



**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : August 30, 2016

TO : Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
Supervisor Michael Mayo, Sr., Chairman, TPWT Committee

FROM : Scott B. Manske, Comptroller

SUBJECT : Growing Opportunities Pass (For information only)

BACKGROUND

Milwaukee County operates a mass transit system that is supported with Federal Section 5307 assistance funds. As a requirement of that funding, fares charged to elderly persons, persons with disabilities or an individual presenting a Medicare card during off peak hours cannot be more than one half the peak hour fare. Milwaukee County previously complied with this requirement under the operation of its concession fare program which offered half fare rides at all times. In March of 2015, the Growing Opportunities (GO Pass) Fare was implemented per the 2015 Adopted Budget. This program allowed persons aged 65 years of age or older or persons with disabilities to obtain a GO Pass which allows them to ride the bus for free rather than at a half fare.

For 2016, MCTS is projecting a revenue deficit in passenger revenue of (\$7.1) million due to the following issues: overall ridership decline which is larger than the national trend for similar transit systems, a migration by MPS from transit use to other options such as Yellow buses and the ongoing implementation of the GO Pass. At the June 8, 2016 meeting of the Transportation, Public Works and Transit Committee (TPWT) County Board File No. 16-344 was referred to the Office of the Comptroller and the Southeastern Wisconsin Regional Planning Commission (SEWRPC) requesting the entities to attempt to accurately calculate the fiscal impact to Milwaukee County of the implementation of the GO Pass.

The Comptroller, working with MCTS and SEWRPC, has attempted to calculate the impact of the implementation of the GO Pass. However, as has been previously reported, there is insufficient data to isolate the impact of the GO Pass on the (\$7.1) million revenue deficit projected by MCTS for 2016. As noted above, there are three major issues faced by MCTS currently which are impacting revenue along with implementation of the new fare box system which makes comparison to prior year

difficult. It should also be noted that the Office of the Comptroller encountered similar data issues while in discussion with other Transit systems such as Allegheny County.

MCTS has begun surveying applicants for the GO Pass of their prior bus usage in an attempt to provide additional insight into the impact of the GO Pass on passenger revenue. Data from this survey is discussed in more detail below.

In July of 2016, the Milwaukee County Department of Transportation (MCDOT) submitted its Requested Budget to the Department of Administrative Services. MCTS estimated that ending the GO Pass as of December 31, 2016 results in additional budgeted revenue of \$3.3 million for 2017. If the GO Pass program was continued in 2017, there would be an additional 12,000 new GO Pass issued by the end of 2017 according to MCTS. This would result in an additional loss of revenue of \$1.0 million for these riders. Therefore, the projected cost to restore the GO Pass in 2017 with the current parameters is \$4.4 million according to MCTS.

Due to the lack of concrete data from which to draw conclusions, the Office of the Comptroller has determined that the best course of action from a fiscal responsibility perspective is to conduct a reasonability test on the amount of tax levy identified by MCTS should the County Executive or the County Board wish to restore the GO Pass as a part of the 2017 budget process.

MCDOT has determined the impact to their revenue should the GO Pass be restored would be a loss of revenue of \$4.4 million in 2017. The Office of the Comptroller employed multiple tests upon this number to see if it concurred with that amount. Offering a half fare during non-peak hours is a requirement of the FTA and was considered by the Office of the Comptroller as the minimum level of service.

The Office of the Comptroller has concluded that the estimate of a revenue impact of \$4.4 million by MCDOT is reasonable and is the amount that should be used if the program is restored with the identical parameters as currently exist with the program. This amount represents the amount required to be restored to the 2017 Budget should the program be restored and is not a reflection of the total cost of the GO Pass.

The information below details the various methods the Office of the Comptroller undertook in applying its reasonableness test.

National Drop in Transit Ridership

SEWRPC provided the Office of the Comptroller with the percentage change in ridership for 10 other bus-only transit systems of a relative size to Milwaukee County for recent years. The average overall decline from 2014 to 2015 was (2.5%) and from 2015 to 2016 (year to date) is (3.0%). To derive a net impact due to GO Pass, the national trend was compared to the MCTS passenger revenue decline, less any other known reductions in passenger revenue.

