

**MINUTES OF THE SIXTH MEETING**

**SOUTHEASTERN WISCONSIN REGIONAL TRANSIT AUTHORITY**

DATE: September 18, 2006  
TIME: 8:00 a.m.  
PLACE: Southport Bank Financial Center  
Training Room – First Floor  
6905 Green Bay Road  
Kenosha, Wisconsin

Board Members Present

Karl Ostby, Chairman ..... Kenosha County Representative  
Len Brandrup ..... City of Kenosha Representative  
David Eberle ..... Racine County Representative  
Joseph “Jody” Karls ..... City of Racine Representative  
Sharon Robinson ..... City of Milwaukee Representative  
Julia Taylor ..... Governor’s Representative from City of Milwaukee  
George A. Torres ..... Milwaukee County Representative

Staff Members Present

Philip C. Evenson..... Executive Director, SEWRPC  
Kenneth R. Yunker ..... Deputy Director, SEWRPC  
Albert A. Beck ..... Principal Planner, SEWRPC

Guests Present

Donna L. Brown..... Systems Planning Group Manager, Southeast Region,  
Wisconsin Department of Transportation  
Brian Dranzik..... Research Analyst,  
Milwaukee County Board of Supervisors  
Michael J. Glasheen ..... Transit Planner, City of Racine  
Dewayne J. Johnson ..... Director, Southeast Region,  
Wisconsin Department of Transportation  
James H. Madlom ..... Mueller Communications, Inc.  
H. Carl Mueller ..... President, Mueller Communications, Inc.  
Frederick J. Patrie ..... Director of Public Works, Kenosha County  
Rosemary Potter..... Executive Director,  
Southeastern Wisconsin Coalition for Transit Now  
Lori Richards ..... Director of Client Services, Mueller Communications, Inc.  
Jeff Stone ..... State Representative  
Albert Stanek ..... Chief, Intercity Planning,  
Division of Transportation Investment Management,  
Wisconsin Department of Transportation  
Barbara Ulichny ..... Project Coordinator,  
Transit Advocacy and Communications Team (TACT)  
Kenneth J. Warren ..... Managing Director, Milwaukee County Transit System

Press

David Cole ..... General Manager, WGTD 91.1 FM

## **ROLL CALL AND INTRODUCTIONS**

Chairman Ostby called the meeting to order at 8:05 am.

## **APPROVAL OF AGENDA**

There were no changes identified by Board members to the meeting agenda.

## **REVIEW AND APPROVAL OF MINUTES OF THE JULY 17, 2006 MEETING**

A motion to approve the minutes as presented was made by Ms. Taylor, seconded by Ms. Robinson, and carried unanimously by the Board.

## **REVIEW AND DISCUSSION OF WRITTEN COMMENTS RECEIVED TO DATE**

There were no written comments received since the last Board meeting.

## **CONTINUED PRESENTATION/DISCUSSION ON THE BENEFITS OF PUBLIC TRANSIT**

Chairman Ostby called upon Mr. Michael Glasheen, Transit Planner for the City of Racine, to present information on the benefits provided by the Racine Belle Urban System (BUS).

Mr. Glasheen thanked the board for scheduling his presentation. He provided a brief history of the operation of the BUS since the City assumed operation in 1975. He noted that during the late 1970's and early 1980's the City was able to add new buses, implement headway reductions, and form partnerships with the Villages of Caledonia, Mt. Pleasant, and Sturtevant, and the University of Wisconsin-Parkside to help fund service extensions outside the City, and ridership on the BUS increased steadily. He also indicated that the City was able to find ways to expand routes and add evening and Sunday service during the 1990's. However, since 2003 the pattern has been service cuts and fare increases for the transit system, and that all were the direct result of limited local funding by the City and its funding partners. He stated that most of the transit service in the Village of Caledonia has been eliminated; service has been restructured and reduced in the Villages of Mt. Pleasant and Sturtevant; and service to the University of Wisconsin-Parkside was terminated by the University at the end of the 2006 Spring Semester. He stated that since the start-up of the transit system, fares have been raised six times and that ridership has dropped after each fare increase, decreasing by about 13 percent after the last fare increase in January 2003. He noted that the preliminary City budget for 2007 provides for no increase in the City property tax levy, and that the transit system will need to cut approximately \$112,000 from its budget by eliminating over 20 percent of the BUS service.

Mr. Glasheen also stated that the BUS was finding it increasingly harder to fund needed capital projects. For 2006, he explained the City had received no Federal transit capital assistance funds, but that the capital improvement program for the BUS called for an average of approximately \$1.2 million per year in capital projects over the next five years including the purchase of replacement buses. He also stated the City needed about \$1.5 million to finish refurbishing the State Street station in anticipation of future commuter rail service. He indicated that recommendations were needed from the RTA for new dedicated local public transit funding for capital projects and service operations.

The following questions were raised and comments made by Board members concerning Mr. Glasheen's presentation:

1. In response to a question by Chairman Ostby, Mr. Glasheen stated that the cost figure of \$1.5 million to finish work on the State Street station was based on the costs provided in the initial bids for the station refurbishing work received in the early 2000's and was still considered to be a reasonable estimate.
2. In response to questions by Mr. Ostby and Mr. Karls, Mr. Glasheen indicated that the local units of government had reduced transit services to stay within their local, largely property tax-based budgets.
3. Mr. Brandrup noted that the transit service provided by the BUS and other transit systems in the State is highly leveraged with Federal and State transit aids. He indicated that as a result, a large amount of service must be eliminated to achieve small reductions in local funding. Mr. Yunker stated that the information provided by both Mr. Brandrup and Mr. Glasheen was consistent with information provided by Commission staff at previous RTA meetings indicating that the local transit operators no longer have the financial capacity to operate transit services; that much of the transit operating costs are leveraged heavily with State transit aids; and that the local transit systems need to serve larger areas but their area of jurisdiction does not fit their service needs.
4. Ms. Robinson asked for Mr. Glasheen's reaction to the argument made by some that the RTA should resolve the funding issue for the proposed Kenosha-Racine-Milwaukee (KRM) commuter rail service as their first priority, and then address other issues such as dedicated funding for all public transit. Mr. Glasheen stated that the RTA should consider both the needs for dedicated funding for existing bus systems and commuter rail, noting that there may not be much service left on the public bus systems if the RTA were to wait. In response to a question by Mr. Ostby, Mr. Glasheen stated that he had no preference for how dedicated funding for public transit should be provided but that it was needed to remove local transit funding from the property tax.
5. Mr. Torres stated that the Milwaukee County Transit System faces similar local funding problems that have resulted in both service cuts and fare increases in recent years.
6. Mr. Ostby asked Mr. Glasheen to comment on the coordination of bus and rail services. Mr. Glasheen stated that the location of the State Street Station for the proposed KRM commuter rail service next to the Racine BUS Metro Transit Center would simplify the coordination of bus and commuter rail services. He noted that past coordination efforts by the City with Amtrak had proven to be problematic for both scheduling services and joint marketing. He indicated that schedule coordination is also limited by the location of the Amtrak station in the Village of Sturtevant which does not want to fund evening and weekend bus service on the route serving the station.

## **STATE REPRESENTATIVE JEFF STONE -- PERSPECTIVES ON THE REGIONAL TRANSIT AUTHORITY**

Chairman Ostby introduced State Representative Jeff Stone, the sponsor of the legislation under which the RTA was created. He indicated that Rep. Stone was at the meeting to provide his perspective on the legislative intent for the creation of the RTA and would answer questions from the Board on the role of the RTA regarding commuter rail and public transit.

Rep. Stone stated that he appreciated the efforts of the RTA and recognized the challenges they face in responding to the legislative charge. He noted that the work of the RTA was important for the future of the Region, both economically and for its transportation needs. He then made the following points concerning what he believed was the intent of Wisconsin Legislature when it created the RTA:

- The primary charge to the RTA is to identify how to fund and operate the proposed commuter rail service. Funding for existing transit needs should be addressed through separate legislation.
- Planning for the proposed KRM commuter rail service should not be conducted in a “vacuum” and should keep other transit in mind as it proceeds. To be successful, the commuter rail service should be coordinated with other transit services available in the KRM corridor including those provided by the local public transit systems, Amtrak passenger rail service, and scheduled airline passenger service at General Mitchell International Airport. There should be thoughtful consideration of how the commuter rail service can complement and connect with the existing services in as seamless a manner as possible without negatively impacting existing transit operations or adding to their costs.

Rep. Stone indicated that providing adequate funding for public transit was part of broader transportation funding issues being faced by the State. He stated that the Joint Legislative Committee on Transportation Needs and Financing, also referred to as the Road to the Future Committee, would be considering increasing State transit funding to return public transit to year 2001 services levels. He stated that State transit funding would also need to be increased for KRM commuter rail service. He stated that the State shortfall of funds through the year 2030 had been estimated at \$700 million per year.

The following questions were raised and comments made by Board members concerning the information provided by Rep. Stone:

1. Mr. Brandrup referred to the State Statute under which the RTA was formed (see Attachment 1 to these meeting minutes). He agreed with Rep. Stone that the Statute clearly charged the RTA with conducting financial planning for the KRM commuter rail service. However, he noted that the Statute also charged the RTA with making recommendations pertaining to a permanent regional funding source to provide local funds for the portion of the operating and capital costs of public transit that are not covered by passenger fares. Rep. Stone reiterated that he believed the primary charge to the RTA was for the financial planning for the KRM commuter rail service and that while recommendations for funding local transit could also be brought forward, they were not to be the main focus of the RTA.
2. Mr. Karls indicated he favored having the RTA concentrate on KRM funding issues, and he questioned whether the RTA had the resources to also address fully local transit funding at the same time. He stated that the Board should not lose the current opportunity to fund the KRM commuter rail service.
3. Ms. Taylor asked Rep. Stone about the importance of the positions of local officials on what funding solutions should be considered by the RTA. Rep. Stone indicated that it was very important to consider what local officials want in order for the RTA recommendations to succeed.
4. Chairman Ostby asked what level of operating funding had been assumed for commuter rail service by the Road to the Future Committee. Mr. Evenson indicated that the Commission staff would check into this and report back in the meeting minutes.

[Secretary's Note: Commission staff reviewed a memorandum prepared by the Legislative Fiscal Bureau for the Joint legislative Committee on Transportation Needs and Financing entitled "Estimates of the Costs to meet Specified Transportation Funding Thresholds" dated July 18, 2006. A copy of this memorandum is included in Attachment 2 to these minutes. This memorandum is the source document for the estimated \$700 million annual shortfall in State funds for the State transportation plan. The analyses documented in the memorandum assume State aids would cover 42 percent of the operating costs of all existing and planned public transit service in the State, including the proposed KRM commuter rail service. The KRM operating costs were based upon those estimated in the corridor study completed in 2003.]

5. Ms. Taylor stated that the annual shortfall of \$700 million in State funds seemed like a crisis to her and asked Rep. Stone if the State would be able address this problem with its current funding resources. Rep. Stone indicated that the funding problem had been exacerbated by the elimination of automatic indexing of the State tax on motor fuels. He stated that the Legislature would need to develop a long-range vision for funding transportation and that the Federal government may provide some new tools to fund transportation projects.
6. Mr. Torres noted that State funds for operation of the KRM commuter rail service had been proposed to come from the State's current transit operating assistance program which is the main source of operating assistance for local public transit systems. He asked Rep. Stone if funding levels for the transit operating assistance program would be increased sufficiently to provide for the needs of both local transit and commuter rail. Rep. Stone responded that funding for the program will need to grow to fund the proposed commuter rail service as well as higher levels of transit service in Milwaukee County and throughout the State. He noted that the amount of funding needed would be determined as the State transportation plan is completed and the recommendations of the Road to the Future Committee are identified.
7. Mr. Torres noted the difficulties of providing for not only public transit needs but also highway needs when the Governor is allowed to transfer funds from the State Transportation Fund to the general fund. Ms. Taylor cited the need to keep the funding partners at the table including the Governors office, legislators, WisDOT, and key local officials so there are no surprises for any party when the final recommendations for the KRM commuter rail service and funding source are made.
8. Chairman Ostby asked Rep. Stone for his opinion on the current political environment for getting a dedicated sales tax for transit needs in the three RTA counties. Rep. Stone indicated that that the legislature is concerned about anything to do with new taxes, and that it would probably be easier to work toward redirecting existing tax revenues or increasing existing taxes to address transit needs than to establish a new funding source.

