

# Rethinking Regional Transportation in Michigan's Urban Areas

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# Elements of Mobility

- Traditional public transportation options: light rail, bus systems, bus rapid transit (BRT), dial-a-ride, and intercity bus and rail options
- Emerging: ridesharing, car sharing, bike and scooter rentals, microtransit, and autonomous vehicles
- Focus needs to be on improving mobility through public and private options



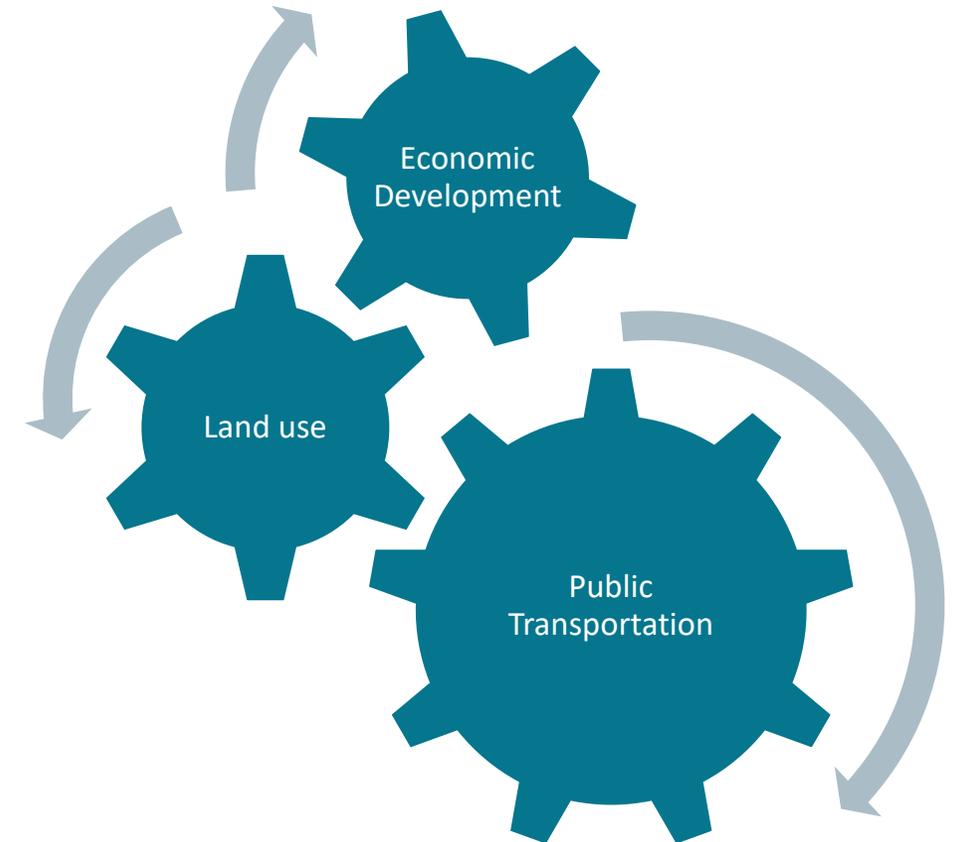
Source: [planning.ubc.ca](http://planning.ubc.ca)

# Why is Public Transportation Important?

- Transit not just for low-income and those without other options
- Road funding important, but not only transportation need
  - ❖ Transit important to business
  - ❖ Necessary to urban revitalization
  - ❖ Contributes to economic development in urban areas
- Improved mobility requires
  - ❖ Focus on regional transportation → mobility across jurisdictional boundaries
  - ❖ Ability to do things differently → incorporate improved roads with better transit options with emerging public and private transportation options

# Public Transportation Policy

- Primary goal: improve mobility and access to transportation for all people
- Policy affects and is affected by
  - ❖ Land use and planning
  - ❖ Economic development
  - ❖ Public health
  - ❖ Public safety and security
  - ❖ Social equity
  - ❖ Urban growth
  - ❖ Air quality and congestion
  - ❖ Environmental resource consumption



# The Case for Improved Transportation

- Benefits of improved transportation
  - ❖ Pollution and congestion reduction
  - ❖ Enhanced mobility
  - ❖ Public health benefits
- Barriers to driving
  - ❖ Car ownership is expensive → no-fault insurance
  - ❖ Growing elderly population
  - ❖ Commuting patterns and congestion

