

# Case Study of User-Side Subsidies for the Handicapped in Milwaukee County

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Milwaukee County, Wisconsin, instituted a user-side subsidy program in June 1978 for handicapped users of taxi and chair-car companies. Because of the unique features of the program, a case study was undertaken by the UMTA Service and Management Demonstration program. The Milwaukee County program is funded entirely by county and state contributions. Unlike other user-side subsidy programs that serve the elderly and the handicapped, the Milwaukee County program serves only handicapped persons. Eligibility for the program is limited to the legally blind and to persons who require the use of a wheelchair, a walker, or crutches. Door-to-door transportation is provided for eligible persons who use the services of private taxi and chair-car companies. By 1982 five taxi companies and three chair-car companies accepted program vouchers. Participants pay the first \$1.50 cost of a trip. The remaining cost is subsidized by the program—up to a maximum of \$9.50 per trip, depending on the individual's handicap classification. Simple administrative procedures for subsidy distribution have been devised for the program and approximately 12 percent of the 1980 budget of \$1 million has been spent on administrative activities. The paratransit industry in the county has expanded since the institution of the program, and providers appear to be competing actively for program ridership. Enrollment in the program by the eligible population is high, with wheelchair users making the majority of program trips. The program offers a high level of service to the most severely handicapped residents of the county, and the Milwaukee County experience should help other area administrators anticipate and meet the demand of handicapped persons for low-cost accessible service.

Transportation subsidies for handicapped users of taxi and chair-car companies are provided by the Milwaukee County, Wisconsin, user-side subsidy program. The program was instituted by the county in June 1978 and is administered through the county Department of Public Works. The program is permanent and ongoing, and it receives no federal assistance. [Ed. note: A chair-car company provides demand-responsive transportation service by using specially equipped vans.]

Accessible transportation is provided to eligible persons by the program by using existing private paratransit providers. Currently, participants pay the first \$1.50 cost of a trip, and the remaining cost is subsidized by the program through the use of trip vouchers, up to a maximum of \$9.50 for wheelchair users and \$6.50 for other users. There is also a \$5.00 registration fee. Before January 1981 users paid a minimum fee of \$1.00 per trip, and the program subsidized up to \$10.00 for wheelchair users and \$7.00 for other users.

A distinctive feature of the Milwaukee County program is that, unlike other user-side subsidy programs that serve both the elderly and the handicapped, it serves only handicapped persons. The program is available to four groups—those persons confined to a wheelchair, those who require a walker, those who require crutches, and the legally blind.

Milwaukee County instituted the user-side subsidy program when state funds became available for locally administered transportation assistance to the handicapped. Originally, the state provided 90 percent of program funding under its Section 85.08(5) funding program but, as the program has grown, the county has contributed an increasing share. In 1980 the county provided \$611,809 for the program—62 percent of the total program costs.

The findings of a recent UMTA Service and Management Demonstration (SMD) program case study (1) are presented in this paper. The Milwaukee County user-side subsidy program was chosen because of the unique features of the program. First, the program

currently receives no federal assistance yet provides user subsidies without imposing a limit on the number or type of trips that can be taken. In contrast to many user-side subsidy programs that place monthly limits on the amount of subsidy each participant receives, the Milwaukee County program limits the subsidy per trip, but not the total amount of subsidy accruing to any one individual (2).

Second, the Milwaukee County program serves only a limited target group—persons confined to wheelchairs, persons who use a walker or crutches, and those who are blind. Most user-side subsidy programs serve both the handicapped and the elderly, with the notable exception of the Port Authority of Allegheny County paratransit subsidy program for severely handicapped persons in Pittsburgh. Because only a small percentage of the elderly and the handicapped require special services, these programs experience low participation rates. Nevertheless, with a potentially large number of eligible people, these programs have generally instituted monthly purchase limits, as previously discussed, to restrain the total possible subsidy liability. Milwaukee County is of interest because it has developed an alternative to this model of broad eligibility and limited monthly subsidy.

Third, the Milwaukee County program tests the user-side concept on a large scale. The program serves the entire county, which covers 237 miles<sup>2</sup> and contains almost 1 million people. Thus the program cannot successfully use either jurisdictional boundaries or residency as devices for restricting the amount of program subsidies. Instead the county has developed other methods of restraining the amount of subsidy provided, and these methods are worth studying for potential application in other large cities.

