

A REVIEW

*Transit System Contracts  
with University of  
Wisconsin Campuses*

99-15

*September 1999*

**1999-2000 Joint Legislative Audit Committee Members**

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September 23, 1999

Senator Gary R. George and  
Representative Carol Kelso, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Senator Brian Burke and  
Representative John Gard, Co-chairpersons  
Joint Committee on Finance  
State Capitol  
Madison, Wisconsin 53702

Dear Senators George and Burke and Representatives Kelso and Gard:

We have completed a review of local transit systems' contracts with University of Wisconsin (UW) campuses, as directed by 1997 Wisconsin Act 27. While 16 UW campuses are currently served by mass transit systems, only the two largest campuses, UW-Madison and UW-Milwaukee, have contracted for extensive service through bus pass programs that allow students unlimited access to local bus routes.

UW-Milwaukee first contracted for a student bus pass program in the 1994-95 academic year. Since the program's inception, costs have increased by 33.4 percent, from \$1,152,000 in the 1994-95 academic year to \$1,537,000 in 1998-99. In four of the five years since the program began, contract revenues and revenue from state and federal aid fully covered program costs.

UW-Madison's student bus pass program began in the 1996-97 academic year. Excluding start-up expenses, costs have increased by less than one percent, from \$1,377,000 in 1996-97 to \$1,385,000 in 1998-99. Contract and aid revenues fell short of costs in each year, and the amount of the estimated shortfall was \$111,000 in 1998-99. Local revenues have made up the shortfall.

Transit system and UW representatives believe the student bus pass programs have many benefits, including increasing bus ridership, alleviating parking concerns, and reducing traffic congestion. However, affected local communities may wish to re-evaluate the continuing use of local revenue to support these programs, taking into account both their costs and the local benefits they provide. Similarly, the Legislature may wish to note its contribution to these programs. In 1998-99, \$387,000 in state and federal mass transit aid was used to support the cost of UW-Milwaukee's and UW-Madison's student bus pass programs, and an additional \$1,380,000 in state and federal aid was used to support an intra-campus bus route operating exclusively on the UW-Madison campus.

We appreciate the courtesy and cooperation extended to us by the Milwaukee County Transit System, Madison Metro Transit System, and other systems throughout the state, as well as officials from UW-Milwaukee, UW-Madison, and other campuses. Responses have been provided by the University of Wisconsin and the Madison Metro Transit System; they are Appendices I and II.

Respectfully submitted,

Janice Mueller  
State Auditor

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## SUMMARY

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Mass transit systems operated by communities throughout the state provide bus service to or within 16 local University of Wisconsin (UW) campuses as part of their route systems. The two largest campuses—UW-Milwaukee and UW-Madison—have contracted for extensive service through bus pass programs that allow their students unlimited access to local bus routes. Milwaukee County Transit System provides approximately 1.7 million rides to UW-Milwaukee students annually, and Madison Metro Transit System provides approximately 1.8 million rides to UW-Madison students. UW-Milwaukee paid \$1,237,000 for service during the 1998-99 academic year, while UW-Madison paid \$1,200,000.

The creation of campus transit programs and their potential to alleviate campus parking shortages have led to discussions of expanding their availability to staff and faculty. Expansion of such programs, however, could affect state transit aids, which fund more than 40 percent of all local systems' operating costs. As a result, in 1997 Wisconsin Act 27, the Legislature directed the Legislative Audit Bureau to conduct an audit of mass transit services provided to UW campuses. In completing this review, we conducted a statewide survey of service agreements between mass transit systems and UW campuses and reviewed the UW-Milwaukee and UW-Madison contracts to determine how program costs and benefits are distributed.

Mass transit systems rely on a combination of operating revenues and public funding from local, state, and federal sources to support their operations. In general, they first determine the portion of their projected expenditures that will be met by state and federal revenues. Next, they determine the portion of the remainder that can be derived from farebox revenues and contracts, such as those with university campuses. Finally, they determine the portion that must be supported by local revenues.

In 1998, the transit systems in both Milwaukee and Madison received state aid equal to approximately 45 percent of their operating costs. Both systems applied available state aid and the limited amount of federal aid available (approximately 0.4 percent of operating costs) to the cost of providing transit services for UW-Milwaukee and UW-Madison and, in negotiating the bus pass contracts, sought to recover remaining costs from contract payments. However, we found that while the costs of bus passes for students at UW-Milwaukee have generally been fully funded by contract revenues, the costs of bus passes for students at UW-Madison have not.

We estimate that UW-Milwaukee student bus pass program costs have increased from \$1,152,000 in the 1994-95 academic year to \$1,537,000 in 1998-99, largely as a result of increased bus service to accommodate increased ridership. Excluding printing and mailing costs paid in the first year of the program's operation, we estimate that costs for the three-year-old UW-Madison bus pass program have increased from \$1,377,000 in the 1996-97 academic year to \$1,385,000 in the 1998-99 academic year. The following table shows the revenues and costs for the Milwaukee and Madison programs in the 1998-99 academic year.