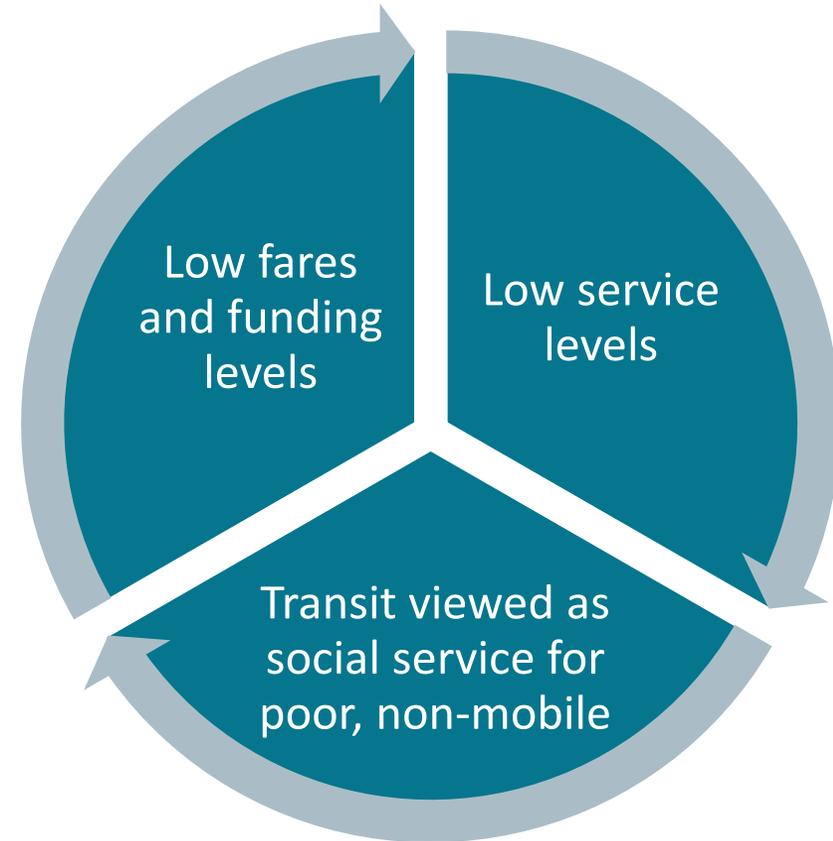
# Effective Regional Transportation System

- Broad focus on mobility management and multimodal transportation
- Seamless services that are integrated across types of transportation and political boundaries
- Dynamic and responsive to changes in transportation and ridership
- Requires three things
  - 1) Changing perception of public transportation
  - 2) Regional governance and policies
  - 3) Regional funding mechanisms

Key word is Regional

# Need to Change Perception

- Public transit much less prevalent in U.S. than other countries
  - ❖ European, Asian, and Canadian cities treat transit as vital public utility
  - ❖ In U.S. policymakers and citizens view as a social welfare program
- Failings of the U.S. approach
  - ❖ Leads to highly subsidized services, but not efficient services
  - ❖ Limits attractiveness of public transit → does not attract “choice” riders
- Idea of public transit as “social service” for poor, elderly particularly strong in Michigan



# Improving Mobility

- Transit needs to be viewed as an important and viable option of transportation → needs to attract “choice” riders
- Mobility as a Service (MaaS): holistic, optimal, people-centered travel options
- Ridesharing: complement transit?
- Autonomous vehicles: could play a vital role in moving people in coordination with public transportation
- Transit-oriented development (TOD)

# Regional Governance is Critical

- Can be voluntary collaboration among local governments and transit providers OR state mandated regional governance systems
- Current system
  - ❖ Federal role: oversight, providing funds (mainly capital) and guidance
  - ❖ State role: provides authority for local units to provide transportation services and create transit authorities, oversight, distributes federal and state funds
  - ❖ Public transportation services provided locally (city, village, or township government) or regionally (county government or transit authority)
- Can lead to confusion and fragmentation

