

EXECUTIVE SUMMARY

# WHEELS ON THE BUS

*Gauging the Outlook for Public  
Transit in Wisconsin*



WISCONSIN  
**POLICY FORUM**

# EXECUTIVE SUMMARY

The COVID-19 pandemic has disrupted many aspects of daily life in Wisconsin, and public transportation is no exception. Over the last year, ridership on the state's public transit systems has declined dramatically as pandemic-related circumstances and restrictions eliminated thousands of trips. While economic conditions have now improved, continued high rates of unemployment, work-from-home practices, and special event cancellations have continued to diminish transit ridership.

Substantial allotments of funds provided under three federal relief packages will offer a temporary life raft to most systems. However, whether those funds will be sufficient to allow all systems to sustain their operations as the economy recovers over the next few years is yet unknown and may depend on the extent to which ridership rebounds. Meanwhile, once the relief funds are exhausted, even larger questions loom about future ridership trends and whether Wisconsin transit systems will need to replenish their budgets with much larger infusions of limited local dollars than was the case prior to the pandemic.

In this report, the Wisconsin Policy Forum attempts to shed light on those questions by analyzing the current finances and financial outlook of six Wisconsin transit systems. The selected systems serve as a proxy to consider the overall status of public transit in Wisconsin.

## Transit System Snapshots

The six transit systems we selected are of varying sizes and locations across the state. They include the state's two largest systems: Milwaukee County Transit System and Madison Metro Transit; three medium-sized systems: Valley Transit (Appleton), Janesville Transit System, and Metro Ride (Wausau); and one smaller system: Central Transportation in Stevens Point. We collected and analyzed data from each of these systems and interviewed their leaders.

To broaden our perspective, we also interviewed the leaders of four additional transit systems that provide unique services or are distinct in the ways in which they are structured or governed: Green Bay Metro, Ozaukee County Transit Services, Waukesha Metro Transit/Waukesha County Transit, and Bay Area Rural Transit.

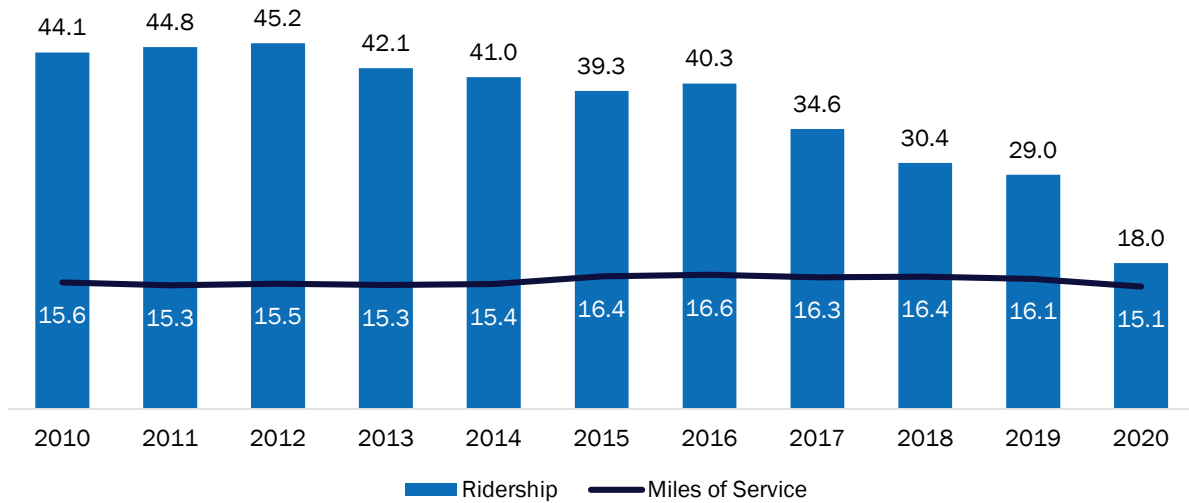
We provide brief summaries of our findings for the six systems that were our primary focus below. Findings for the four additional systems are included in the full report.

