

Rethinking Regional Transportation in Michigan's Urban Areas

Jill Roof

Research Associate

crcmich.org

616-294-8359

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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



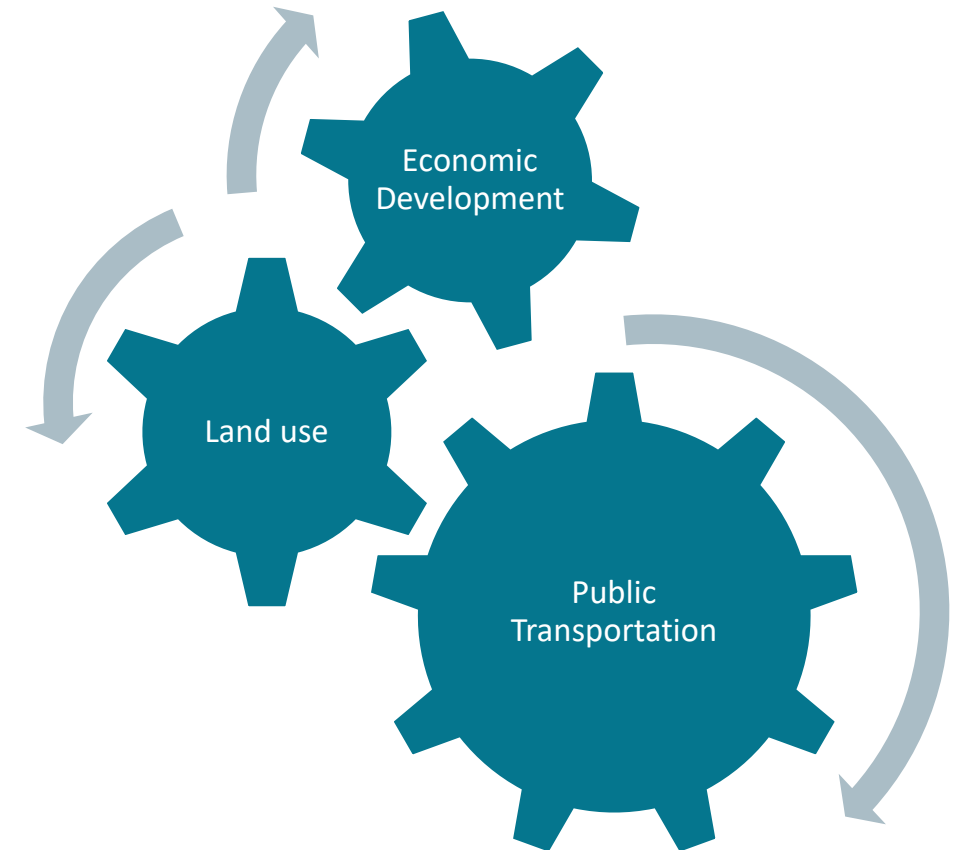
Source: planning.ubc.ca

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

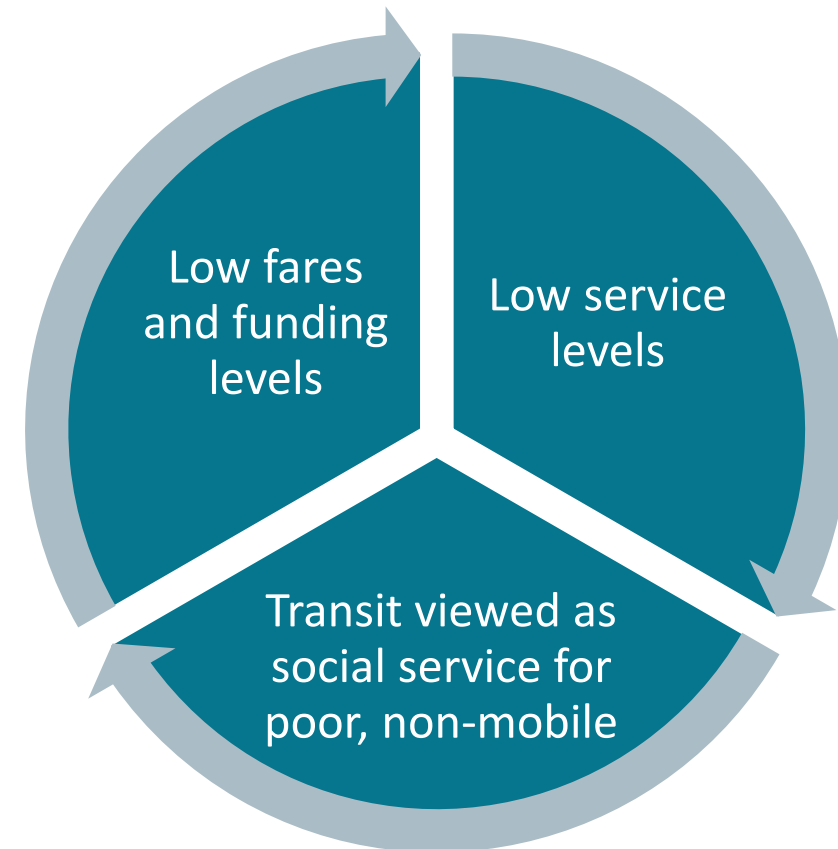
Effective Regional Transportation System