In 2014, passenger revenue collected by MCTS was \$38.9 million. In 2015, passenger revenue collected was \$35.8 million for a decline of \$3.1 million or (8.0%) from 2014. The GO Pass was active for 9 months of 2015. Projected passenger revenue for 2016 is \$30.5 million for a decline of \$5.3 million or (14.8%) from 2015.

For 2015, a ridership decline of (2.5%), based on a national trend, would result in a projected loss of passenger revenue of (\$0.9) million as compared to the loss of passenger revenue experienced by MCTS of (\$3.1) million. If one assumed the entire remaining decline was due to 9 months of the GO Pass then (\$2.1) million or (\$2.8) million annually would be the projected decline due to the implementation of the GO Pass.

For 2016, a revenue decline of 3.0%, similar to that experienced nationally, would result in a loss of revenue of (\$1.1) million. In 2016, the projected MCTS passenger revenue decline is (\$5.3) million from the 2015 revenue amount. Included in this loss would be the national trend decline of \$1.1 million and reduced ridership from the MPS of \$1.2 million, resulting in a net decline in revenue attributed to the GO Pass of \$3.0 million.

Concession Fare Revenue Reported by MCTS in prior years

In 2014, MCTS reported providing concession (Half Fare) rides totaling 1,708,688 including both cash fares, stored value and concession fares. The average fare for concession rides was \$1.02 per ride, which resulted in revenue of \$1,780,000 for 2014. For 2016, some passengers continue to utilize the concession fare program even though the GO Pass program is available. In 2016, the concession fare program had 596,000 passenger rides at an average fare of \$0.98 per ride, or projected revenue of \$580,000. The loss in revenue from the concession fare program from \$1,780,000 in 2014 to \$580,000 in 2016 is \$1.2 million. The loss of concession fare riders is likely attributable to the GO Pass program. This calculation would not capture any GO Pass riders who were previously not using the concession fare and were either paying full cash fares or utilizing pass options not at the concession rate.

If the GO Pass program was ended, one scenario would be a return to the Concession or Half Fare program. For 2016 it is projected that GO Pass rides will be 7,083,000. These rides include transfers, or rides that would not generate revenue. Based on data from MCTS, transfers are estimated at 34.4%. Reducing total GO Pass rides by transfers would result in net GO Pass rides of 4,644,000. These net GO Pass rides, if chargeable at Concession Fares, would generate \$4,553,000 based on an average concession fare of \$0.98 per ride.

It is likely that not all GO Pass riders would become concession riders or would continue to use the bus system if the program was ended. In 2014, there was a statistic that 1,268,000 free rides were given by Transit. In 2016, free rides have decreased to 412,000. This reduction in free rides is likely a result of the GO Pass program.

MCTS Passenger Fare Revenue Decline

While we have presented various calculations of the fiscal impact on Transit due to the adoption of the GO Pass, the bottom line is that MCTS passenger revenue is declining. In the last two years Passenger Revenue has decreased for MCTS by \$8.2 million from 2014 of \$38.7 million to a 2016 projection of \$30.5 million. The decline has been in every fare type category. The following table shows 2016 projected revenue by fare type and the variance in passenger rides and revenue from the 2014 fiscal year.

Passenger Revenue <u>Fare Type</u>	Projected 2016			Variance from 2014	
	Rides	Dollars	Rate/ Ride	Rides	Dollars
Cash	2,997,000	\$ 5,687,000	\$ 1.90	(809,000)	\$ (2,354,000)
Stored Value	5,043,000	\$ 7,103,000	\$ 1.41	(1,718,000)	\$ (3,033,000)
Pass Card	10,532,000	\$ 17,181,000	\$ 1.63	(2,062,000)	\$ (1,632,000)
Concession	596,000	\$ 584,000	\$ 0.98	(1,145,000)	\$ (1,196,000)
Free	413,000	\$ -		(855,000)	\$ -
New Freedom	264,000	\$ -		183,000	\$ -
GoPass	7,084,000	\$ -		7,084,000	\$ -
	26,929,000	\$ 30,555,000	\$ 1.13	678,000	\$ (8,215,000)

There are many factors impacting the decline in revenue categories including MCTS’s shift to cash and tickets to pass cards and stored value cards. In addition, fuel price drops, as noted below, have also had an impact on passenger revenue. MCTS also established a new fare box system which is now providing better statistics as to actual rides based on fare type. Ride data for prior years was based on statistical analysis and survey data. The County may only be able to look forward in order to provide comparison since the data comparison to prior years was not based on the new fare box system.

