

# SOUTHEASTERN WISCONSIN REGIONAL PLANNING COMMISSION

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## MEMORANDUM

### POTENTIAL ACTIONS IN RESPONSE TO THE ELIMINATION OF THE MILWAUKEE COUNTY VEHICLE REGISTRATION FEE

This memorandum discusses some potential actions Milwaukee County could pursue in response to the elimination of the County's vehicle registration fee, as is currently being considered by the Wisconsin State Legislature as part of the 2017-2019 State Biennial Budget. According to Mr. Steve Kreklow, Budget Director for Milwaukee County, the proposal currently being discussed would result in approximately \$7 million less in revenue in 2017 than expected under the County's adopted budget. Potential service cuts and fare increases to address this potential loss of revenue—as well as some of the impacts of those cuts—are discussed in the remainder of this memorandum.

#### 2017 MILWAUKEE COUNTY BUDGET

Starting on March 1<sup>st</sup>, 2017, Milwaukee County residents began paying an additional \$30.00 as part of their annual vehicle registration fee. This fee was forecast to generate approximately \$13.5 million in revenue for the County in 2017, \$11.5 million of which was dedicated to the operations of the Milwaukee County Transit System (MCTS), with the remaining \$2.0 million dedicated to partially funding the local capital costs of the East West BRT project. If the proposal under consideration becomes law, the County would receive slightly less than half of the revenue it expected to receive from the vehicle registration fee this year, and actions would need to be taken to generate additional revenue or reduce expenses for the remainder of the calendar year, and likely in 2018 as well.

#### OPTIONS TO ADDRESS THE PROJECTED SHORTFALL

Some options to address the loss of \$7.0 million in revenue have already been generally outlined by County officials, and include:

- Eliminating Freeway Flyer routes;
- Eliminating Summerfest, State Fair, and other festival services;
- Eliminating shuttle services to business parks;
- Eliminating lower-ridership routes;
- Decreasing the paratransit service area to the Federally-required minimum;
- Increasing fixed-route and paratransit fares;
- Eliminating County road projects; and
- Halting work on the East West BRT.

The remainder of this memorandum focuses on many of these options, and discusses some of the impacts associated with pursuing them.

## **LIMITATIONS OF THE ESTIMATES IN THIS MEMORANDUM**

It should be noted that the estimates and discussions that follow regarding potential service cuts or fare increases are limited by the data available to Commission staff regarding the finances and performance of MCTS and its bus routes. The Milwaukee County Office of Performance, Strategy, and Budget; the Milwaukee County Department of Transportation; and MCTS have more detailed information regarding the finances and performance of MCTS, and therefore would be able to provide more accurate estimates of the service cuts, fare increases, or other adjustments that may be required as a result of the elimination of the vehicle registration fee.

To calculate the impacts discussed in this memorandum, Commission staff assumed that the estimated \$7.0 million loss in revenue must be absorbed in the remainder of this calendar year, between the passing of the State budget (assumed to occur before July 1, 2017) and the end of the year. The two approaches discussed in detail—cutting service and increasing fares—are presented as though the entire \$7.0 million loss in revenue must be recovered through either cutting service or increasing fares. The County could decide that a blend of the two may make the most sense, or may be able to find other ways to reduce the need to increase fares or eliminate service. Commission staff would note that national research has shown that when faced with the option of significant transit service cuts or significant fare increases, transit riders in other areas have typically indicated a preference for increasing fares over losing service. A balance of the two is likely to make the most sense in this specific case, and each are explored in remainder of this memorandum.

## **POTENTIAL SERVICE CUTS**

Should the County decide to absorb the entire loss in revenue through service cuts, Commission staff estimate that up to 95,000 revenue vehicle hours of service would need to be eliminated in the second half of 2017, a service reduction of approximately 14 percent compared to the amount of service that was provided in the second half of 2016. When previously faced with the potential for a significant cut in service, the County has focused on eliminating the lowest performing bus routes, identified as those routes with the lowest passengers per revenue vehicle hour of service, also called passengers per bus hour. In addition, the County has previously discussed eliminating premium services that can be seen as less essential, as it is less likely that individuals without access to an automobile rely on those services. These services include Summerfest, State Fair, and other festival services, as well as Freeway Flyer routes. This general philosophy has been reiterated by County officials in recent days following the news of the potential elimination of the vehicle registration fee, and, therefore, is the approach that Commission staff utilized to identify routes that may need to be eliminated in the second half of 2017.