At the conclusion of the foregoing question and answer period, Chairman Ostby thanked Rep. Stone for his time and support of the RTA.

## **CONSIDERATION OF THE RECOMMENDATION FOR A COMMUNICATIONS CONSULTANT FOR THE RTA**

Mr. Yunker summarized the procedure that had been followed to date to select a communications consultant for the RTA. He stated that the KRM Commuter Rail Corridor Study Steering Committee and

Commission staff met on September 13, 2006, to consider the five proposals that had been submitted and that the proposal by Transit Advocacy and Communications Team (TACT) headed by Mueller Communications, Inc., had been unanimously recommended to the RTA. Reasons for the selection of this team included the outreach to elected officials and the business community proposed by the team, the experience of team members in doing such outreach, and the research on funding sources which was proposed by the team. Mr. Yunker requested that the RTA Board authorize the Commission staff to enter into contract negotiations with the firm for the services identified in the RFP and in the TACT proposal, and also authorize Chairman Ostby to review and sign the communications consultant contract, so that the consultant's work could be initiated as soon as possible. Mr. Brandrup noted that the Steering Committee and Commission staff had identified the top three consultant teams and that if contract negotiations with this firm were unsuccessful, negotiations with the next highest ranked firm would be initiated.

A motion to approve the recommendation of the Steering Committee and Commission staff for selecting Transit Advocacy and Communications Team as the communications consultant to the RTA, and to authorize the Commission staff to negotiate a contract with the firm, and for Chairman Ostby to review and sign the contract, was made by Mr. Eberle and seconded by Ms. Robinson. Discussion on the motion included the following questions and comments:

1. Mr. Karls stated that he would prefer to have some additional time to consider the TACT proposal. Chairman Ostby stated that he also had not had time to thoroughly read the proposal line-by-line either but he was comfortable accepting the recommendation of the Steering Committee and Commission staff. Ms. Robinson noted that the action of the Board on this matter was consistent with the consultant selection procedure discussed at the July RTA meeting.
2. Mr. Eberle asked if interviews had been conducted with the top ranked firms. Mr. Yunker stated that the Steering Committee and Commission staff did not believe they were necessary based on the strength of the top ranked proposal.
3. Mr. Eberle asked if the Transit Advocacy and Communications Team was an established team of firms or a recent assemblage of firms and individuals. Mr. Yunker stated that it was a combination of firms that have worked together on other projects.
4. Mr. Torres asked if the consultant would report to the RTA Board or to the KRM Steering Committee. Mr. Brandrup stated that the Steering Committee was used for the selection of the consultant but that the consultant would work for, and report to, the RTA.

The motion to select Transit Advocacy and Communications Team as the communications consultant, and to authorize negotiation and execution of a contract with the firm was approved unanimously.

#### **FOLLOW-UP INFORMATION FOR QUESTIONS RAISED AT THE JULY 17, 2006 RTA MEETING**

Chairman Ostby asked Mr. Yunker to go over the presentation on questions and issues raised by the Board at the July 17, 2006, meeting (see Attachment 3 to these meeting minutes) which covered the issues identified below.

### **Report on Northeastern Illinois Transit Funding**

Concerning the information provided on the funding sources and levels provided for public transit by the northeastern Illinois RTA, Ms. Taylor asked if any of the tax revenues used for transit funding came from special taxes. Mr. Yunker indicated that all local tax revenues came from a general sales tax.

Mr. Eberle observed that the sales tax was not a transportation user fee. Mr. Yunker stated that many areas with a dedicated sales tax had chosen this funding source because the revenues generated would increase with the growth of the area and with inflation and would be paid by both residents and nonresidents of the area. He stated that revenues from user fees like motor fuel taxes may be expected to not increase to cover growth and inflation as fuel prices and vehicle motor fuel efficiency increase. He noted that one reason the Wisconsin gas tax had been indexed was that gas tax revenues failed to keep up with inflation.

Chairman Ostby asked about the use of Federal funds by the northeastern Illinois RTA. Mr. Yunker stated that the RTA was responsible for distributing the revenues from the dedicated sales tax and from the Illinois Public Transportation Fund (PTF) and that the transit systems—Chicago Transit Authority, Metra, and Pace—apply directly to the Federal Transit Administration (FTA) for Federal funds. He noted that FTA funds were for capital projects, but could be used to cover operating costs related to maintenance and paratransit service. He stated that northeastern Illinois transit systems do not use FTA funds for operating costs. He noted that Milwaukee County and Wisconsin transit systems statewide use these FTA funds almost exclusively in recent years for operating costs.

### **Report on Local Sources of Funding Used by Public Transit Systems Which Do Not Have Dedicated Funding**

Mr. Yunker stated that, like the transit systems in Kenosha, Racine and Milwaukee Counties, property taxes were the primary source of local funds for the transit systems without dedicated local funding that were identified in areas similar in size to Kenosha, Racine, and Milwaukee in the material for the July 17, 2006, RTA meeting. He stated that because transit operating funds in Wisconsin are heavily leveraged by State operating assistance, the property taxes needed for transit are directly tied to State aid levels. By way of example, he stated that given recent inflationary increases in transit system operating costs, if State aids increased by 2 percent per year as provided for in the current State budget, local transit operators must increase their property tax levy for transit by 10 percent per year to maintain their existing transit systems. If there was no increase in State aids as provided in the previous State budget, local transit operators must increase their property tax levy for transit by 15 to 20 percent per year to maintain their existing transit systems.

### **Recent Performance of the Sales Tax in Southeastern Wisconsin**

Concerning the information provided on the sales tax revenues generated in the southeastern Wisconsin counties, Mr. Yunker stated that the sales tax revenues had for the most part increased steadily over the past 10 years although not uniformly among the counties in southeastern Wisconsin. Rep. Stone stated that an analysis of the performance of the Miller Park sales tax was being done by the State to determine if it is accurate.

### **Comparison of the Operating Cost per Revenue Vehicle Mile for the Kenosha, Racine, and Milwaukee Transit Systems**

Mr. Yunker stated that the Commission staff had compared the operating cost per revenue vehicle mile for the Kenosha, Racine, and Milwaukee transit systems for the purpose of identifying significant differences among the systems that account for higher unit costs for the Milwaukee County Transit System. He noted that the analysis determined that Milwaukee County labor, fringe, and paratransit costs are higher than Racine and Kenosha but are partially offset by lower fuel, materials, supplies, and casualty and liability costs.

**Comparison of Taxes and Fees of Local Government  
in Wisconsin to Local Government Nationwide**

Concerning the information provided on the comparison of taxes and fees of local government in Wisconsin to those for local government nationwide, Chairman Ostby noted that Wisconsin communities lagged behind those of other states with respect to use of funds.

**Update on Kenosha-Racine-Milwaukee Commuter Rail Service  
Corridor Study/Draft Environmental Impact Statement**

Mr. Evenson stated that updated information on the costs and ridership for the proposed KRM commuter rail service as developed under the current KRM corridor planning work had not yet been completed but was expected to be ready for presentation at the next RTA meeting. He indicated that the KRM Steering Committee and Commission staff had met with officials from Metra and the Union Pacific Railroad to discuss their involvement in the current KRM planning work and issues related to the commuter rail service. He noted that Metra officials had requested that the proposed KRM commuter rail service not be referred to as a Metra service extension but rather as a link to Metra.

Chairman Ostby asked the Commission staff to report at the next meeting on the commuter rail service provided by the Northern Indiana Commuter Transportation District in the corridor between South Bend, Indiana and downtown Chicago, in particular regarding its ability to share track with Metra.

**ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned at 10:00 a.m. on a motion by Mr. Eberle, seconded by Ms. Robinson, and carried unanimously.

Respectfully submitted,

Kenneth R. Yunker  
Recording Secretary

**2005 Regional Transit Authority Legislation--Section 59.58 (6) Wisconsin Statutes**

**(6) REGIONAL TRANSIT AUTHORITY.** (a) In this subsection:

1. "Authority" means the regional transit authority.

2. "Region" means the geographic area composed of the counties of Kenosha, Milwaukee, and Racine.

(b) The counties of Kenosha, Milwaukee, and Racine shall create a regional transit authority. The governing body of the authority shall consist of the following members:

1. Three members, one from each county in the region, appointed by the county executive of each county and approved by the county board.

2. Three members, one from the most populous city in each county in the region, appointed by the mayor of each such city and approved by the common council.

3. One member from the most populous city in the region, by the governor appointed.

(bm) No action may be taken by the authority unless at least 6 members of the authority's governing body vote to approve the action.

(c) Notwithstanding s. 59.84 (2), the authority shall be responsible for the coordination of transit and commuter rail programs in the region.

(cg) 1. The authority may impose the fees under subch. XIII of ch. 77.

2. The authority shall retain all revenues received under subd. 1., except those expended as authorized under par. (cr), until the authority has submitted the report specified in par. (e) and action on the report is taken by the legislature.

(cr) The authority may hire staff, conduct studies, and expend funds essential to the preparation of the report specified in par. (e).

(d) The department of transportation or its designee, the southeastern Wisconsin Regional Planning Commission, or any designee of the governing body of the authority may provide administrative support services to assist the authority in fulfilling its duties.

(dm) Any recipient of state funding for the planning or engineering of a commuter rail project in the region shall periodically report to the authority's governing body or staff.

(e) By November 15, 2008, the authority shall submit to the governor and to the chief clerk of each house of the legislature, for distribution to the legislature under s. 13.172 (2), a report on the activities of the authority. The report shall include all of the following:

3. A plan to improve the coordination of expanded mass transit, commuter rail, and passenger rail in the region.

3r. A recommendation on the use of bonding for commuter rail and public transit in the region, and the role of the authority in such bonding.

4g. A plan for the distribution among the mass transit operators in the region of any permanent regional funding specified in subd. 5.

4r. A recommendation as to whether the responsibilities of the authority should be limited to collection and distribution of regional transit funding or should also include operation of transit service.

5. A proposal that specifically identifies a permanent regional funding source to provide local funds for the local portion of operating and capital costs of commuter rail and public transit that are not covered by passenger fares and that considers all potential funding sources.

6. A recommendation on whether the authority should continue in existence after September 30, 2009.



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 18, 2006

TO: Senator Dan Kapanke, Senate Co-Chair  
Representative Mark Gottlieb, Assembly Co-Chair  
Joint Legislative Committee on Transportation Needs and Financing

FROM: Bob Lang, Director

SUBJECT: Estimates of the Cost to Meet Specified Transportation Funding Thresholds

At your request, this memorandum provides estimates of the cost to reach several benchmarks you specified in various transportation program areas. In order to provide information for the Joint Legislative Committee on Transportation Needs and Financing's deliberations, these estimates are added together in a concluding section.

### **STATE HIGHWAY IMPROVEMENT PROGRAM**

#### **Description of the State Highway Program**

One way that the Department of Transportation assesses the needs for future highway expenditures is through the preparation of a long-range highway plan. The Department's most recent long-range highway plan, which was completed in 2000, covers the period between 2000 and 2020. The plan recommends highway improvements based upon a series of performance and condition thresholds for things like pavements, roadways, bridges, safety, and traffic flow. The thresholds, which are numerical measures, are different for different classes of highways, so that, for instance, lower volume highways are allowed to deteriorate slightly more than higher volume highways before reaching the point at which an improvement is considered necessary.

Computer modeling was used to predict when highway segments will reach thresholds for highway and bridge condition, using information on their current condition and predicted rates of deterioration. Then, the model was used to calculate the total cost of making improvements to substandard segments. The plan recommended a level of funding that, over the period of time covered by the plan, would substantially reduce, although not entirely eliminate, the number of highway segments and bridges that fall below the condition thresholds.