### Milwaukee County Transit System(MCTS)

MCTS' fixed route ridership has been declining for several years (see **Chart 1**), which has also caused farebox revenues to decline. In light of largely flat state and pre-pandemic federal aids, Milwaukee County has been required to increase its funding to fill the gap. The county's ability to devote greater shares of its annual property tax levy on a long-term basis is dubious, however, and vehicle registration fee (VRF) revenues will remain flat unless the existing \$30 fee is increased. Fortunately, the impacts of this worsening financial outlook appear to be on hold through at least 2024 because of MCTS' inflow of more than \$180 million from the three federal relief laws. Yet, once those funds are exhausted, and even if ridership returns to pre-pandemic levels, MCTS' structural gap likely will be even larger than when the pandemic emerged, possibly creating the need for deep service cuts and/or sizable local revenue increases to fill it.



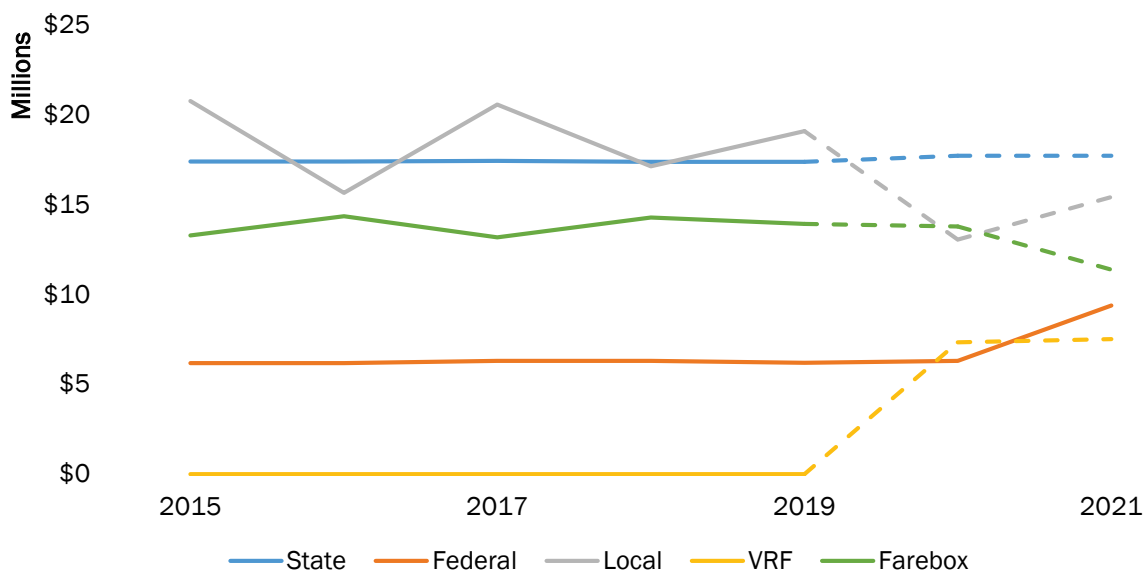
**Chart 1: MCTS fixed-route bus ridership and service levels (bus miles), in millions**



### Madison Metro Transit

Ridership on Metro Transit’s fixed-route bus system increased between 2010 and 2014 but declined between 2014 and 2019. Still, as shown in **Chart 2**, farebox revenues rose slightly from 2015 to 2019 and Metro Transit has managed to sustain its commitment of local resources in recent years, with the recent enactment of a \$40 VRF central to that effort. The system’s financial outlook is now looking much brighter for at least the next two or three years because of an influx of nearly \$70 million in federal relief funds, though the longer-term outlook will be determined by the extent to which ridership revenues rebound and whether other major revenue streams grow.