Additionally, it may make sense to eliminate school services (Routes 50, 85, 87, 88, 89, RR1, RR2, and RR3), as these could be reasonably replaced by the appropriate school district through yellow school bus service. Many of these routes have relatively low passengers per bus hour, and eliminating them would reduce MCTS service by approximately 1,800 revenue vehicle hours.

Eliminating festival, special event, Freeway Flyer, and school services for the second half of 2017 would reduce MCTS service by approximately 29,800 revenue vehicle hours, leaving up to an additional 65,200 hours of service to be eliminated should the County decide to absorb the entire revenue loss through fixed-route service cuts. Table 1 contains a list of routes and the estimated revenue vehicle hours that would be reduced if the route was eliminated for the second half of 2017. Routes are listed in order of average performance (as measured by passengers per bus hour) in 2015, starting with the lowest performing local fixed route provided by MCTS.

Table 1

**LOCAL FIXED-ROUTE BUS SERVICES THAT COULD BE CONSIDERED FOR ELIMINATION**

Route Number	Route Description	Average Weekday Passengers per Bus Hour (2015)	Estimated Revenue Vehicle Hours
276	Brown Deer Shuttle (Brown Deer Rd. and Green Bay Ave.)	7.0	2,800
223	Park Place Shuttle (Serving Granville and Bradley Woods)	8.2	1,700
219	Oak Creek Shuttle (Serving Oak Creek Business Parks)	10.1	600
17	Menomonee Valley Shuttle (Canal St.)	11.4	1,800
52	Clement Ave. and Pennsylvania Ave. (From KK/Mitchell to South Milwaukee)	15.0	6,000
64	Hawley Rd. and 60 <sup>th</sup> St. (From 60 <sup>th</sup> /Vliet to Southridge)	18.1	4,300
28	Mayfair Rd. and 108 <sup>th</sup> St. (From Silver Spring to Hales Corners Park-Ride)	20.9	8,000
33	Vliet St. and Juneau Ave. (From 60 <sup>th</sup> /Vliet to Downtown)	22.2	7,000
55	Layton Ave. (From 108 <sup>th</sup> St. to Lake Dr.)	24.4	8,800
57	Center St., Lisbon Ave., and Walnut St. (From 92 <sup>nd</sup> /Glendale to Downtown)	25.3	11,700
31	State St. and Highland Ave. (From Mayfair and Research Park to Downtown)	26.1	13,400
<b>Total</b>			<b>66,100</b>

Table 1 does not include the Zoo Interchange Settlement-funded employment routes (Routes 6 and 61). Depending on the funding circumstances associated with these routes, it may make sense for the County to consider eliminating these as well. Discontinuing the Settlement-funded routes for the second half of 2017 would eliminate approximately 15,000 revenue service hours.

Different service cuts could be considered to reduce the number of routes needing to be cut from the local fixed-route bus system, including reducing frequencies on routes across the system, reducing the span of hours that transit service is provided across the system, and reducing the service area of the county-wide paratransit service to the Federally-required minimum—service covering areas within three-quarters of a mile of a local fixed-route bus stop. Commission staff does not have the data needed to determine how much implementing any or all of these other service cuts would reduce the need to cut entire bus routes.

