



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #641

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

[LFB 2015-17 Budget Summary: Page 439, #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, annual statutory distribution for all tiers of systems is set at \$110,737,500 for calendar year 2015 and thereafter, while base year funding for this distribution equals \$107,543,200.

GOVERNOR

Provide \$3,194,300 SEG annually to fully fund the 4% calendar year 2015 increase in mass transit operating assistance provided in 2013 Act 20.

DISCUSSION POINTS

1. While the Governor's recommendation would fully fund the current law distribution level, no additional funding increase would be provided for mass transit operating assistance in calendar years 2016 and 2017. 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 by \$8,295,600 from 2008 through 2011, but then was reduced by \$11,830,900 beginning in 2012. Despite a 4% increase in the 2015 aid level, state transit aid remains below the 2009 aid level. However, a new transit-related program that funds local paratransit needs was created under the 2011-13 budget, which currently provides \$2.75 million

annually in funding. This new program has also mitigated some of the 2012 transit aid reductions.

TABLE 1
Mass Transit Operating Assistance Funding
(2008-2017)

<u>Calendar Year</u>	<u>Amount</u>	<u>Percent Change</u>
2008	\$110,013,600	
2009	112,643,900	2.4%
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

*Proposed.

2. According to the 2015-17 budget request of the Department of Transportation (DOT), over the past 10 years, annual state aid as a percentage of annual transit costs statewide has declined from 39.2% in 2004 to 34.3% in 2014. The budget request indicates that the 2012 state aid reductions, combined with limits on the amounts that local governments can levy for the service they provide, have resulted in transit service reductions and fare increases for many systems statewide. The Department's request also notes that these service declines have resulted in a decline in overall ridership.

3. Table 2 compares the number of unlinked transit trips (the number of passengers who board public transportation vehicles) in Wisconsin in 2002, 2011, and 2013, as reported to the National Transit Database, for the state's larger transit systems. The figures for 2011 and 2013 provide an indication of DOT's concern relating to the 2012 reductions. All but four systems experienced declines in the number of unlinked transit trips from 2011 to 2013. As indicated in the table, Milwaukee County has experienced a significant decline in the number of transit trips taken since 2002, with a decline of 29.9% from 2002 to 2011 and an additional decline of 5.1% from 2011 to 2013. This is primarily due to a series of service reductions and fare increases. Total transit trips, excluding the Milwaukee County system, increased from 2002 to 2011 by 17.9%, despite some of systems experiencing declines. However, from 2011 to 2013, the total number of rides declined for that same group of systems by 3.3%, which, as DOT has indicated in its budget request, could in part be the result of the combination of transit aid reductions and limits on local property tax levies. Comparatively, nationwide the number of transit trips for the same type of transit systems increased slightly from 2011 to 2013.

TABLE 2

**Comparison of Unlinked Transit Trips
in 2002, 2011, and 2013**

	<u>2002</u>	<u>2011</u>	<u>2013</u>	<u>Percentage Change</u>		
				<u>2002 to 2011</u>	<u>2011 to 2013</u>	<u>2002 to 2013</u>
Appleton	1,165,818	1,251,119	1,274,139	7.3%	1.8%	9.3%
Eau Claire	1,248,426	1,104,317	1,072,123	-11.5	-2.9	-14.1
Green Bay	1,782,904	1,605,624	1,539,293	-9.9	-4.1	-13.7
Janesville	473,676	459,557	510,646	-3.0	11.1	7.8
Kenosha	1,806,896	1,618,585	1,319,931	-10.4	-18.5	-27.0
La Crosse	977,380	1,326,490	1,229,410	35.7	-7.3	25.8
Madison	11,144,325	15,192,912	15,001,760	36.3	-1.3	34.6
Milwaukee County	64,033,885	44,886,663	42,613,375	-29.9	-5.1	-33.5
Oshkosh	1,017,029	1,029,866	1,008,150	1.3	-2.1	-0.9
Ozaukee County	173,778	193,951	212,920	11.6	9.8	22.5
Racine	1,812,512	1,571,354	1,395,324	-13.3	-11.2	-23.0
Sheboygan	642,510	515,098	562,752	-19.8	9.3	-12.4
Washington County	55,942	227,138	210,524	306.0	-7.3	276.3
Waukesha	807,591	1,260,467	1,206,354	56.1	-4.3	49.4
Wausau	<u>779,459</u>	<u>797,445</u>	<u>675,612</u>	2.3	-15.3	-13.3
15-System Total	87,922,131	73,040,586	69,832,313	-16.9%	-4.4%	-20.6%
Total (without Milwaukee County)	23,888,246	28,153,923	27,218,938	17.9%	-3.3%	13.9%