Finally, the Milwaukee County program is of interest because the county allows free entry of taxi and chair-car providers into the program. As a result, seven carriers currently are able to accept program vouchers. This case study of the Milwaukee program attempts to evaluate the effect that free entry into the subsidy program has had on the paratransit industry in the county and on the level of service it provides. Because increased competition among providers is one benefit often believed to result from user-side rather than provider-side subsidies, this examination of the Milwaukee County paratransit industry provides additional evidence about the merit of the user-side concept.

## ADMINISTRATIVE PROCEDURES AND COST

Milwaukee County designed the program to be administratively simple. Participants generally register through the mail, and certification by a doctor or a social service agency establishes the participant's eligibility. Procedures for contracting with providers are also simple. The program does not set service requirements on providers; instead it relies on the requirements set by the state's Title XIX program in which most chair-car carriers participate. The program involves only a minimum of paperwork for carriers because trip vouchers are used

directly for carrier reimbursement. Because of these simple administrative procedures, administrative costs constitute approximately 12 percent of the program budget. Furthermore, the carriers do not believe they are unreasonably burdened by program bookkeeping.

The simple design of the program also exposes it to the possibility of unnecessary expenditures. Registrants are not given photo identification cards, which allows for possible fraudulent use. A more serious problem, however, is that the program has no administrative mechanism for ensuring that trips eligible for funding under other transportation assistance programs (i.e., Title XIX, Title XX, and Title III) are not paid for by the user-side subsidy program. The county recognizes this problem and has studied the cost and feasibility of some type of coordination or brokerage mechanism. The study determined that the cost of coordinating the major transportation funding sources in the county would be substantial and possibly outweigh any savings achieved.

#### EFFECTS ON PARATRANSIT INDUSTRY

The user-side subsidy program contracts with three chair-car companies and five taxi companies for receipt of program vouchers. Because the program controlled more than \$110,000 worth of total trip revenue per month by mid-1981, it accounts for approximately one-third or more of participating chair-car company revenues and one-quarter of participating taxi company revenues. Chair-car companies serve about 45 percent and taxi companies serve about 55 percent of the total number of trips sponsored by the program. Nevertheless, because chair-car rates are higher than taxi rates, chair-car companies receive 57 percent of the total program billings whereas taxi companies receive 43 percent. The program pays an average subsidy of \$4.81 for a taxi trip and \$8.74 for a chair-car trip.

A provider can become a carrier in the program if appropriately licensed by the Common Council of the city of Milwaukee, which regulates the paratransit industry. The program has not rejected the application of any licensed provider to become an affiliated carrier. As of 1981 all chair-car companies and all major taxi companies in the county participated in the program. Only three small taxi companies were not participating.

Taxi companies have become an important part of the provider network in the user-side subsidy program. Taxis provide low-cost service that is immediately available to program participants. Because taxi companies have joined the network, the program can provide, with the same budget, about one-third more trips than it would be able to provide by using only chair-car companies.

Taxi companies benefit substantially from the user-side subsidy program. In 1981 the program provided more than \$45,000 in revenues to taxi companies each month. For those companies participating, user-side subsidy trips are a significant portion of their business. Moreover, user-side subsidy customers represent a relatively stable market in an industry that has deep seasonal shifts in demand.

Taxi companies have adjusted to the demands placed on their operations by participation in the program. They have hired additional personnel to check and account for user-side subsidy vouchers. More relevant from the perspective of users, the companies have recognized the new importance of handicapped persons in the market for taxi service. Participating companies have improved the service they provide to persons confined to wheelchairs primarily because of the \$3.00 surcharge allowed by the

user-side subsidy program. Drivers interviewed for this case study indicated their willingness to aid persons in wheelchairs because of the surcharge.

The chair-car industry appears to be the type of provider that has been most affected by the program. Chair-car companies are dependent on government transportation assistance programs, many of which use fixed-bid contracts. The program has allowed the industry to reduce the extent of its reliance on these funding sources.

The chair-car industry has expanded because of the user-side subsidy program. In 1981 the program provided more than \$63,000 in revenue to the chair-car industry each month, a significant increase in industry revenues since 1978. Before the program only one carrier remained in stable operation. Currently there are three. Although carriers that have initiated operations since the program began indicate that they would have entered the industry in any case, it is not clear if all three carriers would be able to maintain operations without the program.