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**Estimated UW-Milwaukee and UW-Madison Bus Pass Program Revenues and Costs**  
1998-99 Academic Year

	<u>UW-Milwaukee</u>	<u>UW-Madison</u>
<u>Revenues</u>		
State and federal aid	\$ 313,000	\$ 74,000
Contract revenue	<u>1,237,000</u>	<u>1,200,000</u>
Total revenues	\$ 1,550,000	\$ 1,274,000
 <u>Estimated Program Costs</u>		
Foregone farebox revenue	\$ 880,000	\$1,237,000
Cost of additional service:		
Operating costs	612,000	128,000
Capital costs	<u>45,000</u>	<u>20,000</u>
Total costs	\$ 1,537,000	\$1,385,000
Surplus/(Shortfall)	\$ 13,000	(\$111,000)

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Madison Metro also operates a route exclusively within the UW-Madison campus that primarily benefits students, faculty, and visitors to the university. Riders pay a lower fare—50 cents per ride or \$16 per monthly pass—compared to \$1.25 per ride or \$35 per monthly pass for other routes. Operation of the intra-campus service cost approximately \$2.3 million in 1998. Madison Metro received state and federal mass transit aid that offset this cost by \$1,380,000; passenger

revenue funded \$203,000; and UW-Madison paid the remaining \$692,000 out of parking revenues and a contribution from the student government association. Ridership on this route is declining and passenger revenue has declined in recent years by 36.2 percent from \$318,000 in 1995 to \$203,000 in 1998, in part because of a restructuring of all routes operated by Madison Metro.

UW-Milwaukee officials first contracted with Milwaukee County Transit System as part of a strategy to relieve a severe parking shortage after the campus failed to gather support for construction of new parking facilities. Surveys suggest that student use of mass transit has increased at least 35 percent since the implementation of the student bus pass, and the demand for parking spaces has been reduced somewhat. Residents of nearby neighborhoods, who have been concerned about traffic congestion and increased reliance on on-street parking in residential areas, have supported UW-Milwaukee's attempts to encourage mass transit. Similarly, some believe that increased use of Madison Metro has also reduced the demand for visitor parking spaces and on-street parking in neighborhoods adjacent to UW-Madison.

Both student riders and the transit systems have benefited from the UW-Milwaukee and UW-Madison pass programs. Students who commute by bus pay a lower fare than would be available at the transit systems' least expensive adult fares: \$31 per semester in Milwaukee, compared to \$42 per month; and \$18 per semester in Madison, compared to \$35 per month. In the spring of 1999, 49 percent of UW-Milwaukee students and 55 percent of UW-Madison students picked up their semester passes.

Generally, transit system representatives believe that student bus passes support their mission by increasing ridership, promoting a transit habit among students who may continue to commute by bus when they enter the workforce, offering students a low-cost transportation option, enhancing local transit service to all residents by expanding the frequency and scope of bus service, and providing a guaranteed revenue source. Madison Metro officials credit the student bus pass program with boosting ridership, and non-student passengers on routes that serve UW-Milwaukee have benefited from expanded service.

While student bus pass programs provide benefits to students and others, the bus pass program in Madison has not met the expectation that program costs would be fully covered by contract revenue and state and federal aid. Local revenues are being used to cover the shortfall. City of Madison officials may wish to re-evaluate the continuing use of local revenues to support this program, taking into account both its costs and the local benefits it provides. Similarly, the Legislature may wish to note its contribution to these programs. In 1998-99, \$387,000 in state and federal mass transit aid was used to support the cost of UW-Milwaukee's and UW-Madison's student bus pass programs, and

an additional \$1,380,000 in state and federal aid was used to support an intra-campus bus route operating exclusively on the UW-Madison campus.

We also reviewed bus service provided to other UW campuses and found that service is much more limited than at UW-Madison and UW-Milwaukee. Four other campuses—Eau Claire, Parkside, Rock County, and Oshkosh—currently have contracts with their local mass transit systems.

Student bus pass programs have also been under discussion for UW-La Crosse and UW-Oshkosh. However, student interest has been limited, at least partly because of concern about how well mass transit would meet students' needs. Transit officials in Appleton, Duluth-Superior, Green Bay, Sheboygan, Stevens Point, and Waukesha have also indicated they would support service agreements with local campuses, but no specific discussions with campus officials have ensued. Whether student bus programs similar to those in Madison and Milwaukee would be effective on other campuses around the state depends on a variety of factors, including cost to students, availability of parking on and near the campus, the proportion of students living off campus, and the layout of routes and frequency of bus service provided by local transit systems.

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## INTRODUCTION

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### **Student bus passes provide unlimited access to transit systems in Milwaukee and Madison.**

In calendar year 1998, assistance from the state Transportation Fund provided \$83.6 million to 30 fixed-route bus systems that provide mass transit services in communities throughout Wisconsin. This assistance financed approximately 43.8 percent of these systems' total operating costs. Nineteen of these systems also provided bus service to local University of Wisconsin (UW) campuses by including them in route plans. In addition, six of these systems contracted for service with the local campus for additional routes or additional hours of service. The two largest—the Milwaukee County Transit System and Madison Metro Transit System—have contracted to provide passes for unlimited bus service for students in exchange for fixed payments from UW-Milwaukee and UW-Madison.

