



## Legislative Fiscal Bureau

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

May 3, 2011

Joint Committee on Finance

Paper #656

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

[LFB 2011-13 Budget Summary: Page 436, #3]

#### **CURRENT LAW**

2009 Act 28 created an intercity bus assistance program administered by the Department of Transportation (DOT) and established \$1,228,600 in base level SEG funding for the program. The program allows the Department to contract with intercity bus service providers and provide grants to political subdivisions to support intercity bus service using allowable federal, state, and local appropriations.

#### **GOVERNOR**

Delete \$1,228,600 SEG annually to reflect the repeal of the state funding appropriation for the intercity bus assistance grant program and the elimination of DOT's authority to make such grants. In addition, delete the current law provision that allows the Department's local transit and transportation-related aids, SEG-L appropriation to be used for the intercity bus assistance program. The Department would retain the authority to contract with private providers of intercity bus service to support intercity bus service routes using federal funds under the Department's federal transit and transportation-related funds appropriation.

#### **DISCUSSION POINTS**

1. The intercity bus assistance program was identified as part of the state's Connections 2030 Long Range Multimodal Transportation Plan. Part of DOT's vision for mobility and choice in transportation under the 2030 plan involved 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 needed

to be addressed in order to improve the mobility of the state's citizens. It indicated that intercity bus service is needed to connect the state's rural and medium-sized cities with the urban areas and educational centers of the state, as well as with other modes of transportation, including airports and the intercity rail station in Milwaukee. The work carried out in completing this plan was the impetus for the program being recommended by DOT in its 2009-11 agency budget request, which was adopted by the Legislature.

2. Intercity bus service provides a source of mobility to the less affluent, the elderly, the disabled, and the young. Improved intercity bus service could 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 nearly 70% increase in persons 75 or older in the state from 2010 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's population in this age group will grow from 6.6% 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 may 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. Currently, no intercity bus service exists in much of the northern half and southwestern portions of the state. The attachment to this paper provides a list of the 2010 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. The DOT long-range plan also notes that efficient connections with passenger rail, public transit, and airports are often lacking.

### **Existing Program**

5. Act 28 created an intercity bus assistance grant program that is funded from state, federal, and local funds and provided DOT the authority to contract directly with intercity bus service providers. State funding of \$614,300 in 2009-10 and \$1,228,600 in 2010-11 was provided from the program's transportation fund appropriation. The program was created and funding was provided in order to remove two main impediments associated with DOT establishing contracts with service providers: (a) it allows DOT to negotiate and contract directly with providers rather than through a local government; and (b) the state funding, by supplementing available federal funding and further underwriting potential providers' costs, may entice more providers to contract with the state to provide service.

6. Federal funding for intercity bus service is available under the Federal Transit

Administration's (FTA) Section 5311 nonurbanized transit program, which provides formula funding to states for the purpose of supporting public transportation in areas with populations under 50,000. This funding is primarily used to provide operating assistance to the state's Tier C mass transit systems. Federal 5311 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. In addition, states must use 15% of their annual 5311 apportionment to support intercity bus service, unless the Governor certifies, after consultation with affected intercity bus providers, that the state's intercity bus service needs are adequately met. While some 5311 funds have been used in recent years, Wisconsin has not used 15% of its 5311 funding to support intercity bus service and the Governor has certified that those needs have been adequately met. The Governor is expected to make the same certification to FTA in 2011.

7. Until recently, the state also used federal funding under the supplemental transportation rural assistance program (STRAP), a pilot federal program that provides funds for transit projects aimed at rural populations. However, 2010 was the last year the state received federal STRAP program funds and no additional funds will be used beyond the amounts available in 2010-11. The STRAP funding used for intercity bus service was available for up to 80% of the net operating deficits of such activities, which, when available, made more service routes viable due to its higher subsidy level.

