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CITIZENS RESEARCH COUNCIL OF MICHIGAN
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Southeast Michigan Ballot Issues: The Regional Transit Authority Millage Request

A Proposal Authorizing the Regional Transit Authority of Southeast Michigan (RTA) to Levy an Assessment

The proposal would authorize the Regional Transit Authority of Southeast Michigan (RTA) to levy within Macomb, Oakland, Washtenaw, and Wayne counties a property tax assessment:

- at a rate of 1.2 mills ($1.20 per $1,000 of taxable value);
- for 20 years beginning in 2016 and ending in 2035;
- that may not be increased, renewed, or used for other purposes without direct voter approval; and
- to be used upon the affirmative vote of an RTA board member from each RTA member jurisdiction for the purpose of construction and operation of a public transportation system connecting Macomb, Oakland, Washtenaw, and Wayne counties, including rapid transit bus routes across county lines, specialized service for senior citizens and people with disabilities, commuter rail, airport express service, and other public transportation purposes permitted by law, consistent with RTA bylaws and subject to the limitations of the Regional Transit Authority Act.

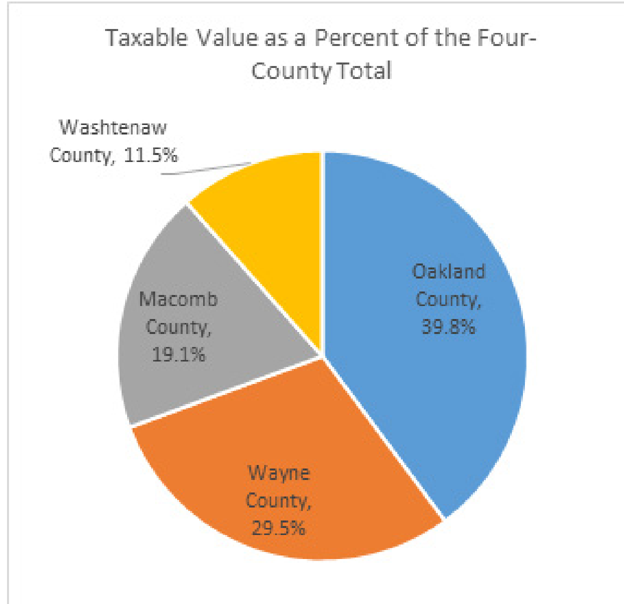
If this new additional assessment is approved and levied, revenue will be disbursed to the RTA. It is estimated that $160,907,285 will be collected in the first year. Should this assessment be approved?

November Proposal

On November 8, voters in Oakland, Wayne, Washtenaw, and Macomb Counties will vote on a proposal that would empower the recently created Regional Transit Authority of Southeast Michigan (RTA) to levy a new 1.2 mill tax (one mill is equal to a dollar of tax for every $1,000 of taxable value) that would generate $3.1 billion over the course of 20 years. Unlike past regional millage requests, this question does not rely on approval from each county individually. The four-county region will vote on this millage request as a single entity. For the first year (2017), the tax would generate $161 million. **Chart 1** shows the tax contribution breakdown by county based on current year taxable values.

It is expected that the $3.1 billion that would be generated from this tax over 20 years would be used to leverage an additional $1.6 billion of funding from state and federal funds for capital projects. The $4.7 million would be used to support a Master Plan for regional transportation projects in Southeast Michigan.

Chart 1
Contributions to the RTA Tax by County based on 2016 Taxable Value



Source: Michigan Department of Treasury

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The RTA was formed in 2012 under the authority of Public Act 387 to facilitate cooperation through a Regional Master Plan among the major mass transportation providers of Southeast Michigan: The Detroit Department of Transportation (DDOT), Ann Arbor Area Transportation Authority (AAATA), Suburban Mobility Authority for Regional Transit (SMART), and Detroit Transportation Corporation (People Mover). The RTA currently facilitates the distribution of state and federal funding to transportation providers, but, absent this millage request, does not have a permanent, ongoing source of income or the authority to levy other types of taxes.

Rather than replacing the operating budgets of existing transportation authorities, RTA tax revenues will be used to supplement and coordinate existing spending, increase service provision, and engage in significant capital improvements to create a cross-county system of rapid transit. Elements of this system include bus rapid transit, regional rail connecting Ann Arbor to Detroit, corridor prioritization, cross-county connectors, transportation to and from the Detroit Metropolitan Wayne County Airport, updates to paratransit services, and improved local transportation. The Detroit M-1 Q-Line would also be absorbed into the RTA in 2024.

