



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

2017

Joint Committee on Finance

Paper #606

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

Base Agency

[LFB 2017-19 Budget Summary: Page 437, #2]

CURRENT LAW

Mass transit operating assistance is funded from the segregated transportation fund. The distribution of mass transit aid payments consists of the following four tiers: (a) Milwaukee County/Transit Plus in Tier A-1; (b) Madison in Tier A-2; (c) the larger bus and shared-ride taxi systems in Tier B; and (d) smaller bus and shared-ride taxi systems in Tier C. The total base year funding for this distribution equals \$110,737,500 SEG.

GOVERNOR

Provide no change to base level funding for DOT's mass transit operating assistance program.

DISCUSSION POINTS

Background

1. No additional funding increase would be provided for mass transit operating assistance in calendar years 2018 and 2019 under the Governor's recommendations. DOT, in its 2017-19 budget request, requested no increase in funding for the Department's mass transit operating assistance program.

2. Table 1 indicates the total funding provided for mass transit operating assistance over

the past eight years and the two years of the upcoming biennium under the bill. Funding for the program grew to \$118,309,200 in 2011, but then was reduced by \$11,830,900 beginning in 2012. Despite a 4% increase in the aid level in 2015, and the addition of a local paratransit program in the 2011-13 budget which currently provides \$2.75 million annually in funding, the amount of state transit aid would remain \$4,821,700 below the 2011 funding level under the bill.

TABLE 1
Mass Transit Operating Assistance Funding
(2010-2019)

<u>Calendar Year</u>	<u>Amount</u>	<u>Percent Change</u>
2010	114,863,100	2.0%
2011	118,309,200	3.0
2012	106,478,300	-10.0
2013	106,478,300	0.0
2014	106,478,300	0.0
2015	110,737,500	4.0
2016	110,737,500	0.0
2017	110,737,500	0.0
2018*	110,737,500	0.0
2019*	110,737,500	0.0

*Proposed.

3. Table 2 compares the number of unlinked transit trips (the number of passengers who board public transportation vehicles) in Wisconsin in 2011 and 2015, as reported to the National Transit Database, for the state's 17 largest transit systems. All but three systems experienced declines in the number of unlinked transit trips from 2011 to 2015. As indicated in the table, 10 transit systems experienced declines of 10% or more in the number of transit trips taken since 2011.

TABLE 2**Comparison of Unlinked Transit Trips in 2011 and 2015**

	<u>2011</u>	<u>2015</u>	<u>2011 to 2015</u>
Appleton	1,251,119	1,249,880	-0.1%
Beloit	244,097	201,826	-17.3
Eau Claire	1,104,317	940,074	-14.9
Fond du Lac	187,756	206,193	9.8
Green Bay	1,605,624	1,444,464	-10.0
Janesville	459,557	430,860	-6.2
Kenosha	1,618,585	1,316,838	-18.6
La Crosse	1,326,490	1,128,992	-14.9
Madison	15,192,912	14,632,229	-3.7
Milwaukee County	44,886,663	39,756,017	-11.4
Oshkosh	1,029,866	990,439	-3.8
Ozaukee County	193,951	201,051	3.7
Racine	1,571,354	1,364,547	-13.2
Sheboygan	515,098	537,765	4.4
Washington County	227,138	196,563	-13.5
Waukesha	1,260,467	1,116,971	-11.4
Wausau	797,445	579,548	-27.3
17-System Total	73,472,439	66,294,257	-9.8%
Total (without Milwaukee County)	28,585,776	26,538,240	-7.2%

4. The Milwaukee County transit system accounted for 60% of all transit trips taken in the state in 2015 and experienced an 11.4% decrease in unlinked transit trips between 2011 and 2015. Total transit trips in Wisconsin, excluding Milwaukee County, decreased 7.2% from 2011 to 2015. Comparatively, nationwide the number of transit trips for the same type of transit systems decreased 1.5% from 2011 to 2015. Commonly cited reasons for the decline in national transit ridership since the end of the recession are cuts to transit service at the local level, the sustained drop in gas prices since 2011, and economic expansion which has precipitated an increase in auto purchases and vehicle miles driven.

Funding Level for Mass Transit Operating Assistance

5. While no funding increase would be provided for transit, the Governor's transportation budget recommendation would commit a significant amount of additional transportation fund resources (totaling \$75.9 million in the 2017-19 biennium), to the general transportation aid, local roads improvement, and local bridge improvement assistance programs. Total general transportation aid funding to counties and municipalities was reduced by 6.8% in 2012, from the 2011 level. However, under the bill the program would be well above the 2011 level, while the mass transit

operating assistance to local transit systems would remain below the 2011 funding level.