- 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

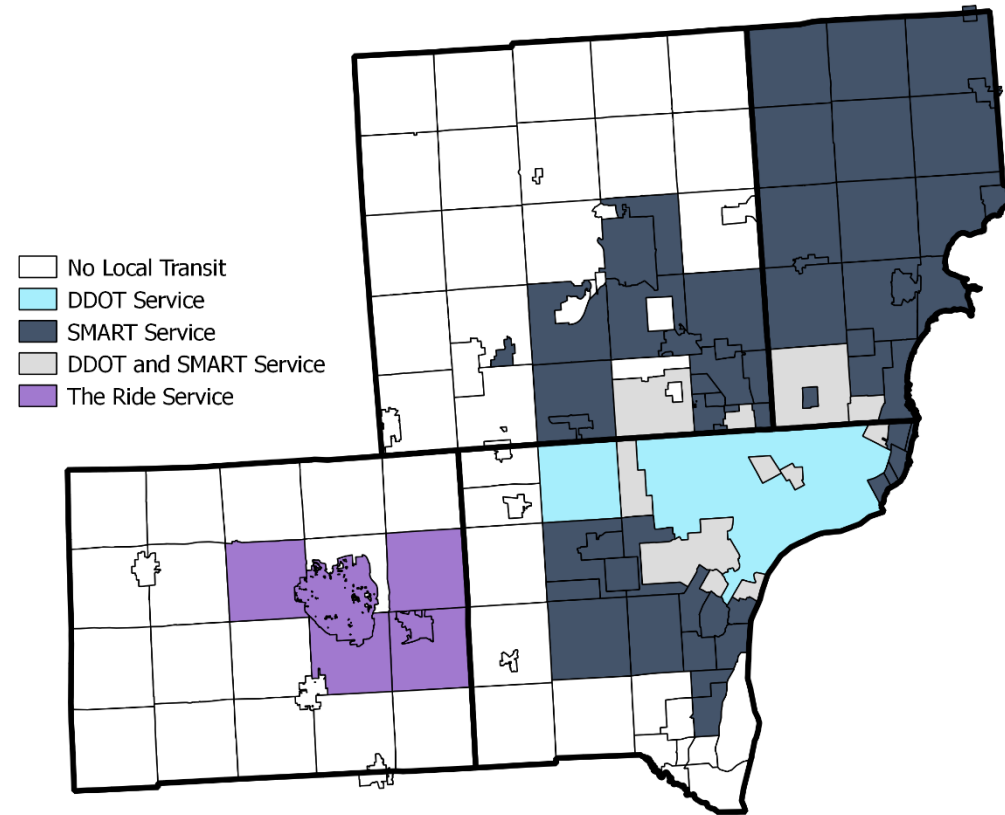
Michigan Urban Transit Providers

- 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

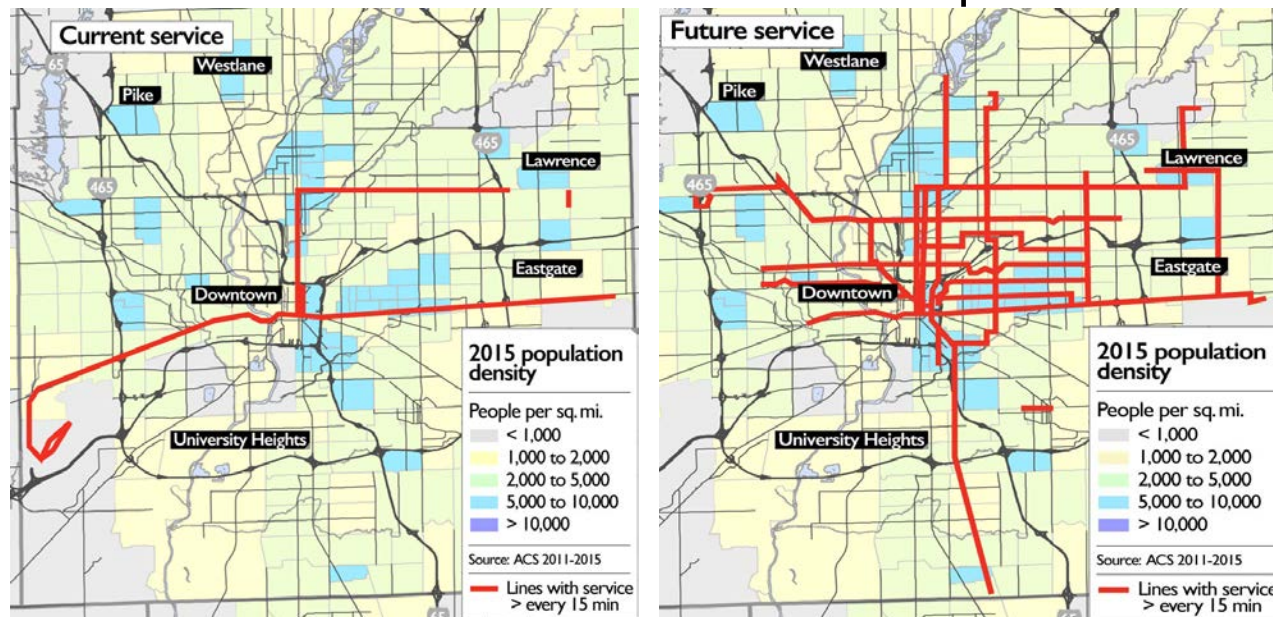
State Level Policy Recommendations