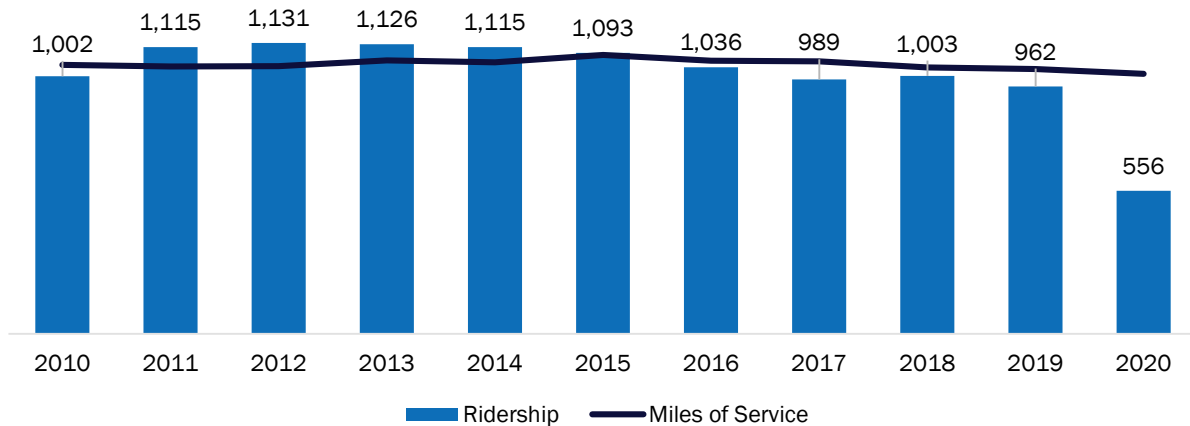
**Chart 2: Metro Transit major operating revenues, in millions (dashed line reflects budgeted amounts)**



### Valley Transit (Appleton)

Similar to several other transit systems included in this study, Valley Transit’s ridership had been gradually declining prior to the pandemic (**Chart 3**), and flat farebox revenues combined with meager growth in state and federal revenue streams created a need for increasing reliance on local revenues. The future outlook remains much the same, suggesting the possibility of difficult budget and service decisions down the road. That said, federal relief funding looks to substantially exceed what will be needed to alleviate the pandemic’s impact on Valley Transit’s revenues for at least the next two to three years. This will provide cushion in the near term while also supporting capital projects that otherwise would have been financed with local dollars.