In addition to determining when a highway improvement is triggered, the plan model used information on the age, geometrics, and crash history of the highway to determine what type of improvement should be done. For instance, certain highways that have curves or hills that are considered substandard by current engineering standards would be reconstructed under the plan's recommendations to improve the highway geometrics. As with the condition thresholds, the type of improvement that is projected for a highway varies depending upon the amount of traffic on the highway. The plan's computer model calculates the total cost of the prescribed improvements by applying the average cost-per-mile for that type of improvement. Separate procedures were used to determine whether a community bypass or highway interchange would be justified to improve traffic movement or safety.

Finally, to address traffic congestion on longer highway segments, the plan developed a list of potential major highway development projects by establishing traffic congestion thresholds that trigger capacity improvements and then predicting which highways will reach those thresholds during the planning period. After developing this initial list, some projects were either added or removed from the list based on suggestions of DOT district staff. The total cost of these projects was estimated using average costs-per-mile for the typical expansion projects, except that the cost of adding lanes to the Milwaukee-area freeways was estimated separately.

The total cost of the highway improvement scenario recommended by the plan was estimated at \$20.42 billion, in 1999 dollars, over the 21-year period covered by the plan. The plan notes that the gap between the funding level needed to achieve the plan goals and the amount of funding estimated to be available for the highway program over the period if no tax and fee increases were implemented, was \$5.1 billion. Implementing the plan's recommended improvements would have required a funding increase of \$229.5 million in 1999-00 (above the 1998-99 level) and annual inflationary increases thereafter to maintain the program at the same real level for the entire 21-year period.

### **Measuring Current Funding in Comparison with the Plan's Recommended Funding Levels**

The state has now budgeted for eight of the 21 years of the planning period, so it may be useful, in assessing future highway improvement needs, to compare the funding provided over those eight years with the amount needed to achieve the plan's recommended funding levels. There are a few different approaches to doing this comparison, which are described below and summarized in Table 2 at the end of this section. Under one approach, the goal would be to achieve the total, 21-year funding level recommended by the plan in the 13 years remaining in the planning period, adjusting for inflation using the actual consumer price index (Scenario 1 in Table 2). Since actual funding for the highway improvement programs during the initial eight-year period has fallen below the plan's recommendations, additional increases (above the increases that would have been required in 1999-00) would be needed under this scenario to achieve the plan's funding goals.

Total funding for the highway improvement programs over the first eight years of the planning period was \$6.59 billion (in 1999 dollars) which leaves an additional \$13.83 billion in

funding needed to reach the plan's total 21-year funding level. Since there are 13 years remaining in the period (beginning in 2007-08), the total funding amount needed each year would be \$1.06 billion in 1999 dollars, which translates to an estimated \$1.28 billion in 2006 dollars. Achieving this annual funding level would require an increase of \$273.0 million above the 2006-07 base funding level.

Although this approach is intended to attain the plan's recommended 21-year funding level through 2020, while adjusting for inflation, as several people noted in the Committee's public hearings, the cost of highway construction has significantly exceeded the general rate of consumer inflation over the past few years. To illustrate this point, the following table compares the annual inflation rate for highway construction, using the Bureau of Labor Statistics' producer price index for highway and street construction, with the general inflation rate since 1999.

**TABLE 1**

**Comparison of General Inflation Rate with Highway Construction Inflation**

<u>Year</u>	<u>Consumer Price Index</u>	<u>Highway Construction Price Index</u>
1999	2.2%	2.5%
2000	3.4	7.8
2001	2.8	0.4
2002	1.6	-2.4
2003	2.3	2.2
2004	2.7	8.5
2005	3.4	12.6
2006	2.5	7.4
Average, Annual Change	2.7%	5.1%

Since the average, annual inflation rate for highway construction has exceeded the general rate of inflation, providing the level of funding as described in Scenario 1 may not be sufficient to maintain the purchasing power necessary to attain the plan's highway improvement goals. In effect, the high inflation rate for highway construction in recent years has meant that the state may not be as far along on achieving the highway plan's improvement goals as the previous scenario would suggest.

An alternate approach would be to adjust the funding provided over the initial eight years of the planning period to approximate the 1999 highway construction purchasing power of that funding (Scenario 2 in Table 2). For the purposes of this estimate, the index for 2006 was

estimated by taking the average index for the first four months of the year. Since trends in highway construction inflation are difficult to predict, the estimated 2006 index is also used for 2007.

Using this approach to the calculation, total funding for the highway improvement programs over the eight-year period was \$6.19 billion in terms of 1999 highway construction purchasing power, which leaves an additional \$14.23 billion in funding needed for the remaining 13 years. The annual amount needed for the rest of the period would be \$1.09 billion in 1999 dollars, which translates to \$1.55 billion in equivalent purchasing power in 2006. The annual increase needed under this scenario, relative to the 2006-07 funding level, would be \$544.6 million.

The amount of funding needed under this scenario is significantly higher than the amount indicated under the general inflation analysis. A large part of the reason for the difference can be attributed to the difference between the adjusted amount of funding for highway improvement programs in 2006-07, which in both cases is the base for the annual increase figures. In nominal dollars, funding for the highway improvement programs will total \$1,005.1 million in 2006-07. In 1999 dollars (general inflation), this translates to \$836.7 million. This amount is higher than the \$764.7 million provided for the programs in 1998-99, so in this sense the program has seen a real increase in funding since that time. However, in terms of 1999 highway construction purchasing power, the 2006-07 funding level is equivalent to just \$710.1 million, or \$54.6 million less than the amount provided in 1998-99.

Since the rapid increase in the cost of highway construction has such a large impact on these calculations, future trends in these costs will have a large impact on the amount of funding needed in subsequent years to maintain the purchasing power of the highway program. However, since these cost trends are a relatively recent development, it is difficult to determine what kind of impact they will have on the highway program over the longer term. That is, the amount of funding needed to increase (or, alternatively, just maintain) the purchasing power of the highway program over the next several years will vary substantially depending upon whether the recent increases in the cost of highway construction are a temporary "spike" that will drop closer to previous levels in the future, or whether the recent increases will establish a new "plateau" upon which future cost increases will accrue. If the recent increases represent a temporary spike in prices, a subsequent reduction in prices will, in effect, restore some of the purchasing power of the current level of funding for the highway improvement programs, meaning that the funding increases needed to meet the plan objectives would be reduced.

One final approach to assessing highway needs would be to determine the funding increase that would be necessary to meet the plan's annual recommended funding level, without providing an additional increase to compensate for the funding levels of the past years that have fallen below the recommended levels. In this case, the total, 21-year funding level provided for highway improvements would fall below the level recommended by the plan, meaning that achievement of the plan's goals would be delayed beyond 2020.

As with the previous analysis, this calculation can be done either in terms of the real level of funding recommended by the plan, using the general rate of inflation since 1999, or in terms of the

same highway construction purchasing power as recommended by the plan. Using the general rate of inflation (Scenario 3), funding would have to be increased by \$162.8 million above the 2006-07 funding level to achieve the recommended, annual funding level, whereas, achieving the highway construction purchasing power recommended by the plan (Scenario 4) would require an increase of \$371.3 million above the 2006-07 funding level.

**TABLE 2**

**Scenarios for Providing Funding Increases to Match Recommended Highway Plan Funding Levels  
(\$ in Millions, 2006 Dollars)**

	<u>Description</u>	<u>Required Total Annual Funding Level</u>	<u>Increase to 2006-07 Level</u>
Scenario 1	Fund 21-year recommended level in remaining years of planning period, using general inflation rate.	\$1,278.1	\$273.0
Scenario 2	Fund 21-year recommended level in remaining years of the planning period, using construction inflation rate.	1,549.7	544.6
Scenario 3	Provide recommended annual funding level without compensating for previous lower funding level, using general inflation rate.	1,167.9	162.8
Scenario 4	Provide recommended annual funding level without compensating for previous lower funding level, using construction inflation rate.	1,376.4	371.3

**Additional Potential Highway Improvement Needs**

Although the above analysis provides a sense of where current funding for the highway improvement programs stands in relation to DOT's most recent long-range highway plan, it does not necessarily provide an authoritative conclusion on the current state of highway program needs. In the years since the highway plan was developed, various factors may have changed that could or should alter the plan's conclusions. Perhaps the best example of this is the development, in the intervening years, of a plan for the southeast Wisconsin freeway systems by the Southeastern Wisconsin Regional Planning Commission (SEWRPC). For instance, whereas DOT's highway plan recommended capacity expansion to 57 miles of the southeast Wisconsin freeway system, SEWRPC's freeway study, which was completed in 2003, recommended new lanes on 127 miles. To give a specific example of this difference, DOT's highway plan recommended additional lanes

on I-94 between the Mitchell Interchange and the Milwaukee/Racine County line, whereas SEWRPC recommended additional lanes extending all the way to the Illinois border.

The total cost of SEWRPC's recommendations is estimated at \$6.23 billion, in 2000 dollars, which is approximately 20% higher than the estimated cost of freeway improvements in DOT's highway plan. This increase would not necessarily increase the annual cost of southeast Wisconsin freeway work, relative to DOT's highway plan, since SEWRPC's freeway plan covers a 30-year time period, instead of a 21-year period. Nevertheless, this illustrates that regional transportation plans are periodically updated to include elements that may not be reflected in DOT's 2000 highway plan.

Another example of changes in the factors that have an impact on the assessment of highway needs is the growth in the cost of the proposed Stillwater bridge, which is a collaborative project between Wisconsin and Minnesota. Wisconsin's share of the cost of this bridge project is now estimated at \$144.6 million. Although this project was not explicitly discussed in the Department's highway plan, at the time that the Department's plan was completed, DOT estimated Wisconsin's share of the cost of the bridge at \$47.9 million. Even controlling for the effect of highway construction inflation, the current estimate is over \$80 million more than the previous estimate.

### **Bonding for Highway Improvement Program Funding Increases**

The state has used bonds for state highway improvement projects since 1969, with regular use of revenue bonds for the major highway development program beginning in 1984. The case for using bonds on highway projects is that, when complete, they have a long life span. The use of bonds as a financing tool allows the cost of the projects to be spread out over a portion of its design life. In this way, future users of the highways pay for some of the project's cost, since vehicle registration fees collected from them are used for debt service on the bonds. Given the large increases in funding for highways that would be required under the scenarios outlined above, a case could be made that bonding could be used for some part of that increase.

It should be noted, however, that since the state has continued to use revenue bonds on the major highway development program over a long period of time, debt service payments have taken an increasing share of transportation fund revenues. This means that current users, while presumably benefiting from many different improvement projects, are paying a higher percentage of their transportation taxes and fees for the major highway development program through a combination of debt service and cash appropriations, than did previous users.

This set of circumstances raises the question of whether, through the use of bonding, current decision makers adopt policies that require future highway users to pay more for improvements than they would themselves be willing to pay. One principle that may guide decisions on the use of bonds is to limit bonding to a given percentage of total highway improvement program expenditures such that the growth in debt service would be commensurate with expected natural revenue growth. This percentage could be adjusted depending upon an estimate of the expected annual rate of transportation fund revenue growth.

A hypothetical example may help illustrate this principle. If the Legislature were to establish the goal of providing funding increases for the highway improvement program as shown above in Scenario 4 in Table 1, total funding would equal \$1,440.9 million. If this funding were maintained at the same real level each year (assuming a 3.0% annual inflation rate), and bonding was used to provide 10% of the total (\$144.1 million), the sum of cash funding for the highway program plus the debt service associated with the bonding would grow initially at 4.0% per year, declining to about 3.8% at the end of 20 years. If, on the other hand, bonding is used for 15% of the total funding level (\$216.1 million), the sum of cash funding for the highway improvement program and debt service would grow at 4.6% per year initially, declining to 4.2% in twenty years. Therefore, if transportation fund revenues grow at about 4.0% per year, the 10% bonding policy would create a situation in which the total amount of resources devoted to the highway improvement program (cash and debt service) would not increase as a percentage of total revenues, but under a 15% bonding policy, the share of revenues devoted to the highway program and associated debt service would increase.