Guaranteed Funding and Governance

If the levy of this tax is approved, the tax will be levied throughout the four-county region. Of the funds raised in each county, the Regional Master Plan requires that 85 percent must be spent on routes in that county. In response to concerns from Macomb and Oakland County representatives over adherence to this rule, an annual review is mandated to be conducted to ensure that this spending ratio is met and reconciliation of spending is required if it is not being met.

The RTA Board of Directors consist of ten members serving three-year terms. The board is chaired by a non-voting representative of the State of Michigan chosen by the governor. The nine voting members include: one representative from the City of Detroit chosen by the mayor, two representatives from Macomb County appointed by the county executive, two representatives from Wayne County appointed by the county executive, two representatives from Oakland County appointed by the county executive, and two representatives from Washtenaw County chosen by the Board of Commissioners. Originally, a simple majority in favor was required for approval of policy changes. However, in response to governance concerns stated by county representatives, the board decision making mechanism was modified to also require a "yes" vote from at least one representative of each county and the City of Detroit.

Current State of Transportation Funding

The RTA would not eliminate, consolidate, or replace the transportation authorities in Southeast Michigan. Instead, it would bolster budgets and facilitate cooperative projects. Of the current operating budgets of the major transportation authorities in the four-county region, the largest is the Detroit Department of Transportation (DDOT), followed by the SMART, AAATA, Detroit Transportation Corporation, and M-1 Rail.

	Size of Operating Budget (in millions)
DDOT	$138.2
SMART	110.6
AAATA	38.7
DTC	12.5
M-1 Rail	5.1
Total	$305.1

Source: Regional Transit Authority for Southeast Michigan Master Plan, www.rtamichigan.org/masterplan/.

DDOT is funded through general revenue funds and does not have a dedicated tax on Detroit properties. Opt-in SMART communities pay a 1.000 millage rate in Macomb and Wayne County and 0.9998 mills in Oakland County. AAATA is funded through a millage rate of 2.756 in Ann Arbor, 1.679 in Ypsilanti, and 0.700 in Ypsilanti Township. Additionally, some communities levy transit taxes, such as Livonia (0.05 mill), to provide community-oriented transit services within their boundaries.

The absence of an option for a community in the RTA region to opt-out of the tax levy is an important distinction between the RTA's plans and the existing SMART millage. Macomb County levies a tax for participation in SMART countywide, but Oakland and Wayne counties have permitted individual communities to decide whether to participate in the 1.0 mill SMART tax. Oakland County has had 38 communities opt not to levy a tax in support of SMART, leaving 24 communities levying the tax. Wayne County has had 16 communities opt out of the tax, leaving 27 still participating.

Impact on Metropolitan Detroit

Advocates of the RTA millage project the expansion of transportation will have a positive impact on the area's economy and quality of life. The RTA predicts that the funds spent as a result of the tax levy will have a positive economic impact on development of $6 billion, attributed to the increase in regional travel. Workers commuting among the suburbs, between the suburbs and Detroit and vice versa, particularly those living in communities that have opted out of SMART service, will gain reliable transportation to and from a much wider variety of jobs. If passed, employers would gain access to wider pools of employees, and residents would also have increased and easier access to shopping, child care providers, educational institutions, and medical services.

Public transit options to and from the Detroit Metropolitan Wayne County Airport will also be significantly expanded. Currently, the airport is served by a single AAATA route and two SMART routes. The AAATA route charges higher fares than normal routes for trips to the airport, and only one SMART route serves multiple terminals at the airport. The passage of the RTA proposition could significantly increase accessibility by public transit to the currently underserved airport.

Paratransit/Disability Equity

Increased transit funding has the potential to improve the quality of life for individuals who are elderly or disabled, because of the inclusion of paratransit services in RTA's Master Plan. An Americans with Disabilities Act (ADA) Paratransit Mobility Management Task Force is slated to be created in the first five years of the Master Plan conception and convened every five years afterwards to assess paratransit services. The expansion of services provides a needed source of transportation for individuals and seniors with special needs who are unable to provide their own transportation.

Increased Federal and State Funds

The RTA is the designated recipient for state and federal transportation funds for the Southeast Michigan region. State funds for public transportation are provided by the State of Michigan's Comprehensive Transportation Fund (CTF). This funding is provided for transit authorities through the Operating Assistance Program and Capital Assistance Program. Operating assistance represents the bulk of allocated funding, providing assistance for up to 50 percent of eligible expenses. The Capital Assistance Program provides matching funding for capital projects that also are receiving federal funds. Access to these state funds provided in tandem with federal funding would be increased through the RTA's proposed plan of capital projects and improvements.