6. Transit systems receive both state and federal transit aid. For the larger systems, serving populations of 200,000 or more, federal aid is paid directly to the system and is primarily used for capital purposes. As a result, larger systems receive a greater percentage of their operating costs covered by state aid and smaller Tier B and Tier C systems receive a greater percentage of their operating costs covered by federal aid. Given this dynamic, the percentage that state and federal aid combined make up of annual operating costs is typically the measure used to indicate the level of external funding provided to each tier of systems. In fact, for Tier B and Tier C, DOT is required to provide aid payments so that state and federal aid amounts equal a uniform percentage of operating costs for each system within a tier. Annual state and federal aid as a percentage of annual transit costs statewide declined from 55.4% in 2006 to 50.7% in 2016. In 2016, the state and federal funding share as a percentage of transit operating expenses was 49.4% for Tier A-1 (Milwaukee County), 44.3% for Tier A-2 (Madison), 54.9% for Tier B and 56.9% for Tier C.

7. Under 2015 Act 55, the Department was required to undertake a study of methods for improving the transportation fund's solvency and program funding levels. DOT's findings in this regard were submitted in a report (the Solvency Study) to the Joint Committee on Finance in December, 2016. This report included potential transportation funding scenarios and descriptions of the expected impact of these scenarios on transportation infrastructure in the state. While DOT did not recommend a particular level of funding or request additional transit funding in its 2017-19 budget request, the Department's solvency study outlined the following two potential funding levels for transit funding: (a) no additional funding; and (b) \$84.3 million per biennium under the "additional funding" scenario. The \$84.3 million in additional funding would be provided for local transit operating assistance and to address unmet transit capital needs. This increase would exceed the Transportation Finance and Policy Commission's recommendation of \$48.6 million in additional funding per biennium for the same purposes.

8. DOT's 2015-17 budget request indicated that the 2012 state aid reductions, combined with limits on the amounts that local governments can levy in property tax for the service they provide, have resulted in transit service reductions, fare increases for many systems, and a decline in overall statewide ridership. The request recommended a \$54.0 million biennial increase in transit funding. In requesting these funds, DOT recognized the Transportation Finance and Policy Commission's recommendations to increase funding for transit and indicated that the cuts made in the 2011-13 biennium (indicated in Table 1) have led to transit service reductions. DOT's 2015-17 budget request included a 2.0% annual increase in 2016 and 2017 transit operating aids, \$0.5 million in additional funding for Tier C systems, a new \$20.2 million supplemental transit expansion program targeted at connecting employers with workers, and \$30.0 million for a statewide transit capital program.

9. Any decision to provide additional funding for transit aid would have to take into account the available balance in the transportation fund, as well as other transportation funding demands. At the time the bill was submitted, the estimated 2017-19 biennium-ending balance in the transportation fund was \$8.4 million. Under the revenue reestimate described in LFB Paper #595, the ending balance for the 2017-19 biennium is now estimated to be \$93.4 million higher than the

estimated balance under the bill. Therefore, an increase in transit funding could be provided from the fund's balance.

10. Because the quarterly transit aid payments are made in April, July, October, and December of each calendar year, only one quarter of any calendar year increase (the April payment) would be paid in the corresponding fiscal year. If annual increases are provided, the remaining portion of the calendar year increase would have to be funded in next fiscal year, which would increase the future commitments in the next biennium. This future commitment could be avoided if any funding increase is provided in 2018, with no additional increase in 2019. The Committee could choose to increase mass transit operating aids by an amount specified in Table 3. [Alternative A1]

TABLE 3

Potential Funding Changes

2018 Change	Calendar Year Aid Distribution		SEG Change to Base and Bill	
	2018	2019	2017-18	2018-19
1.0%	\$1,107,400	\$1,107,400	\$276,900	\$1,107,400
2.0	2,214,800	2,214,800	553,800	2,214,800
3.0	3,322,100	3,322,100	830,600	3,222,100
4.0	4,429,600	4,429,600	1,107,500	4,429,600
5.0	5,536,900	5,536,900	1,384,200	5,536,900

11. Given the demands on both state and local transportation infrastructure and the limited state resources currently available to meet those needs, one policy discussion that confronts the state is whether the state can afford to increase state funding for transit systems at this time. [Alternative A2]

Employment Transportation Program

12. The Wisconsin Employment Transportation Assistance Program (WETAP) is an annual competitive grant program that combines both state and federal funding for transit systems and organizations that assist low-income individuals in getting to work. The program was officially formed in 2000 as a joint effort between DOT and the Wisconsin Department of Workforce Development (DWD). Base funding for the program is comprised of \$332,600 SEG from the transportation fund, \$464,800 GPR from DWD's workforce training grants appropriation, federal funding and a required local match from awardees.