These examples use several simplified assumptions, but they may help provide a guideline for future bonding policy. The amounts in question could be refined in the context of a discussion of the overall financing strategy in the final stage of the work of the Joint Legislative Committee on Transportation Needs and Financing. But to put these general numbers into perspective with current funding policy, in 2006-07, bonding will be used for just under 15% of the highway improvement program. As illustrated above, if that bonding percentage is maintained over time, revenues would have to increase by as much as 4.6% per year to avoid a situation in which the combination of highway cash funding and debt service require an increasing share of total revenues. However, absent revenue increases, and particularly since the motor fuel tax rate will no longer be indexed to inflation, it is unlikely that the combination of federal highway aid and gross transportation fund revenues will grow at that annual rate.

To offer another perspective comparing the above illustrations with current policy, at the 10% bonding level, the total amount of bonds used under Scenario 4 would be \$144.1 million. In 2006-07, the total amount of bonding used in the major highway development program is \$146.7 million. Consequently, while Scenario 4 would require a funding increase of \$435.8 million, none of it could be provided with bonding if the goal was to establish a 10% bonding policy.

## **HIGHWAY MAINTENANCE AND TRAFFIC OPERATIONS**

### **Recent Maintenance Budget History**

During the Committee's public hearings, individuals representing county highway agencies expressed the opinion that additional resources were needed for state highway maintenance. It was noted that over the last several years a decline in the real level of funding for county maintenance services has required cutbacks in work that counties perform on the state highway system. As a result, various activities have been curtailed, including some preventive maintenance.

The funding situation for the maintenance and traffic operations program has been affected by decisions made over the past several biennia, particularly a decision related to the responsibility for funding traffic operations items (highway signs, pavement markings, traffic signals, and highway lighting) and intelligent transportation systems (ITS) projects. The 2001-03 biennial budget modified the statutory definition of "highway improvement" to exclude the installation, replacement, rehabilitation, or maintenance of traffic operations items and ITS projects, unless the work is incidental to a highway construction project. The effect of this change was to prohibit the Department from funding stand-alone traffic operations items and ITS projects from the state highway rehabilitation or southeast Wisconsin freeway rehabilitation program appropriations and, instead, require them to be funded from the highway maintenance and traffic operations program appropriations. At that time, DOT indicated that it had been spending approximately \$27 million annually from the highway rehabilitation programs on stand-alone projects of both types.

In order to allow the maintenance and traffic operations program to absorb the added responsibility of funding traffic operations and ITS projects, \$27.0 million was provided for the maintenance and traffic operations program in 2001-02, the first year of the change, but this amount was reduced to \$7.4 million in 2002-03. The 2003-05 budget made further reductions for traffic operations and ITS projects by eliminating the \$7.4 million in base funds in both years of that biennium. Despite the elimination of these funds, the Department made the decision to continue expenditures on certain traffic operations projects that were considered critical for safety, such as certain pavement markings. However, this meant that other areas of the maintenance program were affected, including maintenance services provided by counties.

The 2005-07 budget provided an above-inflationary increase for the maintenance and traffic operations program (4.0% in 2005-06 and 4.3% in 2006-07). However, these increases were not enough to restore the previous funding level for ITS projects and the traffic operation items or to provide counties with the funding needed to restore prior levels of maintenance service provided by counties.

### **Restoring Traffic Operations Funding**

As noted above, although funding was eliminated for traffic operations items and ITS projects, the Department has reallocated about \$9.6 million annually from other areas of the maintenance budget to continue performing the traffic operations tasks considered the most critical for safety. This includes certain pavement markings, replacement highway lighting on the southeast Wisconsin freeway system, and replacement of the most seriously deteriorated sign bridges. However, stand-alone traffic operations projects in other areas have been deferred.

To restore funding to previous levels in this area, increases would be needed to reach the \$27.0 million level, in 2001 dollars. Adjusting for inflation using the general consumer price index, an increase of \$21.5 million would be required to reach this level.

As with highway construction, some items in traffic operations have increased at a rate exceeding the general rate of inflation. For instance, the Department indicates that the cost of

pavement marking paint has increased at a rate exceeding 20% in the past year. However, the increases are not uniform and there is no price index (comparable to the one used for highway construction) for the specific items involved in traffic operations items. Consequently, although it is possible that restoring the previous purchasing power of this program area could require increases above the \$21.5 million figure cited above, it is unclear if this is necessarily the case, or if it is, how much more would be required.

### **Funding Optimal Highway Maintenance**

The Department has identified several areas of highway maintenance that counties, as the result of constrained funding, have either stopped doing entirely or are performing at reduced levels. These include crack sealing of asphalt pavement and repair of concrete distresses; inspections and maintenance of culverts, ditches, under drains, inlets, and other drainage structures; mowing, including control of woody vegetation that may create hazards in clear zones; replacing damaged or missing delineators; removing trees or brush in clear zones; repair of erosion problems; establishing vegetation to serve as snow fences or other measures to prevent drifting; removal of trash and debris from roadsides; maintenance of security fences; and maintenance of bridge drains and other bridge-related maintenance. Overall, the Department indicates that "most preventive maintenance activities [have been] abandoned" in order to concentrate effort on reacting to critical failures.

The Department's maintenance level of service model identifies the maintenance activities that counties are to perform on the state highway system. For the purposes of the model, the highway system is divided into several classes, depending upon such factors as the type of surface (concrete or asphalt), the number of lanes, and the traffic level. For each highway class, the model specifies the maintenance activities that must be performed and the expected frequency of those activities. For instance, for each class of highway, the model makes assumptions on the number of potholes per mile that will require repairs each year, as well as the amount of time, number of workers, and equipment cost for this operation. Similar assumptions are made for other activities related to pavements and shoulders, bridges, roadside maintenance (mowing, trash pick up, brush cutting), drainage maintenance, and others. For each county, a level of service budget is calculated using the number of lane miles and bridges in each highway class in that county and the assumed cost for each of the specified maintenance activities.

Although the level of service model specifies the activities and the frequency of activities for each class of highway, the purpose of the model is not to specify the precise activities that counties are required to perform, but rather to establish an equitable basis for allocating funds among the counties. Counties, in consultation with DOT, determine what maintenance activities to perform and are reimbursed using a formula designed to approximate their actual costs. The level of service budget for each county establishes a maximum that, with limited exceptions, constrains the amount of activities that counties can do each year on the state highway system.

A notable aspect of the budget for county maintenance services is the fact that since the level of service model was established in 1992, the amount allocated to each county has always been less than the amount that the model estimates is needed to perform all of the specified maintenance

activities. Since, as noted above, the model is used primarily as a method of allocating funds to counties, this is not necessarily problematic. Each county's share of the level of service model is simply prorated based upon the actual amount of funding available for county services. However, many counties have maintained that the gap between the amount of funding specified under the level of service model and the amount of funding actually provided to counties represents, at a minimum, the funding shortfall for the county services portion of the maintenance and traffic operations program.

In 2006, the funds available for distribution to the counties falls short of the total funding level identified by the level of service model budget by \$20.8 million. However, this amount may not provide a true representation of the gap between actual funding and optimal highway maintenance investment. The Department indicates that the level of service model has been adjusted over the last several years to try to bring it closer into alignment with actual expenditures. Consequently, instead of providing an estimate of the level of maintenance funding needed to provide the lowest life-cycle cost for highways, the level of service model has been deliberately constrained to more closely match available funding. Therefore, the gap between the current funding level and an optimal maintenance funding level under the current method of delivering those services is likely higher than \$20.8 million. However, although the Department has begun to do some work in estimating the cost of providing the optimal level of maintenance, it is not yet possible to quantify the extent of this gap. There are a few areas, however, where DOT has estimated specific funding shortfalls, although they fall outside the principal maintenance activity areas. These areas include a \$1.0 million annual shortfall for noxious weed control, and a \$1.0 million annual shortfall for roadside facilities maintenance (rest areas and waysides).

In addition to the gap between current funding for county maintenance services and the funding needed for the optimal level of annual maintenance, the Department indicates that cuts in certain maintenance activities over the past several years have resulted in backlogs of some maintenance work. Consequently, even if funding were provided to meet the optimal level of annual maintenance, some additional funding would likely be required to address these backlogs. The Department's maintenance report for 2005 indicates that some of the problems most in need of repair or attention are cracking and rutting on asphalt pavements, joint deterioration and faulting on concrete pavements, and shoulder cracking and drop-offs. In addition, the regular replacement schedule for signs, roadside delineators, and raised pavement markers has been deferred, meaning that additional funding would be needed to catch up to the previous replacement schedule. As with the cost of obtaining a more optimal annual maintenance program, the Department does not yet have an estimate of the cost to address most of these backlogs.

The following table summarizes the cost estimates provided above for the highway maintenance and traffic operations program.

**TABLE 3**

**Summary of Cost Estimates for the Maintenance and Traffic Operations Program  
(\$ in Millions)**

Restore Traffic Operations Funding	\$21.5
Full Funding for Current Level of Service Model	20.8
Cost to Restore Funding for Noxious Weed Control	1.0
Cost to Restore Previous Roadside Facility Maintenance Level	1.0
Additional Amount for Optimal Life-Cycle Cost Maintenance Funding to Address Backlog of Maintenance Needs	<u>Unknown</u>
Sum of Known Amounts	\$44.3

**LOCAL ROAD AID PROGRAMS**

**General Transportation Aid**

General transportation aid is paid to local governments (counties, cities, villages, and towns) to assist in the maintenance, improvement, and construction of local roads. The aid must be used for transportation-related expenditures. For 2005-06, general transportation aid payments equaled approximately 28.0% of the transportation fund appropriations.

There are two basic formulas by which general transportation aid is distributed: (1) share of costs aid, which covers a percentage of the recipient's six-year average costs; and (2) mileage aid, which is based on a statutorily set amount (\$1,862 per mile for 2006) for each mile of road within a municipality's jurisdiction. Counties receive only share of costs aid, while municipalities receive payments based on either share of costs aid or mileage aid, whichever is greater. General transportation aid payment amounts can also be affected by the formula's minimum guaranteed payment requirement (98% of the prior year payment for counties and 95% of the prior year amount for municipalities), maximum payment increase limitation (115% of the prior year amount for counties and municipalities), and cost-based limitation (85% of three-year average costs).

For those municipalities on the standard share of costs (those not on the minimum or maximum) component of the formula, aid payments are dependent on the change in their six-year average costs relative to the changes in other municipalities' six-year average costs statewide. Those receiving aid on the mileage aid component receive a percentage increase in their aid payment that is equal to the percentage increase in the mileage aid rate in a given year, unless they have significant changes in their jurisdictional mileage or are limited to 85% of their three-year average costs.

The current aid formula provisions were established in 1988. At that time, those receiving aid on the standard share of costs component of the formula were provided aid amounts that covered approximately 30% of their six-year average costs for counties and 24% for municipalities.

However, as indicated in Table 4, the percentage of local transportation costs covered by general transportation aid for those on the standard share of costs provision has declined since 1988, dropping to 22.9% for counties and 18.6% for municipalities by 2006. The table also shows mileage aid rates, which have been increased somewhat consistently over the same period.