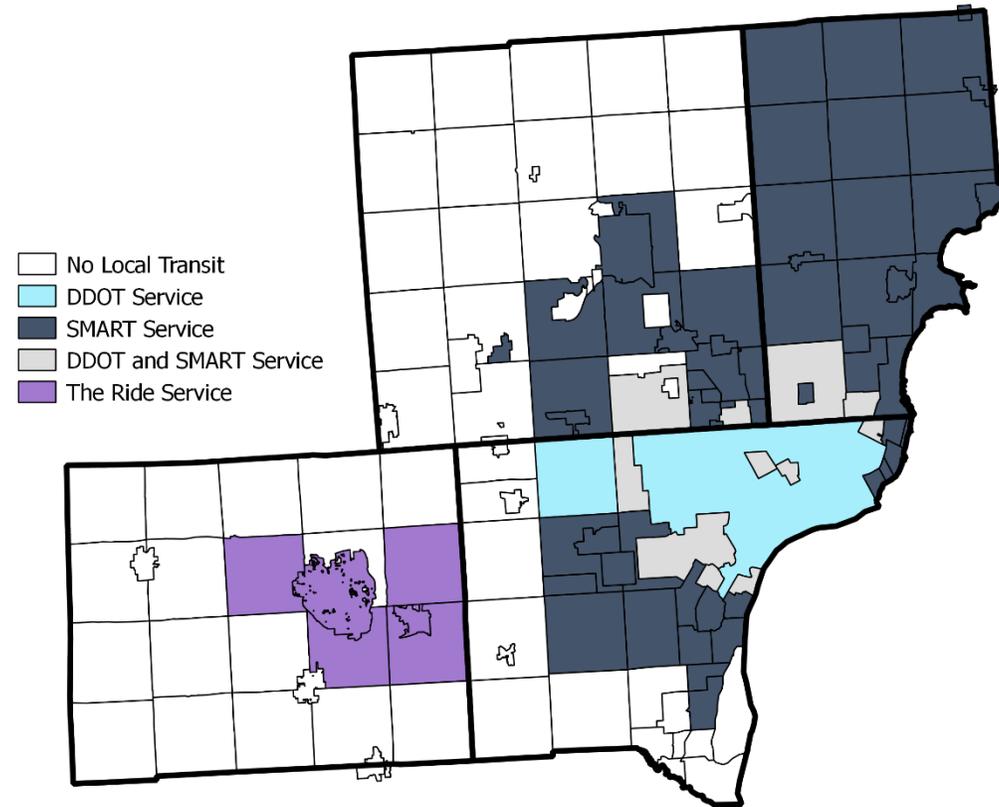
# Michigan Urban Transit Providers

- Southeast Michigan region: Detroit Department of Transportation (DDOT), Ann Arbor Area Transportation Authority (TheRide), Suburban Mobility Authority for Regional Transportation (SMART), and Regional Transit Authority (RTA), QLine, People Mover
- Grand Rapids region: Interurban Transit Partnership (The Rapid)
  - ❖ No regional transportation authority connecting West Michigan
- Kalamazoo region: Kalamazoo Metro
- Flint region: Flint Mass Transportation Authority (MTA)
- Lansing region: Capital Area Transportation Authority (CATA)
- All organized under state authorizing acts related to public transportation

# State Authorizing Acts

- Required – local governments and authorities are creatures of the state
- Are current statutes adequate?
  - ❖ Subjective
  - ❖ Tend to favor local, rather than regional, control
  - ❖ Provide transportation authorities with governance over transit, but participation is voluntary
  - ❖ Have no role in other public policy issues that can greatly affect transit
  - ❖ Collaboration between transit providers and local governments is critical and is not addressed in authorizing legislation

# Communities Served by Transit Providers in Southeast Michigan



# Shortcomings of Current System

- Lack of regional policies
  - ❖ Need regional approach to transportation, land use and planning, placemaking, economic development, transit-oriented development, and tax-base sharing
  - ❖ Need to put the good of the region above parochial desires of local units
  - ❖ Transit providers lack authority over other policies
- Lack of regional coordination
  - ❖ When transportation providers not cooperating, riders face challenges
- Gaps in regional service
  - ❖ Caused by communities opting out of service and limited options when crossing municipal or county lines

# Transportation Policy Goals

- Need regional policies to promote transportation priorities and goals
- Goals related to public transportation can include
  - ❖ Maximize ridership
  - ❖ Cover all parts of a service area
  - ❖ Serve particular populations of concern
  - ❖ Support economic development
  - ❖ Remove rush hour cars from the road
  - ❖ Improve regional air quality

