**Milwaukee County Transit System**

**Inter-Office Memorandum**

Date: October 30, 2014

To: Brian Dranzik, Director, Milwaukee County Department of Transportation (MCDOT)

 James Martin, Director of Administration, MCDOT

From: Dan Boehm, Managing Director, Milwaukee County Transit System (MCTS)

Re: DOT – Transit (5600) Budget for 2015

On October 29, 2014, I was provided a copy of an amendment to the transit budget (attached). The amendment included two new fare programs, and two bus route changes to be funded by a tax levy increase of $1,582,000. A general description of each change, along with comments/concerns follows:

Growing Opportunities (GO Pass) Fare

This change provides free fares for older adults (age of 65 or older) and persons with disabilities beginning April 1, 2015. In the meantime:

* MCTS is directed to evaluate the benefits and costs of distributing a unique ID for participants – findings and recommendations are to be presented to the Board of Supervisors during the January 2015 committee cycle.
	+ If MCTS is to pursue the distribution of participant IDs, it is directed to work with the Department on Aging and DAS – Office for Persons with Disabilities to determine the best method for issuing said IDs.
* SEWRPC, with assistance from MCTS is directed to complete a fare equity analysis prior to implementation of this fare program.

Comments/Concerns

The state of Illinois passed a law requiring a similar program in 2008.

In 2009 - The Chicago Transit Authority (CTA) stated that it had to raise fares, in part to make up for lost revenues resulting from giving free rides to seniors and the low-income disabled.

In 2010 – An audit reveals fraud within the senior ride program – deceased card holders continued to take rides on the CTA after their date of death[[1]](#footnote-1).

In 2011 – The Illinois State Legislature ended the Seniors Ride Free Program as it existed, and modified it to only low-income seniors enrolled in a benefit program administered by the Illinois Department on Aging. Today, the program remains focused on seniors who fall within income limits.

When changing from a program for all seniors to a program for low-income seniors it was learned that the majority of seniors benefiting from the program were not low income. Hence the fare increase sought in 2009, in part to cover losses associated with this program, had the potential for triggering unintended impacts on minority and low-income individuals. The fare equity analysis requested from SEWRPC will need to be carefully prepared to properly identify the direct and indirect impacts from such a program.

In addition, **the tax levy increase suggested as sufficient for this amendment is based on incomplete information.** MCTS does not have a record of the number of full-fare weekly and monthly passes purchased by seniors and persons with disabilities. MCTS records an estimate of the amount of cash revenue and ticket revenue generated annually from seniors and persons with disabilities, but does not have a figure for pass sales to seniors and persons with disabilities. Cash and Ticket sales were $1,096,822 in 2013, which is the basis for this amendment.

A recent Customer Study by MCTS indicated that nearly 11% of passengers are older adults. Last year passenger revenue totaled about $42 Million; therefore up to $4.2 Million could be attributed to seniors; however, these passengers are eligible to pay a half-fare as such a more reasonable estimate of the revenue ‘floor’ would be $2.1 Million. Obviously, this method is also flawed because it too fails to quantify the numbers of weekly passes and monthly passes purchased by seniors and persons with disabilities; hence, the actual passenger revenue loss could be more on the order of $3 Million annually. The point is that it is difficult to estimate potential revenue loss with current transit data. Actual and relevant data would be available in 2015 after full replacement of paper passes with MCTS M-CARD passes.

A study of a similar program in Illinois suggested a range of the revenue loss for that program too, and ultimately **found the program to be financially unsustainable**[[2]](#footnote-2). It is reasonable to assert that MCTS could suffer a loss of revenue of $1.09 million to $3 million annually. An April 1st start date would decrease the projected annual revenue loss, but **a real risk remains that MCTS could end 2015 over $1 million short in revenue if the amendment prevails.**

Furthermore, a 2011 audit of the Illinois/CTA program included nine recommendations to improve program administration and database management indicating that implementation of such a program requires careful administrative consideration.[[3]](#footnote-3) MCTS own experience with the New Freedom program, which already provides free fixed-route transit rides as an alternative to paratransit for those persons with disabilities that are conditionally eligible for paratransit is also reason for concern about administrative demands. Currently, individuals trying to justify eligibility for the New Freedom program tie up eligibility process resources and at times have only their doctor’s word as evidence of disability. Applicants of this nature would increase substantially should this program become policy.

