



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #746

Commuter Rail Transit System Development Grant Program (Transportation -- Local Transportation Aid)

[LFB 2003-05 Budget Summary: Page 416, #4]

CURRENT LAW

Major transit capital improvement projects, defined as high-occupancy vehicle lane and light rail transit projects with total costs in excess of \$5 million, may not be constructed using transportation fund revenues unless the projects are enumerated in a statutory list. No such projects are currently enumerated.

GOVERNOR

Provide \$400,000 SEG in 2004-05 to provide grants for commuter rail system development. Create an annual, SEG appropriation and continuing FED and SEG-L appropriations to fund grants for commuter rail transit system development. Require DOT to administer a commuter rail transit system development grant program. Provide the Department the authority to award grants from the newly-created appropriations to political subdivisions for preliminary engineering, property acquisition, equipment acquisition, and infrastructure construction projects related to the development or extension of commuter rail transit systems in this state. Define political subdivision as any city, village, town, county, transit commission organized or recognized under state statutes, or a regional transportation authority within this state that is organized under state statute.

Specify that upon completion of a planning study to the satisfaction of the Department, any political subdivision may apply to DOT for a grant. Require DOT to prescribe the form, nature, and extent of information that shall be contained in applications for grants and to establish criteria for evaluating applications and determining eligibility for the award of grants.

Specify that no grant may be awarded for a project unless the project meets these eligibility criteria.

Specify that the grant amount would be limited to the lesser of 50% of the non-federal portion of the project cost or 25% of the total project cost. Further specify that no grant may be awarded for a project involving the acquisition of property or equipment or infrastructure construction unless the political subdivision contributes funds for the project that at least equal 20% of the total project cost.

Define commuter rail as rail passenger service, operating primarily on a dedicated right-of-way on existing railroad tracks used for rail freight service or intercity rail passenger service between and within metropolitan and suburban areas, connecting these areas with large business or urban centers in this state or another. Specify that commuter rail systems usually operate during peak travel times with limited stops and in conjunction with other transit modes as part of a regional transit system.

Include the initial construction or expansion of a commuter rail transit system under the current law definition for major transit capital improvement projects if the project has a total cost in excess of \$5 million. Under current law, such major projects may not be funded with transportation fund revenues unless the project is enumerated in a statutory list.

DISCUSSION POINTS

The Kenosha-Racine-Milwaukee Commuter Rail Project

1. The Kenosha-Racine-Milwaukee (KRM) commuter rail project proposes a new commuter rail service that would be operated as an extension of the Metra (Chicago-Northeastern Illinois commuter rail) Union Pacific North line that currently runs between Chicago and Kenosha. The proposed new service would extend to Milwaukee's Amtrak station, making intermediate stops in Kenosha, Somers, Racine, Caledonia, Oak Creek, South Milwaukee, and Cudahy-St. Francis. Preliminary studies estimate the new service could support seven round trips per day with 4,100 in estimated, average daily ridership.

2. Currently, no state funds are provided for transit or commuter rail capital improvements. Federal funding for the KRM commuter rail project would likely be provided by the Federal Transit Administration's (FTA) new starts program. Capital costs for new starts projects can be funded at an 80% federal funds and 20% state/local funds basis. However, in recent years the federal percentage for commuter rail new starts projects has declined. In addition, proposed changes to the funding source for the federal new starts program could have an impact on the future federal funding levels for the program. The program has been 80% funded from the mass transit account of the highway trust fund and 20% from federal general fund revenues. The President's 2003 budget proposal would fund 100% of the existing new starts program from federal general fund revenue, which could make the funding more vulnerable to overall federal budget cuts. In addition, the future federal share of new starts projects would be reduced to 50%.