**TABLE 4**

**Standard Share of Cost Percentages and Mileage Aid Rates**

<u>Year</u>	<u>Share of Costs</u>		<u>Mileage Aid</u>	
	<u>Counties</u>	<u>Municipalities</u>	<u>Rate</u>	<u>Increase</u>
1988	30.2%	24.2%	\$750	
1989	30.4	24.3	810	8.0%
1990	30.0	24.0	900	11.1
1991	30.1	24.1	1,000	11.1
1992	28.9	23.1	1,100	10.0
1993	28.1	22.5	1,200	9.1
1994	27.7	22.2	1,275	6.3
1995	27.6	22.2	1,350	5.9
1996	27.0	21.4	1,390	3.0
1997	26.6	20.8	1,432	3.0
1998	28.2	22.5	1,596	11.5
1999	27.0	21.3	1,596	0.0
2000	27.8	22.0	1,704	6.8
2001*	N.A.	N.A.	1,704	0.0
2002	25.8	20.6	1,755	3.0
2003	25.9	20.5	1,825	4.0
2004	24.6	19.5	1,825	0.0
2005	23.2	18.7	1,825	0.0
2006	22.9	18.6	1,862	2.0
			Avg. Annual Percentage Change	5.2%

\*The aid formula was suspended for 2001, with each county and municipality receiving the same percentage increase over their prior year aid payment amount.

One way in which a decline in the percentage of local costs covered by general transportation aid could occur would be if annual state funding increases for the program do not keep up with annual increases in local transportation costs. Table 5 provides a history of the state general transportation aid funding received by counties and municipalities from 1988, when the formula was changed, through 2004. For comparison, Table 6 provides a history of county and municipal annual costs for the same period.

**TABLE 5****General Transportation Aid Funding Levels**

<u>Year</u>	<u>Counties</u>	<u>% Change</u>	<u>Municipalities</u>	<u>% Change</u>	<u>Total Funding</u>	<u>% Change</u>
1988	\$55,195,111		\$138,328,356		\$193,523,467	
1989	57,199,552	3.6%	148,404,325	7.3%	205,603,877	6.2%
1990	58,436,695	2.2	158,612,205	6.9	217,048,900	5.6
1991	60,425,393	3.4	169,508,893	6.9	229,934,286	5.9
1992	61,154,896	1.2	178,047,804	5.0	239,202,700	4.0
1993	61,823,943	1.1	186,690,742	4.9	248,514,685	3.9
1994	63,392,900	2.5	197,814,700	6.0	261,207,600	5.1
1995	66,588,900	5.0	209,496,900	5.9	276,085,800	5.7
1996	68,586,600	3.0	215,781,800	3.0	284,368,400	3.0
1997	70,644,200	3.0	222,255,300	3.0	292,899,500	3.0
1998	78,744,300	11.5	247,739,100	11.5	326,483,400	11.5
1999	78,744,300	0.0	247,739,100	0.0	326,483,400	0.0
2000	84,059,500	6.8	264,461,500	6.8	348,521,000	6.8
2001	84,059,500	0.0	264,461,500	0.0	348,521,000	0.0
2002	86,581,300	3.0	272,395,300	3.0	358,976,600	3.0
2003	90,044,600	4.0	283,291,100	4.0	373,335,700	4.0
2004	90,044,600	0.0	283,291,100	0.0	373,335,700	0.0
Avg. Annual Percentage Change		3.1%		4.6%		4.2%

As indicated in Table 5, total state funding increased fairly steadily from 1988 through 1998. The percentage increase exceeded the annual rate of inflation for each of the 10 years. Since 1998, the funding increases have not been as steady or substantial, exceeding annual inflation only in 2000, 2002, and 2003. The increase in total transportation aid funding from 1988 through 2004 (92.9%) significantly exceeded the funding increase that would have been necessary to provide annual inflationary funding increases (68.8%) during the same period. Funding increases varied for counties and municipalities through 1995 when both types of governments were funded from a single appropriation. Because their six-year average costs grew at a higher rate than counties from 1988 to 1995, municipalities derived more funding from the formula during those years, which partially explains the higher percentage increase in funding for municipalities. In 1996, separate appropriations were created for counties and municipalities and their funding has been increased at the same rate since that year.

**TABLE 6****Annual General Transportation Aid Eligible Costs**

<u>Year</u>	<u>Counties</u>	<u>% Change</u>	<u>Municipalities</u>	<u>% Change</u>	<u>Total Costs</u>	<u>% Change</u>
1988	\$203,285,400		\$655,862,904		\$859,148,304	
1989	216,390,525	6.4%	691,967,757	5.5%	908,358,282	5.7%
1990	238,238,274	10.1	744,418,441	7.6	982,656,715	8.2
1991	253,102,037	6.2	798,711,838	7.3	1,051,813,875	7.0
1992	252,652,584	-0.2	816,917,327	2.3	1,069,569,911	1.7
1993	273,457,141	8.2	859,179,436	5.2	1,132,636,577	5.9
1994	279,888,429	2.4	902,460,193	5.0	1,182,348,622	4.4
1995	295,901,975	5.7	940,026,788	4.2	1,235,928,763	4.5
1996	327,849,274	10.8	998,864,678	6.3	1,326,713,952	7.3
1997	321,449,910	-2.0	1,005,480,837	0.7	1,326,930,747	0.0
1998	324,171,135	0.8	1,056,207,725	5.0	1,380,378,860	4.0
1999	373,992,357	15.4	1,231,603,933	16.6	1,605,596,290	16.3
2000	376,456,291	0.7	1,189,536,473	-3.4	1,565,992,764	-2.5
2001	373,992,357	-0.7	1,231,056,456	3.5	1,605,048,813	2.5
2002	405,262,402	8.4	1,208,145,261	-1.9	1,613,407,663	0.5
2003	424,947,851	4.9	1,249,011,770	3.4	1,673,959,621	3.8
2004	422,625,168	-0.5	1,239,466,318	-0.8	1,662,091,486	-0.7
Avg. Annual Percentage Change		4.7%		4.1%		4.2%

Eligible costs have more than doubled for counties over the 17-year period while municipal costs have nearly doubled over the same period. Annual costs declined four times for counties and three times for municipalities on a year-to-year basis during the period. Total annual costs exceeded the annual rate of inflation 11 times during the period, and the total increase in costs from 1988 to 2004 (93.5%) was significantly higher than what costs would have been had they been limited to inflation during the same period (68.8%).

A comparison of the tables shows that the average, annual percentage increase in general transportation aid funding for counties was 3.1% over the period compared to a 4.7% increase in eligible costs over the same period. This would in large part explain why the standard share of costs covered by state transportation aid to counties has declined from 30.2% to 22.9% during that time.

However, for municipalities, the same comparison shows that the average, annual increase in general transportation aid was greater than the average, annual percentage increase in eligible costs over the 17-year period. Despite this fact, the standard share of costs covered by state

transportation aid to municipalities on the share of cost formula also declined over the period, from 24.2% to 18.6%. This decline in the standard share of costs percentage was in part due to the fact that the annual percentage increase in the mileage aid rate exceeded the annual percentage increase in total program funding for municipalities for several of the early years of the period shown on the tables (compare Tables 4 and 5). This resulted in a larger share of the annual funding increases going to those municipalities on the mileage aid rate formula component compared to those on the share of costs formula component.

Also, for the first few years following the implementation of the formula change in 1988, the standard share of cost percentage was not a good measure of the actual percentage of costs being covered by transportation aid for many of those on the share of cost component of the formula. In 1988, a large number of municipalities (76%, or 523 of the 687 municipalities on the share of costs formula component) were not receiving the standard share of cost percentage of 24.2%. Rather, these municipalities were limited to 115% of their prior year payment amount by the maximum payment limitation under the formula, and did not receive the full share of cost percentage. After factoring in the costs of those municipalities on the share of costs formula, including those on the minimum and maximum limits in that first year of the formula change, those municipalities on the share of costs component, in total, actually had only 21.7% of their six-year average costs covered by general transportation aid. Therefore, the standard share of costs percentage overstated the actual percentage of costs that state aid covered for most municipalities on the share of costs formula. This trend continued during the early years of the formula change until funding and annual cost increases came more into balance within the formula and fewer municipalities were on the maximum limit. In 2006, only 14.2%, or 84 of the 590 municipalities on the share of cost formula component, are limited by the maximum payment provision. As a result, the 18.6% standard share of costs percentage in 2006 is very similar to the 18.5% of costs covered for all municipalities on the share of cost formula, including those on the minimum and maximum payment provisions.

You requested information on the additional funding needed to meet the 1988 funding percentages of 30% of six-year average costs for counties and 24% of six-year average costs for municipalities. In order to provide a level of funding in 2007 sufficient to meet these percentages, the annual distribution amount would have to be set at an estimated \$123.2 million for counties and \$350.1 million for municipalities. This would require an increase in 2007 of \$31.4 million for counties and \$61.1 million for municipalities compared to the current 2007 amounts. These amounts assume that because of such a significant funding increase, the maximum limit would not apply in that first year.

It should also be noted that DOT, in conjunction with local governments, is in the process of collecting data based on periodic assessments of the structural condition of local roads in order to identify the level of local road improvement need that exists. Therefore, current local transportation-related cost levels may not reflect the amounts that may be needed to bring the condition of local roads to a specific standard. As a result, an additional need for state and local funding could be identified.

## **Local Road Improvement Program**

You also requested information on the local road improvement program (LRIP), which began in 1991-92. LRIP grants fund capital improvements on existing county and municipal roads and for feasibility studies for such improvements. Grants may cover up to 50% of the total project cost, with the balance being provided by the local recipient.

Funds in the program are distributed from two separate state appropriations. One, funded at \$16,585,700 in 2006-07, provides funding on a formula basis. All counties and municipalities with a population over 20,000 receive their own entitlement under the formula, while all towns and municipalities under 20,000 in population must share a single entitlement with other local governments within their county. Counties receive 43% (\$7.1 million in 2006-07) of the LRIP formula funds and municipalities receive the remaining 57% (\$9.5 million in 2006-07) of the funding.

The other appropriation, funded at \$7,000,000 in 2006-07, provides funding on a discretionary basis to towns, counties, and municipalities. Counties receive 75% (\$5.25 million in 2006-07) of the discretionary funds and municipalities receive the remaining 25% (\$1.75 million in 2006-07). Projects are chosen on a statewide basis for towns and municipalities, and on a regional basis for counties.

The creation of the LRIP program, although it provides project-specific funding, has partially offset the decline in the share of local transportation-related costs covered by general transportation aid. In addition, the 50% of LRIP project costs paid by local governments are aidable under the general transportation program. Subtracting the current level of LRIP program funding from the general transportation aid increases necessary to cover 30% of costs for counties and 24% for municipalities would reduce those amounts by \$12.3 million for counties and \$11.3 million for municipalities.

## **Connecting Highway Aids**

Connecting highways are certain portions of the state trunk highway system passing through municipalities. The maintenance of connecting highways is generally a municipal responsibility. Connecting highway aid payments to assist municipalities with these costs are based on a municipality's population and the lane miles of connecting highway within its boundaries. The rates paid per lane mile of connective highway are based on a statutory schedule (2006 rates are listed in Table 7), with aid on the first two lanes of any connecting highway being paid at 100% of the statutory rate, aid on the second two lanes at 75% of the statutory rate, and aid on any additional lanes at 50% of the statutory rate. In 2006, an estimated 122 municipalities will receive \$12.9 million in connecting highway aid. If the appropriation is insufficient to fully fund the formula, payments are prorated. In 2006, it is estimated that the payments will be prorated to equal 90% of the formula amounts.

**TABLE 7**

**2006 Connecting Highway Aid Rates**

<u>Population</u>	<u>Aid Per Lane Mile</u>
Over 500,000	\$11,724
150,001 to 500,000	10,860
35,001 to 150,000	9,678
10,000 to 35,000	8,525
Under 10,000	7,345

The connecting highway aid appropriation has not been increased since 1998-99, following an average, annual increase from 1988 through 1999 of 3.4%. If the appropriation would have been adjusted each year to reflect the annual increases in inflation since 1988, it is estimated that the 2007 appropriation would equal \$15.5 million. This funding level would represent an increase of \$2.6 million, or 20.2%, over the actual 2007 funding level.