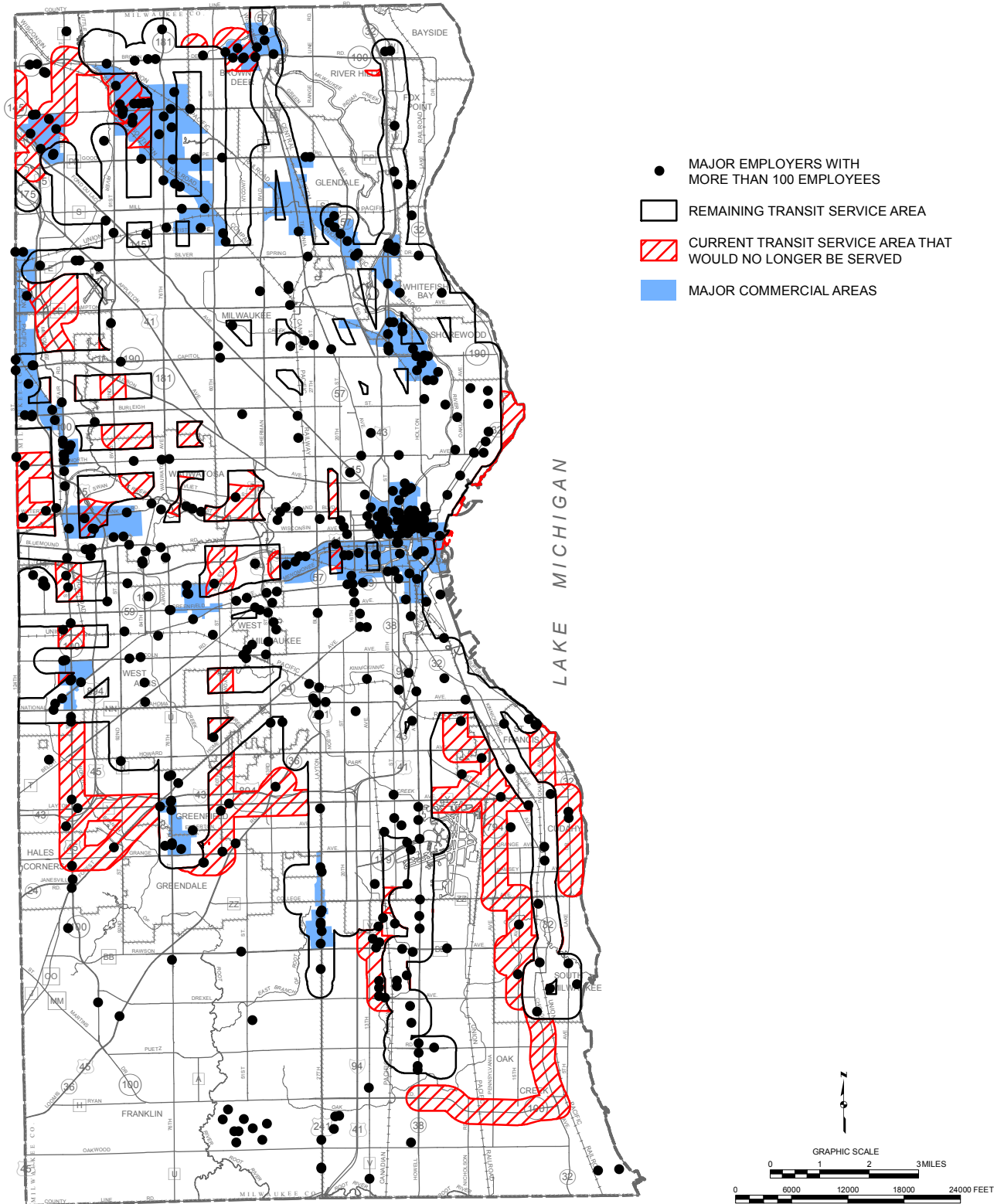
**Impact of Service Cuts**

The dramatic service eliminations that would be required if the vehicle registration fee is eliminated and the County chooses to absorb the entire revenue loss through service cuts would have a significant, detrimental effect on the County’s residents and businesses. A Commission survey of MCTS riders taken in October 2012, determined that 70 percent of riders were using transit to travel to and from work, and an additional 11 percent were using transit to travel to and from education. Numerous major employment centers would become less accessible or inaccessible for transit riders, and it is likely that at least 13,000 fewer trips would occur on MCTS on the average weekday.

