

COUNTY OF MILWAUKEE

Inter-office Communication

DATE: 4/22/2022
TO: Marcelia Nicholson, Chair, County Board of Supervisors
FROM: Donna Brown-Martin, Director, Department of Transportation
SUBJECT: From the Director of the Department of Transportation, an Informational Report on the 2025 Projected Transit Funding Gap and Strategies for Solvency
FILE TYPE: Informational Report

REQUEST

This report provides information on the projected 2025 funding gap for transit services provided by the Milwaukee County Transit System.

BACKGROUND

The Comptroller's Office presented its 5-Year Financial Forecast 2023-2027 for Milwaukee County during the March 2022 County Board cycle (File No. 22-457), in which it is estimated that \$32.9 million will be required to maintain cost-to-continue 2025 funding levels for the Milwaukee County Transit System.

Transit revenues will continue to decrease even more precipitously after the remaining COVID-19 relief funds are depleted and, consequently, will require a drastic reduction in service and, ultimately, staffing. It is anticipated that, best case scenario, all COVID relief funds will be expended by the end of 2024. Below are other obstacles to securing increased revenue for transit.

- Operating funds, even at a level that reflects inflation, does not allow for the system to expand sufficiently in order serve the increase in ridership demands resulting from increased economic development in Milwaukee County.
- The federal government does not provide operating funds to transit systems except for emergency situations such as the pandemic.
- The State of Wisconsin does not provide transit systems with any capital funding. Therefore, capital projects and equipment are funded through a mix of local and federal funding.
- COVID-19 severely impacted and continues to impact transit ridership thereby decreasing farebox revenue.
- Simultaneous to loss in state, federal and farebox revenues, system expenditures have increased because of COVID-19 impacts. These impacts include safety and security measures such as COVID supplies and cleaning practices. Employee recruitment and retention during the pandemic has required increased staffing expenditures.

- The Wisconsin State Legislature cut transit operating funds for Milwaukee County by \$32.7 million over the 2021-2023 biennium. The Governor provided Milwaukee County with \$19.8 million in State ARPA funds to supplement the loss of state operating funds.
- It is anticipated that the Wisconsin State Legislature will pursue transit operating funding cuts in the 2023-2025 biennium believing that pending federal infrastructure funding will provide the system with increased funding.
 - The State of Wisconsin and SEWRPC do not know how much infrastructure funding the region will be receiving.
 - The infrastructure funds are expected to be restricted to capital purposes. Operating funds typically not interchangeable with capital funds.
 - The State Legislature's reasoning ignores that local municipalities will be required to provide a 20% match at a minimum, unlike the COVID-19 relief funds, which did not require a local match.
- Milwaukee County's structural deficit and annual loss of state shared revenue has resulted in an annual loss of operating funds. After 2024, there will be no additional revenue to fill the anticipated gap of \$20M. The County's only other local funding option (other than raising transit fares) is to increase the vehicle registration fee (VRF). However, the VRF would have to be increased substantially to adequately supplement the loss of tax levy, will likely be politically and practically unfeasible to propose much less enact.

[NOTE: *Unless transit is provided with increased and/or dedicated funding, Milwaukee County will not be able to provide increased and enhanced service and, ultimately, the County's vision of being the healthiest county in Wisconsin by achieving racial equity will be in peril.*]

Strategies for Ensuring Solvency

- Increase transit and paratransit fares including but not limited to the GO PASS, taxi service, etc.

Pros

- Increased revenue

Cons

- Decreased ridership
- Political unpopular
- Disproportionately impacts low income and minority populations.
- Decreases options for elderly and disabled populations who use taxi service.

- Increase vehicle registration fee and apply all proceeds to the transit system.

Pros

- Increased revenue
- Costs distributed to vehicle owners
- Increases the cost of vehicle ownership and may encourage more use of transit.

Cons

- Politically unpopular because Milwaukee County's VRF would be the highest of any county creating a greater "tax" burden compared to other counties.
- Puts vehicle ownership out of reach for those who already struggle financially.
- Because VRF may be used for transportation purposes, in general, it is subject to being reprogrammed for highway construction or other non-transit purposes through the annual budgeting process.

➤ Increase tax levy support

Pros

- More stable than the use of grant funding, which is typically considered a short-term funding solution

Cons

- It may create a budget gap in other county departments' funding.
- Use of tax levy is subject to being reprogrammed to other county departments during the annual budgeting process

➤ Decrease service and corresponding number of replacement buses and staffing levels including but not limited to operator, maintenance, and administration positions.

Pros

- Serves to balance the annual operating budget.

Cons

- Significantly reduces ridership
- Increases hardships for those without other transportation options
- Disproportionately impacts minority, low income, and elderly populations' access to transportation
- Riders' waiting and travel times will increase
- Politically unpopular
- Decreased economic development opportunities
- Lead to more vehicles driven and, potentially more reckless driving
- Layoff of various transit system positions
- Increased poverty due to lack of adequate transportation options
- Increase vehicle emissions
- Opposite of Milwaukee County's mission, vision, and values

➤ Cancel the North-South Transit Enhancement project

Pros

- One time infusion of funds to the existing routes

Cons

- One time infusion of funds to the existing transit route system that will result in the deferment of North-South enhancements
- Denial of investment in minority and low-income populations, particularly this being the highest ridership route in the County
- Will not have linkages to the East-West BRT project
- Will not benefit from I-94 East-West mitigation funds

- Politically unpopular as it has been identified as a priority by Congressional delegation, State, County and City administrations
 - Directly contradicts the County's mission, vision, and values of making Milwaukee County the healthiest in the state by achieving racial equity
- Transfer partial funding for the North-South BRT to fixed route service and increase the timeline for construction of the North-South BRT.

Pros

- One time infusion of funds for the existing route system

Cons

- One time infusion of funds to the existing transit route system that will result in the deferment of North-South enhancements
 - Potentially compromise the County's ability to leverage federal funding for the project
 - Denial of investment in minority and low-income populations, particularly this being the highest ridership route in the County
 - Will not have linkages to the East-West BRT project
 - Will not benefit from I-94 East-West mitigation funds
 - Politically unpopular as it has been identified as a priority by Congressional delegation, State, County and City administrations
 - Directly contradicts the County's mission, vision, and values of making Milwaukee County the healthiest in the state by achieving racial equity
- Consolidation of facilities – FDL & KK Garages; Fleet Maintenance and Administration Building

Pros

- One time infusion of funds for the existing route system through potential sale
- Lower maintenance and operational expenses for facilities
- Planning benefits from deployment from a centralized location

Cons

- One time infusion of funds to the existing transit route system that will result in the deferment of fiscal cliff
- Potential loss of prime real estate
- Updates/repairs to prepare the affected facilities

ALIGNMENT TO STRATEGIC PLAN

Describe how the item aligns to the strategic plan:

- 2A: Determine what, where, and how we deliver services to advance health equity.
 2C: Apply a racial equity lens to all decisions.
 3A: Invest "upstream" to address root causes of health disparities.
 3B: Enhance the County's fiscal health and sustainability.
 3C: Dismantle barriers to diverse and inclusive communities.

RECOMMENDATION

This report is for informational purposes only, in advance of the 2023 Milwaukee County budget deliberations.

FISCAL EFFECT

There is no fiscal effect.

VIRTUAL MEETING INVITES

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PREPARED BY:

Julie Esch, Deputy Director

APPROVED BY:

Donna Brown-Martin

Donna Brown-Martin
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cc: Kelly Bablitch, Chief of Staff, County Board of Supervisors
Janelle M. Jensen, Legislative Services Division Manager, Office of the County Clerk