8. Two contracts for intercity bus service currently exist. Both contracts involve a local sponsor rather than the state contracting directly with the service provider because they were entered into prior to the Department having the authority to enter directly into contacts with providers. The contracts, which are due to expire, include: (a) a contract with the City of La Crosse for a Milwaukee to La Crosse via Madison route run by Jefferson bus lines, which is funded from an intercity bus grant in 2010-11 using entirely federal 5311 funds (\$157,800); and (b) a contract with the City of Stanley for a Milwaukee to Minneapolis via Green Bay and Eau Claire route, which received a total intercity bus grant of \$482,200 in 2010-11, funded from federal 5311 funds (\$209,800), federal STRAP funds (\$157,800), and state funds (\$114,600).

9. Under the Governor's recommendation, FTA's 5311 funding would likely be the only remaining funding source that could specifically be used for intercity bus service in Wisconsin. The state funding provided under Act 28 was intended to be used to supplement federal funding, further underwrite service providers' costs, and expand the level and breadth of intercity bus service in the state. The maximum allowable share for operating assistance under the 5311 program is 50% of the net operating deficit of the service, or for certain types of service, up to 50% of the operating and capital costs of the service. Most intercity bus route operators require a subsidy that is greater than 50% of their operating deficit in order to provide the intercity bus service and generate some profit. For example, the existing Milwaukee to Minneapolis route, currently contracted for by the Department, is not profitable for the service provider at the Section 5311 subsidy limit of 50% of net operating deficits. Therefore, the state funding, along with federal STRAP funding, was used to cover 80% of the operating deficit (31% of total operating costs) in order to make the route profitable for the provider. If the state funding is no longer available, it makes it unlikely such routes could continue solely with federal 5311 funds given the 50% limit.

10. Certain types of intercity bus service could effectively receive a higher rate of operating subsidy from federal 5311 funds if they qualify for federal assistance that allows them to include the capital costs of operations in their operating deficit calculation. For example, the current Milwaukee to La Crosse route is funded with federal 5311 funding. However, because the service is consider a "turnkey" contract, under which the contractor provides vehicles, maintenance, and transit service, federal 5311 aid is allowed to cover 50% of operating and capital costs of that service. This results in federal funds effectively underwriting 100% of the operating deficit on this route (24% of total costs). However, it is unclear whether the other potential contract routes identified in the state would be eligible for this higher federal operating deficit subsidy under the 5311 program. If the routes are not eligible for the higher federal subsidy, it makes it unlikely that any expanded service routes would be sufficiently profitable for operators to provide.

11. While in the past the state has certified under the federal 5311 program that its intercity bus needs have been adequately met, those certifications were not an indication that the need for intercity bus service does not exist in state, but rather were an indication that without additional funding beyond any available 5311 federal funds to further underwrite the costs of the service, no operators will take on the service. Therefore, because no operator existed who would take on additional intercity bus service routes without the potential for a profit that largely results from receiving the governmental subsidy, the need for the additional 5311 funding has not existed. In the event additional federal 5311 funds are used to fund intercity bus service, less federal operating assistance funds would be available for the state's 47 local governments currently operating Tier C mass transit bus and shared-ride tax systems.

12. DOT has not used a majority of the state intercity bus grant funds provided for the program in the 2009-11 biennium. In 2009-10, the Department lapsed \$400,000 of the \$614,400 in program funding as part of the Department's share of the Act 28 mandated lapses from DOT's segregated transportation fund appropriations to the general fund. Of the remaining \$214,400, \$114,600 was encumbered and used for the contract with the City of Stanley for the Milwaukee to Minneapolis service route. The remaining \$99,800 in state funding was carried forward under the continuing appropriation for the grant program and is available in 2010-11. As a result, the program has \$1,328,400 in state funds that remain available for intercity bus grants.