Rides for 2014 was calculated based on passenger dollar revenue divided by the average fares experienced in 2016 for each fare type. This gave a more reasonable comparison of the number of rides.

Historical Decline in MCTS Passenger Revenue

MCTS has seen passenger revenue losses in the last ten years. Two of the largest three passenger revenue losses occurred in 2015 and 2016. The third largest revenue loss occurred in 2009. In looking at the 2009 passenger revenue loss an association was noted with a drop in retail gas price that occurred that year. An examination was made of 2015 and a similar decrease was noted in retail gasoline prices in that year.

The decline from 2015 to 2016 in passenger revenue is not explained by a change in fuel prices as the prices remained fairly stable from 2015 to 2016 again creating a reasonable explanation that GO Pass is attributable for a decline in revenue. The following chart shows a history of passenger revenue, compared with retail gasoline prices.

Report of Passenger Revenue and Retail Gasoline Prices					
Year Ended		Passenger Revenue #	Incr (Decr) in Passenger Revenue #	Retail Gas Prices per Gallon*	
				Avg in Year*	Avg based on 2015 Rate*
2006	Act	\$ 41,038,000		\$ 2.59	\$ 3.00
2007	Act	\$ 42,573,000	\$ 1,535,000	\$ 2.80	\$ 3.16
2008	Act	\$ 45,257,000	\$ 2,684,000	\$ 3.27	\$ 3.61
2009	Act	\$ 41,202,000	\$ (4,055,000)	\$ 2.35	\$ 2.58
2010	Act	\$ 41,133,000	\$ (69,000)	\$ 2.79	\$ 3.02
2011	Act	\$ 41,963,000	\$ 830,000	\$ 3.53	\$ 3.75
2012	Act	\$ 41,072,000	\$ (891,000)	\$ 3.64	\$ 3.80
2013	Act	\$ 39,963,000	\$ (1,109,000)	\$ 3.53	\$ 3.62
2014	Act	\$ 38,936,000	\$ (1,027,000)	\$ 3.37	\$ 3.40
2015	Act	\$ 34,892,000	\$ (4,044,000)	\$ 2.45	\$ 2.45
2016	Proj	\$ 30,554,000	\$ (4,338,000)	\$ 2.20	\$ 2.20

Per financial statements of Milwaukee County Transit
* <http://energy.gov/eere/vehicles/fact-915-march-7-2016-average-historical-annual-gasoline-pump-price-1929-2015>

It is likely that passenger revenue decline, while impacted heavily by the change to the GO Pass program, is also impacted by other factors, including fuel prices.

Survey data from MCTS

MCTS began surveying new applicants for the GO Pass. Prior to the collection of the survey data, 21,000 GO Passes had been issued. MCTS surveyed 200 new riders. 87% were prior transit users, 48% used the bus daily, 61% reported paying full fare prior to the obtaining the GO Pass and 75% indicated they planned on riding the bus more now that they were issued a GO Pass.

The Office of the Comptroller acknowledges that the survey sample of 200 of new riders out of 22,000 is small and not statistically random to draw conclusions from the results. However, the results do support the contention that some of the rides now being taken for free via a GO Pass were full fare rides prior to the implementation of the program.

Selection of what other Transit systems do

The Office of the Comptroller researched what different transit systems offered for Seniors and Persons with Disabilities in terms of reduced fares. Offering a half fare during non-peak hours is a requirement of the FTA and was considered by the Office of

the Comptroller as the minimum level of service. Twenty-one transit systems were analyzed including the ten systems provided by SEWRPC and discussed above.

Attachment A provides the list of systems reviewed and the findings. Of all the systems, only one was found, Allegheny County, to provide free rides to Seniors. A few communities were found to charge an annual fee for the issuance of a card to obtain reduced fares.

The program in Allegheny County is fully funded from State lottery proceeds. The Office of the Comptroller requested data from Allegheny County on the reimbursement received from the State of Pennsylvania. In 2008, the State changed procedures and began to provide the funding blended with other state assistance and it is no longer segregated.