**MASS TRANSIT OPERATING ASSISTANCE**

**Existing Transit Service**

DOT administers a mass transit operating assistance program that funds a portion of the annual cost of operating bus and shared-ride taxi mass transit systems throughout the state. State operating assistance is available to help finance transit systems in areas of the state with populations of 2,500 or more. All transit systems currently receiving state aid are either bus systems or shared-ride taxicab services, except for Kenosha's downtown, fixed-route, trolley system. Shared-ride taxicab operators provide public transportation service, under contract, in areas of the state with insufficient population to support bus service.

Prior to 1995 Act 113, state aid was provided to mass transit systems in the state so that aid amounts equaled 42% of system operating expenses. In addition, the Madison and Milwaukee systems received supplemental aid so that each system's total state and federal share equaled a uniform percentage of operating expenses. Act 113 created five separate tiers of systems based on the size of system and funded each tier from a separate appropriation. Aid payments were made so that the total of state and federal aid equaled a uniform percentage of operating expenses for each system within each tier.

The makeup of the tiers of systems was again modified under 1999 Act 9 to consist of the following four tiers: (a) Milwaukee County Transit in Tier A-1; (b) Madison in Tier A-2; (c) all other urban bus and Chippewa Falls, Onalaska, Stoughton, and Sun Prairie shared-ride taxi systems in Tier B; and (d) all remaining systems in Tier C. Tier A-1 and Tier A-2 systems are provided a statutorily specified amount of funding for a calendar year. For Tiers B and C, aid payments are

made so that total state and federal aid equals a uniform percentage of operating expenses for each system within a tier.

The following table indicates the distribution of state mass transit operating assistance among the four tiers of systems for 2006.

**TABLE 8**  
**State Mass Transit Operating Assistance**  
**By Tier of System for 2006**

<u>Tier</u>	<u>State Funding</u>	<u>Percent of Total</u>
Tier A-1	\$57,948,000	57.6%
Tier A-2	15,470,200	15.4
Tier B	22,192,800	22.0
Tier C	<u>5,023,600</u>	<u>5.0</u>
	\$100,634,600	100.0%

Table 9 indicates the state and federal funding levels, annual transit operating costs, and the percentage of costs funded from state and federal funding from 1994, the year prior to the state formula change, to 2005. The 2005-07 biennial budget provides a 2% annual increase in funding for each tier of systems for 2006 and 2007. DOT is currently in the process of finalizing the 2006 payment distribution for each tier of systems.

**TABLE 9****State and Federal Transit Assistance and Operating Costs**

	<u>State Funding</u>	<u>Percentage Change</u>	<u>Federal Funding</u>	<u>Percentage Change</u>	<u>Operating Costs *</u>	<u>Percentage Change</u>	<u>State Funding as % of Costs</u>	<u>State/Federal Funding as % of Costs</u>
1994	\$68,460,400		\$14,156,039		\$157,783,814		43.4%	52.4%
1995	71,305,600	4.2%	13,019,975	-8.0%	163,129,048	3.4%	43.7	51.7
1996	74,050,000	3.8	10,071,712	-22.6	170,218,290	4.3	43.5	49.4
1997	76,271,700	3.0	10,340,830	2.7	175,992,853	3.4	43.3	49.2
1998	83,592,100	9.6	11,286,910	9.1	190,922,229	8.5	43.8	49.7
1999	86,517,700	3.5	12,012,051	6.4	194,897,817	2.1	44.4	50.6
2000	93,006,500	7.5	21,977,504	83.0	215,201,051	10.4	43.2	53.4
2001	93,006,500	0.0	31,002,266	41.1	233,273,563	8.4	39.9	53.2
2002	96,726,800	4.0	33,392,529	7.7	239,861,178	2.8	40.3	54.2
2003	98,661,400	2.0	35,641,891	6.7	244,083,955	1.8	40.4	55.0
2004	98,661,400	0.0	40,389,402	13.3	251,587,051	3.1	39.2	55.3
2005	98,661,400	0.0	44,811,587	10.9	259,940,165	3.3	38.0	55.2
Average, Annual Increase		3.4%		11.0%		4.6		

\* Projected costs at the time of the aid contracts.

As indicated in the table, the percentage increases in state transit funding were larger during the period from 1992 through 2000, than for more recent years, including the 2% increase in 2006 and 2007. These increases in state transit funding outpaced the change in federal funding during the same period. Conversely, in recent years, after the passage in 1998 of the federal Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), federal operating assistance increases have outpaced the more limited increases in state funding. Annual state funding increases outpaced the annual changes in inflation for eight of the 12 years and the total state funding increase from 1994 to 2005 (44.1%) significantly exceeded the level of funding that would have been necessary to provide annual, inflationary increases over that period (31.8%). Despite these above-inflation increases, state funding as a percentage of costs declined from 43.4% of costs in 1994 to 38.0% of costs in 2005. This is because operating costs grew at a faster pace than state funding during the 12-year period. However, federal funding increases, which outpaced annual inflation for 10 of the 12 years, made up for some of the increases in operating costs.

The annual changes in federal funding and operating costs indicated in the table are somewhat overstated due to a change in the treatment of federal capital funds being used to fund certain ongoing maintenance costs of the state's larger urban systems. These systems receive their aid directly from the federal government, and the reporting of the amount of federal funding used for annual maintenance costs has not been consistent over time. During the early 1990s, changes in the use and accounting of federal capital funds used for ongoing maintenance resulted in some of these federal revenues, and the costs paid for by these revenues, not being accounted for in the

funding distributions indicated in the table. As a result, during these years it appears that federal funding declined. The changes in the treatment of these costs also somewhat overstated the percentage of total operating costs covered by state funding for those same years. Subsequently, the state, under 1999 Act 9, required these transit systems to report the amount of federal capitalized maintenance funds they intend to use each year. Thus, since 1999, these federal funds for the large urban systems, and the associated costs, are again included in the funding distributions indicated in the table. This explains a significant part of the large increase in federal funding and costs since 2000. However, TEA-21 did provide increased federal funding for the smaller urban and rural transit systems during these same years.

Providing a funding level sufficient to cover 42% of transit operating costs in 2006 would require an estimated appropriation level of \$112.5 million, assuming total transit costs increase 3% annually. This would be an increase of \$11.8 million, or 11.7%, over the current 2006 funding level.

However, it should be noted that the costs identified in Table 9 do not reflect the same level of transit service among the years indicated. Several systems increased service during the period, and new shared-ride taxi systems began to provide service, which drove up overall transit costs. Conversely, Milwaukee County Transit, the state's largest system, has made service reductions since 2001 that will total an estimated \$20.1 million in 2006. These service reductions, along with some systems' decisions to defer annual maintenance costs as a means to assist with covering increased costs associated with paratransit service, fuel, and health insurance, may partially explain why total transit operating costs have increased at more modest rates in recent years.

Providing for 42% of the \$20.1 million in operating costs associated with reinstating the 2001 transit service levels in Milwaukee County would require an additional \$8.4 million for Milwaukee County in 2007. It should be noted that funding these costs would require that additional county and farebox funding be available to cover the remaining \$11.7 million in costs of the reinstated transit service not covered by state aid.

### **Transit Service Enhancements**

You also requested information on major service enhancements for transit that have been identified in recent years. Several regions of the state are in the process of planning for transit service expansions in the form of enhanced bus and paratransit services and fixed guideway or rail transit systems, including trolley, light rail, or commuter rail systems. If these service enhancements or expansions occur, the state will have to decide whether to provide additional transit operating assistance funding to cover any additional operating costs that may occur.

The proposed expansions will also have significant capital costs. The state does not currently provide mass transit capital funding. However, in 2003, the state created a commuter rail grant program that provides grants to political subdivisions for the development or extension of commuter rail transit systems in this state. Grants are limited to an amount equal to 50% of the portion of the project cost in excess of the federal aid funding for the project or 25% of the total

project cost, whichever is less. To date, no state funding has been committed to fund the capital costs of any commuter rail project under the state program. At the federal level, capital assistance is available for existing service and for system expansion projects, which, if approved, could be eligible to receive federal funds ranging from 50% to 80% of their capital startup costs.

The following sections, while not a totally exhaustive list of the potential transit enhancements that could be made in the state, provide cost estimates for some of the larger transit system improvements currently being studied.

Southeastern Wisconsin Transit Enhancements. SEWRPC recently completed its thirty-year regional transportation plan for the seven-county region of southeastern Wisconsin, which included several enhancements to the existing transit system. The plan has been drafted and is currently awaiting approval by the full SEWRPC board. The plan envisions significant transit enhancements and the expansion of public transit in the region, including the development of a regional rapid transit and express transit system, the improvement of existing local bus service, and the integration of the local bus service with the proposed rapid and express transit systems. The reinstatement of the 2001 transit service levels provided by Milwaukee County Transit are also incorporated in the plan.

The plan's rapid transit service would consist of buses operating over freeways connecting the Milwaukee central business district with the urbanized areas of the region, the urban centers, and the outlying counties of the region. The proposed express service would consist of a grid of limited stop, higher speed routes located largely within Milwaukee County connecting major employment and shopping areas, other activity centers such as Mitchell Airport, tourist and entertainment facilities, and residential areas. The express routes would replace existing major local bus routes and would initially operate over arterial streets in mixed traffic. The system routes would be upgraded over time to operate on reserved street lanes with priority treatment at traffic signals.

The recommended improvement and expansion of local transit service would occur over arterial and collector streets with frequent stops in the Kenosha, Milwaukee, and Racine areas. The plan recommends a 59% increase in this type of service by 2035. Paratransit service would also be expanded and improved to a level consistent with the federal Americans with Disabilities Act, with all transit vehicles providing conventional, fixed-route transit being accessible to persons with disabilities and those in wheelchairs.

These proposed improvements to the existing system and the proposed service expansions would represent a near doubling of public transit service in southeastern Wisconsin by 2035, or a 2.5% annual increase in public transit service. SEWRPC indicates that the implementation of the plan would be dependent on continued state funding of the maintenance, improvement, and expansion of public transit. The plan indicates that a state funding level equal to 40% to 45% of transit operating costs would be needed to fund the plan. The plan would call for state transit funding for the region to increase from its current level of \$68.0 million in 2006 to \$136.5 million in 2035 (in 2006 dollars). The estimates do not include annual inflationary increases for the 30-year

plan period. SEWRPC officials indicate that annual increases in state operating assistance funding of 5% would be needed to both address the rising costs of transit service and provide operating assistance for the proposed system improvements identified in the plan.

As mentioned earlier, the SEWRPC plan would essentially reinstate most of the 2001 service levels provided by Milwaukee County Transit. That is, much of the service expansion called for in the first few years of the plan would involve bringing the system's service level back up to its 2001 level. As a result, providing the state funding necessary to fund the reinstated service level (\$8.4 million in 2006) would likely be sufficient to meet the required annual state funding increases identified in the SEWRPC plan. Therefore, no additional state operating assistance funds beyond those amounts would likely be needed to implement the plan for 2006. However, beyond 2007, the state would need to provide annual increases of \$1.7 million, plus inflation, in order to cover the 42% of the costs associated with the proposed service expansions included in the plan.

The SEWRPC regional transportation plan also discusses the eventual upgrade of the rapid and express bus service to a bus guideway or light rail system. The plan specifically identifies six potential bus guideway/light rail lines in southeastern Wisconsin and seven potential commuter rail lines, including the Kenosha, Racine, and Milwaukee (KRM) extension of the Metra commuter rail line. The cost estimates of these improvements are not included in the system enhancement and improvement cost estimates included in the SEWRPC regional transportation plan.

However, a separate cost study associated with the Milwaukee Connector, a fixed guideway transit project in downtown Milwaukee, found that while the capital costs could be considerable, a reserved-lane, bus system or guided street tram project would not significantly increase transit operating costs in the region. The study indicated that most or all of the operating costs associated with these improvements would be offset by cost reductions associated with the removal of bus service and the associated costs along the fixed guideway/rail project routes. The study did not indicate any state assistance for the capital portion of the project.