Contracts between mass transit systems and local campuses are supported by many because of their potential to enhance bus ridership and alleviate parking shortages. There may be concern, however, that public funds, including state and federal aids and local revenues, are subsidizing low-cost transportation for university students. Some are also concerned that the inclusion of students' ridership numbers may present a distorted picture of broader ridership trends. To address these issues, the Legislature directed the Legislative Audit Bureau, in 1997 Wisconsin Act 27, to review mass transit services provided to UW System campuses, comparing revenues to costs and examining the subsidies provided for mass transit services. In completing this review, we analyzed:

- contracts between mass transit systems and UW campuses;
- state, federal, and local funding sources for services provided under these agreements;
- costs to operate campus mass transit programs; and
- contract benefits identified by the local communities and campuses.

## Mass Transit Services to University of Wisconsin Campuses

**The availability of mass transit services varies among UW System campuses.**

As shown in Table 1, mass transit services provided to UW campuses range from a single bus route, which may involve limited service to a smaller campus, to the 26 routes that integrate the UW-Madison campus into Madison Metro's route plan. Students' use of mass transit systems also varies: many of the smaller transit systems report little student ridership, while Milwaukee County Transit System estimates it provides approximately 1.7 million rides to UW-Milwaukee students annually, and Madison Metro estimates it provides approximately 1.8 million rides to UW-Madison students.

Table 1

### Transit Systems with Service to UW Campuses Calendar Year 1998

<u>Transit System</u>	<u>Routes Serving Campus</u>	<u>Number of Routes in System</u>	<u>Paying Riders on All Routes**</u>
Appleton/Fox Valley	1	17	879,840
Beloit (UW-Rock Co.)	1	8	151,088
Duluth/Superior	1	18	158,411 (Superior)
Eau Claire	4	10	773,958
Fond du Lac	1	6	295,425
Green Bay	1	17*	1,613,928
Janesville (UW-Rock Co.)	2	6	359,472
Kenosha (UW-Parkside)	1	8	1,529,812
La Crosse	1	5	661,849
Madison	26	44	8,784,851
Manitowoc	1	5	256,709
Milwaukee	11	73	53,476,379
Oshkosh	2	10	884,952
Racine (UW-Parkside)	1	11	1,491,758
Sheboygan	1	11	529,182
Stevens Point	2	5	97,244
Waukesha (city)	1	9	584,230
Waukesha (county)	1	14	607,618
Wausau	2	10	817,683

\* An additional 16 limited-service routes are also operated.

\*\* Reported by Wisconsin Department of Transportation.

## Funding for Mass Transit

To support their operating and capital costs, mass transit systems rely on a combination of operating revenues, which are primarily passenger fares, and public funding from local, state, and federal sources. In general, mass transit systems first determine the portion of their projected operating costs that will be met by state and federal revenues. Next, they determine the portion of the remainder that can be covered by farebox revenues and contracts, such as those with university campuses. Finally, they determine the portion that must be supported from property taxes and other local revenues.

As shown in Table 2, the Milwaukee County Transit System relied more heavily on farebox revenues and less on local revenues and federal assistance to fund its 1998 operating costs than did other transit systems in the state. Madison Metro Transit System received a greater share of its operating funds from property taxes and other local revenues, and less federal assistance than other transit systems.

Table 2

### Funding Sources for Mass Transit Operating Costs Calendar Year 1998

<u>Mass Transit System</u>	<u>State Operating Assistance</u>	<u>Federal Assistance*</u>	<u>Farebox Revenues</u>	<u>Property Tax, Contracts, and Other Revenues</u>	<u>Total Revenue</u>
Milwaukee	\$42,900,243	\$ 433,392	\$ 35,763,000	\$ 17,234,043	\$ 96,330,678
Percentage	44.5%	0.4%	37.1%	17.9%	
Madison	12,942,393	84,931	6,947,240	8,985,180	28,959,744
Percentage	44.7%	0.3%	24.0%	31.0%	
All Others	27,749,464	10,768,587	14,442,509	12,671,247	65,631,807
Percentage	42.3%	16.4%	22.0%	19.3%	
Total by Source	\$83,592,100	\$11,286,910	\$ 57,152,749	\$ 38,890,470	\$190,922,229
Percentage of Total	43.8%	5.9%	29.9%	20.4%	

\* Includes only those federal funds distributed through the Wisconsin Department of Transportation; other federal funds are distributed directly to transit systems.

Transit systems are grouped into tiers by the size of the communities they serve. Under the current state aid distribution formula, the Legislature appropriates a fixed amount of aid to each of three tiers. State aid is allocated so that all transit systems within a tier receive state and federal aid for an equal proportion of total operating costs. Hence, changes in any transit system's costs affect the distribution of the statutorily established state aid payments to all of the systems in the same tier.

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**Milwaukee County and the City of Madison compete with each other for state mass transit aid.**

The transit systems operated by Milwaukee County and the City of Madison make up Tier I and compete for state aid with each other. In recent years, some expansion of bus service on routes serving UW-Milwaukee has increased both Milwaukee County Transit System's operating costs and its share of the state aid provided to Tier I, at the expense of the Madison Metro Transit System. As a result, Madison and neighboring communities served by Madison Metro have had to support a greater portion of mass transit costs with local property taxes. Conversely, an expansion of Madison Metro's route system that was implemented in July 1998 reduced the share of Tier I mass transit aid available for Milwaukee's transit system.

