

Reroute for Transit

After years of flat funding, the governor's budget would increase state spending on public transit. While adoption is uncertain, the proposals would help Milwaukee County, which has struggled to maintain existing transit services and replace aging buses. Yet, even with the added state funding, structural challenges would remain for the county transit system and its budget.

Our March 2019 State Budget Brief identified transportation as one of the key issues likely to dominate upcoming budget deliberations. While our analysis focused on funding for the state's roads, the governor's budget also includes smaller but notable proposals for public transit services. We highlight those proposals and their potential impacts on the state and its largest county here.

Funding Boost for Operations

The governor's bill proposes a 10% increase in general transit aids beginning in calendar year 2020, which would boost state funding from about \$111 million to \$122 million. General aids support transit system operations in places that include a city or village with a population of at least 2,500; in 2018, 74 transit systems received funding from the program. The vast majority of that funding supports bus services, though assistance also is provided for shared-ride taxi services and the city of Kenosha's downtown streetcar. Rural and tribal transit services are funded through separate, federal programs.

The proposed boost in state funding for transit operations would be the largest in recent years. According to the Wisconsin Legislative Fiscal Bureau, general transit aids have been relatively flat for the last decade and were 3.6% lower in 2019 than in 2011. (See Figure 1.) Governor Evers' proposal would put the state's 2020 funding level slightly above 2011 levels in nominal value, though it would remain lower after adjusting for inflation. (The state's funding level from 2011 would be worth about \$133 million in today's dollars.)

The bill also includes a 10% increase in annual funding for paratransit services, which are designed for people with disabilities. Currently, the state provides \$2.75 million for paratransit services each year, with funding distributed to transit systems based on their expenses and total revenue miles. That would increase by \$275,000 annually beginning in fiscal year 2020 (which runs from July 1, 2019 to June 30, 2020).

New Capital Program

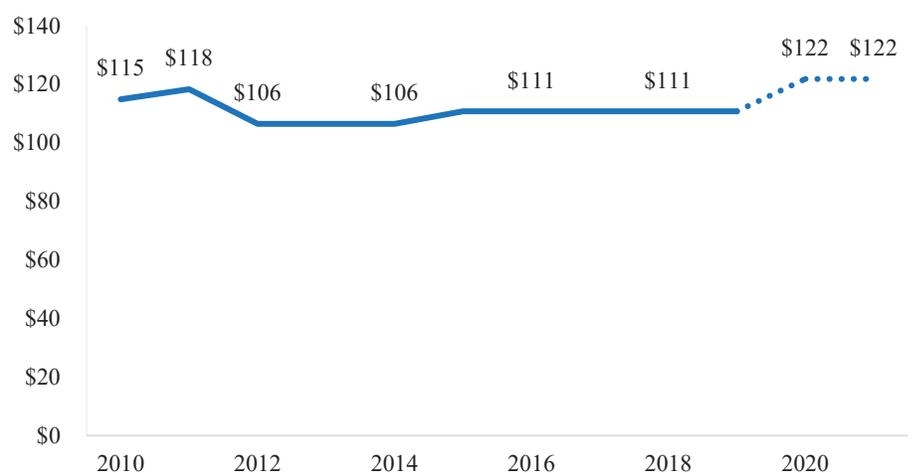
The other major transit proposal in the governor's budget would introduce a new capital assistance program for urban areas, which would provide funding for transit systems to replace aging buses. The budget calls for the capital program to begin in fiscal year 2021 with an annual budget of \$10 million.

No state capital transit program currently exists in Wisconsin. Local governments instead rely on federal and local funding sources to finance bus replacements and to make other capital improvements related to their transit operations (e.g. repair facilities and technology). Our research indicates that most other states provide some level of capital transit assistance.

Impacts on Milwaukee County

To put the potential impacts of the governor's proposals into perspective, we took a closer look at Milwaukee County, which has the largest transit system in the state. In fact, the Milwaukee County Transit System's (MCTS) total 2018 expenses of \$174 million were roughly equal to those of the rest of the state's transit systems combined, and MCTS received 58% of the state's total general transit aids that year.