Access to federal funds for capital projects (such as purchasing new busses or enhancing bus stop facilities) requires the expenditure of local dollars to cover part of the costs. With the additional local funds, and assuming continuation of the current federal transit funding programs, Southeast Michigan will be able to access additional federal dollars. The RTA's Master Plan allocates significant funds towards capital improvements, which will allow Southeast Michigan greater eligibility for federal grants provided exclusively for capital improvement projects. The ability to leverage locally-raised dollars to draw down federal funding increases the purchasing power of the property tax revenues that should result from the proposed tax.

Reduces Transit Funding Disparities

Funding for mass transportation in Metropolitan Detroit lags significantly behind regions of similar size and industry throughout the nation. The passage of the RTA proposal would increase spending to an average of $156 per person. Metropolitan Detroit currently spends an average of $69 per person on public transportation, as compared to an average of $233 per person in similar regions, according to the RTA. Furthermore, the RTA contends that other traditionally manufacturing based economies spend significantly more per citizen on transit, including Cleveland ($177 per person) and Chicago ($283 per person), as well as similar sized regions, including Atlanta ($119 per person) and Seattle ($471 per person). While this increased amount remains lower than the peer regions (with the exception of Atlanta) and far below the peer-region average, more than doubling spending would lessen the spending gap between Southeast Michigan and the rest of the country.

When examining similarly sized regions, passengers rode 685 million miles with Atlanta's Metropolitan Atlanta Rapid Transit Authority and 425 million miles with Seattle's Central Puget Sound Regional Transit Authority in 2015. In contrast, combined trips for DDOT and SMART equaled 194 million according to the Federal Transit Administration. Metropolitan Detroit falls behind similarly sized regions in terms of both spending and the number of trips taken.

Sense of Regionalism

Beyond the visible impact of physically connecting communities through public transportation, this initiative has the capacity to connect communities through the bolstering of a regional identity. The expansion beyond the borders of the City of Detroit for the financial support of the Detroit Institute of Arts (DIA) and Detroit Zoo demonstrated the presence of a metropolitan identity in the region. While distinctly different, another regional project devoted to metro-wide economic development has the capacity to strengthen the sense of cohesion and regionalism between the suburbs and Detroit, which have long been separated by a myriad of issues.

Evolution of Michigan Public Transit Culture

Reliance on cars as a primary source of transportation within Southeast Michigan is unsurprising when considering the auto-centered, manufacturing development of Michigan's economy, including Detroit's central role. However, this dependence on personal automotive transportation, combined with the lack of the transportation options in the Detroit Metropolitan area, creates a narrative in which public transportation is a last option for those who cannot afford accessible options. Citizen concerns about personal security while using public transit intensify this notion. While deep-held expectations of public transit are unlikely to be overcome by better options for transportation, the introduction of public transit choices that are more convenient and/or cheaper than personal transportation methods can begin to impact perceptions of public transportation systems. Beyond simply a method of connecting low-income individuals to jobs, public transportation provides a convenient connection to the airport or a way to avoid driving in traffic for the benefit of all citizens.

Table 1
Highest Cumulative Ad Valorem Millage Rates Levied in Townships and Cities in RTA Counties and Selected Other Counties

County/Township/City	Homestead Millage	Non-Homestead Millage
Macomb		
Clinton Township	36.8195	54.8195
City of Centerline	74.1016	76.0016
Oakland		
Royal Oak Township	77.2114	95.2114
Hazel Park City	74.8571	92.8571
Washtenaw		
Ypsilanti Township	50.4982	68.4982
City of Ypsilanti	66.1313	84.1313
Wayne		
Redford Township	63.0969	81.0969
City of Ecorse	104.5940	119.4440
Kent		
Cascade Township	31.7008	49.7008
City of East Grand Rapids	48.7676	65.9207
Genesee		
Mount Morris Township	48.8094	66.8094
City of Montrose	35.3399	53.3399
Saginaw		
Carrollton Township	43.7748	61.7712
City of Saginaw	46.0881	64.0881
Kalamazoo		
Kalamazoo Township	46.9498	64.9498
City of Kalamazoo	54.4379	72.4379
Bay		
Hampton Township	37.7298	55.7298
City of Essexville	52.4970	70.4970
Ingham		
Meridian Township	49.0867	67.0867
City of East Lansing	62.3880	80.3880
Grand Traverse		
Fife Lake Township	36.6630	54.6630
City of Traverse City	36.7369	54.7369
Marquette		
Ewing Township	31.1255	49.0751
City of Ishpeming	44.0080	62.0080