The owners of the largest chair-car company in the county, drawing on their experiences in Minneapolis and Florida (where assistance is provided through supply-side subsidies), state that the Milwaukee County program, unlike other programs, fuels competition in the industry because of free entry into the program and because participants may call any carrier they want. All carriers agree that the form of the county subsidy program--allowing users to choose a carrier--fuels competition for customers. The result of an expanded industry and increased competition is evident in longer hours of operation by chair-car companies and greater flexibility in providing service. Carriers attempt to differentiate their services in some way, hoping to retain passengers as regular users.

The user-side subsidy program has had some effect on two other types of providers that serve handicapped persons in Milwaukee County. For the Milwaukee County Transit System (MCTS), the program has affected a relatively small but important portion of its operations. MCTS has been freed from the responsibility of providing accessible bus service because of the program. As indicated by the data in Table 1, which lists monthly one-way trips of persons confined to wheelchairs by lift-equipped buses and the user-side subsidy program, the program has become extremely popular and serves many people. Because of this development, those handicapped individuals whose original lawsuit forced the county in 1976 to purchase accessible buses have agreed to allow the lift equipment at issue to become permanently inoperative. The county, in exchange, has agreed to fund user-side subsidies by an amount equal to 2.2 percent of the MCTS operating budget.

The second type of provider affected by the program--social service agencies--has not benefited directly from user-side subsidies, but many of their clients have. The agencies may be able to transfer some of their transportation costs to the program because no system for screening user-side subsidy trips exists. Nevertheless, the county relies on the agencies not to engage in this type of behavior, and no evidence exists that they do transfer their costs.

#### PARTICIPATION BY THE HANDICAPPED

The Southeast Wisconsin Regional Planning Commission (SEWRPC) estimates that there are 34,800 transportation-handicapped persons residing in private households in Milwaukee County (3). The potential market for special transportation services includes those chronically and acutely disabled handicapped persons

**Table 1.** Monthly one-way trips of persons confined to wheelchairs by lift-equipped buses and user-side subsidy program, 1979 and 1980.

Date	Total Trips by Lift-Equipped Buses <sup>a</sup>	Total Trips by User-Side Subsidy Program <sup>a</sup>
1979		
August	52	3,313
September	49	3,650
October	6	4,189
November	9	4,263
December	21	4,179
1980		
January	15	4,170
February	8	4,191
March	7	4,840
April	2	5,020
May	5	5,827
June	10	6,027
July	59	5,851
August	65	6,812
September	78	6,371
October	64	7,944
November	40	7,575

Note: Data are from MCTS and the Milwaukee County user-side subsidy program.

<sup>a</sup>Trips by persons confined to wheelchairs only.

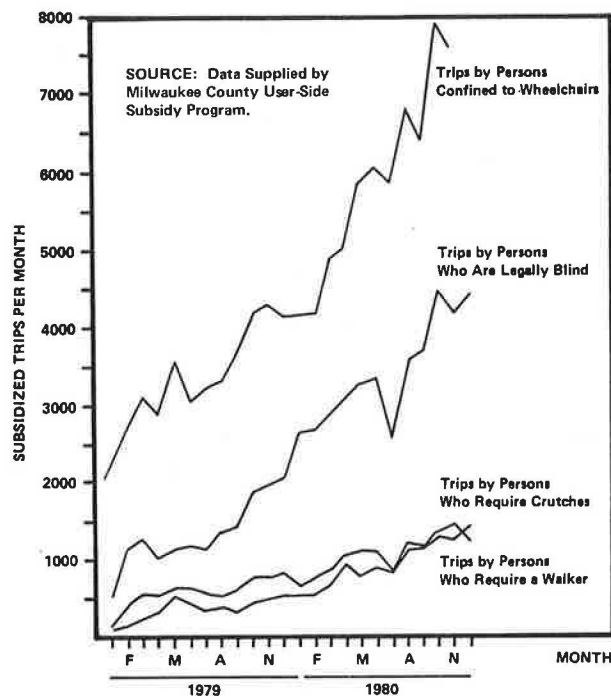
living in private households who cannot use public transit, with the exception of those individuals confined to their home. By this measure, 27,600 handicapped persons in Milwaukee County may require special transportation services. Considering the narrowly defined criteria for program eligibility, an estimated 12,018 county residents may be eligible for the user-side subsidy program.

