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Ballot Proposal: One-Third Mill for Regional Public Transit

The Issue in Brief

At the May 23,1995, special election in Macomb and Wayne Counties and the June 6, 1995, special election in Oakland County, a ballot proposal will ask for voter approval of one-third of a mill on all taxable property in Macomb County, the Wayne County Transit Authority, and the Oakland County Public Transportation Authority to provide public transportation services. If approved by the voters, the tax revenues would be transferred to the regional transit system, SMART, to provide services. Various cities, townships and villages have withdrawn from the Wayne and Oakland transit authorities (Macomb County will vote as a single unit). The remaining communities in each county constitute a transit authority and will vote as a unit whether to levy a new tax. All political subdivisions withdrawing from membership in a transit authority will lose SMART services. The one-third mill would represent the first dedicated broad-based local funding source for SMART, whose funding to date has consisted almost entirely of federal, state and farebox revenues.

Background

The Suburban Mobility Authority for Regional Transportation (SMART) is currently facing an estimated operating deficit of $5.4 million for the fiscal year ending June 30, 1995. SMART has faced recurring financial crises for the past five years resulting in an estimated $21.9 million accumulated deficit. Unlike other large metropolitan areas in the country, the Detroit metropolitan area does not support its regional transit system with any local funding source, although the City of Detroit uses local tax revenues to support its municipal transit system as do the other 68 transit systems in Michigan. If passed by the voters, the proposal would establish a broad-based dedicated local funding source for SMART.

Property Tax Levy

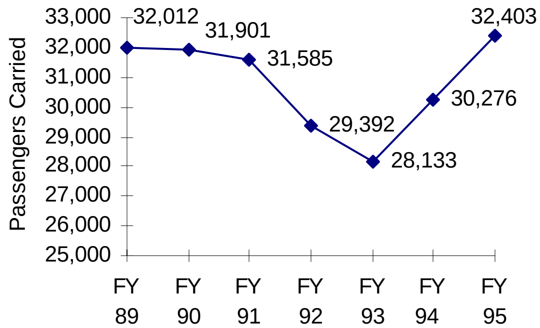
The Wayne County Transit Authority and the Oakland County Public Transportation Authority are asking for voter approval of a new tax of one-third of a mill on all taxable property in the two authorities for three years, 1995 to 1997, to provide transit services to residents of the authorities. In Macomb County, the Board of County Commissioners is asking voters to increase the county property tax rate by one-third of a mill for three years, 1995 to 1997, to provide public transit services to county residents. The tax revenues would be collected by the three bodies and transferred to SMART by contracting with it to provide transit services.

As of May 1, 1995, and taking into account the communities that have withdrawn from their respective transit authorities, 69.6 percent of the original non-Detroit tax base in Macomb County and the Wayne and Oakland County transit authorities would be subject to the tax. Based on estimates supplied by SMART, a one-third mill on this tax base would yield $16.4 million in 1995, increasing the 1995 Macomb County tax rate by 7.9 percent and effectively increasing the county tax rates of residents in the Wayne County Transit Authority by 4.3 percent and in the Oakland County Transportation Authority by 7.4 percent.

Public Transit in Metropolitan Detroit

SMART, the second largest transit system in the state behind the Detroit Department of Transportation (D-DOT), primarily operates fixed-route, large buses. 92 percent of all SMART passengers ride on fixed bus routes. SMART's average weekday fixed-route and paratransit ridership for fiscal year 1989 through January 1995 (FY 95) appears in **Chart 1**.

CHART 1
Average SMART Weekday Ridership



SOURCE: SMART

Performance

According to the Federal Transit Administration, SMART's 1993 service efficiency, measured by dividing total operating expenses by total vehicle miles while in service, was $3.86 and better than the national average of $5.58. SMART's cost effectiveness, measured by dividing total operating expenses by total passenger miles, rated slightly worse than the national average of $0.49 at $0.52. In 1993, D-DOT ranked worse than the national average at $6.20 in service efficiency and better than the national average in cost effectiveness at $0.43. D-DOT runs shorter routes than SMART, thereby driving its efficiency down. Conversely, D-DOT buses are relatively more crowded than SMART buses, thus making D-DOT buses more cost effective than SMART buses.

