

MILWAUKEE COUNTY'S TRANSIT CRISIS: HOW DID WE GET HERE AND WHAT DO WE DO NOW?

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EXECUTIVE SUMMARY

The recent history of transit in Milwaukee County is one marked by desperation and false hope. Simply put, public funding sources have not kept pace with growth in operating costs. While warning about the consequences, transit officials have averted disaster – and perhaps inadvertently delayed a solution – by spending down reserves, deferring needed capital expenditures and implementing gradual service cuts and fare increases.

The hope was that elected officials would heed the warnings and provide a dedicated funding source – one that would be sizable enough to both restore and enhance service, including the types of improvements that would attract new riders and provide for steady revenue growth. That hope, of course, has not materialized. And now, the hole that has been dug is so deep that there are few practicable solutions.

Policymakers face a stark choice. They can accept a transit system that is a shell of its former self – one that contains no freeway flyer service, few night and weekend options, and sparse service west of 76th Street, south of Oklahoma Avenue or north of Silver Spring Drive – or they can consider one or more selections from a difficult menu of policy options that could either delay the day of reckoning once again, or perhaps prevent it altogether.

Key findings from our analysis of the Milwaukee County Transit System funding crisis:

- Barring an infusion of new funds from the federal government, the need for federal funds in the system's operating budget soon will outstrip the amount of funds available by well over \$15 million annually. Funding projections developed by the Forum – and reviewed for reasonableness by current and former Milwaukee County Transit System (MCTS) officials – show potential overall shortfalls of \$1.6 million in 2009, \$18.3 million in 2010, \$23.7 million in 2011 and \$21.1 million in 2012.
- Since 2001, nearly \$40 million of a \$44 million reserve of federal capital funds has been allocated by the county to fill holes in MCTS' operating budget and avoid significant service cuts. At the same time, bus purchases have been deferred to allow for the expenditure of those reserves on operations. The elimination of the reserve and the looming need to replace at least 150 buses sets up an ominous fiscal crisis.
- MCTS not only faces serious funding issues pertaining to fixed route service, but it also must address a growing funding gap in paratransit services for persons with disabilities due to increased demand for those services.
- MCTS' fiscal challenge has been greatly exacerbated by a new governmental accounting rule that requires the system to budget annually for its long-term liability for retiree health care benefits. This has added approximately \$8.5 million per year to MCTS' operating budget.

- MCTS buses carried 10.3 million fewer riders in 2007 than they carried just seven years earlier, ranking it first among 13 peer transit systems in lost riders from 2000 to 2006. Only once in the last seven years did MCTS see an increase in ridership (a 1.9% increase between 2004 and 2005). The uptick corresponded to the only year that fixed-route bus service was increased.
- The cost effectiveness of MCTS buses was best among peer systems in 2006 based on data from the Wisconsin Department of Transportation and the Federal Transit Administration, indicating that further cost savings due to efficiency improvements may be limited.

Our report also analyzes survey data collected by MCTS from its riders. We found that 43% of riders use the bus system to get to and from work, and that three-quarters are "captive", meaning other transportation choices are not always available to them. As policymakers consider the future of transit in Milwaukee, they must consider that a severe reduction in bus service may negatively impact Milwaukee's economic competitiveness by impeding the ability of potential workers to get to jobs throughout the region.

One widely discussed potential solution to MCTS' financial problems is a dedicated regional sales tax to bridge MCTS' budget gap, remove transit costs from the property tax throughout the region, and fund the operations of a new Kenosha-Racine-Milwaukee (KRM) commuter rail line. While this may be the ultimate solution, there are significant obstacles that could impede enactment, including the potential need to secure voter approval, and the definite need to secure state legislative approval.

This report discusses other options that are immediately available to policymakers. We cite options that would not involve enactment of new taxes or fees, but would almost certainly necessitate severe cuts in service; and we discuss a potential "triage" approach that would make use of the one revenue enhancement mechanism currently available to Milwaukee County policymakers, and some or all of the \$91.5 million available from the Milwaukee Connector Study. We also provide context for consideration of potential long-term funding sources that would require state approval. The following are highlights of our analysis of potential policy options:

- Under a "year-to-year" scenario, county and state policymakers would continue the same budget approach that has been employed during the past several years. No new local or regional revenue sources would be considered, and Milwaukee County would deal annually with the policy choices available to it to address the system's deficit. Potential options would be to divert property tax dollars from other county functions; capture annual property tax increases specifically for mass transit; seek savings by again putting the system's management contract out to bid; raise paratransit fares, cut paratransit service and/or increase the paratransit charge to human services programs, with savings diverted to fixed route transit; or continue to raise fares and cut service. Because of the magnitude

of the projected budget gap, it is likely that a combination of these options would be necessary, and that ultimately, the service cuts required would leave a transit system that operates almost exclusively within city borders.

- A “triage” approach would focus on solutions that Milwaukee County could pursue without state legislative approval to immediately put MCTS back on sound fiscal footing for at least the next two years while preventing service cuts and further depletion of reserves. Its two components would be a \$10 vehicle registration fee for all vehicles kept in Milwaukee County, and the use of some or all of the \$91.5 million in federal funds available for the Milwaukee Connector Study to implement a “Bus Rapid Transit” (BRT) system. Under this scenario, the projected budget hole could be eliminated for 2009 and almost eliminated for 2010, before escalating in 2011 and 2012, though to a lesser extent than otherwise forecast. This approach would allow bus purchases to begin in 2010 while buying two additional years of stability in service levels, as well as significantly reducing pressure on the county to identify additional property tax dollars for transit during that time.

If the goal is to preserve the existing level of transit service for the long-term, then the triage approach would not be sufficient, but would have to be accompanied by a permanent, dedicated funding source. We project that any long-term funding approach must provide a minimum of \$21 million to a maximum of \$43 million in additional revenue per year, depending on whether the goal also is to eliminate use of property tax dollars for transit, and depending upon whether the BRT option moves forward. Those numbers do not take into account the additional dollars that would be needed to pay for a potential Milwaukee County local share for KRM commuter rail or potential bus service enhancements above and beyond BRT.

Some have suggested that the state should be responsible for bridging the gap, while others have suggested that is not realistic in light of the state’s own fiscal problems. Either way, if the gap is to be addressed in the long-term, then action likely will be required by the legislature and governor to either provide a state solution, or provide the county or region the authority to enact revenue enhancements. For the sake of context, we estimate that a Milwaukee County sales tax of between .16% and .33% or a Milwaukee County gas tax of between 5.9 cents and 10.8 cents per gallon would be required. The low end requirements assume existing property tax contributions continue as part of the transit funding mix, while the high end requirements assume property tax support for transit is eliminated.

The primary purpose of this report is to ensure that policymakers understand and acknowledge the dimensions of the problem facing MCTS. What is most critical is that they act immediately to implement realistic short-term and long-term fiscal solutions, or develop a plan for strategically ramping down transit service in a manner that will cause the least harm to riders and the local economy.