

Transportation Development Association



Issue Paper #4

Public Transit Critical to Balanced Transportation

This is the fourth in a series of issue papers on key transportation topics facing the Wisconsin Legislature in the 2003-05 state budget

Public transportation provides essential mobility in communities throughout Wisconsin by providing travel options for those who cannot or choose not to drive. From bus service in urban centers to shared-ride taxis in smaller communities, transit plays a vital role in the state's economic, social and transportation agendas:

- In the state's busiest travel corridors, bus service helps alleviate rush-hour congestion, cuts vehicle emissions and provides a stress-reducing alternative during peak demand periods such as Summerfest, sporting events or during construction on major highway and bridge projects.
- Employers like General Motors in Janesville and the University of Wisconsin rely on public transportation to link workers with jobs, and it's likely the trip to self-sufficiency for those participating in the Wisconsin Works welfare reform program began on a bus.
- Shared-ride taxi and transportation services for the elderly and disabled have enhanced mobility in a growing number of the state's smaller communities while allowing a broader segment of our population to benefit from the services and quality of life that make Wisconsin a great place to live.

But current funding pressures at both the state and local government levels will challenge transit's ability to continue providing approximately 75 million passenger trips annually.

Snapshot of transit in Wisconsin

Wisconsin currently has 26 bus systems and 43 shared-ride taxi services. These range in size from the Milwaukee County Transit System – by far the state's largest operator with a fleet of more than 500 buses and an annual budget of \$140 million – to the shared ride taxi system in Grant County with annual expenses of less than \$50,000. In addition, the state administers two programs that provide operating and capital assistance to counties

for specialized transportation services for elderly and disabled citizens.

Wisconsin has been a leader nationally in providing state support for transit operating expenses since 1974, currently providing about \$96 million annually to cover an average of 40% of system operating costs. For purposes of distributing state aid, transit

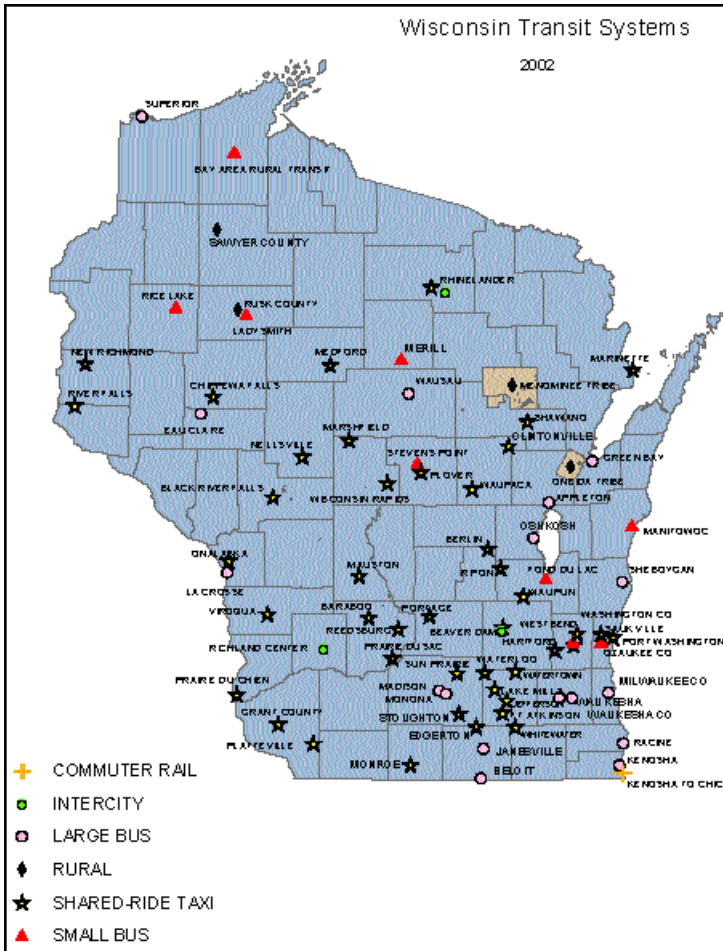
systems are divided into four tiers based on the size of the service area, with all transit operators within a tier receiving the same percentage of operating costs covered with state and federal funds.

The state program providing elderly and disabled transportation assistance to counties was created in 1978 and is currently funded at \$7.9 million annually. There are two components to this program: County Aid to either directly provide or subsidize transportation services to the elderly and disabled; and Capital Assistance to pay a portion of the cost of purchasing vehicles.

Transit funding pressures

Like all transportation programs receiving state support, public transportation will feel the impact

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- Decrease service, which also reduces ridership and tends to eliminate routes in outlying areas where many of the new jobs are being created.
- Cut costs or increase funding at the local level. However, transit must compete with a host of other local needs (social services, law enforcement, libraries, etc.) for revenues from the property tax, and there is extreme pressure to contain future increases.

The budget pressures on local transit systems underscore the inadequacies of funding sources at both the state and local levels.

Wisconsin ranks among the top states in allocating traditional transportation user fee receipts (motor fuel taxes and vehicle registration fees) for transit assistance because they make up the vast majority of state transportation revenues. Other states have implemented a variety of mechanisms for financing transit, including general funds, general obligation bonding or some variation of state sales tax revenue.

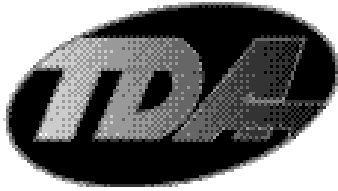
of steps being taken in the 2003-05 budget to address the current General Fund deficit. As it did with all other major transportation programs, the Legislature's Joint Committee on Finance recently froze state transit operating assistance at this year's level in its version of the budget (elderly and disabled transportation aid received an inflationary increase).

This will likely force tough decisions at the local level, none of which will be well-received. Faced with a freeze in state funding that already covers an average 40% of their system's operating costs, local officials could be forced to:

- Raise fares, which usually results in decreased ridership. A common industry standard is that a 10% increase in fares triggers a 3% decrease in ridership.

Currently, the already overburdened property tax is the only source of local funding for transit in Wisconsin. The Milwaukee County Transit System is the largest in the country that does not have a dedicated non-property tax source of funding. Nearly every system in the country that is keeping up with growing needs for service can develop long-term plans because it has the funding certainty of local-option revenues, such as a sales tax.

Wisconsin's transit systems exceed state-mandated standards for cost-efficiency while creating a balanced transportation system and generating more than \$360 million in economic output. But the narrow base of funding for transit at the state and local levels will continue to present challenges in the years ahead.



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Issue Papers in this series include:

#1 Transportation a Key Business Asset in a Changing Economy

#2 The Cost of Transportation Fund Bonding:
Cash or Charge?

#3 Transportation Funding:
How Does Wisconsin Compare

The Transportation Development Association of Wisconsin is a statewide, nonprofit organization working for an efficient transportation system for Wisconsin that addresses safe mobility and economic growth. To receive a copy of previous issue papers or for further information please contact the TDA office:
(608) 256-7044 or general@tdawisconsin.org
or visit us on the web:
www.tdawisconsin.org

Transportation Development Association of Wisconsin
131 West Wilson Street, Suite #302
Madison, WI 53703