Financing Public Transit

No public transit system operates on farebox revenues alone, but on some combination of local, state and federal subsidies. SMART's fiscal year 1995 operating revenue of $41.9 million consists of 57.8 percent state revenues, 16.9 percent federal revenues and 25.3 percent farebox revenues. Between fiscal year 1992 and 1994 state contributions declined from $26.5 million to $22 million, a 17 percent decrease, while federal and farebox revenues remained relatively unchanged. The high reliance on state revenues coupled with their decrease has resulted in significant revenue shortfalls since fiscal year 1991, despite efforts to control costs. The $16.4 million from the proposed tax levy would represent a 39.1 percent increase over the total fiscal 1995 operating revenues.

Table 1 presents the percentage of total operating revenue by source for the 30 largest transit agencies in the US and SMART. SMART is near the average in the percentage of total operating revenues coming from fares, but is highly dependent upon state and federal revenues because it lacks a local funding source. SMART ranks at the top in terms of the percentage of total operating revenues from state sources and third in terms of revenues from federal sources.

The $16.4 million in local revenues would bring SMART closer in line with the average percentages in **Table 1**. Assuming a $16.4 million increase to the total 1995 operating revenues and the same revenues from other sources, SMART's total revenues would consist of 18.2 percent farebox, 28.1 percent local, 41.5 percent state and 12.2 percent federal.

Local Support for Public Transit

Public transportation is considered a local government function because most direct benefits of the service accrue to local residents. Local governments, therefore, usually support public transit with general fund contributions, dedicated property taxes, earmarked portions of a local income or sales tax, or motor vehicle registration fees.

Of all 69 public transit systems in Michigan, 47 are supported by a dedicated local property tax, while the remaining systems, excluding SMART, receive general fund support. Although some of SMART's connector services serving single communities are supported substantially by local governments, SMART's directly operated fixed-route services receive no local government contributions of any sort.

TABLE 1
30 Largest Transit Systems in the US and SMART
Revenue Sources as a Percent of Total Operating Expenses FY 1993

Urbanized Area-Transit Agency	Total Operating Expenses	Fares	Local	State	Federal
Atlanta-MARTA	$181,433,681	40.3%	44.8%	0.0%	5.9%
Baltimore-MTA	$192,924,750	35.7%	0.0%	57.8%	5.2%
Boston-MBTA	$793,909,876	22.2%	15.0%	58.6%	2.3%
Chicago-CTA	$760,703,807	46.8%	26.2%	20.0%	5.4%
Chicago-Metra	$298,940,179	52.5%	36.5%	0.7%	1.7%
Cleveland-RTA	$168,656,978	24.8%	65.2%	2.4%	5.3%
Dallas-DART	$142,356,748	16.4%	72.8%	0.0%	0.2%
Denver-RTD	$126,029,530	19.0%	62.9%	0.0%	6.3%
Detroit-D-DOT	**$113,840,023**	**28.1%**	**17.8%**	**41.7%**	**11.7%**
Detroit-SMART	**$48,017,371**	**20.0%**	**0.0%**	**61.8%**	**17.0%**
Houston-Metro	$184,452,891	23.4%	47.3%	0.0%	0.0%
Los Angeles-OCTA	$118,895,000	23.9%	58.7%	0.0%	9.1%
Los Angeles-LACMTA	$672,244,203	30.1%	54.9%	1.3%	6.8%
Miami-MDTA	$218,845,730	28.2%	42.6%	4.8%	23.8%
Minneapolis-MTC	$124,055,767	34.2%	55.8%	0.0%	7.8%
New York-NYCDOT	$254,519,144	39.6%	37.0%	20.4%	2.4%
New York-LIRR	$620,916,526	46.7%	22.9%	24.7%	22.5%
New York-Metro North	$431,539,893	55.9%	13.4%	23.8%	1.7%
New York-NYCTA	$3,273,304,714	50.0%	23.6%	23.0%	2.2%
New York-PATH	$155,136,000	36.5%	0.0%	1.1%	0.0%
Newark-NJ Transit	$905,604,119	52.8%	0.5%	37.6%	5.9%
Philadelphia-SEPTA	$643,834,380	39.8%	8.8%	45.7%	4.2%
Pittsburgh-PAT	$195,827,369	28.9%	10.4%	55.4%	4.5%
Portland-Tri-Met	$124,296,625	22.9%	67.9%	1.8%	4.4%
San Francisco-AC Transit	$129,998,485	22.1%	68.8%	2.6%	4.8%
San Francisco-BART	$210,389,123	48.1%	48.2%	0.1%	0.0%
San Francisco-Muni	$275,930,000	32.7%	49.2%	10.0%	2.7%
San Jose-SCCTD	$157,364,505	12.0%	57.5%	24.7%	3.8%
Seattle-Metro	$225,756,985	24.1%	68.8%	0.2%	2.7%
Seattle-WSDOT	$107,020,032	15.0%	35.0%	0.0%	0.0%
Washington DC WMATA	$684,116,939	44.9%	25.6%	16.7%	9.9%
Average		**32.8%**	**36.7%**	**17.3%**	**5.8%**