Also, a separate corridor transit study and recommended plan for the KRM corridor was completed in August, 2003. The study recommended, and the local governments approved, a KRM commuter rail project with a medium level of service as the locally preferred alternative. Adjusting the costs identified in the study to reflect inflation, the KRM project would result in an estimated \$20.8 million in annual operating costs in 2006 and the project's capital improvements and purchases would cost an estimated \$170.1 million. Covering 42% of the operating costs of the project would increase state operating assistance for transit by \$8.7 million in 2006 dollars. Covering 50% of the non-federal share of capital costs for the project would cost the state \$17.0 million in 2006 dollars, assuming federal funds would be available to cover 80% of the project costs and the local funding is secured.

Dane County Transport 2020 Enhancements. In Dane County, long term transit improvements were included in the Transport 2020 study, which was jointly conducted by Dane County, the City of Madison, and DOT. The study was initiated in April, 2000, and completed in August, 2002, with a locally preferred alternative (LPA) being selected for transit. The public

transit improvements in the study included enhancements to the existing Madison Metro bus system, the initiation of express bus services, and the possible initiation of rail service.

The locally preferred alternative analysis included a baseline alternative, a start-up alternative, and a full system vision, which is the LPA. The LPA involves a full local and regional express bus network, a four-line commuter rail system, and a downtown Madison, street-running connector system, which was added as part of the LPA at the conclusion of the study.

If the LPA were operational, and adjusting for inflation, the LPA would increase 2006 bus system operating costs by \$11.2 million in the region and would cost \$10.0 million to operate the proposed rail system. The state would need to provide \$4.7 million in order to cover 42% of the operating costs of the expanded bus system costs and \$4.2 million for the proposed rail system costs. Adjusting for inflation, capital costs for the LPA are estimated at \$71.0 million for the expanded bus system and \$321.0 million for the commuter rail system. Covering 50% of the non-federal share of capital costs for the project would cost the state \$39.2 million in 2006 dollars, assuming federal funds would be available to cover 80% of the project costs and the local funding is secured.

Rock County Commuter Rail Extension. Rock County and its larger communities are currently conducting a transportation corridor planning study of commuter rail and bus alternatives. The corridor under study extends from the City of Harvard in McHenry County, Illinois, through the Village of Clinton in Rock County and potentially on to one, or both, of the Cities of Beloit and Janesville. This corridor planning study will compare the benefits and costs of an extension of the Metra commuter rail line from Harvard, Ill., to Beloit, or Janesville, or both, and bus alternatives. The study will recommend alternative means of financing the project and operating the commuter rail, evaluate bus service alternatives, and provide preliminary cost estimates for each alternative.

The following table identifies the state level operating assistance funding that would be needed to cover 42% the annual operating costs for existing transit service levels and for the proposed bus and rail service enhancements. Because the state has not appropriated any funding in the past for capital costs associated with transit or commuter rail projects and since these costs are one-time in nature, no funding for capital costs are included in the table.

**TABLE 10**

**Amounts Needed to Fund 42% of  
Specified Transit Operating Costs  
(\$ in Millions)**

<u>Existing Service</u>	
Existing Operating Costs	\$11.8
Reinstate Milwaukee County Transit Service Reductions	8.4
 <u>Expanded Bus Service**</u>	
Dane County Express Service	4.7
Southeastern Wisconsin Regional Plan Service Expansion*	0.0
 <u>Fixed Guideway/Rail Projects **</u>	
Milwaukee KRM	8.7
Madison Commuter Rail	4.2
Rock County Extension	<u>N.A.</u>
 Total Transit Operating Assistance Increase	 \$37.8

\* Initial operating costs of the plan's bus service expansion are included in costs to reinstate recent service reductions by Milwaukee County Transit. Beyond 2007, state funding would need to increase by \$1.7 million each year, plus inflation, in order to fund the proposed service expansion.

\*\* Indicates potential costs in 2006 dollars, although the projects would not be operational until a later date.

**SUMMARY**

The following table summarizes the earlier estimates. The amounts in the third and fourth columns are expressed in 2006 dollars. Therefore, to provide the benchmark funding levels in 2007-08, these amounts would have to be adjusted using inflation rates in 2007 and 2008.

**TABLE 11**

**Summary of Annual Funding Increase Estimates  
(\$ in Millions)**

<u>Program Area</u>	<u>2006-07 Funding</u>	<u>Benchmark Funding Level</u>	<u>Increase from 2006-07 Level</u>
Highway Improvement Program	\$1,005.1	\$1,167.9 to \$1,549.7	\$162.8 to \$544.6
Highway Maintenance/Traffic Operations	177.2	221.5	44.3*
General Transportation Aids	388.4	480.9	92.5
Less LRIP Funding	23.6	0.0	-23.6
Connecting Highway Aids	12.9	15.5	2.6
Mass Transit Operating Assistance**	102.6	140.4	<u>37.8</u>
 Total			 \$316.4 to \$698.2

\* Does not include unknown amounts to provide annual, optimal life-cycle maintenance or one-time funding to address maintenance backlogs.

\*\* Indicates potential costs in 2006 dollars, although the projects would not be operational until a later date.

# Road to the Future

Joint Legislative Committee on Transportation Needs and Financing

## Summary of Legislative Fiscal Bureau Estimates

July, 2006

### Highway Construction

The Wisconsin State Highway Plan 2020 was developed in 2000 to provide a twenty-year program for preserving the condition of state highways, meeting traffic demand, and improving safety.

- **Funding for highway construction is not keeping pace with the 2020 plan.**
- **Since '98, highway construction costs have grown twice as fast as general inflation.**
- **Annual funding increases required to fund the recommended 2020 highway program, with and without provision to catch-up for past funding shortfalls:**
  - **Adjusted for general price inflation, with catch-up** **\$273.0 million**
  - **Adjusted for construction cost inflation, with catch-up** **\$544.6 million**
  - **Adjusted for general price inflation, without catch-up** **\$162.8 million**
  - **Adjusted for construction cost inflation, without catch-up** **\$371.3 million**

### State Highway Maintenance

Past state budgets have transferred responsibility for some traffic projects from the rehabilitation program to highway maintenance, without maintaining the necessary funding. Other maintenance recommended under the DOT "Level of Service" model is not currently being funded.

- **Annual funding increases required to:**
  - **Restore maintenance funding eliminated since 2002** **\$21.5 million**
  - **Fully fund maintenance other deferred maintenance** **\$22.8 million**

### Local Transportation Aids

In 1988, the state established support for local transportation costs at 30% for counties and 24% for municipalities. That support has declined to 23% and 19%, respectively. The Connecting Highway Aid program has not kept pace with inflation. The Local Road Improvement Program has filled some of the funding gap.

- **Annual funding increase required to restore previous support** **\$71.5 million**

### Mass Transit Assistance

Prior to 1994, the state supported 42 percent of the operating cost of mass transit. That level has declined to 38 percent. Since 2001, Milwaukee County (MCTS) has cut service by \$20.1 million. Future enhancements have been recommended in the southeast and Dane County. Rail projects, if built, will have a state capital cost share of 50% of the non-federal cost.

- **Annual funding increases required to:**
  - **Restore funding at 42 percent of current operating costs** **\$11.8 million**
  - **Fund 42 percent of restored MCTS service cuts** **\$ 8.4 million**
  - **Fund 42% of recommended future transit improvements** **\$17.6 million**
  - **Fund state share of capital cost for rail projects (one-time)** **\$56.2 million**

**Total range of possible annual funding increases:**

**\$316.4 to \$698.2 million**



SEWRPC

## Follow-up Information From July 17, 2006 RTA Meeting



SOUTHEASTERN  
WISCONSIN  
REGIONAL  
PLANNING  
COMMISSION

Regional Transit Authority  
September 18, 2006

#121020



SEWRPC

## Overview

- Northeastern Illinois transit funding
- Local sources of funding used by public transit systems which do not have dedicated funding
- Performance of the sales tax in southeastern Wisconsin
- Comparison of the operating cost per revenue vehicle mile for the Kenosha, Milwaukee, and Racine transit systems
- Comparison of taxes and fees of local governments in Wisconsin to local governments nationwide

2



## Northeastern Illinois Transit Funding

- Regional Transit Authority
  - Six counties – Cook, DuPage, Kane, Lake, McHenry, and Will
  - Three transit operators – CTA, Metra, Pace
- Primary source of funds – six county sales tax
  - Cook County:
    - 1% on all food and drug sales
    - 0.75% on all other sales with the State providing 0.25% equivalent on “all other sales”
  - Other five counties:
    - 0.25% on all sales
  - Estimated 2006 sales tax collections of \$719,900,000 or about 71.6% of the RTA's revenue

3



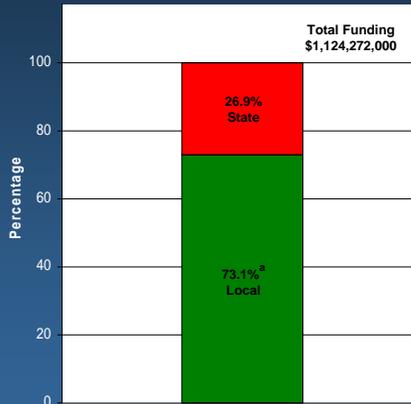
## Northeastern Illinois Transit Funding (continued)

- State funding:
  - The Public Transportation Fund (PTF) is an amount equal to 25 percent of the net revenue realized from six-county sales tax.
    - 2006 estimated amount is \$179,975,000 or about 17.9% of the RTA's revenue
  - Reduced Fare (RF)
    - Operating assistance to partially reimburse the transit operators for fare discounts, mandated by law, to students, elderly, and disabled riders. 2006 estimated amount is \$36,275,000, or about 3.6% of the RTA's revenue
  - Additional State Funding – State appropriates additional funds to the RTA. 2006 estimated amount is \$54,300,000, or about 5.4% of the RTA's revenue
  - Other revenues consists of sales tax interest, investment income, and RTA revenue. 2006 estimated amount is \$14,900,000, or about 1.5% of RTA's revenue

4



## Northeastern Illinois Transit Funding (continued)



Northeastern Illinois Transit Operating Funds

<sup>a</sup>Includes State "equivalent" funding.

5



## Northeastern Illinois Transit Funding (continued)

- RTA revenue distribution
  - By State Statute - the RTA retains 15% of the sales tax revenue with the remaining 85% distributed to the three transit operators.
    - CTA receives 100% of the sales tax collected within the City of Chicago and 30% of the sales tax collected within Cook County, outside of the City of Chicago
    - Metra receives 55% of the sales tax collected within Cook County outside of the City of Chicago, and 70% of the sales tax collected in the other five counties
    - Pace receives 15% of the sales tax collected within Cook County outside of the City of Chicago, and 30% of the sales tax collected in the other five counties

6



## Local Funds for Transit Systems Without Dedicated Funding

- Areas Similar in Size to Milwaukee
  - 4 of 23 systems reviewed do not have a dedicated source of local funding
  - Local funds for these transit systems obtained primarily for property taxes

Area	2000 Population (in millions)	Transit System	Sources of Local Funding
Norfolk, VA	1.39	Hampton Roads Transit	Property Taxes
Milwaukee, WI	1.31	Milwaukee County Transit System	Property Taxes
Indianapolis, IN	1.22	Indianapolis Public Transportation Corporation	Property Taxes Commercial Vehicle Excise Tax Financial Institutions Tax
Memphis, TN	0.97	Memphis Area Transit Authority	Property Taxes Sales tax

7



## Local Funds for Transit Systems Without Dedicated Funding (continued)

- Areas Similar in Size to Kenosha and Racine
  - 9 of 15 systems reviewed do not have a dedicated source of local funding
  - Property taxes are the primary source of local funds

Area	2000 Population (thousands)	Transit System	Sources of Local Funding
Boise, ID	273	ValleyRide	Property Taxes
Springfield, MO	215	City Utilities of Springfield Transit Services	Utility Charges for Gas/Electric Services
Evansville, IN	212	Metropolitan Evansville Transit System	Property Taxes
Erie, PA	195	Erie Metropolitan Transit Authority	Property Taxes
Broome County, NY	159	Broome County Department of Public Transportation	Property Taxes
Racine, WI	130	Belle Urban System	Property Taxes
Utica, NY	113	Utica Transit Authority	Property Taxes
Kenosha, WI	111	Kenosha Area Transit System	Property Taxes
Pittsfield, MA	53	Berkshire Regional Transit Authority	State Aid Payments to Municipalities in Service Area