**Chart 3: Valley Transit fixed-route bus ridership and service levels (bus miles), in thousands**

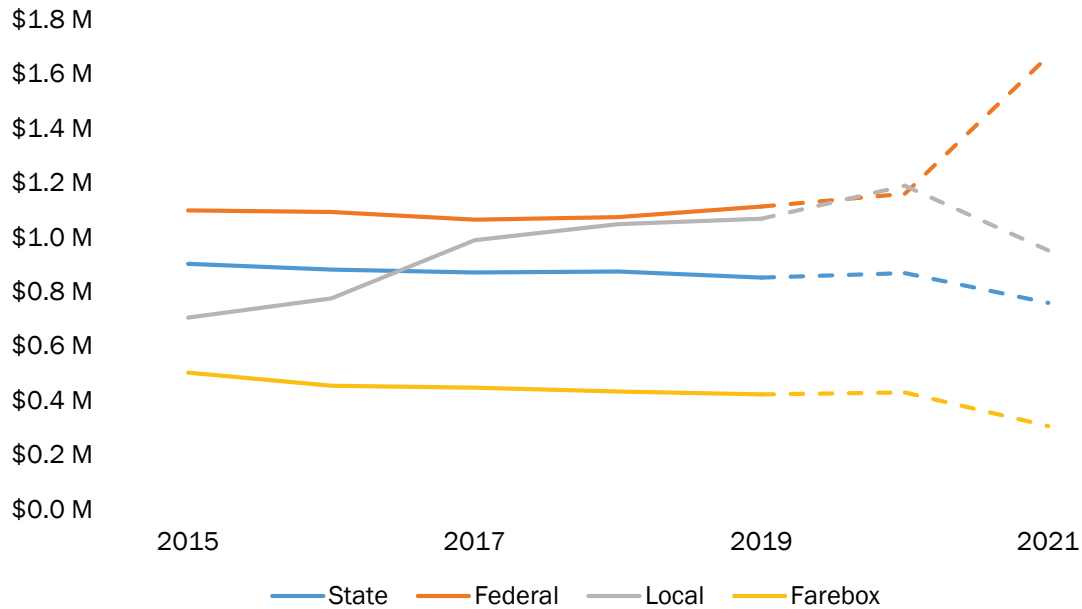


### Janesville Transit System

While many transit systems in Wisconsin have seen bus ridership decline over the last decade, that has not been the case in Janesville. JTS ridership was at its highest in 2018 and ridership in 2019 was 15.9% higher than in 2010. Nevertheless, prior to the pandemic, property tax levy support for JTS was growing rapidly (**Chart 4**). It now appears that sufficient federal relief funds will be available to stabilize the JTS’ finances for at least the next three years. However, reliance on the property tax levy may need to again grow substantially once federal relief funds are spent unless fixed-route ridership for non-students grows significantly or state aids increase.



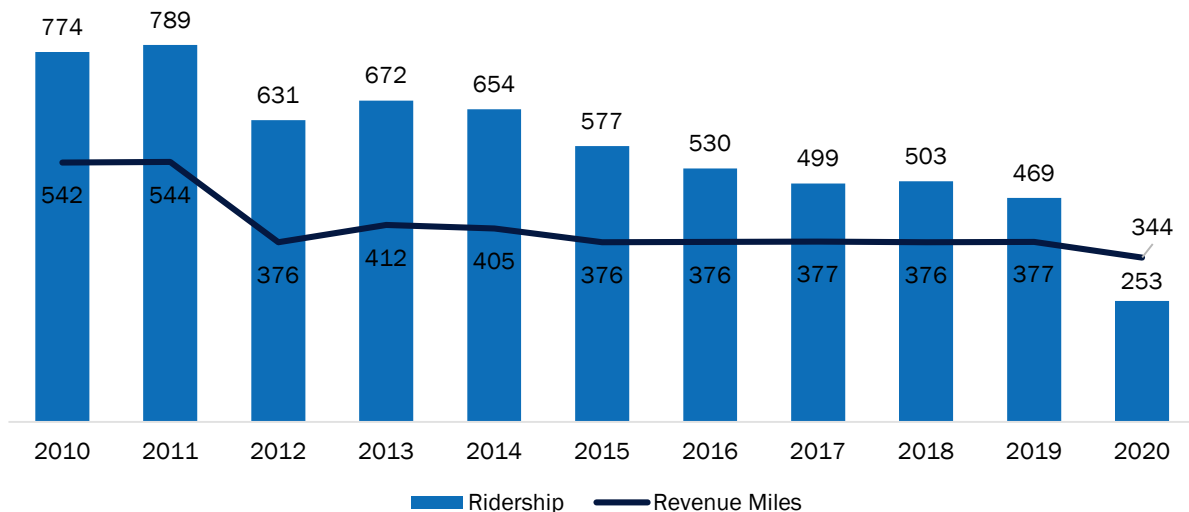
**Chart 4: JTS major operating revenues, in millions (dashed lines represent budgeted amounts)**



### Metro Ride (Wausau)

Ridership on Metro Ride’s fixed-route bus system has dropped substantially over the last decade (**Chart 5**). The corresponding decrease in farebox revenues and largely flat state and federal revenues required the city of Wausau to sharply increase local property tax levy support. The combination of unspent 2020 federal relief funds from the CARES Act and a new infusion from the American Rescue Plan Act (ARPA) brightens that outlook for the near term, but once those funds are exhausted it may be difficult for the local levy to fill the initial gap and then continue to increase annually at a pace that will allow the system to meet its expenditure needs.