Before 1996, most mass transit systems received state assistance totaling 42 percent of their operating costs, and the formula increased state aid in proportion to any increases in spending, including spending to expand service provided to UW campuses. The mass transit systems serving Madison and Milwaukee also received a supplemental aid payment, which totaled \$2.9 million in fiscal year (FY) 1994-95 and \$1.7 million in FY 1995-96, after which it was eliminated.

Capital costs, which can vary significantly from year to year, are funded by federal capital assistance and local funds. Mass transit systems qualify for federal assistance for as much as 80 percent of total capital costs, provided that local sources match at least 20 percent. The State's Department of Transportation distributes federal capital aid to most transit systems but does not provide state funds for capital expenditures.

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## SERVICE CONTRACTS IN MILWAUKEE AND MADISON

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**Campuses were expected to fully fund the non-aided costs of student bus pass programs.**

The service contracts for student bus passes in Milwaukee and Madison, and an intra-campus service contract in Madison, were negotiated primarily because bus pass programs were seen as an alternative to building additional parking facilities, and the transit systems in both communities believed that these contracts were consistent with their mission of providing alternatives to automobile transportation. In negotiating service contracts with university campuses, the Milwaukee County Transit System and Madison Metro Transit System have sought to obtain that portion of costs not covered by state and federal revenues and to avoid reliance on local revenues for these costs. However, the UW-Madison bus pass program has experienced shortfalls in each year of operation. As a result, local revenues pay the remaining costs.

### **Milwaukee Student Bus Passes**

In the 1994-95 academic year, when parking shortages on campus first led UW-Milwaukee to contract with the Milwaukee County Transit System for a student bus pass program, both parties intended to establish a contract amount that reimbursed the transit system for the county's additional costs after subtracting state and federal aid attributable to contractual activities. The initial contract provided funds from UW-Milwaukee to cover the non-aided cost of the student bus pass program. We found that costs have generally equaled revenues in all but the first year of the contract, when a significant surplus occurred.

### **Costs and Revenues**

As shown in Table 3, Milwaukee County Transit System's costs for the student bus pass program have increased 33.4 percent, from \$1,152,000 for the 1994-95 academic year to \$1,537,000 for 1998-99. Contract revenues have remained between \$1.1 million and slightly more than \$1.2 million. As a result, the transit system received excess revenue in each year of the program except the 1995-96 academic year, when it incurred a shortfall of \$11,000.

Table 3

**Estimated Revenues and Costs of the UW-Milwaukee Student Bus Pass Program  
by Academic Year**

	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
<b>Revenues</b>					
State and federal aid	\$ 145,000	\$ 216,000	\$ 251,000	\$ 296,000	\$ 313,000
Contract revenue	<u>1,147,000</u>	<u>1,101,000</u>	<u>1,177,000</u>	<u>1,204,000</u>	<u>1,237,000</u>
Total revenues	\$1,292,000	\$1,317,000	\$ 1,428,000	\$ 1,500,000	\$ 1,550,000
<b>Estimated Program Costs</b>					
Foregone farebox revenue	\$ 830,000	\$ 846,000	\$ 862,000	\$ 864,000	\$ 880,000
Cost of additional service:					
Operating costs	298,000	446,000	509,000	587,000	612,000
Capital costs	<u>24,000</u>	<u>36,000</u>	<u>39,000</u>	<u>44,000</u>	<u>45,000</u>
Total costs	\$1,152,000	\$1,328,000	\$ 1,410,000	\$1,495,000	\$ 1,537,000
Surplus/(Shortfall)	\$ 140,000	(\$ 11,000)	\$ 18,000	\$ 5,000	\$ 13,000

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**UW-Milwaukee students currently pay \$31 per semester for unlimited transit access.**

Contract revenues are based on a fixed fee paid by enrolled students regardless of whether they pick up or use student bus passes. The fee is included among student segregated fees and transferred to the transit system. UW-Milwaukee officials indicate that 54 percent of the 22,600 eligible students in the fall semester of the 1998-99 academic year picked up their bus passes, as did 49 percent of the 20,802 eligible students in the spring semester. Transit officials indicate that an initial student fee of \$29 per semester for the 1994-95 academic year was based on a 1994 cost analysis and subsequent negotiations with UW-Milwaukee. An inflationary increase for the 1996-97 academic year, which coincided with systemwide fare increases of a similar size, raised the fee to its current amount of \$31 per semester. In comparison, the adult cash fare is \$1.35 and the cost of a month's worth of weekly bus passes is \$42. On school days, elementary and secondary school students pay cash fares of \$1.00 or \$9.00 per ten ride tickets if they purchase a school transit permit, which is good for the entire academic year, for \$5.00.

In projecting costs of the student pass program, consideration was given to three components that are shown in Table 3: lost farebox revenue, the operating costs of additional service, and the capital cost of additional service. Reductions of approximately \$830,000 in Milwaukee County

transit system's farebox revenue for the 1994-95 academic year resulted from bus passes being issued to students who would otherwise have paid regular fares for bus trips to campus and other locations. In academic year 1998-99, reduced farebox revenue from these students is estimated to be \$880,000. Part of this increase can be attributed to an increase in the average fare paid by transit system riders.