Map 1 identifies the areas of the County that would no longer have transit service if the routes in Table 1 and Freeway Flyer services are eliminated as a result of the discontinuation of the vehicle registration fee. Major employers, with more than 100 employees at the noted location, are also identified on the map. Particularly significant destinations that would no longer be served by transit include the Milwaukee County Research Park, the business parks north and east of the Park Place complex, business parks in Brown Deer, business parks along S. 13<sup>th</sup> Street and S. 10<sup>th</sup> Street in Oak Creek, large stretches of S. 108<sup>th</sup> Street and N. Mayfair Road, W. State Street and the Miller Valley, and large stretches of W. Layton Ave. In addition, numerous residential neighborhoods in the County would no longer be served by transit. Approximately 82,000 jobs would become inaccessible by transit if all of the cuts listed in Table 1 (as well as elimination of the Freeway Flyers) occurred. Similarly, approximately 117,000 County residents would no longer be within walking distance of transit service if all of the cuts listed in Table 1 (as well as elimination of the Freeway Flyers) occurred.

Map 1

AREAS POTENTIALLY LOSING TRANSIT SERVICE



**POTENTIAL FARE INCREASES**

In the second half of 2016, MCTS generated approximately \$16.2 million in fare revenue from passengers, or an average of approximately \$0.91 per passenger trip. If the County wishes to generate an additional \$7.0 million in fare revenue in the second half of 2017, fare revenue would need to increase by approximately 43.2 percent compared to the second half of 2016. It is likely that some fare revenue increase will occur without any additional action by the County, as the costs of some premium fares and passes were increased slightly at the beginning of 2017, and additional fare revenue will also be collected from GO Pass users starting June 1, 2017. However, Commission staff are unable to accurately forecast the revenue that will be generated by these changes given the data that are available, and therefore the following analyses do not take those changes into account.

Transit industry standards indicate that in many cases, a 1.0 percent increase in fares will result in a 0.3 percent decrease in ridership. If this standard holds true in Milwaukee County, the County *cannot* generate \$7.0 million in additional passenger fare revenue in the second half of 2017. The most the County will be able to generate in additional fares is approximately \$6.7 million, with an average fare increase of approximately 120 percent. Although increasing fares will always result in some decrease in passenger trips, increasing fares more than 120 percent may result in total MCTS fare revenue declining rather than increasing, as more passengers (and their fare revenue) leave the system than the amount of additional revenue generated by a fare increase on the passengers who remain. Table 2 displays the current fares by fare type, and a potential set of fares that would be needed to generate a \$6.7 million increase in revenues.

**Table 2**

**POTENTIAL FARES UNDER A 120 PERCENT FARE INCREASE**

Fare Type		Current Fare	Potential Fare
Adult Regular	Cash	\$2.25	\$4.90
	M-Card	\$1.75	\$3.80
	1-Day Pass	\$4.00	\$8.70
	7-Day Pass	\$19.50	\$42.00
	31-Day Pass	\$72.00	\$156.00
Adult Premium	Cash	\$3.50	\$7.60
	M-Card	\$2.50	\$5.40
	1-Day Pass	\$6.00	\$13.00
	7-Day Pass	\$27.00	\$59.00
	31-Day Pass	\$96.00	\$208.00
Reduced Fare	Cash	\$1.10	\$2.40
	M-Card	\$1.10	\$2.40
	1-Day Pass	\$2.00	\$4.30
	7-Day Pass	\$11.00	\$24.00
	31-Day Pass	\$32.00	\$69.00
Reduced Fare	Cash	\$1.60	\$3.50
	M-Card	\$1.60	\$3.50
	7-Day Pass	\$15.00	\$33.00
	31-Day Pass	\$45.00	\$98.00
GO Pass	1-Day Pass	\$1.00 <sup>a</sup>	\$2.20

<sup>a</sup>Starting June 1<sup>st</sup>, 2017

Perhaps more realistically, the County could choose to generate half of the revenue that may be needed in the second half of 2017—approximately \$3.5 million—via fare increases. To generate \$3.5 million in additional fare revenue, total fare revenue would need to increase by approximately 21.6 percent. Again, assuming that the transit industry standard that in many cases a 1.0 percent increase in fares will result in a 0.3 percent decrease in ridership holds true, an approximately 35 percent increase in average fares would be required to generate approximately \$3.5 million in revenue in the second half of 2017. Table 3 shows the current fares by fare type, and a potential set of fares that would be needed to generate a \$3.5 million increase in revenue.