Summer Youth Jobs Fare (Pilot Project)

Youth participants in the Milwaukee Area Workforce Investment Board (MAWIB) Earn & Learn Summer Youth Employment program would be eligible for two 31-day adult passes for 25% of the cost. The amendment proposes that Milwaukee County cover 50% of the cost, and employers cover the remaining 25% of the cost. The amendment further directs:

* MCTS to work with MAWIB to implement the program.
* MCTS to explore securing private funding to continue the pilot project beyond 2015.
* The County to explore expanding the program to a larger population of employed, 14 to 21 years-old students during future summers.

The Comptroller’s Office indicated that $100,000 was included for this Pilot Project.

Comments/Concerns

It appears that implementation of the pilot project will be substantially administered by MAWIB. If the amendment prevails, MCTS would plan to make adult MCTS M-Cards available to MAWIB, along with an MCTS M-Card Recharge Unit and subsequently bill for 50% of the cost for all 31-day passes distributed to youth employment program participants, up to the budgeted amount for the County’s share of this pilot project: $100,000. At the conclusion of the pilot project, a follow-up report would be provided to MCDOT.

Route 80 Extension

The amendment states that before the end of March, Route 80 will be extended to provide service to the future Drexel Town Square and business park along S. 6th, and Woodman’s, Target and Kohl’s from 5 a.m. to 10 p.m. at a service frequency of 60 minutes.

Comments/Concerns

The Comptroller’s office indicated that the Chairwoman worked with SEWRPC on potential routing and budgets for this extension. MCTS estimate of cost for the Route 80 extension as described is $312,000. At times, extending Route 80 would result in a frequency of service that is better than required by the amendment (but the cost would not be substantially different than projected by SEWRPC). Ridership efficiency is projected to be an average of 31.5 passengers per bus hour (PBH) for the entire MCTS route network in 2015. It is anticipated that the concentration of development to be served by this extension could generate ridership on the order of 10 PBH in 2015. A substantial effort on behalf of staff will be necessary, but achievable, to implement this extension by the end of March, should the amendment prevail. Post implementation, ridership and route productivity would be monitored and reported back to MCDOT.

 $346,000 Gross cost

 $ 34,000 Revenue

 $312,000 Net

Route 276 Creation

The amendment states that before the end of March, Route 276 will be created to provide service from the intersection of N. 60th Street and West Brown Deer Road through industrial and office facilities northeast of that intersection and then north on North Green Bay Road to businesses on W. Schroeder Drive from 5 a.m. to 10 p.m. on weekdays, and from 5 a.m. to 7 p.m. on weekends.

Comments/Concerns

The Comptroller’s office indicated that the Chairwoman worked with SEWRPC on potential routing and budgets for this new route. MCTS estimates the cost of Route 276 as described to be $328,000. It is anticipated that this new route would generate ridership on the order of 6 PBH in 2015. A substantial effort on behalf of staff will be necessary, but achievable, to implement this extension by the end of March, should the amendment prevail. Post implementation, ridership and route productivity would be monitored and reported back to MCDOT.

 $348,000 Gross

 $ 20,000 Revenue

 $328,000 Net

**Conclusion**

The amendment included a tax levy increase of $1,582,000.

Per the Comptroller’s Office the line item break-down is as follows:

$ 822,600 Growing Opportunities (GO Pass) Fare

$ 100,000 Summer Youth Jobs Fare (Pilot Project)

$ 330,000 Route 80 Extension

$ 330,000 Route 276 Creation

$1,582,000

The MCTS estimated tax levy increase needed is:

$1,575,000 to $2,250,000 Growing Opportunities (GO Pass) Fare

$ 100,000 $ 100,000 Summer Youth Jobs Fare (Pilot Project)

$ 312,000 $ 330,000 Route 80 Extension

$ 328,000 $ 330,000 Route 276 Creation

$2,315,000 $3,010,000

$ 733,000 (over $1,582,000) $1,428,000 (over $1,582,000)

**There is a strong risk of a total revenue shortfall in 2015 of about $1 million**, based on the range of estimated tax levy needed to offset the amendment.

1. Seniors Ride Free Fraud Audit Deceased Cardholders – 2010: <http://www.rtachicago.com/about-the-rta/audits.html> [↑](#footnote-ref-1)
2. A University of Illinois at Chicago study estimated the 2009 annual revenue loss for the Chicago area from Illinois’s program to be between $37.7 million and $116.2 million with a median value of $55.6 million. Analysis of the RTA Seniors and People with Disabilities Ride Free Programs-2010: <http://www.rtachicago.com/about-the-rta/audits.html> [↑](#footnote-ref-2)
3. Seniors Ride Free People with Disabilities Ride Free Fraud Audit - Card Issuance and Program Administration – 2011: : <http://www.rtachicago.com/about-the-rta/audits.html> [↑](#footnote-ref-3)