3. FTA's funding process for the capital projects requires that, prior to applying for discretionary federal new starts capital funds, an alternatives analysis must be completed on the project. The Southeast Wisconsin Regional Planning Commission (SEWRPC) is currently in the process of conducting an alternatives analysis for the KRM commuter rail project. The state has provided \$164,000 in multi-modal planning funds to assist in the alternatives analysis for the project. As part of the analysis, SEWRPC receives input from interested parties and holds public hearings on the various alternatives for the project and attempts to develop a local consensus for the project. The study will evaluate various transit options for the region, including possible routes for the various options. The study will also determine the costs, benefits, and the impacts of the alternative transportation investments, and will identify potential local funding sources for implementing the project and operating the service. Out of this process, a locally preferred alternative will need to be determined in order to begin the FTA new starts program funding process. However, the completion of the study and the selection of the locally preferred alternative do not guarantee funding or implementation of the chosen alternative.

4. As part of the federal funding process, after the locally preferred alternative is determined, FTA reviews the analysis and makes a determination regarding whether it is feasible for the project to move into preliminary engineering. DOT indicates that the estimated cost of the preliminary engineering for the KRM project is \$4.0 million. Under the Governor's proposal, 80%, or \$3.2 million, of the preliminary engineering cost would be paid from \$7.0 million in federal new starts funds the KRM corridor has already received. The remaining \$800,000 in engineering costs would be split evenly between the state and the local governments involved with the project. Therefore, the state's share would equal 10% of the total cost.

5. Some concern exists that the federal new starts funds already earmarked for a project in the KRM corridor could lapse back to the federal government if the funds are not used. The \$7.0 million in federal earmark funding includes \$1 million that was set aside in federal fiscal year 2000, \$4 million set aside in 2001, and \$2 million set aside in 2002. Federal transportation legislation has already extended the allowable time period for use of these funds. A portion of the funds could expire after this federal fiscal year unless additional federal legislative action is taken to extend the deadline for use of the funds.

6. SEWRPC has completed a draft alternatives analysis, but has not yet developed a locally preferred alternative. SEWRPC expects to complete the alternatives analysis and develop a locally preferred alternative sometime before the end of 2003. The following table provides information contained in the draft alternatives analysis on the estimated implementation schedule for the project.

Design	2003-2005
Construction	2006-2007
Vehicle Procurement	2006-2009
Begin Revenue Service	2010

7. One benefit of a KRM commuter rail line extension would be that the project would create an additional transportation and economic link between Milwaukee, Racine, Kenosha, and other communities in southeastern Wisconsin. DOT indicates that the project could provide a valuable transportation alternative to freeway travel in the area, which is becoming increasingly congested. Commuter rail in this corridor could provide economic growth and development opportunities for communities along the rail line. The project could also make a larger number and more wide array of job opportunities accessible for the area's labor market. The project has strong support from certain employers who wish to access that labor market to a greater extent.

8. The KRM commuter rail project is consistent with DOT's long-range transportation plan and the project will likely be included in the transit element of DOT's Connections 2030 plan. Providing the preliminary engineering funding at this time would allow the project to move forward, while funding for the remaining capital costs and the operation of the service can be determined at a later date. In addition, providing preliminary engineering funding for the project would be consistent with the state's earlier decision to fund a portion of the Dane County commuter rail engineering study. Portions of that study were funded from state highway funds as part of the State Highway 12 project agreement.

9. Providing state funding for the project could be seen as the state making a commitment to provide additional funding for the actual construction of the project or operation of the commuter rail service. The draft alternatives analysis estimates the total capital costs for the project at \$152 million under the currently preferred medium level of service alternative. The Governor's recommendation would put in place a policy that outlines the potential for future state funding for commuter rail projects. Under the recommendations, DOT would be provided the authority to award grants to political subdivisions for preliminary engineering, property acquisition, equipment acquisition, and infrastructure construction projects related to the development or extension of commuter rail transit systems in this state. Such grants would be limited to the lesser of 50% of the non-federal portion of the project cost or 25% of the total project cost. Such a policy could result in a future state contribution for the KRM commuter rail project of \$38 million if the federal matching percentage is reduced to 50%. However, a future Legislature would have to appropriate the funds in order for DOT to proceed with making a grant. In addition, the project would have to be enumerated by the Legislature.