- 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

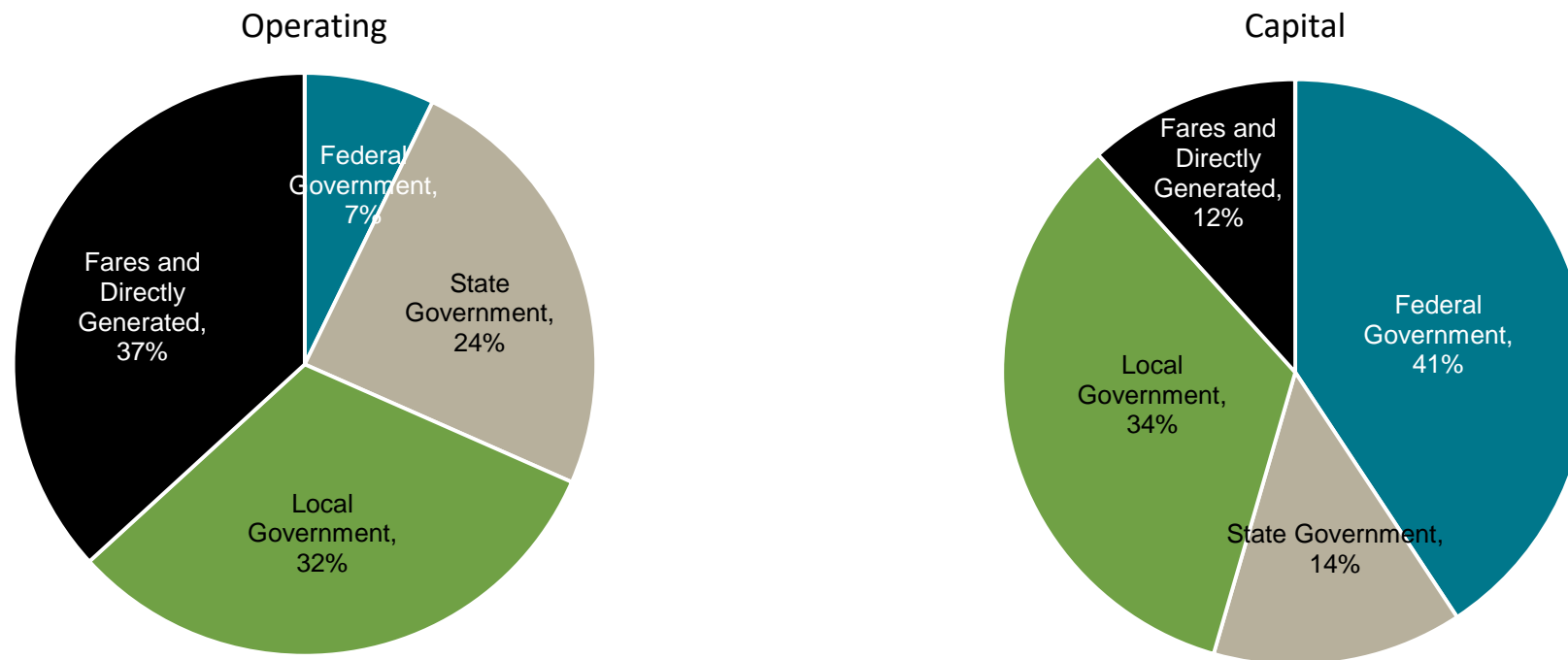
- Promote local collaboration
- Adopt transit-oriented development and complete streets policies
- Good fences: determine transportation boundaries
- Reexamine bus routes and transportation options



