

**COUNTY OF MILWAUKEE
INTEROFFICE
COMMUNICATION**

DATE : June 15, 2021

TO : Supervisor Marcelia Nicholson, Chair, County Board of Supervisors

FROM : Joe Lamers, Budget Director, Department of Administrative Service
Donna Brown Martin, Director, Milwaukee County Department of Transportation

SUBJECT : State Budget Update – JFC Reduction to Mass Transit Operating Assistance

OVERVIEW:

This report is being submitted as a supplemental document to File 21-515 regarding the American Recovery Plan Act. This supplemental report outlines the potential impacts of budget actions taken Joint Finance Committee to reduce Mass Transit Operating Assistance funding.

BACKGROUND:

On June 8, 2021 the Joint Finance Committee (JFC) of the Wisconsin State Legislature (State) voted to reduce funding for Mass Transit Operating Assistance by \$41.3 million over the 2021-2023 biennium. The funding reduction was applied to Milwaukee County's and the City of Madison's fixed route systems by \$32.7 million and \$8.6 million, respectively. The decrease to Milwaukee County is applied at an amount of \$8.2 million in 2021-22 and \$24.6 million in 2022-23.

In 2019 the Milwaukee County Transit System (MCTS) provided over 26.4 million rides for purposes including work, school, shopping, tourism, and trips for healthcare purposes. After the COVID-19 outbreak in 2020, ridership declined to approximately 37.7% relative to 2019 levels, as people were taking far fewer trips and passenger capacity was limited to follow COVID-19 protocols. In addition, farebox revenues were free from March 28 through May 31 of 2020 to for safety related purposes. As of May 2021, ridership remains at just 50% of pre-pandemic levels.

Funding is more important now than ever as public transit systems, including MCTS, rebound from the COVID-19 epidemic. Before COVID-19, transit was an increasingly necessary and popular way for citizens to get to work, school, and even for social travel. In the early weeks of 2020, MCTS ridership was stronger than in 2019. However, systems nationwide have been severely impacted with greatly reduced ridership and significantly reduced fare box revenue because of the pandemic. While recent federal funding received through CARES and APRA was a necessary lifeline to sustain service, those funds are needed to overcome the combined impacts of decreased farebox revenue from lower ridership levels and increased costs due to inflation and COVID-19 mitigation efforts.

CARES and ARPA funding allocations are available for operating and/or capital expenditures. Due to significant reductions in ridership, combined with increased expenditures related to COVID-19 mitigation efforts and inflation, it is anticipated that a significant portion of these funds will be needed for operational support, to maintain service levels to the public. As we are

working to develop budgets for 2022 and future years, capital related needs are also being considered for uses of the funds. MCTS is currently estimating approximately 233 buses will reach the end of their useful life by 2024, based on mileage and age of existing fleet. In addition, numerous capital infrastructure improvements are needed throughout the system, including roof repairs at both the Fond du Lac and Kinnickinic garages, bus lift repairs and replacements, electrical repairs, and other capital needs.

The action taken by the JFC to reduce MCTS revenue by \$32.7 million presents significant risks to the future sustainability of the system. These revenues are needed to mitigate the impact of reduced ridership that the system has experienced since the outbreak of the COVID-19 pandemic. Additionally, the reduction will significantly inhibit the ability for MCTS to use CARES and ARPA funding for critical capital infrastructure needs such as bus replacements.

It is important to consider that after the State levied a 10% cut in mass transit operating funds, transit systems only received increases in 2015 (4%) and 2020 (2%). Because the State does not provide any capital funding for transit, systems must rely on federal grants and local funding sources for capital needs. As operating funds are reduced, the few grants that may be used for operating or capital have gone to fill operating gaps. The infusion federal relief funds, which may be used for either operating or capital purposes, coupled with existing levels of state operating funds, allows Milwaukee County to make desperately needed capital improvements. It also defers a projected operating gap that would require significant route cuts and deferred infrastructure maintenance.

A June 2021 report by the Legislative Audit Bureau to the Joint Committee on Finance provides an analysis of the proposed mass transit operating cuts recommended by JFC.

The federal funding received by transit systems is one-time funding. Once these funds have been exhausted, the services that these federal aids support will either have to be financed with some combination of ongoing state, federal, local and farebox revenues, or the service itself will have to be reduced, redesigned, or eliminated. In recognition that the pandemic-related federal funding received by transit agencies is one-time financing and will eventually be exhausted, and in support of system right-sizing and redesign efforts, the Committee [JFC] could choose to increase ongoing state operating assistance.

The Department of Transportation, in conjunction with the Budget Director and Government Affairs Liaison, will continue to work with state legislators and the Governor's Office as the 2021-2023 budget deliberations continue.

SUMMARY

This report is provided for informational purposes.

JOSEPH LAMERS

Joe Lamers
Budget Director
Department of Administrative Services

Donna Brown-Martin

Donna Brown-Martin
Director
Milwaukee County Department of Transportation

Cc: David Crowley, Milwaukee County Executive
Jason Haas, Chair, Finance and Audit Committee
Willie Johnson, Jr., Co-chair, Finance and Audit Committee
Scott Manske, County Comptroller
Steven Cady, Research and Policy Director, Office of the Comptroller
Mary Jo Myers, Chief of Staff, Office of the County Executive
Kelly Bablitch, Chief of Staff, County Board
Aaron Hertzberg, Acting Director, Department of Administrative Services
Ashley Adsit, Director of Grants and Special Projects, Department of Administrative Svcs
Dan Boehm, President and Managing Director, Milwaukee County Transit System