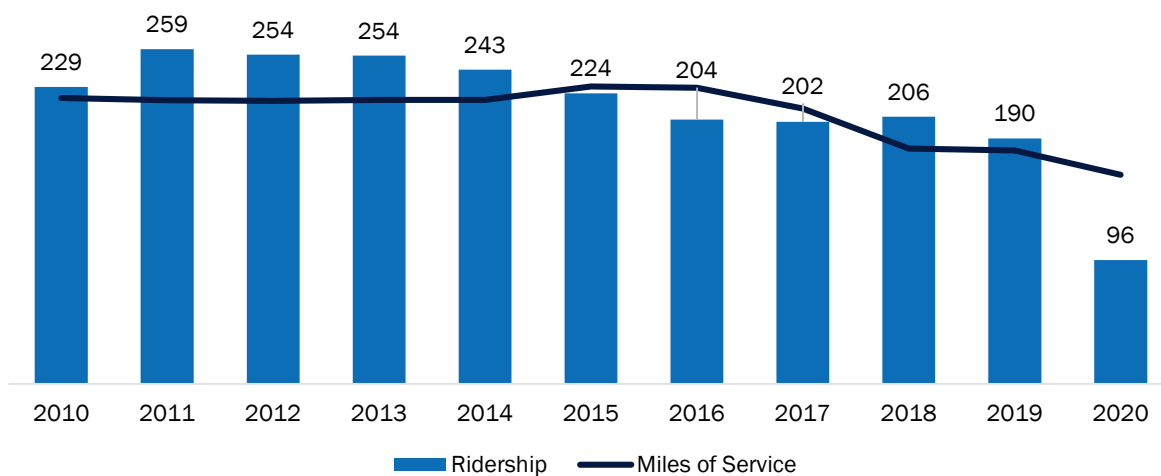
**Chart 5: Metro Ride fixed-route bus ridership and service levels (bus miles), in thousands**



## Central Transportation (Stevens Point)

Ridership on Central Transportation’s fixed-route bus system has declined considerably over the last decade (**Chart 6**), and the corresponding slow growth in farebox revenues along with flat state aids have created a greater need for local funding to support those services. Meanwhile, growing demand for specialized transit services among seniors is suggesting the need for increased amounts of local revenue to support that area of the budget. Fortunately, federal relief funds have been available to offset pandemic-related farebox losses. However, barring increases in state aids or growth in fixed-route ridership above pre-pandemic levels, Central Transportation leaders will need to ask local taxpayers to bear a greater cost if they wish to maintain current transit service levels or enhance them to meet the demands of an aging population.

**Chart 6: Central Transportation fixed-route bus ridership and service levels (bus miles), in thousands**



## Insights & Conclusion

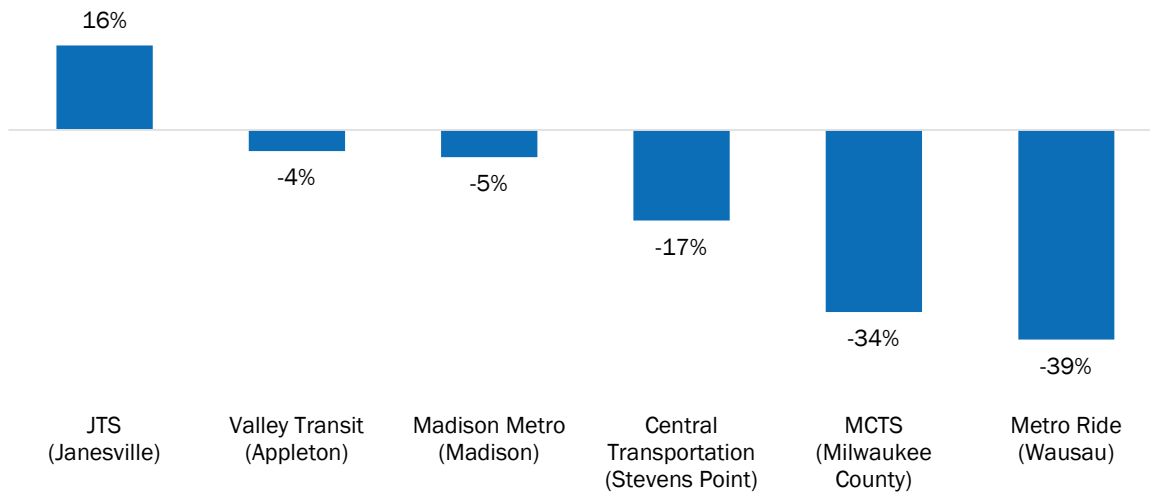
While the financial outlook for both large and smaller transit systems in Wisconsin appeared quite grim when we launched this research last December, today it is much brighter. A new round of federal relief dollars approved in March via the American Rescue Plan Act should allow most systems to maintain a steady course with regard to their fixed-route bus services for at least the next two years and may also allow several to invest in new buses in a way that will ease pressure on both operating and capital budgets for several more years to come.