10. The estimated, annual operating cost for the KRM commuter rail extension would be \$15.4 million per year under the currently preferred medium level of service alternative. Farebox revenues would cover an estimated 17% of these costs. The state does not provide operating assistance for commuter rail transit. However, the federal government does provide some commuter rail operating assistance. The extent to which the state would be asked to provide operating assistance for the KRM commuter rail project is not known. In its 2003-05 biennial budget request, DOT indicated that it would develop a policy on providing operating assistance for commuter rail service during the biennium and request statutory modifications necessary to implement the Department's suggested policy in the agency's 2005-07 budget request.

11. If the Committee wants to clarify that providing the funds necessary to complete

preliminary engineering on the KRM project would not be committing the state to fund capital costs at this time, the Committee could delete property and equipment acquisition and infrastructure construction as allowable expenses for which a grant could be made. The Legislature could address the type of commuter rail expenses that could be eligible for a state grant during the 2005-07 biennial budget deliberations when the Department forwards any property acquisition or capital improvement funding requests for commuter rail projects in the state.

Ongoing Program Funding

12. The \$400,000 in funding for the preliminary engineering on the KRM commuter rail project was included in DOT's 2003-05 biennial budget request. However, DOT requested the funds in 2003-04 only, which would mean that funding would not have been ongoing under the Department's request. Conversely, the Governor's recommendation would provide \$400,000 in 2004-05, and the funding would become ongoing, base level funding for the 2005-07 biennium.

13. DOA indicates that the funding is being provided on an ongoing basis because the preliminary engineering costs may be higher than initially expected, and the \$400,000 in 2005-06 may be needed to complete that engineering work. Also, DOA indicates that if the 2005-07 funding would not be needed to complete preliminary engineering, it would be available to assist with the full engineering and design phase of the project, which could require that the state provide \$400,000 annually in the next biennium for its completion. Project costs through the design phase are estimated at \$10 million under the medium level of commuter rail service alternative.

14. DOA also notes that the ongoing funding is being provided because a new program is being created for which other commuter rail projects may be eligible. At this time, DOT indicates that the only other commuter rail project under consideration would be the extension of Metra service to Rock and Walworth counties, but the project is at a very preliminary stage. Because the number of commuter rail transit projects appears limited, the Committee could provide the funding on a one-time basis. Under this alternative, the funding would not be carried forward as base level funding in the 2005-07 biennium. The appropriation and program structure would continue to exist, which would allow funds to be appropriated in the future as the need arises.

15. The Committee could provide the funding in 2003-04 in a biennial appropriation, rather than an annual appropriation. Under this alternative, the KRM project could receive the funding in 2003-04, as it was initially requested by the Department, or in 2004-05 if the funding is needed at a later date. However, because the funding would be provided in 2003-04, it would not be considered base funding for the program for the 2005-07 biennium. The Legislature could then address the level of future funding for the grant program in conjunction with all of the other funding priorities within the transportation fund at that time.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$400,000 SEG in 2004-05 for grants for commuter rail system development. Require DOT to administer a commuter rail transit

system development grant program and provide the Department the authority to award grants from the newly-created appropriations.

2. Modify the Governor's recommendation to specify that the \$400,000 SEG funding be provided in 2003-04 in a biennial appropriation. (The funding would not become base level funding for the 2005-07 biennium).

3. In addition to either Alternative 1 or 2, delete the acquisition of property and equipment and the construction of commuter rail capital projects as eligible costs that could be funded from the grant program. (Grant funding would be limited to preliminary engineering of commuter rail development projects).

4. Delete provision.

Alternative 4	SEG
2003-05 FUNDING (Change to Bill)	- \$400,000

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