4. Many contend that a having a vital and expanding transit system is a crucial component of an overall transportation system, and is necessary to provide a mobility option to an aging population. Also, studies have shown that those between ages 18 and 30 are driving less and are less likely to own a car. Further, a 2014 Rockefeller Foundation study found that four out of five young working adults (18 to 34 years of age) say they want to live where the transportation system provides them a variety of options to get to their jobs or other destinations, and not have to rely on a car. While the survey indicates that it included respondents in cities with mature transit systems, which may have caused some self-selection, 54% of those surveyed stated they would move to another city if it had better transportation options, with 66% saying access to such high quality transportation systems is one of their top three criteria in deciding where to live. Some contend that additional investments in transportation options, especially transit options, are needed to remain competitive in encouraging younger workers to remain in, or relocate to, the state.

5. DOT, in its 2015-17 budget request, recommended significant increases in funding for transit in addition to the amounts recommended by the Governor to fully fund the calendar year 2015 distribution amounts. Also, DOT's request would have converted the existing transit program, as well as the requested increases, from a SEG-funded program to a GPR-funded program. The

requested increases are included in Table 3. In requesting these funds, DOT recognized the recent 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 indicated that transit services are an important link between the state's employers and workers that get employees to and from their jobs. Recognizing the importance of transit in linking employers and their workers, DOT recommended the creation of a supplemental transit expansion program specifically aimed at establishing a meaningful connection to employment and to encourage economic development through enhanced transit services.

TABLE 3

**DOT's 2015-17 Budget Request
(Transit-Related Items)**

	<u>2015-16</u>	<u>2016-17</u>
2% Annual Increase in Transit Aids	\$553,800	\$2,779,800
Funding for Additional Tier C Systems	97,200	388,700
Supplemental Transit Expansion Program	4,044,400	16,177,600
Transit Capital Assistance Program	<u>15,000,000</u>	<u>15,000,000</u>
Total	\$19,695,400	\$34,346,100

6. 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 2016, with no additional increase in 2017. [Alternative #A2]

TABLE 4

Potential Funding Changes

<u>2016 Change</u>	<u>2015-16</u>	<u>2016-17</u>
1.0%	\$276,900	\$1,107,400
2.0	553,800	2,214,800
3.0	830,600	3,222,100
4.0	1,107,500	4,429,600

7. While DOT requested the existing mass transit operating assistance program to be funded from GPR, the Governor's recommendations would continue to fund the program from the transportation fund. The ability to provide an increase in mass transit aid may be limited given the

long-term demands on the transportation fund and the ongoing revenue concerns, which are not addressed in the Governor's recommendations. Although some have pointed to the Governor's recommendation for a 6.4% increase in state highway improvement expenditures as a reason to provide increases to other programs like the mass transit aid program, cash financing for the highway improvement program would decline by 14.3% under the bill. The increases in funding for the highway improvement program would be funded entirely with borrowing.

8. Further, despite receiving funding from the transportation fund that subsidizes their costs, mass transit riders do not directly pay fees or taxes deposited into the transportation fund and fuel purchased by the transit systems is exempt from the state's motor vehicle fuel excise tax. Therefore, given the long-term financial constraints facing the transportation fund, and barring any revenue increases, some contend that any funding increases under the bill should be focused on the state and local highway programs because highway users are the primary payers to the transportation fund.

9. Due to concerns about the transportation fund's ongoing revenue issues and the extensive use of long-term borrowing for the highway program included in the bill, revenue increases or program reductions, or a combination of both, may have to be made. Any significant reductions in bonding would require significant reductions to the highway-related programs, for which the Governor is recommending nearly \$1.3 billion in bonding. If such reductions are made to the highway program, some reductions could also be made to the Department's two, major local assistance programs: urban mass transit assistance and general transportation aids. Although, in 2012, significant reductions were already made to the urban mass transit operating assistance (-10.0%) and general transportation aid program (-6.0% for municipalities and -9.4% for counties), a portion of the 2012 aid reductions were mitigated when 2013 Act 20 provided a 4% increase in calendar year 2015 for the two programs. However, if the Committee believes that significant reductions need to be made to the highway programs, the deletion of the 4% increase in mass transit and general transportation funding, beginning in 2016, may be considered. This would reduce mass transit aid funding by \$1,064,700 in 2016-17 and \$4,259,200 in 2016-17 (the calendar year 2015 aid levels would remain unaffected). [Alternative #A3]