However, in 2007 which is the last year that itemized costs of the Senior free ride program was available, the State of Pennsylvania provided Allegheny County \$10.1 million to offset the cost of providing free rides to Seniors. It should be noted that this program does not include Persons with Disabilities and that Allegheny receives approximately twice the passenger revenue annually than MCTS. The cash fare in Allegheny County has increased 70% from \$1.75 in 2007 to \$2.50 in 2016. Applying that increase to the payment would result in an estimated cost of the senior rider program of \$17.2 million. This payment was for the full fare payment rather than the half fare so the half fare cost to Allegheny County would be \$8.5 million and \$4.3 million would be the amount applicable to Milwaukee County given the size of its passenger revenue stream versus that of Allegheny County.

This extrapolation is nebulous but again would appear to support the MCDOT assertion that the annual impact from the GO Pass is at least \$3.3 million in passenger revenue loss.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Transportation, Public Works and Transit Committee.



Scott B. Manske
Comptroller

cc: Brian Dranzik, Director, Department of Transportation
Kevin Muhs, SEWRPC
Dan Boehm, MCTS
Shanin Brown, Office of the County Clerk
Katarina Lucas, Office of the Comptroller

Attachment A

System	Fare	Notes
Madison County, IL (St. Louis)	\$0 Half Fare	\$0 for MCT Fixed Route Half Fare rides on Metro in St. Clair County and in Missouri.
St. Louis, MO	Half Fare	65 and older and persons with disabilities. Both requires a Reduced Fare Permit
Chicago, IL	Half fare Free	Age 65 and older, all Medicare cardholders, qualified people with disabilities (must be totally and permanently disabled by SSA, VA or RRB). requires a permit to receive half fare senior and persons with disabilities at or less than approximately 225 percent of the Federal Poverty Level may ride free.
Mpls., St. Paul, MN Aging and Medicare Card Holders	1/3 of full fare	Non-Rush Hours only 65 and older with photo is with "T" endorsement required Medicare card holder and State Id or Driver's license required
Mpls., St. Paul, MN	1/3 of full fare	At all times requires State ID with A or L or a Metro Mobility Card
Duluth, MN	Half Fare	Non-peak hours only
Cincinnati, OH	Half Fare	65 and older, Medicare Card holders, riders with disabilities are eligible for a Fare Deal ID Card. for \$38.50 a month, can receive unlimited rides.
Cleveland, OH	Half fare	Requires rider to show valid RTA Senior or Disabled ID as well as Driver's license or other official photo ID
Columbus, OH	Half Fare	Riders 65 and older with a Senior ID, Medicare card holders with a photo ID, Disabled riders who are unable without special facilities or special planning or design to use Transit.
Dayton, OH	Half Fare	RTA ID cards and Medicare Cards accepted
Toledo, OH	Half Fare	65 and older and Persons with Disabilities with Transit ID or Medicare ID
Akron, OH	40% of full fare	62 and older, SCAT, METRO D&S photo ID or Medicare Card.
Madison, WI	Half Fare	65 and older and Medicare card holders.
Allegheny County, Pittsburg, PA	Free Half Fare	65 and older with Senior Citizen ID card or Medicare card. Funded by lottery proceeds Medicare card or PA Reduced Transit Fare card required.
Wayne County, Detroit Michigan	25% of full fare	65 and older, People with Disabilities w/ DDOT card or Michigan ID or license for proof of age or Medicare Card.
Indianapolis, IN	Half Fare	65 and older with Medicare or Indy Go Half Fare ID Card, Persons with Disabilities must have physician verify disability to obtain half fare card
Kansas City, KS	Half Fare	65 and older with Medicare Card. \$1 fee for 3 year card. Persons with Disabilities certifiable with Metro Guidelines Medicare Card holders, SSI recipients
Las Vegas, NV	Half Fare	60 and older, persons with disabilities or with a Medicare card, must present a reduced fare photo ID card
Louisville, KY	Half Fare	65 and older, persons with disabilities, both require a TARC ID
Nashville, TN	Half Fare	65 and older, persons with disabilities
Orlando, FL	Half Fare	65 and older must present Medicare card and ID persons with disabilities must go through a certification process to receive ID card.
Honolulu, HI	Half Fare	65 and older proof of age required, must purchase a 4 year reduced fare card for \$10. Persons with Disabilities require an approved application and cost \$10