**Table 3**

**POTENTIAL FARES UNDER A 35 PERCENT FARE INCREASE**

Fare Type		Current Fare	Potential Fare
Adult Regular	Cash	\$2.25	\$3.10
	M-Card	\$1.75	\$2.40
	1-Day Pass	\$4.00	\$5.40
	7-Day Pass	\$19.50	\$26.50
	31-Day Pass	\$72.00	\$97.60
Adult Premium	Cash	\$3.50	\$4.75
	M-Card	\$2.50	\$3.40
	1-Day Pass	\$6.00	\$8.10
	7-Day Pass	\$27.00	\$36.50
	31-Day Pass	\$96.00	\$130.00
Reduced Fare	Cash	\$1.10	\$1.55
	M-Card	\$1.10	\$1.55
	1-Day Pass	\$2.00	\$2.70
	7-Day Pass	\$11.00	\$15.00
	31-Day Pass	\$32.00	\$43.00
Reduced Fare	Cash	\$1.60	\$2.20
	M-Card	\$1.60	\$2.20
	7-Day Pass	\$15.00	\$20.00
	31-Day Pass	\$45.00	\$61.00
GO Pass	1-Day Pass	\$1.00 <sup>a</sup>	\$1.35

<sup>a</sup>Starting June 1<sup>st</sup>, 2017

**Impact of Fare Increases**

Any fare increase greater than the rate of wage inflation places a burden on transit riders, and either potential fare increase discussed here would do so, making accessing work, education, and other daily needs more expensive and therefore more difficult for MCTS passengers. A 120 percent increase in fares would go well beyond any typical inflationary increase, and would place such a significant burden that many riders would be unable to afford to ride transit service in Milwaukee County. It would also result in MCTS fares being significantly higher than peer agencies in the Midwest, and likely would cause a decrease of at least 52,000 passenger trips on an average weekday.

A 35 percent increase in fares would also have negative consequences for MCTS riders, although the burden would certainly be less than a 120 percent increase. Compared to peer areas in the Midwest, a 35 percent increase in fares would put MCTS fares among the highest fares in the region, but essentially within range of the fares charged by other agencies. A 35 percent fare increase may result in a decrease of at least 15,000 passenger trips on an average weekday. Table 4 compares current MCTS fares, potential MCTS fares under the two fare increase scenarios described in this section of the memorandum, and transit fares at agencies serving other major metropolitan areas in the Midwest.

Table 4

ADULT REGULAR TRANSIT FARES FOR A ONE-WAY TRIP AT MAJOR TRANSIT AGENCIES IN THE MIDWEST

Transit System		Adult Regular Fare
MCTS	Current	\$1.75 - \$2.25
	120 % Increase	\$3.80 - \$4.90
	35 % Increase	\$2.40 - \$3.10
Detroit Department of Transportation		\$1.50
RideKC (Kansas City)		\$1.50
Nashville Metropolitan Transit Authority		\$1.70
IndyGo (Indianapolis)		\$1.75
Central Ohio Transit Authority (Columbus)		\$2.00
Chicago Transit Authority		\$2.00
Metro (St. Louis)		\$2.00
MetroTransit (Minneapolis)		\$1.75 - \$2.25
GoMetro (Cincinnati)		\$1.75 - \$2.65
Greater Cleveland Regional Transit Authority		\$2.50
Port Authority of Allegheny County (Pittsburgh)		\$2.50 - \$2.75

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