Increased operating and capital costs accounted for approximately \$657,000 of the total costs of the student pass program in the 1998-99 academic year, because Milwaukee County Transit System expanded service to the UW-Milwaukee campus to accommodate greater ridership among students, and to meet its contractual requirements with the campus for the creation of two new routes and the expansion of another.

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**Revenues fully cover  
Milwaukee's program  
costs.**

The total cost of the 1998-99 service expansion and lost farebox revenue was an estimated \$1,537,000. This amount was offset by state and federal operating aid and federal and local funding to support capital costs, and by \$1,237,000 in contract revenues from the student bus pass contract with UW-Milwaukee. As noted, the bus pass program's revenues have exceeded estimated costs in all years of operation with the exception of the 1995-96 academic year.

In addition to the UW-Milwaukee bus contract, the Milwaukee County Transit System offers discounted commuter passes to employers willing to subsidize their employees' purchase of monthly bus tickets. Under this program, the transit system offers a month's supply of weekly tickets to employers for \$35, provided that the employer provides at least \$20 of the cost to employees. In comparison, the regular cost for a month's supply of weekly tickets is \$42.

Similarly, Milwaukee County Transit System made systemwide student bus passes available to Marquette University and the downtown campus of the Milwaukee Area Technical College. In both cases, students paid a fee of \$31 each semester and were entitled to bus passes providing unlimited access to the transit system. Marquette's program is ongoing, but student leaders at Milwaukee Area Technical College decided not to continue participation in the 1998-99 academic year because students who did not use the bus pass objected to the mandatory fee.

### **Program Costs and Benefits**

As noted, any revenue shortfalls associated with the UW-Milwaukee bus pass program must be paid by Milwaukee County taxpayers through local revenues. A shortfall has occurred in only one year of the program, and has been more than offset by surpluses in other years of the program.

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**Expanded service in Milwaukee also benefits non-student riders.**

In addition to benefiting students, the bus pass program benefits university faculty and staff, neighborhoods near the campus, and other bus passengers on routes serving the campus. For example:

- There is evidence that parking shortages have been alleviated. Currently, UW-Milwaukee has 4,100 parking spaces, including 2,000 on remote lots, for 22,400 students and 3,500 staff and faculty. University officials believe that the increase in student bus ridership has reduced the parking shortage. Surveys conducted in 1994 and 1995 suggest that the proportion of students driving to campus fell from 54 percent in spring 1994 to 41 percent in spring 1995, following initiation of the bus pass program, and suggest that student use of mass transit has increased at least 35 percent since the program's implementation.
- Campus officials believe the bus pass program is improving UW-Milwaukee's relations with adjacent neighborhoods, which have been concerned about students parking on nearby residential streets and the resulting traffic congestion. Although UW-Milwaukee proposed building a new parking structure with space for 700 vehicles on three occasions—in 1986, 1989, and 1996—a lack of support from neighborhoods, local elected officials, and the State made these efforts unsuccessful.
- Non-student riders on routes serving the campus have benefited from the additional hours of service provided to accommodate student riders.

### **Madison Student Bus Passes**

UW-Madison student leaders, campus representatives, and officials at Madison Metro Transit System first negotiated a contract for a student bus pass program at UW-Madison in the 1996-97 academic year after student referenda indicated interest in prepaid, discounted transit services. The contract was expected to provide funding to the transit system for lost farebox revenue and the cost of additional service, after state and federal aid was applied. Contract revenue was derived through segregated fees charged to all students, but these fees have been insufficient to cover costs incurred in providing the service. The shortfalls have been borne by local revenues.

## Costs and Revenues

**UW-Madison student fees and transit aids fell approximately \$111,000 short of contract costs in the 1998-99 academic year.**

Madison Metro Transit System's initial contract with UW-Madison for a student bus pass was based on an estimate of the program's first-year costs, while subsequent renewals have been negotiated. However, as shown in Table 4, we estimate that since the program began, costs have exceeded revenues, resulting in a shortfall in each of the past three academic years.

Table 4

### Estimated Revenues and Costs of the UW-Madison Student Bus Pass Program by Academic Year

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
<u>Revenues</u>			
State and federal aid	\$ 67,000	\$ 71,000	\$ 74,000
Contract revenue	<u>1,144,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
Total revenues	\$ 1,211,000	\$ 1,271,000	\$ 1,274,000
<u>Estimated Program Costs</u>			
Foregone farebox revenue	\$ 1,237,000	\$ 1,237,000	\$ 1,237,000
Cost of additional service:			
Operating costs	121,000	124,000	128,000
Capital costs	19,000	19,000	20,000
Printing and mailing costs	<u>20,000</u>	<u>0</u>	<u>0</u>
Total costs	\$ 1,397,000	\$ 1,380,000	\$ 1,385,000
Surplus/(Shortfall)	(\$ 186,000)	(\$ 109,000)	(\$ 111,000)

**In the 1998-99 academic year, UW-Madison students paid \$18 per semester for unlimited transit access outside of the campus.**

Students at UW-Madison paid a segregated fee of \$18 per semester in the 1998-99 academic year, regardless of whether they picked up their student bus passes. This fee, which is prorated for part-time students, is significantly less than the cost of monthly passes available to the public, which is \$31 for unlimited weekday travel and \$35 for unlimited travel on any day, or the cost of passes available to Madison elementary and secondary students, who pay \$84 per semester for unlimited weekday rides and \$90 per semester for unlimited rides on any day.