# Policy Actions to Promote Regional Governance

- Need to decide as a state, and as regions, what our public transportation and mobility goals are → align state, local, and regional policies towards those goals
- Public policy options include trade-offs and compromise
  - ❖ Improve car/driving experience vs improve streets for all types of transportation
  - ❖ Maximize transit ridership vs cover all parts of a service area
  - ❖ Support economic development vs remove rush hour cars from road
- Goals can conflict with each other or simply compete for funding/priority

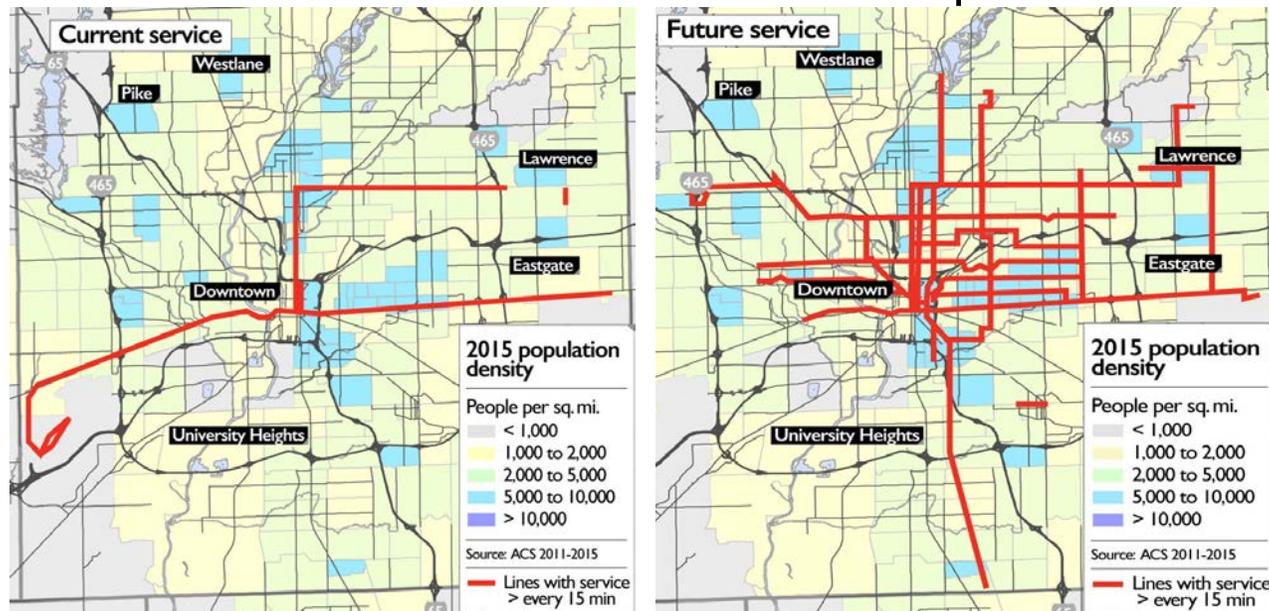
# State Level Policy Recommendations

- Ban opt-outs in authorizing legislation
- Review governance structures of regional authorities
- Incentivize regional collaboration
- Regional planning, zoning, and development regulations