Figure 1: Increased Support for Transit Operations Would End Flat Funding Trend
State General Transit Aids by Calendar Year and Governor's Proposal (in Millions)

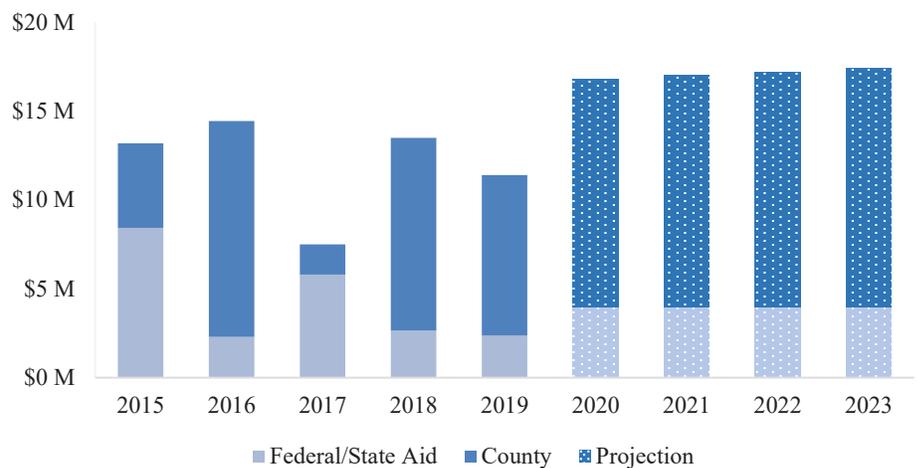


Under the budget bill, MCTS would receive approximately \$6.4 million more in annual operating funds beginning in calendar year 2020. Ideally, that additional funding would be used to add service to existing bus routes or to introduce new routes. For perspective, MCTS expects to spend about \$6.6 million in 2019 to operate the GreenLine (one of its core bus routes), so an extra \$6.4 million ostensibly would be enough to support a major new route or multiple smaller routes or extensions.

Unfortunately, because of a stubborn structural deficit that has impacted MCTS finances and service levels for years, such an increase would need to be allocated largely to meeting the system’s “cost to continue.” In fact, Milwaukee County’s budget director recently notified the county board that due to a combination of factors (increasing costs related to employee benefits, fuel, etc.; loss of temporary revenue sources; and a potential levy reduction target), MCTS could enter 2020 with a budget gap of about \$6.4 million—an amount equal to the proposed increase in state aid.

With regard to the state’s new capital transit program, the budget does not specify how much of the \$10 million annual total would go to Milwaukee County. If roughly half does so, as is the case with state aids for transit operations, then Milwaukee County could expect to receive approximately \$5 million per year, which would be enough

Figure 2: Replacing Buses a Major Fiscal Challenge for Milwaukee County
County Bus Replacement Budget and Projected Budgets 2015-23 (in Millions)



to replace about 10 buses annually (out of a fleet of about 400).

In March, the state signaled its intent to award \$32 million from the recent Volkswagen settlement to local governments for bus replacements, including \$5.5 million for Milwaukee County. That would allow Milwaukee County to replace about 11 buses. The governor’s budget seeks to award the remaining \$25 million from the settlement, which could bring additional one-time funds to the county.

Together, these new sources of capital funding could provide modest relief to the county’s overwhelming capital finance challenges. Previous Forum research identified the need for Milwaukee County to optimally replace about 30 buses per year. To do so, the county projects a need of about \$13 million each

year in local funding to pay for bus replacements per its latest five-year capital plan (see Figure 2), which would comprise nearly a third of the county’s total annual borrowing capacity. The ability to access \$5 million per year in state funding for bus replacements from the proposed capital transit program would reduce but not eliminate that challenge.

The Road Ahead

Transit is a relatively small item in the state budget and thus has not received the level of attention the state’s roads and other items have. This makes it more difficult to predict the likelihood for the governor’s transit proposals to survive upcoming budget deliberations. State GOP leaders have not supported additional spending on transit in recent years, however, so the path forward is likely to be thorny. □