UW-Madison officials indicate that 62.9 percent of the 40,109 eligible students picked up their passes in the fall semester of 1998-99, as did 55.3 percent of the 37,753 eligible students in the spring semester. UW-Madison payments to the transit system for the first year of the contract—the 1996-97 academic year—included a base contract amount of \$932,000 and an additional \$212,000 for higher-than-anticipated student ridership. Subsequent contracts have specified a flat amount of \$1,200,000 per academic year, with no contingencies for changes in ridership.

Madison Metro's costs under the contract consist of reduced farebox revenue and the operating and capital cost of additional service. Madison Metro was also responsible for \$20,000 in printing and mailing costs during the first year of the program; these costs are now paid from the amount collected for the student bus pass program. Reductions of approximately \$1,237,000 in the transit system's farebox revenue in 1998-99 resulted from bus passes being issued to students who would otherwise have paid regular fares for trips to campus and other locations. Operating and capital costs in 1998-99 were \$128,000 and \$20,000, respectively, as a result of providing additional hours of bus service to accommodate increases in student ridership.

The City of Madison, which operates Madison Metro, is responsible for the financial shortfalls of the program, which, as noted, were an estimated \$111,000 in the 1998-99 academic year. Shortfalls are allocated to the city and to neighboring communities and contractors, which share the local cost of operating the transit system based on the number of hours of service provided to each community. In 1998, Madison provided \$5.4 million for its transit system as a whole, or 60 percent of total local contributions. Service contracts with UW-Madison and neighboring communities provided the remaining \$3.6 million, or 40 percent.

### **Program Costs and Benefits**

Shortfalls in the UW-Madison bus pass program, which totaled approximately \$111,000 in the 1998-99 academic year, have occurred in each year of the program's existence. Local revenues are required to pay the remaining cost of the program after state and federal aid and contract revenues are credited against the program's cost.

Madison Metro officials believe the UW-Madison student bus pass program contributed to increasing the system's ridership to 10.3 million in calendar 1997, the first full year during which the student bus pass was available. The system had experienced a decline from 13.5 million riders in the early 1980s to fewer than 9.0 million in 1989, but it began a slow recovery to 9.7 million in 1996. Madison officials stated that

students took nearly 1.8 million rides on off-campus routes using the bus pass in 1998. Ridership on off-campus routes during 1995, the last full year before the bus pass program was introduced, is more difficult to estimate—estimates range from 1.14 million rides to 1.46 million rides. Estimated costs included in Table 4 assume ridership of 1.46 million.

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**The bus pass program allows students access to off-campus housing and relieves parking demand.**

In addition to cost savings for students, UW-Madison officials cite several other benefits of the student pass program, including:

- making off-campus housing available to students who would not otherwise have considered commuting by bus from outlying parts of Madison or surrounding communities;
- reducing the demand for visitor parking spaces on the campus and on-street parking in adjacent neighborhoods, because on-campus student parking is limited to 700 spaces, and students who drive use visitor spaces on campus or on-street parking in adjacent neighborhoods; and
- potentially reducing the need for construction of new parking structures if faculty and staff are added to the program.

Currently, approximately 10,000 parking spaces are available to the UW-Madison's 17,000 full-time equivalent staff and faculty. UW-Madison plans to maintain the current number of parking spaces for staff and faculty and to add 1,500 spaces for visitors as new buildings, such as the recently completed Kohl Center, reduce the amount of surface parking available. However, estimates of the cost of replacing these surface lots with above-ground and underground parking facilities ranges from \$11,000 to \$20,000 per parking space.

### **Madison Intra-campus Service**

In addition to the off-campus student bus pass program supported by student fees, UW-Madison has contracted with Madison Metro since 1982 for an intra-campus bus route. This route provides 1.2 million rides annually between campus buildings, on-campus housing, parking lots, and other UW facilities. Students, faculty, staff, and anyone in the community pay 50 cents per ride or \$16 for a monthly pass. Evening service on this route is provided free to passengers in response to campus safety concerns. UW-Madison pays the remainder of the

unaided cost of both the regular service and the free night-time service from its parking revenues and a contribution from the student government association.

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**UW-Madison's intra-campus route was subsidized by almost \$1.4 million in state and federal aid in 1998.**

As shown in Table 5, intra-campus route costs were \$2,275,000 in 1998. Madison Metro received approximately \$203,000 from passengers and credited UW-Madison with \$1,380,000 in external aid, including \$939,000 in state operating aid. UW-Madison paid the remaining \$692,000 with parking revenues and a contribution of \$151,000 from the student government association, which has contributed funds toward the cost of the free night-time service since 1991.