# Local and Regional Policy Recommendations

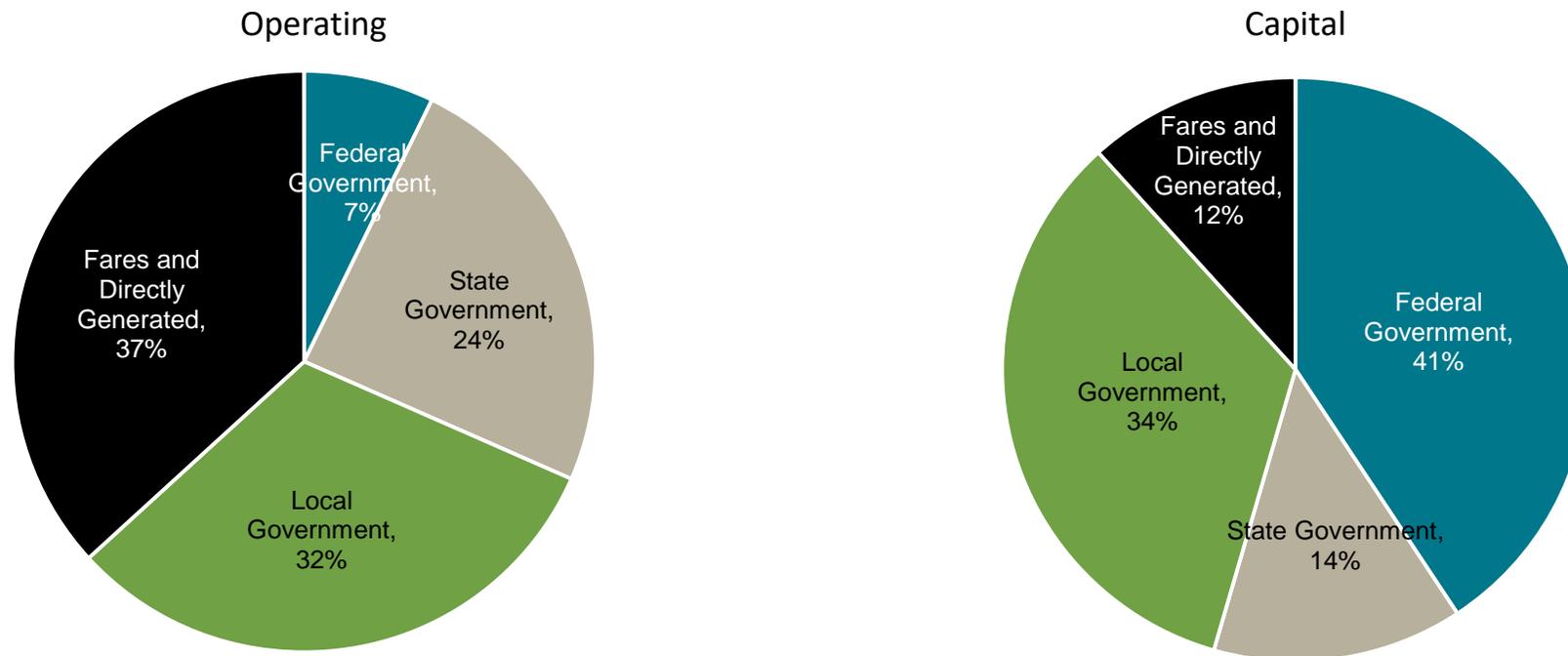
- Promote local collaboration
- Adopt transit-oriented development and complete streets policies
- Good fences: determine transportation boundaries
- Reexamine bus routes and transportation options



Source: IndyGo service maps from [www.indygo.net](http://www.indygo.net)

# Regional Funding Mechanisms

- Can be difficult in fractured communities, but is necessary to connect transportation and mobility across entire region
- Current system: capital and operating funding



Source: National Transit Database

# Current Funding Sources

- Federal: fuel tax, heavy vehicle use tax, and motor carrier excise taxes; federal grant programs, congressional earmarks, and one-time expenditures
- State: all specific taxes on motor fuels and vehicle registrations must be used for transportation purposes (~90% to roads, 10% to transit)
  - ❖ Portion of sales tax on motor fuels goes to public transportation
  - ❖ \$1.2 billion 2015 transportation funding package: less than 5% towards public transportation
  - ❖ Income tax earmarking changes: all towards roads
  - ❖ State has used general fund money in past to support transit

# Local Funding for Public Transportation

- Property taxes
- General fund contributions from local governments
- Fares
- Other sources (advertising funds)

Transportation Property Tax Millages	
Michigan's Urban Areas, 2018	
Transit Provider	Property Tax Millage
DDOT	Detroit General Fund; funds expended equate to ~0.7 mills
SMART*	1.0 mills
TheRide (Ann Arbor)	0.7 mills
Ann Arbor	2.0373 mills
Ypsilanti	0.9789 mills
Scio Twp	0.36 mills
The Rapid (Grand Rapids)	1.47 mills
Kalamazoo Metro	
Urban area	0.75 mills
Entire county	0.45 mills
CATA (Lansing)	3.007 mills
Flint MTA	
Urban area	0.6 mills
Entire county	1.225 mills