Nevertheless, the financial picture for Wisconsin’s transit systems beyond 2023 or 2024 continues to raise alarm, as demonstrated by the following key findings in our analysis:

- **Ridership was declining prior to the pandemic.** As shown in **Chart 7**, five of the six systems we analyzed experienced ridership declines from 2010 to 2019, with three of the six experiencing declines of more than 15%. The one system that did not see ridership fall over the previous decade (Janesville) did see a sizable decline in the year preceding the pandemic.



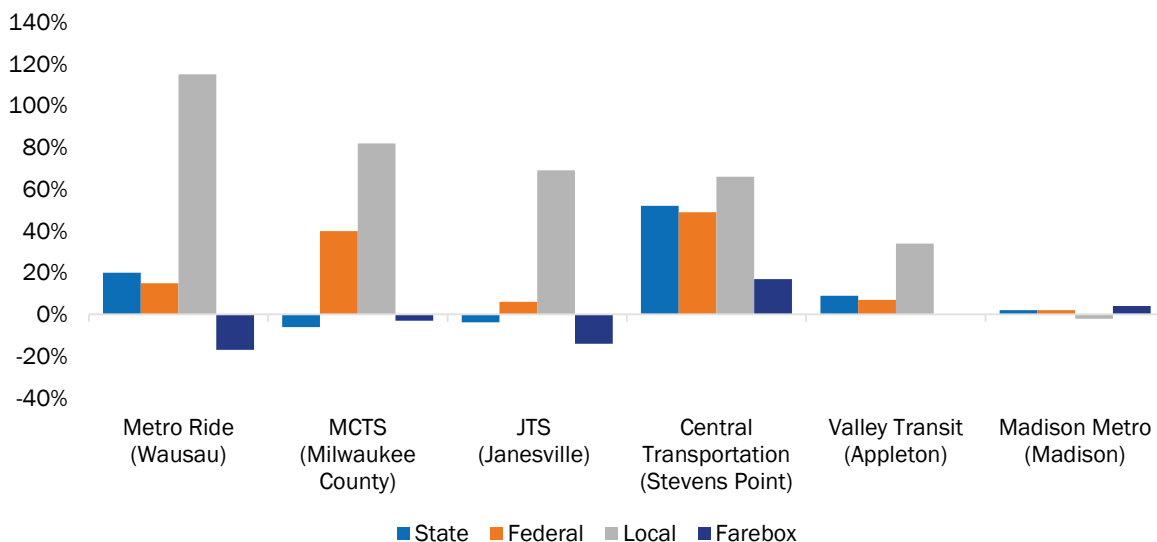
**Chart 7: Percent change in transit ridership, 2010-2019**



- Decreased ridership and stagnant state aids mean more pressure on local revenue sources.** Declines in farebox revenues need to be offset with other forms of revenue to avert cuts in service. Given that state and pre-pandemic federal revenues have been flat, this has created fierce pressure on transit systems to secure additional local revenues to maintain existing transit services. Alternatively, they could consider cutting expenditures by reducing service levels, but that approach can backfire by further depressing ridership and revenue from the farebox. Moreover, some might argue instead that systems should pursue service improvements and innovations to spur *increased* ridership, but that is beyond the capacity of most systems.