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Table 5

**Funding for UW-Madison Intra-Campus Service  
by Calendar Year**

<u>Year</u>	<u>Total Costs*</u>	<u>Revenue Sources</u>			
		<u>Passenger Revenue*</u>	<u>State Operating Aid</u>	<u>Federal Capital Aid</u>	<u>Parking Revenue and Student Government Contribution</u>
1993	\$2,037,000	\$253,000	\$789,000	\$260,000	\$735,000
1994	1,932,000	220,000	814,000	260,000	638,000
1995	1,963,000	318,000	824,000	268,000	553,000
1996	2,124,000	285,000	872,000	270,000	697,000
1997	2,350,000	300,000	919,000	304,000	827,000
1998	2,275,000	203,000	939,000	441,000	692,000

\* Includes costs for free evening service and excludes handicapped transit services contracted through Madison Metro.

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UW-Madison's contractual payments for the route cover Madison Metro Transit System's actual contract costs. However, it should be noted that the intra-campus route benefits primarily students, faculty, and visitors to campus. Ridership is declining, in part because a restructuring of all Madison Metro routes has increased the campus service provided on some regular routes. In addition, the Legislature may wish to note its contribution to the program. In 1998-99, \$1,380,000 in state and federal aid was provided for this route that serves only the campus.

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## **Future Considerations**

Expansions or reductions in the scope of any part of Milwaukee's or Madison's route structures will cause the amounts of state and federal aid credited to university bus pass contracts to be recalculated, even if service on the campus routes remains the same. In the past, when state aid automatically increased in proportion to spending increases, transit companies' cost allocation formulas would have credited the increased state aid to the appropriate community. Now that service expansions no longer result in the expansion of state aid, the transit companies reallocate the same amount of state aid among a greater number of service hours. State aid will decline over time for communities and contractors whose service does not grow, even if state aid allocations to the transit system remain constant.

In addition, our estimates indicate that the Madison student bus pass program has not met the expectation that it would fully cover costs with contract revenue and state and federal aid. Local revenues are being contributed to cover shortfalls in the costs of this program. City of Madison officials may wish to re-evaluate the appropriateness of using local revenues to fund the shortfalls, based on the cost of this program and the value of the benefits it provides.

If local officials determine that the current level of subsidy for this program is not appropriate in comparison to the subsidy provided to other riders, the City of Madison and UW-Madison will need to determine how to address the shortfall in funding. The most likely options for doing so would be to raise student bus pass program fees, contribute campus parking revenues to the program, or use some combination of these two approaches.

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## SERVICE CONTRACTS FOR OTHER CAMPUSES

**Four other UW-system campuses have contracted for transit service.**

We also examined bus service provided to other UW campuses. Table 6 shows the four other UW campuses currently contracting with their local transit systems for additional service.

Table 6

### Contracted Service for Other UW Campuses 1998-99 Academic Year

<u>Transit System</u>	<u>Initial Year</u>	<u>Contracted Amount*</u>	<u>Percentage of System's Operating Budget**</u>	<u>Service Provided</u>
Eau Claire	1997	\$135,000	6.6%	A student bus pass program financed by a \$5 per semester student fee and parking revenue
Racine	1998	32,000	0.7	Unlimited student access to Racine city bus service
Beloit-Janesville***	1987	500	<0.1	Bus stop on Beloit-Janesville route
Oshkosh	1993	150	<0.1	Shuttle service between campus and remote retail parking facilities

\* Estimated

\*\* Based on 1998 expenditures

\*\*\* Contract with UW-Rock County

The Eau Claire campus and Eau Claire City Transit began a bus pass program in the 1997-98 academic year which provides unlimited rides for students, and for staff and faculty. The contract amount of \$135,000 is funded by student segregated fees of \$5 per semester and by \$25,000 in parking revenues. The contract also resulted in the addition of two new bus routes to serve the campus and student residential areas, which were not previously connected by the bus system.

Beginning in the 1998-99 academic year, the City of Racine and UW-Parkside initiated a student bus pass program that allows unlimited rides throughout the system for the lesser of the cost of the contracted route or \$32,000. Student segregated fees increased by \$8 to contribute \$32,000 toward this contract, but UW-Parkside reduced student parking fees by \$10 per permit, which approximately offset the \$32,000 increase in student segregated fees. University parking revenues fund the remainder of the contracted costs. UW-Parkside officials indicate that only 132 of the 4,696 students enrolled for the fall 1998 semester picked up their passes, which are valid for the entire academic year. Officials and the transit company plan to continue the program for the 1999-2000 academic year; university officials anticipate additional advertising will increase student use of the program.

Since 1987, transit systems in the cities of Beloit and Janesville have operated a route between the two communities with the support of several local sponsors, including UW-Rock County. Each sponsor contributes funds in proportion to the ridership it generates. UW-Rock County support for the 1998-99 academic year is estimated at \$500.

Finally, the Oshkosh Transit System uses its regular routes to provide shuttle service for students between two retail parking lots and UW-Oshkosh. UW-Oshkosh pays the transit system the standard adult fare of 50 cents per ride for each student passenger. In the 1998-99 academic year, students used the shuttle 291 times, which resulted in UW-Oshkosh payments of approximately \$146 for the year.