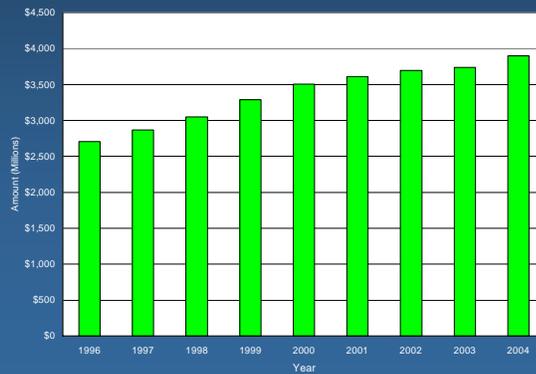
8



## Wisconsin State Sales Tax

- State of Wisconsin – 5.0%
  - Enacted a 3% selective sales and use tax in 1962, replaced with 4% general sales and use tax in 1969, increased to 5% in 1982
  - FY 1996-2004 average annual growth rate: 4.68%
  - FY 2001-2004 average annual growth rate: 2.60%

State of Wisconsin 5.0% Sales Tax Revenues 1996-2004



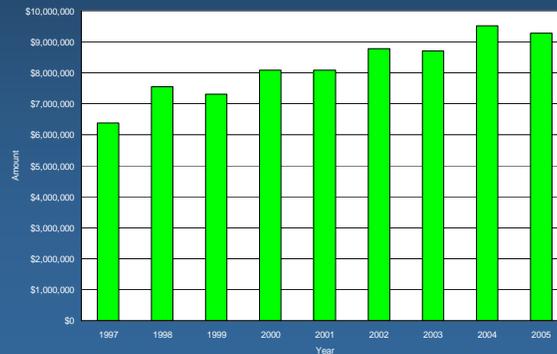
9



## County Sales Tax

- Kenosha County – 0.5%
  - Enacted April 1, 1991
  - 1997-2005 average annual growth rate: 4.79%
  - 2001-2005 average annual growth rate: 3.50%

Kenosha County 0.5% Sales Tax Revenues 1997-2005



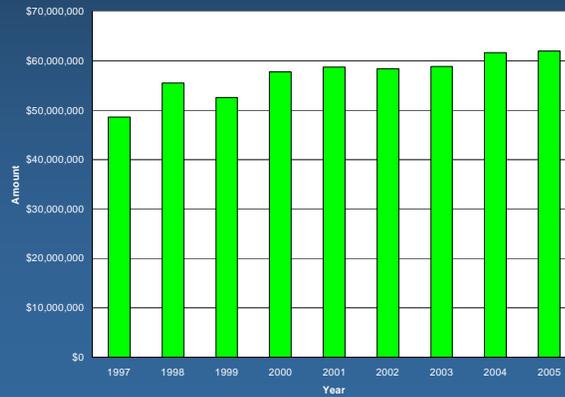
10



## County Sales Tax (continued)

- Milwaukee County – 0.5%
  - Enacted April 1, 1991
  - 1997-2005 average annual growth rate: 3.09%
  - 2001-2005 average annual growth rate: 1.35%

Milwaukee County 0.5% Sales Tax Revenues 1997-2005



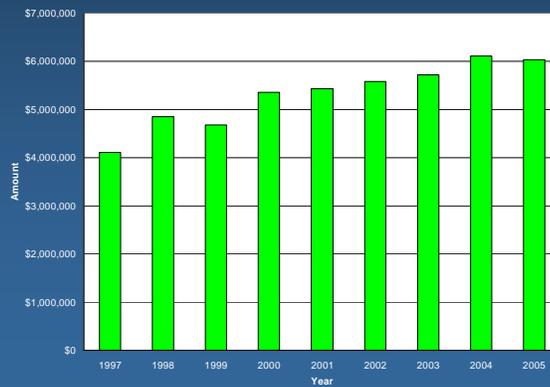
11



## County Sales Tax (continued)

- Ozaukee County – 0.5%
  - Enacted April 1, 1991
  - 1997-2005 average annual growth rate: 4.92%
  - 2001-2005 average annual growth rate: 2.67%

Ozaukee County 0.5% Sales Tax Revenues 1997-2005



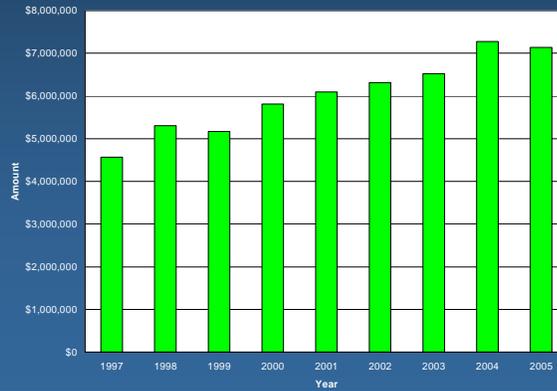
12



## County Sales Tax (continued)

- Walworth County – 0.5%
  - Enacted April 1, 1987
  - 1997-2005 average annual growth rate: 5.76%
  - 2001-2005 average annual growth rate: 4.06%

Walworth County 0.5% Sales Tax Revenues 1997-2005



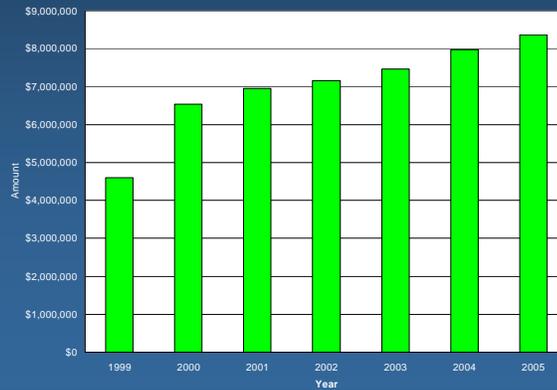
13



## County Sales Tax (continued)

- Washington County – 0.5%
  - Enacted January 1, 1999
  - 2000-2005 average annual growth rate: 5.05%
  - 2001-2005 average annual growth rate: 4.73%

Washington County 0.5% Sales Tax Revenues 1999-2005

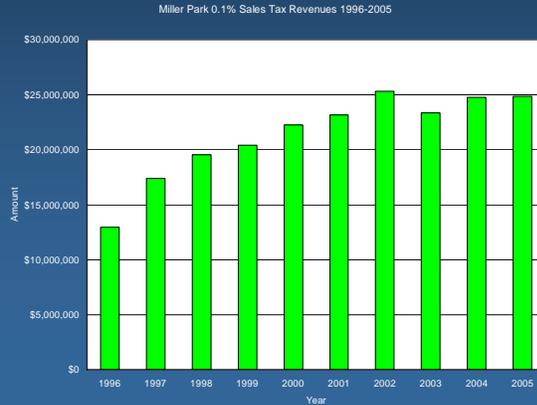


14



## Miller Park Sales Tax

- Milwaukee, Ozaukee, Racine, Washington, Waukesha Counties – 0.1%
  - Enacted January 1, 1996
  - 1997-2005 average annual growth rate: 4.57%
  - 2001-2005 average annual growth rate: 1.78%



15



## Financing Soldier Field Renovations

- Soldier Field is owned by the City of Chicago - The Chicago Park District
- Cost of renovations completed in 2003 was \$606 million
  - The Illinois Sports Facility Authority provided the public contribution, \$406 million, financed through the issuance of municipal bonds backed by a 2% hotel tax - By State Statute, the 2% Chicago Hotel Tax proceeds are used to promote tourism.
  - \$200 million contribution by the Chicago Bears
    - \$100 million via a National Football League (NFL) loan
    - \$100 million via bank loan and the sale of personal seat licenses in the stadium



16



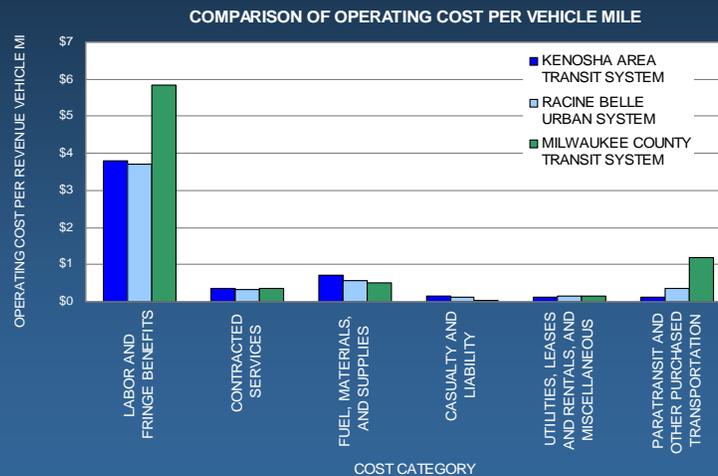
## Comparison of Unit Operating Costs: Milwaukee, Kenosha, Racine Transit Systems

- Operating cost per revenue bus mile
  - Milwaukee County Transit System: \$8.07
  - Kenosha Area Transit System: \$5.23
  - Racine Belle Urban System: \$5.20
- Milwaukee County labor, fringe, and paratransit costs are higher and offset lower fuel, materials, supplies, and casualty and liability costs

17



## Comparison of Unit Operating Costs: Milwaukee, Kenosha, Racine Transit Systems (continued)



18



## *Comparison of Taxes and Fees of Local Government in Wisconsin to Local Government Nationwide*

- Source – Wisconsin Taxpayers Alliance
  - “The Wisconsin Taxpayer – State-Local Finance Perspectives,” May 2006
  - “Property Taxes by State,” June 2005

19



## *“State-Local Finance Perspectives” - May 2006*

- Conclusions for Wisconsin State-Local government are as follows (2004):
  - Moderate in overall state-local spending (21<sup>st</sup>\* among 50 states)
  - Tax-heavy due to federal revenues that are below average, and a smaller reliance on user fees and charges (28<sup>th</sup>\*)
  - Dependent to a greater degree on the big three taxes—property (8<sup>th</sup>\*), individual income (9<sup>th</sup>\*) and sales (30<sup>th</sup>\*)
  - One in which state government collects revenue and provides it to local governments (7<sup>th</sup>)

\*Measured relative to personal income.

20



## *"Property Taxes by State" - June 2005*

- Conclusions for Wisconsin are as follows (2002):
  - Ranks high in local expenditures as percent of total state and local spending (7<sup>th</sup> of 50 states)
  - Ranks high in local property taxes as percent of total local revenue (11<sup>th</sup> of 50 states)
  - Ranks high in property tax revenues as percent of locally raised revenue (8<sup>th</sup> of 50 states)
  - Ranks high in local property taxes as percent of personal income (5<sup>th</sup> of 50 states)

21



## *"Property Taxes by State" - June 2005 (continued)*

### Local Government Sources of Revenue

	<u>Illinois</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Minnesota</u>	<u>Wisconsin</u>
Federal	5.3%	3.4%	3.8%	4.1%	2.8%
State	30.0	34.5	49.3	42.1	44.6
Property Taxes	37.2	31.6	23.2	24.9	32.7
Sales Tax	6.2	3.8	0.5	0.8	1.4
Other Taxes	1.6	1.1	2.1	0.9	0.8
Fees	12.3	20.2	13.9	16.9	12.7
Other Revenues	7.4	5.5	7.5	10.4	5.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

22



## *Comparison of Property Taxes and Tax Rates (Largest Cities in Each of 50 States and Washington, D.C.)*

- Milwaukee
  - Median Value Home  
\$197,300 (19 of 51)
  - Property Tax Rate  
\$2.49 per \$1,000 (3 of 51)
  - Property Taxes (on Median Value Home)  
\$4,913 (10 of 51)