# Why Local/Regional Funding is SO Important

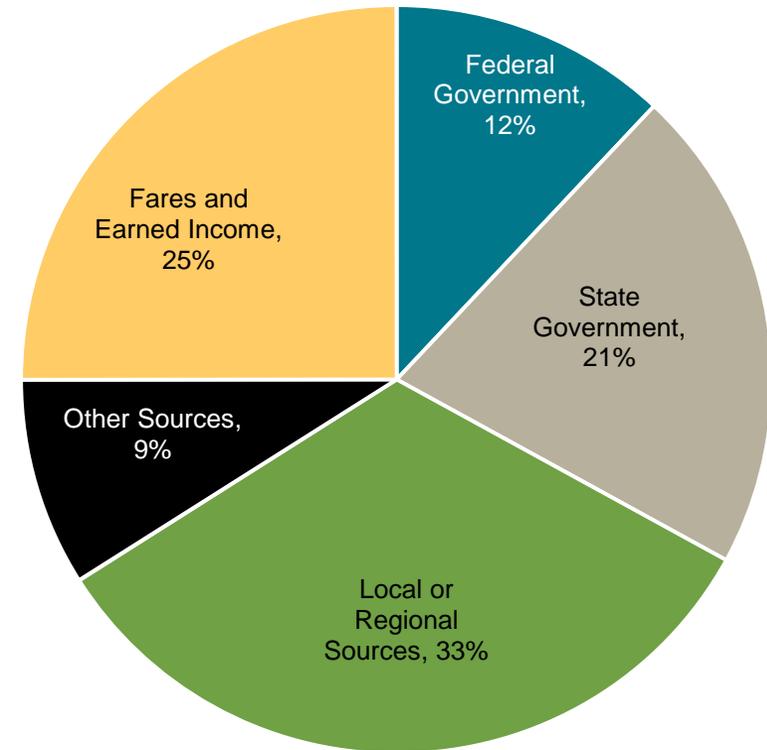
## Estimated Revenue Gap in Michigan Transportation Programs

Federal and State Funds, FY2016 to FY2040

	Revenue Availability	Revenue Needs	Revenue Gap
Total Transportation Revenue	\$41.6 billion	\$86.5 billion	\$44.9 billion
Public Transportation Program	\$8.1 billion	\$18.2 billion	\$10.1 billion

Source: Michigan Dept of Transportation, "Moving Michigan Forward, 2040 State Long-Range Transportation Plan: Revenue Gap White Paper"

## Transit Funding in Urban Areas across U.S. with Population over 200,000



Source: Transit Cooperative Research Program Report 129: "Local and Regional Funding Mechanisms for Public Transportation," 2009.

# Shortcomings of Local Property Tax

- Inadequate revenue capacity
  - ❖ Supporting multiple local government functions
  - ❖ Revenues constrained → property tax limitations and Great Recession
  - ❖ Regressive → many residents already taxed at high rates
- Unsuitable regional tax
  - ❖ Too connected to a person's home
  - ❖ Public transportation benefits entire region, but benefits not spread equally across region
  - ❖ Difficult to see connection between living in a particular community and getting the benefit of the tax

# Property Tax Rates and Taxable Value per Capita in Selected Counties, 2017

	Mills Levied by All Govt's (avg rate)	Total Collected (millions)	Taxable Value (millions)	Taxable Value per Capita
Michigan	41.68	\$13,983.3	\$335,481.1	\$33,675
Wayne	55.83	\$ 2,203.0	\$ 39,461.4	\$22,503
Oakland	42.67	\$ 2,335.1	\$ 54,723.7	\$43,750
Macomb	42.19	\$ 1,099.4	\$ 26,056.4	\$29,903
Washtenaw	47.75	\$ 754.9	\$ 15,807.7	\$42,999
Kent	40.40	\$ 882.2	\$ 21,838.4	\$33,670
Ottawa	36.18	\$ 391.8	\$ 10,827.9	\$37,809
Muskegon	44.17	\$ 191.6	\$ 4,338.1	\$24,976
Kalamazoo	43.78	\$ 360.9	\$ 8,243.7	\$31,347
Ingham	55.86	\$ 423.5	\$ 7,580.9	\$26,124
Eaton	42.02	\$ 144.9	\$ 3,448.1	\$31,626
Clinton	37.48	\$ 99.8	\$ 2,662.8	\$33,946
Genesee	42.79	\$ 383.5	\$ 8,962.1	\$21,999

