicle rental fee to cover those costs, as well as any early construction costs. Therefore, any state bonding for the project would not likely be needed until the 2013-15 biennium.

8. While the bonding may not be needed in the 2011-13 biennium, some may argue that a state transit capital grant program should remain in place to address the transit needs of southeast Wisconsin in the future. If the Committee agrees with this view, the Committee could retain the southeast Wisconsin transit capital assistance program language. Under this alternative, the bonding would be deleted, as the Governor recommends, but the program would remain. Bonding could then be reauthorized if a major transit project moves forward that needs state funding assistance. This alternative would demonstrate a continued commitment to the region's potential transportation needs, while understanding that no transit capital project is likely to need funding in the near term (Alternative 2).

9. Conversely, allowing the state bonding authorization for the KRM commuter rail project to remain would demonstrate an even greater state commitment to FTA that the state supports the project and is willing to fund a portion of the project's costs. Further, allowing the bonding authorization to remain will not result in a cost to the state until the bonds are issued. Given the current KRM project construction timetable, if the bonds were issued late in the 2013-15 biennium, the state would not likely see initial debt service costs on those bonds until 2015-16 (Alternatives 3 or 5).

Reduced Bonding Authorization

10. Act 28, as passed by the Legislature, created a Milwaukee Transit Authority and made that Authority an eligible applicant for the southeast Wisconsin transit capital assistance program. SERTA and the Milwaukee Transit Authority were the only eligible applicants. At the time, it was envisioned that the Milwaukee Connector study transit project, which was enumerated

under the statutes as a major transit capital improvement project, could also access the state bonding available under the program. However, the Governor's partial veto deleted the Milwaukee Transit Authority as well as the reference to that Authority under the southeast Wisconsin transit capital assistance program.

11. As a result of the partial veto, DOT can only make grants to SERTA under the program. SERTA can only apply for a grant for a major transit capital improvement project (a project costing \$5 million or more) that has been enumerated in state statutes. The KRM commuter rail project is enumerated as a major transit capital project. Further, SERTA's powers are limited to only those necessary and convenient for the creation, construction, and management of a KRM commuter rail line. Given these program limitations, the KRM project is the only project currently eligible for a transit capital assistance program grant and the project is limited to \$50,000,000 in funding. Therefore, if the Committee is interested in maintaining a state commitment to the KRM commuter rail project, while at the same time reducing the authorized state bonding level, the Committee could delete the \$50,000,000 in program bonding that cannot be applied for, or granted, under the current program (Alternative 3).

Other Major Transit Capital Projects

12. The state has other transit service expansions and transit capital investment projects that are in the planning stages and could need state assistance in the future. The City of Milwaukee has selected a locally preferred alternative resulting from its Downtown Connector Study. Past Dane County studies have identified possible commuter rail transit service options within the county. Both of these projects are currently enumerated in the statutes as major transit capital improvement projects. The Committee could maintain the current transit capital assistance program and make the City of Milwaukee and/or the Dane County RTA eligible for grant funding for these projects (Alternative 4).

13. In 2010, the Milwaukee Connector Study committee agreed on a Milwaukee streetcar project as the locally preferred alternative from the study. Project documents indicate that the project would involve two phases: (a) an initial, two-mile route that would run from the Milwaukee intermodal station northeast through the central business district to the southwest ends of Farwell and Prospect avenues, which would cost an estimated \$64.3 million; and (b) a route extension from the intermodal station north to Marquette University and a loop extension northeast to Brady Street along Farwell and Prospect avenues, with an estimated cost of \$31.5 million. If the project is approved by FTA for preliminary engineering, construction could begin in 2011, with service starting in 2013. The total cost of the initial and extended streetcar project would be an estimated \$95.8 million, with estimated annual operating costs of \$3.85 million. Project documents indicate that the project would be funded with federal and local funds.

14. Act 28 authorized the Dane County board to create a Dane County RTA. In November, 2009, the county board voted to create the RTA. Once created, the RTA has the authority to impose 0.5% sales and use taxes within its jurisdictional area, which include those municipalities within the Madison metropolitan planning area. To date, the RTA has yet to impose the sales and use taxes. The Dane County RTA's draft transit plan for the RTA region currently includes only expanded bus, shared-ride taxi, and elderly and disabled transit services. Past studies

by area transportation planners have recommended 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. The RTA's draft transit plan indicates that the RTA will continue to plan and evaluate high capacity transit options, including commuter rail or a bus rapid transit project. However, the draft plan indicates that the RTA would go back to the voters at referendum before constructing any of these options. Therefore, it is unknown when the Dane County RTA would need to access the state bonding if the program was expanded to include the Dane County major transit capital projects.

ALTERNATIVES

1. Approve the Governor's recommendation to repeal the southeast Wisconsin transit capital assistance program and delete \$100,000,000 in general fund supported bonding associated with the program.

2. Delete the Governor's recommendation to repeal the southeast Wisconsin transit capital assistance program. Under this alternative, the program would be maintained, but no funding would be available until authorized by a future Legislature.

3. Delete the Governor's recommendation to repeal the southeast Wisconsin transit capital improvement program. Restore \$50,000,000 of the \$100,000,000 in general fund supported borrowing to reflect that SERTA is limited to \$50,000,000 in bonding for the KRM commuter rail project.

ALT 3	Change to Bill Funding
BR	\$50,000,000

4. In addition to any of Alternatives 2, 3, or 5, do one or more of the following:

a. Specify that the City of Milwaukee would be an "eligible applicant" for grant funding under the program.

b. Specify that the Dane County RTA would be an "eligible applicant" for grant funding under the program.

5. Delete provision.

ALT 3	Change to Bill Funding
BR	\$100,000,000

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