In addition to these agreements between university campuses and transit systems, the state Department of Transportation contracted with Milwaukee County Transit System and Wisconsin Coach Lines, which provides bus service on behalf of Waukesha County, to extend a commuter route between Waukesha County and downtown Milwaukee while Interstate 94 was being resurfaced in 1998. Through August 1998, these routes continued past downtown Milwaukee to UW-Milwaukee. The Department spent \$350,000, consisting primarily of federal congestion mitigation funds, for this service during the two-year resurfacing project, as well as approximately \$20,000 for the acceptance of the UW-Milwaukee student bus pass on both Wisconsin Coach Lines and City of Waukesha bus systems during this time. Waukesha County has continued the service, with UW-Milwaukee student passes accepted for these routes.

Elsewhere, discussions in La Crosse and Kenosha have not resulted in any new bus service agreements. For example, administrators at UW-La Crosse indicate that agreement between the local student organization and La Crosse Municipal Transit was imminent in the

1995-96 academic year, but negotiations were interrupted after a local taxi provider made an alternative offer. Student leaders did not act on either proposal, and their successors have not pursued an agreement.

Officials at UW-Parkside have declined to provide financial support to the City of Kenosha for its bus system's route to the campus.

UW-Parkside has not been willing to fund the current extension of the route onto campus because the route normally ends only a few blocks from campus.

Transit officials in Appleton, Duluth-Superior, Green Bay, Sheboygan, Stevens Point, and Waukesha also indicated they would support service agreements with local campuses, but no specific discussions with campus officials have ensued. Whether student bus programs similar to those in Madison and Milwaukee would be effective on other campuses around the state depends on a variety of factors, including the availability of parking on and near campus, the proportion of students living off-campus, and the layout of routes and frequency of bus service provided by the local transit system.

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September 17, 1999

State Auditor Janice Mueller  
Legislative Audit Bureau  
131 West Wilson Street, Suite 402  
Madison, Wisconsin 53703

Dear Ms. Mueller:

The University of Wisconsin institutions have been pleased to work in partnership with our local communities' public transit systems to encourage the use of mass transit on and to our campuses. The benefits of this partnership have been significant and include:

- a safe, convenient, and affordable way for students, many of whom do not own cars, to access our universities;
- a reduced need to add to existing campus parking facilities, which can be exceedingly costly;
- enhanced community relationships because of reductions in on-street parking and traffic congestion;
- an opportunity for public transit systems to provide service to community residents, including university students, while simultaneously increasing bus ridership at a time of declining ridership levels; and
- the assurance of a fixed revenue amount for local public transit systems, even if the number of student riders fluctuates.

We found that the Legislative Audit Bureau's report supports and confirms the significant value campus transit programs hold for our students and for local public transit systems.

We believe that in negotiating contracts for the campus transit programs, all parties made careful efforts to accurately estimate revenues and costs. This is evidenced by the UW-Milwaukee program, where the Audit Bureau found revenues and costs were within 1% of each other over the last four years. Nevertheless, determining a contract amount must take into account a number of variables. These variables include the number of students expected to enroll on a campus and pay the bus pass fee, as well as the costs inherent in establishing bus routes that will effectively serve a university population. Since estimating the contract amounts is not an exact science, we expected to see some variance between program revenues and expenditures over the years, as the review found.

State Auditor Janice Mueller  
September 17, 1999  
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We are somewhat concerned with the report's implication that campus transit programs receive excessive support from public funds. Public transit systems, by their very nature, receive substantial support from public funds. Federal, state and local revenues combine to make up the difference between farebox revenue and costs for all bus riders, not only student riders. As noted in the report, federal and state funds support over 40 percent of the public transit operating costs in Milwaukee and Madison. In addition, approximately 80 percent of public transit capital costs are federally funded. If a goal of the campus transit programs is to induce more studentridership than would occur at market rates, while avoiding the costs and congestion of more cars on our university campuses, the public worth of these programs is evident.

We appreciate the courtesy the Legislative Audit Bureau extended to the UW System during this review.

Sincerely,

Marcia W. Bromberg  
Vice President for Finance

September 16, 1999

Ms. Janice Mueller, State Auditor  
Legislative Audit Bureau  
131 West Wilson Street  
Madison, WI 53703

Dear Ms. Mueller:

RE: A Review of Transit System Contracts with University of Wisconsin Campuses

Thank you for the opportunity to comment on this recently completed report.

We note that the report states that there is an estimated shortfall in the bus pass program for University of Wisconsin-Madison students of \$111,000 in 1998-99. The bus pass program between the City of Madison and the University of Wisconsin is relatively new. We are only beginning our fourth year of this program. While the City of Madison is concerned about any revenue shortfall, we feel that the compensation that the City of Madison has received from the program thus far is justified. Approximately 25% of the transit system's operating cost is supported by local taxpayer support. This amount of City tax support is not unreasonable, given the 1.8 million rides which the University of Wisconsin students take on Metro. We currently have a three (3) year agreement with the University of Wisconsin-Madison for the bus pass program.

The report provides information that the parties should consider as a successor agreement is developed. We appreciate the time and the cooperation that the Legislative Audit Bureau staff provided to complete this report. Please let us know if we can be of any additional assistance or provide any further information.

Sincerely,

Paul J. Larrousse  
Transit General Manager

PJL:clg