* Percentages do not add to 100; *Other* revenue category not included in table.
SOURCE: US Department of Transportation, Federal Transit Administration

Transit Authorities

The Wayne County Transit Authority and the Oakland County Public Transportation Authority were created by actions of the respective Boards of County Commissioners, pursuant to Public Act 196 of 1986. The purpose of these authorities is to provide public transportation services either directly or through contract. All political subdivisions of Wayne and Oakland Counties were originally members although individual communities have withdrawn from membership.

The Wayne County Transit Authority is governed by a nine-member board, consisting of the Wayne County Executive and eight members representative of the various communities in the county. The Oakland County Public Transportation Authority is governed by a five-member board, appointed by the Chairperson of the Board of Commissioners. The authorities may issue bonds and levy property taxes up to five mills for five years.

The Wayne County Transit Authority and the Oakland County Public Transportation Authority were created solely to levy a property tax and transfer the revenues to SMART. Public Act 196 of 1986 allows individual cities, townships and villages to withdraw from membership in a transit authority, thereby being exempt from taxes levied by an authority and losing SMART services. Withdrawal can occur at any time by action of the legislative body of the political subdivision with approval of two-thirds of the board of an authority; or within 30 days following incorporation of an authority, or within 30 days after an election has been called to levy a tax, without approval from the board of an authority. In Macomb County, the Board of County Commissioners chose not to form a transit authority; therefore, individual communities cannot opt out of the election. Instead, a county-wide vote will determine whether to increase the county property tax rate by one-third of a mill. If the proposal fails, the entire county loses SMART services.

As of May 1, 1995, 16 communities had withdrawn from the Wayne County Transit Authority, comprising 37.7 percent of the total 1994 SEV in the authority. Of the 16, all but Detroit are in the geographic periphery of the authority, and seven of the 16 currently receive SMART fixed-route services. Detroit supports its own bus system with general fund contributions, approximately $38 million in fiscal year 1995. As of May 1, 1995, 38 communities had withdrawn from the Oakland County Public Transportation Authority, comprising 51.3 percent of the total 1994 SEV in the authority. Most are on the fringe of the authority and only nine of the 38 communities currently receive SMART fixed-route services.

Future of Public Transit

While there is no assurance that the proposed tax will sustain regional transportation in the long-run, in the short-term (over the three years of the tax) it does provide the revenues to meet current service levels. In light of the withdrawals from the transit authorities, it remains to be seen what service enhancements would occur. The proposed local funding source would bring SMART closer in line with other transit agencies with respect to revenue source levels. The Detroit urbanized area currently operates two separate transit systems, one serving primarily suburban residents and one serving primarily central city residents. It is argued that without any dedicated local funding source, metropolitan Detroit will lose its suburban transit system.

The current state of affairs surrounding public transit in metropolitan Detroit raises some basic questions regarding the need for the service and the type of service being provided. If it is decided that the region is unwilling to forgo the benefits of the service, then the electorate and public policymakers must decide what form the service is to take. It must be decided whether the current system meets the transportation needs of the region or whether a “new view” of transit needs to be articulated. While preserving the current form of transit, the ballot proposal also provides a window of opportunity to reassess and possibly alter the system to better meet the needs of southeast Michigan residents.