The need for transportation assistance by Milwaukee County handicapped residents appears to have been substantial before the user-side subsidy program began. Although SEWRPC studies indicate that some handicapped persons in Milwaukee County are able to drive cars, the great majority of transportation-handicapped persons do not drive. Furthermore, many handicapped persons are not physically able to ride in an automobile. Of those who are, the majority do not have an automobile available to them when they wish to travel. In 1977 less than half of the handicapped believed that special services were available to them, and with 65 percent of the handicapped termed economically disadvantaged, it is unlikely that many could afford the cost of unsubsidized special services.

Between the initiation of the program in June 1978 and the end of December 1980, 7,045 handicapped persons registered for user-side subsidy identification cards. Dividing this number of registrants by the estimated number of persons eligible for the program results in a participation rate of 59 percent by the eligible population. Of the total registrants, approximately 68 percent were persons confined to wheelchairs, 10 percent used walkers, 6 percent required the use of crutches, and 16 percent were legally blind.

Enrolling in the program is a simple process, one that requires a minimum amount of effort by the registrant. Because all forms can be completed at home and no visit to either a doctor or other eligibility-testing site is required, the enrollment process is not considered a barrier to registration.

During 1979 and 1980 trips taken under the sponsorship of the program grew faster than enrollment. This growth in trips is the result of some individual registrants making more trips each month over time, probably because they have become accustomed to the service and to the trip-taking procedures. As of late 1980 and early 1981 the program subsidized

**Figure 1.** Subsidized trips per month by user classification.**Table 2.** Distribution of trips, subsidies, and total cost among user classes, 1980.

Item	Distribution Values by User Classification				
	Wheelchair	Walker	Crutches	Blind	All Users
Total trips (%)	52.6	8.3	9.4	29.7	100
Total subsidy (%)	66.5	5.8	6.9	20.8	100
Total trip cost (%)	64.5	6.2	7.3	22.0	100
Cost per trip (\$)	9.99	6.08	6.35	6.02	8.14
Subsidy per trip (\$)	8.74	4.82	5.01	4.82	6.88
User payment per trip (\$)	1.25	1.26	1.34	1.20	1.26

Note: Data are from Milwaukee County user-side subsidy program and Charles River Associates, Inc., 1981.

approximately 14,000 trips monthly. The growth in subsidized trips per month for each category of users is shown in Figure 1.

In 1979 the program provided \$462,521 in subsidies for the use of taxis and chair-cars by registrants. In 1980 subsidies grew 103 percent to \$940,976. In both 1979 and 1980 the average total cost per trip was essentially the same—\$8.12 and \$8.14, respectively. Of the total, the average program subsidy per trip was \$6.81 in 1979 and \$6.88 in 1980. Users paid an average of \$1.31 per trip in 1979 and \$1.26 per trip in 1980. Persons confined to wheelchairs received more than 65 percent of the subsidy in both years. This group received a larger percentage of subsidy funds than their percentage of total trips because of higher per-trip subsidies for nonambulatory participants. The distribution of trips, subsidies, and total costs among all four user groups for 1980 is given in Table 2.

Use rates, defined as the average percentage of total registrants who use the program in any month, vary among user groups. Those registered persons who use crutches and those who are legally blind participate more actively in the program than other groups. In these groups an average of 42 percent of

those who enroll in the program actually use it to travel. Among those who require a walker, 30 percent of those enrolled use the program in an average month. Among those who require a wheelchair, only 25 percent of those enrolled use the program.

Those persons who require crutches make the greatest number of trips per person--an average of 8.1 trips per active user per month. Persons who require a wheelchair and those who are legally blind make an average of 6.8 trips per person, and those who require a walker make significantly fewer--an average of 5.1 trips per person. Although the program does not systematically compile data on individual participation, it is believed that a small group of users makes more than 30 trips per month, which indicates the strong dependence of some users on the program.

Participating persons use the program to make trips for all purposes. No single trip purpose dominates. Medical trips (19 percent of all trips), recreational and social trips (17 percent), work trips (15 percent), and personal business trips (15 percent) are the purposes for which the program is most often used.