Source: U.S. Census Bureau and Michigan Dept of Treasury

# Property Tax Rates and Taxable Value per Capita in Selected Cities, 2017

	Mills Levied	Total Collected (millions)	Taxable Value (millions)	Taxable Value per Capita
Detroit	31.46	\$190.0	\$6,038.1	\$ 8,971
Troy	10.36	\$ 48.5	\$4,679.8	\$55,836
Warren	27.68	\$ 89.4	\$3,230.4	\$23,925
Ann Arbor	16.14	\$ 88.7	\$5,495.6	\$45,240
Grand Rapids	8.99	\$ 41.6	\$4,629.5	\$23,284
Holland*	12.96	\$ 14.6	\$1,103.2	\$33,064
Muskegon	13.03	\$ 7.3	\$ 558.2	\$14,639
Kalamazoo	13.80	\$ 20.6	\$1,494.8	\$19,718
Lansing**	19.57	\$ 39.1	\$2,022.9	\$17,292
Delta Charter Twp	5.92	\$ 8.1	\$1,373.7	\$41,778
DeWitt Charter Twp	5.97	\$ 2.8	\$ 465.7	\$31,758
Flint	18.66	\$ 13.3	\$ 714.6	\$ 7,224

# Lessons from Other States

- Heavy reliance on local sales taxes
  - ❖ Most widely used source of dedicated local and regional funding
  - ❖ Some providers rely solely on a local sales tax; others levy a sales tax in combination with other revenues
  - ❖ Popular: paid by commuters and visitors; paid in small increments; and support specific transportation projects
- Multiple funding sources
  - ❖ Metro Transit (Twin Cities): state motor vehicle sales tax, regional property tax, county sales and vehicle taxes
  - ❖ Chicago area: regional sales tax, state funding, Chicago real estate transfer tax
  - ❖ Sound Transit (Seattle): local car tab, sales, property, and rental car taxes
- Tax-base sharing
  - ❖ Metro Transit: Fiscal Disparities law requires tax-base sharing

# Policy Options

- New local-option taxes
- Tax-base sharing
- Spreading the tax burden
- Feathering tax rates
- Multimodal transportation funding

# New Local-Option Taxes

- Transportation should include the support of one of the big three taxes: property, income, or sales
- Property taxes not good fit as main funding source
- Need state authorization and voter approval for any new taxes
- New taxes will be more effective at regional level

# Local Sales Tax

- Advantages:
  - ❖ Broad-based and provides adequate revenue
  - ❖ Revenue can fluctuate with the economy, but strong growth potential
  - ❖ Captures economic activity not captured by the property tax → purchasing power
  - ❖ Easy to administer if piggybacked on state sales tax
- Disadvantages
  - ❖ Can be regressive and can lead to economic distortions
  - ❖ Not currently allowed in Michigan → may require a constitutional amendment
- Michigan is an outlier: 37 states allow for local-option sales taxes
- Could be expanded to include services
- Excise tax on specific goods and services is an option

# Local Income Tax

- Advantages:
  - ❖ Broad-based, tied to economic conditions, fairly progressive
  - ❖ Captures economic activity not captured by the property tax → value of earned incomes and investments
  - ❖ Easy to administer if piggybacked on state income tax
  - ❖ Ensures commuters contribute to tax
- Disadvantages
  - ❖ Can lead to economic distortions
  - ❖ More cyclical than property tax
- Available to cities in Michigan: only 24 currently levy
- 18 states allow for local-option income taxes
  - ❖ Oregon and Ohio allow transit districts to levy
  - ❖ Other states allow cities or counties to levy income taxes in support of transit (Indiana)
- Authorizing at the regional level would eliminate some negative externalities

# New Transportation Taxes and Fees

- Congestion pricing, vehicle miles traveled fees, emissions fees, and transportation utility fees
- Traditional transportation taxes: motor fuel, vehicles
- Taxes can be considered as road user fees that make apparent social costs of driving
- Rarely used in support of transit → dominate view remains that revenues from personal vehicles should go towards road funding
- Not viable as primary funding source
- State Constitution restricts disposition of transportation related taxes and fees