13. DOT awards WETAP grants through an annual competitive grant application process. Eligible applicants include public, private and non-profit transportation providers. Examples of projects include late-night and weekend transit service, transportation to suburban employment opportunities, car loan and repair programs, ridesharing, transportation coordination, and demand-response van service. All WETAP projects must provide a local cash or in-kind match, often in the amount of 25% to 50% of the total project cost.

14. Historically, the major source of funding for the WETAP program had been the federal Job Access Reverse Commute (JARC) program. As recent as 2010, DOT was able to use \$4.1 million in JARC federal funds to award WETAP grants. In 2012, MAP-21 (the federal reauthorization bill) repealed JARC and projects were instead made eligible for federal section 5311 (rural areas) and section 5307 (urbanized areas) formula grant programs. The discontinuation of direct federal funding of WETAP from JARC funds, effectively has meant that those projects previously eligible for JARC funding now must share funding with 5311 and 5307 projects. The effect of the elimination of the dedicated federal JARC funding for the WETAP program can be seen in Table 2. Total WETAP program awards declined every year between 2010 and 2016, from \$7.9 million and 24 awards in 2010 to \$2.0 million and 4 awards in 2016.

TABLE 4

WETAP Award Amounts

<u>Calendar Year</u>	<u>Federal</u>	<u>State</u>	<u>Local match (Provided by Subrecipient)</u>	<u>Total</u>	<u>Number of Applicants Awarded</u>
2010	\$4,119,232	\$849,998	\$2,963,976	\$7,933,206	24
2011	3,336,025	582,449	2,615,211	6,533,685	24
2012	3,318,905	754,592	2,426,223	6,499,720	23
2013	2,796,103	349,864	2,552,264	5,698,231	16
2014	785,243	597,605	900,375	2,283,223	5
2015	467,958	930,257	929,632	2,327,847	5
2016	0	955,885	997,984	1,953,869	4
2017	950,000	961,635	1,297,088	3,208,723	14

15. In the absence of dedicated JARC federal funds, DOT has relied on reallocating existing federal 5307 and 5311 funds to award WETAP grants. According to the Department, between 2013 and 2016, some previous WETAP recipients received funding through DOT's allocation of these federal funds instead of WETAP. For example, in 2016, approximately \$1.0 million of these federal funds were made available locally to non-profits previously funded through WETAP. These amounts are not shown in Table 4.

16. One potential concern with the use of federal 5307 and 5311 funds for WETAP awards is that it removes a portion of the federal funding previously dedicated to supporting the capital and operating expenses of small urban and rural transit systems. In 2017, DOT transferred \$950,000 of these funds to WETAP. The Department anticipates that between \$900,000 and \$950,000 of these funds will be used for WETAP projects in the future.

17. In 2017, the Department received requests for state and federal funding under the WETAP program totaling \$2.7 million. The Department awarded all eligible operating and capital projects at approximately 66% of their original request (\$1.9 million). Given the absence of a dedicated federal funding source and that the demand for WETAP grants has exceeded available program funds, the Committee could increase SEG funding by \$0.5 million or \$1.0 million annually to meet existing demand or expand DOT's WETAP program. [Alternatives B1 and B2] If the

Committee chooses one of these alternatives, funding for the WETAP program could be funded from the reestimated transportation fund balance.

ALTERNATIVES

A. Transit Funding

1. Provide one of the following funding SEG increases in calendar year 2018 and 2019, and set the annual distribution for 2018 and thereafter among the tiers of systems accordingly.

	Percent Change	Calendar Year Aid Increase		SEG Change to Base (Bill)		
		2018	2019	2015-16	2016-17	Biennium
a.	1.0	\$1,107,400	\$1,107,400	\$276,900	\$1,107,400	\$1,384,300
b.	2.0	2,214,800	2,214,800	553,800	2,214,800	2,768,600
c.	3.0	3,322,100	3,322,100	830,600	3,322,100	4,152,700
d.	4.0	4,429,600	4,429,600	1,107,500	4,429,600	5,537,100
e.	5.0	5,536,900	5,536,900	1,384,200	5,536,900	6,921,100

2. Maintain current law (no change to base level funding would be provided for DOT's mass transit operating assistance program).

B. Employment Transportation Funding

1. Provide \$500,000 annually to the transportation employment and mobility appropriation to provide additional funding to the Wisconsin Employment Transportation Assistance Program.

ALT B1	Change to	
	Base	Bill
SEG	\$1,000,000	\$1,000,000

2. Provide \$1,000,000 annually to the transportation employment and mobility appropriation to provide additional funding to the Wisconsin Employment Transportation Assistance Program.

ALT B2	Change to	
	Base	Bill
SEG	\$2,000,000	\$2,000,000

3. Maintain current law.

Prepared by: Ryan Horton