13. When the existing contracts expire, DOT intends to replace them with contracts in which the state would contract directly with the intercity bus service providers and use the state funding to further subsidize the service. In addition, in the fall of 2010, DOT solicited operators for services for the following five additional routes and has been in negotiations on direct contracts with operators for those routes:

Eau Claire-Duluth/Superior  
Hurley-Duluth  
Madison-Wausau  
Madison-Green Bay  
Madison-Dubuque

14. The Department indicates that the remaining \$1,328,400 in state funding along with available federal 5311 funds should be sufficient for the Department to maintain the service on the two existing intercity bus routes as well as contracting for the five additional routes through calendar year 2013. The Department plans to have all seven contracts with the service providers in place by July, 2011. Therefore, no additional state funding would be needed to fund these service contracts and get the program through the 2011-13 biennium. However, because the bill would delete the grant program and DOT's authority to enter into contracts using state funds, DOT would have to enter into the proposed contracts and encumber the available funds before the 2011-13 biennial budget is effective.

15. An alternative to the Governor's recommendation would be to continue the state funded intercity bus program and the program's state and local appropriations, but delete the \$1,228,600 annually in state funding for the program. Because the existing state funding available in the continuing appropriation balance would be sufficient to fund the two existing and five new contracts for intercity bus service, the base level funding for the program is not needed in the biennium for that service. However, maintaining the program's state appropriations and contracting authority would allow the Department time to finalize negotiations on the contracts for existing and expanded service. If these contracts and the service provided under them are successful, the Legislature could revisit the need and funding issues as part of its 2013-15 budget deliberations. The appropriations and program structure would be in place in the event the demand and need exists to continue state funding for the program at that time [Alternative 2].

16. The Department of Administration indicates that the state's transportation fund has limited revenues and significant program needs and demands. As a result, given that the intercity bus program is still in its beginning phase and has yet to commit significant state funds, the Governor is recommending that the state not create a larger commitment to subsidizing intercity bus service in the state at this time. While the need exists for existing and expanded intercity bus service in the state, the costs of the service cannot be covered by those using the service. As a result, most intercity bus service routes are not profitable without significant federal and state subsidies. Whether the state should significantly subsidize the providers and riders of intercity bus service is a matter of public policy that can be weighed alongside the other policy and program priorities funded from the state's transportation fund revenues.

17. If the \$1,228,600 annually in base level funding would be provided in the biennium, the Department indicates it would look to expand the number of intercity bus routes. A number of additional routes were identified in the Department's long-range plan. The Department would look to add routes where service is both needed and projected ridership is sufficient to warrant the service [Alternative 3].

## **ALTERNATIVES**

1. Approve the Governor's recommendation to delete \$1,228,600 annually and repeal the state funding appropriation for the intercity bus assistance grant program and eliminate DOT's

authority to make such grants. In addition, delete the current law provision that allows the Department's local transit and transportation-related aids, SEG-L appropriation to be used for the intercity bus assistance program.

2. Delete the Governor's recommendations to repeal the state appropriation and modify the SEG-L appropriation for the intercity bus assistance grant program and to eliminate DOT's authority to use state funds to make such grants. Under this alternative, no additional state funding would be provided for the program in the 2011-13 biennium, but the appropriations for the intercity bus assistance grant program and DOT's authority to make such grants would be retained.

3. Delete provision.

<b>ALT 3</b>	<b>Change to Bill</b>
	Funding
SEG	\$2,457,200

Prepared by: Al Runde  
Attachment

## ATTACHMENT

### Intercity Bus Service Provider Routes (2010)

#### **Badger Coach**

Milwaukee (downtown and Mitchell airport) to Madison

Milwaukee, Madison, La Crosse, Minneapolis (joint service with Jefferson Lines)

#### **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

#### **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

Milwaukee, Madison, Sparta, La Crosse, Winona, Rochester, St. Paul, Minneapolis

Duluth, Minneapolis

#### **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 Airport)

Milwaukee, Racine, Kenosha

Whitewater, Milwaukee (limited weekend service only)