Program participants are eligible for hardship reimbursements if they pay more than \$10.00 in excess of the maximum limits for medical, employment, or educational trips in a 2-week period. Use of hardship reimbursements has been limited, and only \$10,795 has been reimbursed to participants in the 17-month period between August 1978 and December 1980.

#### ACHIEVEMENT OF PROGRAM GOALS

The Milwaukee user-side subsidy program offers substantial benefits to transportation-handicapped persons through its dramatic reduction in the per-trip cost of travel and its stimulation of a competitive environment among transportation providers. The program has reached a large percentage of the potential market for the service among those groups who are eligible. Response to the program has been particularly strong among those persons confined to wheelchairs, although many registrants do not use the program actively. The program is used for all trip purposes, with medical trips constituting the largest category, although far from the majority, of trips.

Although the county program offers substantial benefits to eligible groups, other transportation-handicapped persons in Milwaukee County remain without this type of assistance. The decision to limit eligibility to a few categories of disabilities as defined by the use of specific aids was an attempt to control the growth of the program until the demand for transportation subsidies could be assessed. After more than 3 years of experience with user-side subsidies, the county is now in a position to reconsider its earlier decision and to explore the needs of other transportation-handicapped persons. Serving these other groups will present a more complex challenge than serving currently eligible groups, particularly because determining eligibility may require more complicated and costly procedures.

The user-side subsidy program can be said to have met its own goal of providing transportation service to those confined to wheelchairs, those who require a walker or crutches, and those who are legally blind. Nevertheless, until the needs of remaining groups are addressed, the program does not completely meet the goals of the state's Section 85.08(5) funding program, which is intended to afford "the benefits of transportation to the elderly and handicapped who would not otherwise have an

available or accessible mode of transportation." The next step for the county is to assess the costs of meeting this more broadly defined goal.

Many transportation analysts believe that user-side subsidies have a number of advantages when compared with provider-side subsidies. Because user-side subsidy programs retain the right of a consumer to choose a provider, these analysts believe user-side subsidies stimulate competition among providers and thereby improve service quality. Another advantage is that the subsidy can be targeted to specific individuals, thus minimizing the amount of funds given to those for whom no assistance is intended. Although these advantages, if realized, can be significant, it is also known that user-side subsidies may be costly to administer. Identifying and certifying eligible individuals may consume considerable administrative resources. The Milwaukee County experience provides additional evidence on the effects of user-side subsidy programs.

The Milwaukee County program appears to have stimulated competition among paratransit providers, particularly chair-car providers. Carriers are aware of program participants' ability to shop around, and they attempt to differentiate their services from those of other providers. Whereas new paratransit companies may have appeared under any type of assistance program simply as the result of the tremendous growth in industry revenues created by the program, it is unlikely that other forms of assistance would have fostered the service improvements that the user-side subsidy program has, including longer operating hours, stopping en route, and customer service evaluations. Furthermore, chair-car carriers hold their fares at the maximum subsidy level even for long-distance trips, for which they may currently charge a higher fare, in order to keep and attract program registrants. Although there was not a direct comparison of this program with a provider-side program, this evidence indicates a type of competition not present under a provider-side program, in which deficits usually are guaranteed to be made up by the subsidizing agency and a similar incentive for improved efficiency does not exist.

The user-side subsidy concept also allows subsidies to be targeted to specific groups. The Milwaukee County program targets its assistance on the basis of specific eligibility criteria. The program minimizes the amount of assistance funneled to other groups by requiring registrants' disabilities to be verified by a doctor or social service agency. Although this process is open to fraud, it does provide a mechanism for limiting access to assistance.

Milwaukee County has designed its program to obtain the desirable advantages of the user-side subsidy concept while remaining administratively simple. As mentioned previously, in 1980 only 12 percent of the program budget was spent for administrative activities. This percentage compares favorably to other user-side programs that have been instituted nationally. Administrative costs totaled 30 percent of program funds in the Seattle user-side subsidy program; 35 percent in the Kansas City, Missouri, program; 39 percent in the Lawrence, Massachusetts, program; 43 percent in the Kinston, North Carolina, program; 53 percent in the Montgomery, Alabama, program; and 16 percent in the Danville, Illinois, program (2, p. 11).