As shown in **Chart 8**, five of the six systems have been required to devote considerably more local funding to transit during the past five years, while two of the six adopted sizable new vehicle registration fees specifically for that purpose.

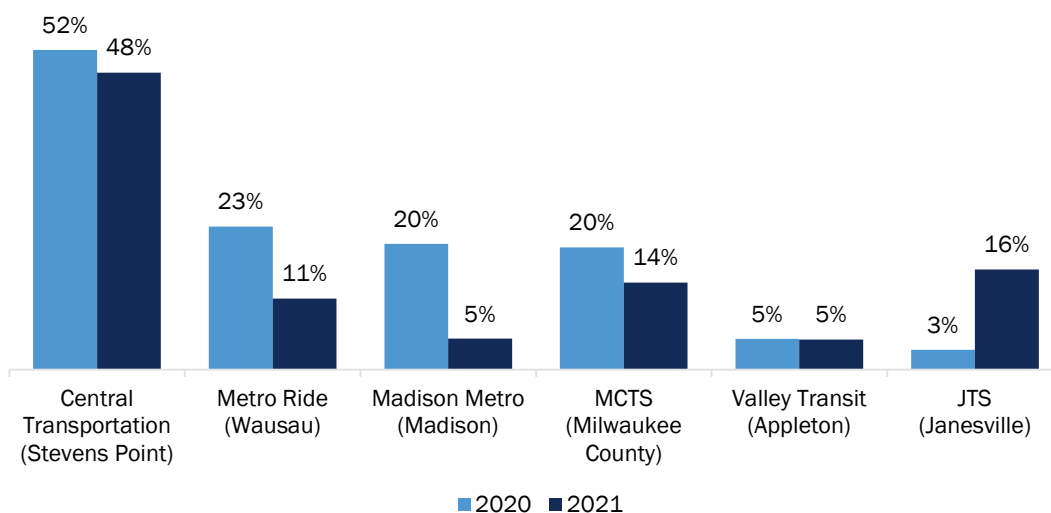
**Chart 8: Percent change in major revenues, 2015-2020**



- Federal relief funds are a temporary life raft but cloud the long-term picture.** Funds from last spring’s CARES Act have been instrumental in preserving transit services across Wisconsin since the pandemic emerged. Combined with new funds provided under two subsequent relief laws, federal dollars will continue to play that role at least through 2023. Nevertheless, these funds may turn out to be a double-edged sword, particularly for those systems that saw sizable amounts of tax levy backed out of their budgets as federal dollars flowed in to replace them. That levy may be difficult to retrieve if it was redirected to other key functions.

As shown in **Chart 9**, CARES funds comprise more than 10% of operating revenues for five of the six systems in 2021 budgets, which means large holes will be created when those and newer sources of federal relief are exhausted. Optimally, the holes would be filled with normalized farebox revenues, but it is uncertain what the future fixed-route ridership “normal” will look like.

**Chart 9: CARES funds as a percent of actual 2020 operating revenues and 2021 budgeted operating revenues**



Local governments in Wisconsin face fierce financial pressures on many fronts. Consequently, by the middle of the decade, the need to both replace federal transit relief funds and offset losses of farebox revenues if ridership should fail to fully rebound may be prohibitive for some systems. That, in turn, will force difficult decisions about service reductions at a time when the economic recovery may be in full swing and robust transit services may be needed to connect workers to jobs.

That said, the outlook for transit certainly could have been far worse. Policymakers at the state and local level should take comfort in the fact that an immediate transit funding “crisis” has been averted, at least for the next couple of years. Still, that comfort should not cause them to overlook the deep structural challenges facing most of the state’s transit systems and the need for thoughtful planning and reflection about how those challenges may need to be addressed.