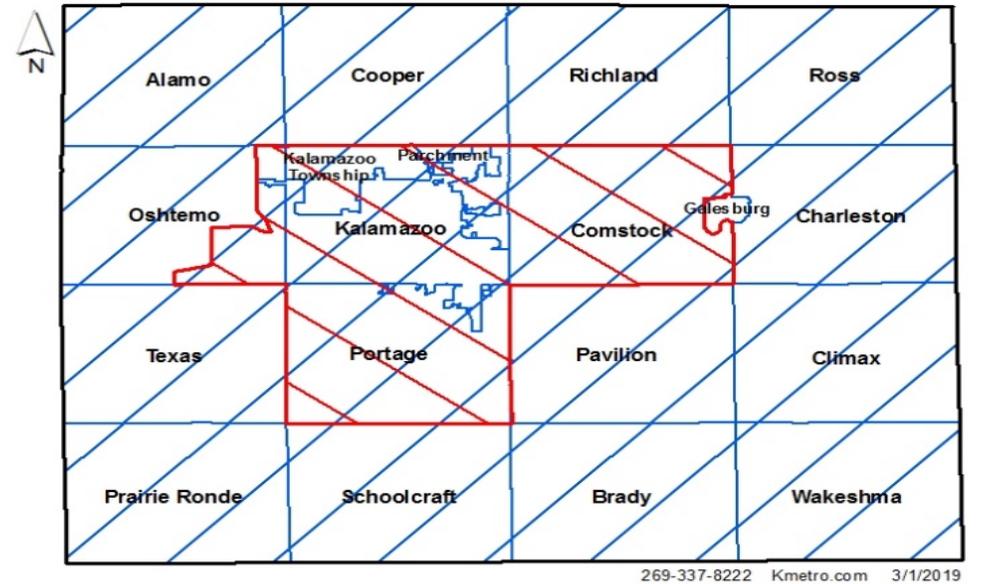
# Tax-Base Sharing

- Public transportation goes beyond local political boundaries → only possible with regional funding models
- Differences in taxable value per capita highlight need for tax-base sharing
- Improved regional transportation benefits entire region through increased tourism, expanded regional and cross-county services, better connection to jobs and retail, decreased road congestion and wear, and improved public health
- Can be done with any kind of tax: key is that revenues are levied regionally and spent across the region to improve mobility
- Can be politically challenging

# Feathering Tax Rates

- Higher taxes levied near central city and lower taxes farther from city
- Could be based on factors such as population density or business density
- Allows for support across region, but reflects fact that services decline further from urban center

Metro Millage District Boundries  
Kalamazoo County



## Legend

-  Central County Transportation Authority Boundary (.75 mills, funds fixed route bus service)
-  Kalamazoo County Transportation Authority Boundary (.3145 mills, funds demand response service)



# Spread the Tax Burden

- Levy multiple local taxes in support of public transportation
- RTA (Southeast Michigan): levy local property tax and vehicle registration fee combined with support from constituent local units

OR

- Adopt new local taxes and combine a local property levy with a local sales or income tax

# Multimodal Transportation Funding

- Big problem when trying to expand funding for public transportation → outcry for more road funding
- Senate Fiscal Agency: \$2.2 billion per year needed for roads on top of \$1.2 billion 2015 funding increase
- One option: combine road and transit funding in a complete streets funding policy
- Must still follow constitutional and statutory guidelines related to transportation funding
- Combining funding would require
  - 1) Road commissions/local governments and transit authorities to work together when it comes to funding OR
  - 2) Authority to be given over both roads and transit to public authorities or regional governments

# Future of Transportation

- Ridesharing likely to grow → threatens taxi service, but can be a complement to transit
- Autonomous vehicles will become prevalent → can be a service that grows out of ridesharing to provide vehicles to serve the needs of many and connect people to transit
- Mobility options will continue to expand
- People will demand multimodal transportation options
- Public transit can evolve with private transportation options and be a complement to the sharing economy

# Conclusion

- Effective regional transportation systems are critical to urban revitalization
- Regional transportation systems of the future will include public and private transportation options that are marketed together and paid for by the user in a single fee
- Regional transportation is door-to-door and integrates walking, biking, and scootering with ridesharing, car options, and public transportation
- No one right way exists to provide public transportation → must be approached from regional, rather than local, perspective

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