10. If no funding increase is provided over the 2014-15 base level, the appropriation levels for the 2015-17 biennium would not be sufficient to fund the 4% increase in the 2015 statutory distribution levels. In order to fully fund the 2015 increase, the bill provides \$3,194,300 annually. If no increases are provided, DOT would have to prorate payments in 2015 and thereafter at 97.1%. This would reduce aid payments below the amounts anticipated when local governments established their December, 2014, property tax levies. [Alternative #A4]

Tier C Systems

11. Under its budget request, DOT requested \$97,200 in 2015-16 and \$388,700 in 2016-17 to provide funding to four, new Tier C transit systems. The Department indicates that the new systems would include: (a) the Scenic Mississippi Region transit system service connecting Prairie du Chien, Viroqua, Westby, and La Crosse; (b) the Lac du Flambeau Tribal service, which covers the Lac du Flambeau reservation and provides daily trips between the reservation and Minocqua and Woodruff; (c) the Tri-County Transit system providing service in Forest, Oneida, and Vilas

counties; and (d) a Walworth County elderly and disabled transportation service expansion to the general public through a shared-ride taxi service.

12. The Governor's Executive Budget Book indicated that he was recommending that these four systems be eligible for mass transit operating assistance, but the bill would not provide any additional funding. Because they are already eligible for funding, the Scenic Mississippi Region transit system and the Lac du Flambeau Tribal service system will receive aid in 2015. For Tiers B and C, state transit aid payments are made so that total state and federal aid equals a uniform percentage of operating expenses for each system within a tier. Therefore, each system's annual aid payment is dependent upon how their annual costs change relative to the change in total costs of all systems within their tier. Consequently, because no additional funding would be provided under the bill to cover any of the costs associated with the four new systems beginning to provide service, aid to the four new systems will reduce the state aid that would otherwise be distributed to the remaining Tier C systems. To remedy this situation, the Committee could provide the funding requested by DOT. [Alternative #B2]

13. A small number of Tier C transit systems begin or drop service from year-to-year, which impacts the funding distribution to systems within the tier. Also, expansions and subtractions to the level of transit service provided occurs among the Tier C systems that provide service each year. Similar to the Governor's recommendations, these changes in service levels and corresponding costs occur each year among Tier C transit systems without the state making any corresponding changes in funding to reflect those changes in service and costs.

ALTERNATIVES

A. Funding Level

1. Approve the Governor's recommendation to provide \$3,194,300 annually to fully fund the 4% calendar year 2015 increase in mass transit operating assistance provided in 2013 Act 20. No additional funding increase would be provided for mass transit operating assistance in calendar years 2016 and 2017.

2. Provide one of the following funding increases in calendar year 2016, and set the annual distribution among the tiers of systems accordingly.

	Percent Change	<u>2015-16</u>	<u>2016-17</u>	<u>Biennium</u>
a.	1.0	\$276,900	\$1,107,400	\$1,384,300
b.	2.0	553,800	2,214,800	2,768,600
c.	3.0	830,600	3,322,100	4,152,700
d.	4.0	1,107,500	4,429,600	5,537,100

3. Modify the Governor's recommendations by deleting the 4% increase provided under 2013 Act 20, effective for calendar years 2016 and thereafter, and reduce funding by \$1,064,700 in

2015-16 and \$4,259,200 in 2016-17 to reflect this change. Set the annual distribution among the tiers of systems for calendar year 2016, and thereafter, as follows: \$61,724,900 for Tier A-1; \$16,219,200 for Tier A-2; \$23,544,900 for Tier B; and \$4,989,300 for Tier C (calendar year 2015 aid would be unaffected, but aid in calendar year 2016 and thereafter would return to the calendar year 2014 level).

ALT A3	Change to Bill
SEG	- \$5,323,900

4. Delete provision (funding would equal 97.1% of the statutory distribution, requiring aid to be prorated by DOT in 2015 and thereafter).

ALT A4	Change to Bill
SEG	- \$6,388,600

B. Funding for Additional Tier C Systems

1. Approve the Governor's recommendation to fund mass transit operating assistance for Tier C systems at the current law level of \$5,188,900 annually.

2. Provide \$97,200 in 2015-16 and \$388,700 in 2016-17 to provide funding to four, new Tier C transit systems and increase the annual, calendar year distribution amount for Tier C by \$388,800 for 2016 and thereafter. Adjust these amounts to reflect any decision by the Committee to modify the overall funding recommended by the Governor for mass transit operating assistance.

ALT B2	Change to Bill
SEG	\$485,900

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