This administrative simplicity is possible because those groups currently eligible are not difficult to define or test for eligibility, and the criteria are largely self-enforcing. A social service agency can reasonably be relied on to certify that an individual uses specific aids or is legally blind. The criteria are self-enforcing in that eli-



gible disabilities are readily apparent and could be faked only with some discomfort. More complex definitions of eligibility would require more complicated testing and higher administrative expenses for such activities.

The administrative mechanisms of the program also minimize bookkeeping costs for providers. Program vouchers are sent back to the staff of the user-side subsidy program to serve as records of all trips provided. Other assistance programs, including Title XIX, require the carrier to complete a trip record and a payment request for each trip. The simplicity of the procedures of the user-side subsidy eases the accounting burden for providers. This should reduce any upward pressure that accounting costs could place on carrier rates. Unfortunately, the ease of user-side subsidy administrative procedures also gives carriers an incentive to allocate trips to the program that may be eligible for other funding.

In sum, the user-side subsidy concept as implemented by Milwaukee County appears to have realized the advantages often claimed for this form of assistance. Competition has stimulated improved service. Aid to unintended recipients is minimized while keeping administrative costs a small portion of the program budget. The possibility of higher administrative costs if coordination with other programs proved essential does not cloud the success of the program. Presumably, the combined benefits of improved target efficiency and coverage would outweigh the cost of additional administrative activity if such action were to be taken.

#### LESSONS FOR OTHER LOCALITIES

As noted earlier, eligibility for the Milwaukee County program is limited to a carefully defined target group. This group includes those members of the handicapped community who are most likely to need special services. Consequently, the participation rate for eligible persons in the program is comparatively high—an estimated 59 percent.

The majority of user-side subsidy programs nationally have extended eligibility to a far broader target group—the entire handicapped population and the elderly (2, pp. 2-3). Many handicapped and elderly individuals do not need special transportation services because they are automobile drivers, have someone to drive them, or are able to use fixed-route transit. Consequently, programs with broad eligibility exhibit low participation rates. In Seattle, 13 percent of the eligible population registered for the user-side subsidy program. In Lawrence, 26 percent registered. In Danville, 47 percent registered, and in Kansas City, 14 percent registered. At these sites the subsidy programs attracted those individuals most dependent on transit and most in need of subsidized services. Eligible individuals with other means of transportation took few, if any, subsidized trips (2, p. 19). Therefore, defining the target group for the services more narrowly at those sites may have increased measured participation without cutting off needy individuals.

Besides achieving the cosmetic goal of higher participation rates, narrowly defined program eligibility serves a useful purpose in Milwaukee County. Narrow eligibility focuses program resources on those people most likely to need special transportation

services. As a result these people can be served more fully with few restrictions on their use of the program. For these people, the subsidy program offers many of the same characteristics of fixed-route transit: low user cost, no limit on frequency of use, and, for those who use taxis, no advance-reservation requirement.

Although the per-trip limit restrains the distance that can be traveled, these limits appear, on average, to have had little effect on actual trip-making by participants. In combination with a narrowly defined target group, per-trip limits can be successfully used to restrain program costs and liability while providing meaningful transportation assistance to severely mobility-restricted people. Monthly purchase limits, in contrast, can be used to provide transportation assistance to any group, but they are indiscriminate of those who need it most and who would, therefore, take maximum advantage of the assistance.

In conclusion, the Milwaukee County experience in providing user-side subsidies to transportation-handicapped citizens appears to be highly successful, as measured by the program's achievement of its goals. The program serves as a valuable case study for other localities based on the results of instituting various administrative mechanisms and procedures. Thus the Milwaukee County experience should help other administrators anticipate and meet the demand of handicapped residents for low-cost, accessible service.

#### ACKNOWLEDGMENT

The findings of a study sponsored by the Transportation Systems Center under the UMTA SMD program are summarized in this paper. I wish to express my appreciation for the valuable insights and guidance provided by Bruce D. Spear of the Transportation Systems Center and Larry Bruno and Jim Bautz of UMTA. Thomas Knight of the Milwaukee Department of Public Works also contributed significantly to the study by providing essential information about the user-side subsidy program. I also acknowledge the helpful comments by Daniel Brand of Charles River Associates.

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