Source: IndyGo service maps from www.indygo.net

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

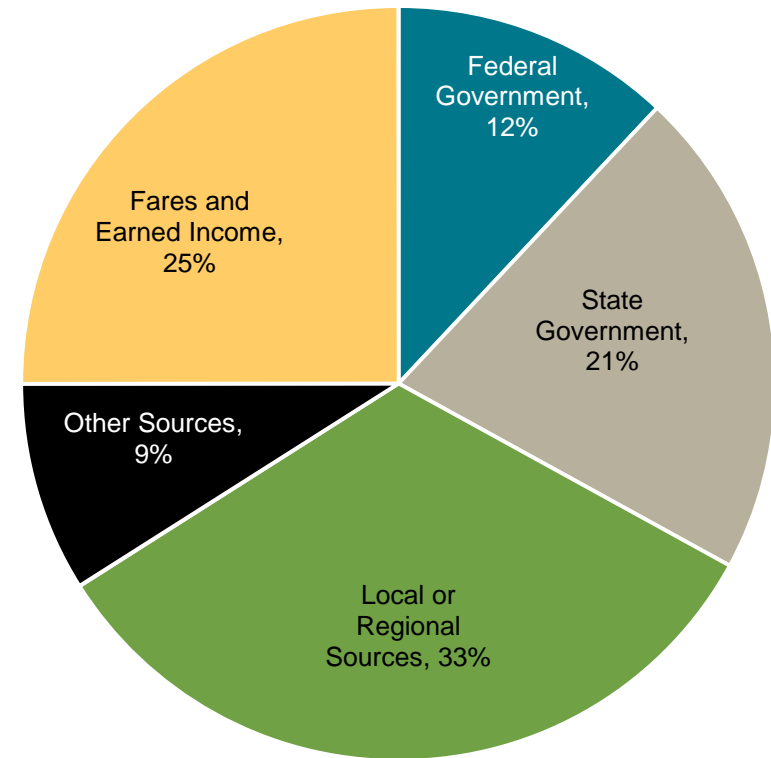
Estimated Revenue Gap in Michigan Transportation Programs

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

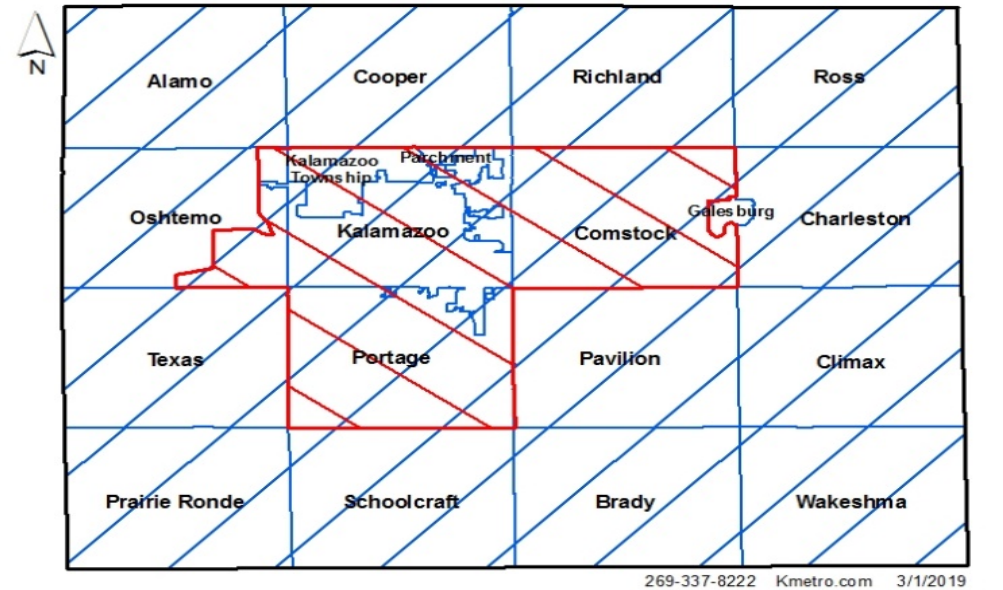
Tax-Base Sharing

- 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 miles, funds fixed route bus service)
- Kalamazoo County Transportation Authority Boundary (.3145 miles, 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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