Source: State Tax Commission, Michigan Department of Treasury

Increases an Already High Tax Burden

The tax burden on property owners in Southeast Michigan is already generally higher than those paid by property owners outstate. Additional property taxes will only increase an already high tax burden. Property taxes vary significantly within the four county region, from a low of 20.9855 mills on homestead properties in Washtenaw County's Freedom Township, to a high of 119.4440 mills on non-homestead properties in the City of Ecorse in Wayne County. **Table 1** demonstrates the highest millage rates levied by a city and a township in each RTA county and selected outstate counties. Another property tax millage will not affect the tax competitiveness among communities within these counties, but will affect the tax competitiveness of Southeast Michigan communities when compared to other communities outside of Southeast Michigan, especially those communities already taxed at relatively high rates. Furthermore, this millage is in addition to recent regional tax increases instituted in support of the Detroit Institute of the Arts and the Detroit Zoo in

Oakland, Macomb, and Wayne counties.[1] With the passage of yet another regional tax, the burden on citizens in already high-tax areas will be increased, and local governments may face increased opposition to new or increased taxes to fund municipal services.

Unequal Distribution of Benefits

The scope of the plan does not guarantee equal access to public transportation to all residents and businesses in all cities, villages, and townships within Metropolitan Detroit. Rather, service is optimized to provide transportation services to those areas where there is the greatest demand, and to have the greatest positive economic impact. Many citizens in the farther reaches of these counties could be paying double for transportation systems that will not necessarily be convenient for them.

Problematic Choice of Property Tax over Sales Tax

The funding mechanism of a millage for transit is a unique choice for a metropolitan transportation system. Generally, transit systems are funded through sales taxes. Metropolitan systems in the Atlanta, Chicago, Cleveland, and Seattle areas, for example, utilize regional sales taxes as a primary funding source.

Significant challenges unique to Michigan are created by provisions of the Michigan Constitution of 1963 in establishing local sales taxes for regional projects and activities. Because the Constitution limits the tax rate to six percent (two percent required as part of Proposal A of 1994 and four percent permitted), and the state is levying a state sales tax at the maximum authorized rate, either the state would have to cede part of the tax or the Constitution would need to be amended to authorize additional sales taxes. Furthermore, the constitutional dedication of funds for distribution to the School Aid Fund and for state revenue sharing would send tax revenues to purposes other than the transit purposes. Absent amendment of the Constitution, these provisions effectively preclude sales taxes from being utilized as a source of funding for regional transportation systems.

Lack of a Holistic Approach to Transit Funding

Transit funding in Southeast Michigan may suffer in the long-run because policymakers chose to layer the RTA tax on top of other transit funding sources and existing bureaucracies. In the short-term, local governments still retain the ability to opt out of the SMART millage, as 54 Oakland and Wayne communities have already done. In the long-term, existing millages for transit services are limited in duration and must be submitted to the voters for renewal at some point in the future. The layered approach to funding provides multiple opportunities for voters to decide against double taxation for transit services. The potential reluctance of voters in an individual community or across a transit system to not subject themselves to double taxation for transit services may create holes in the system in the future.

[1] For example, the Macomb County Apportionment Report shows that in 2015, property owners in the City of Centerline, in Macomb County pay taxes to the following entities:

School	
Homestead	24.8500
Non-Homestead	28.7500
Macomb County Community College	1.5302
Macomb Intermediate School District	2.9430
City of Centerline	38.6503
Macomb County Operating	4.5685
Macomb County Veterans	0.0400
Macomb County Debt	0.0050
Suburban Mobility Authority for Regional Transit	1.0000
Detroit Institute of Arts	0.2000
Detroit Zoo	0.1000
Huron Clinton Metroparks Authority	0.2146
Total Homestead	74.1016

Conclusion

The passage of the proposal to establish a permanent, on-going source of funding for the RTA by levying a 20-year tax of 1.2 mills this November 8 would dramatically change the landscape of public transportation in the Metropolitan Detroit area. Macomb, Oakland, Washtenaw, and Wayne County citizens will have the opportunity to infuse $4.7 billion into public transit funding. This has the potential to spur economic development; increase quality of life – particularly for disabled and elderly citizens; unlock more federal funds for Southeast Michigan; and establish an increased sense of regionalism. However, these potential benefits are countered by a consideration for the burden this places on a highly taxed region; unequally distributed benefits; critiques of this plan as redistributive; and inadequacy as a holistic approach. RTA's Master Plan does not allow for opt-out communities. Therefore, a majority vote will determine the passage or failure of this Master Plan.