



## RETHINKING REGIONAL TRANSPORTATION IN MICHIGAN'S URBAN AREAS

This paper accompanies a longer paper, *Rethinking Regional Transportation in Michigan's Urban Areas*. That paper is available at <http://www.crcmich.org/rethinking-regional-transportation>.

### Key Takeaways

- Public transportation is often viewed by policymakers and citizens as a social welfare program aimed at providing limited mobility for those without any other options. To attract “choice” riders and expand service, it needs to be viewed as an important public utility and a vital part of the public and private transportation networks.
- Regional governance is about more than the cross-section of people appointed or elected to the governing board. It requires state and local policies that adopt a broader focus on transportation, planning and zoning, and related policies. Most importantly, it demands collaboration among units of government and transit providers.
- Regional funding is a prerequisite for regional systems. Expanded funding options, beyond the property tax, requires authorization of additional types of local taxes; tax base sharing; spreading the tax burden by levying multiple local tax rates; feathering tax rates by lowering rates as people get farther from the urban center; and/or linking public transit funding with road and other transportation funding.

Traditionally, the focus of public transportation (or transit) in Michigan has been limited to simply providing mobility to people without cars, and it has been provided by cities or small regions and constrained by political boundaries. Improved mobility will require a focus on regional public transportation services, as well as integrating all different types of

public and private transportation options, including ridesharing, car sharing (driven and autonomous), bike and scooter rentals, and microtransit services, among others. True regional transportation that is seamless and integrated across political boundaries is hard to find in Michigan.

### The Case for Improved Regional Transportation

The case for expanded regional transportation services can be made by looking at both the benefits of public transportation and the barriers to driving, which are real and growing in some instances. Some of the benefits of public transportation include pollution and congestion reduction; enhanced mobility for residents that need (and want) it; public health benefits related to increased physical activity and access to health care and healthy food; less stress on road and parking infrastructure; and economic development benefits related to enhanced transit service.

Barriers to driving and mobility include the fact that owning and operating cars is expensive, especially in urban areas of Michigan where even middle income people can be priced out of car insurance. At the same time that the costs of driving are high, the number of elderly people who either want or need to reduce their driving is increasing. And finally, driving, especially commuting, can be time-consuming as congestion and commuting times can be quite high in urban areas.

At the same time that residents face growing barriers to driving, mobility options are expanding and changing and public transportation needs to be part of the change. With the advent of transportation options including ridesharing, bicycle and scooter rentals, and autonomous vehicles, more people are focused on multimodal transportation and picking the

best options for each trip they take. In this new world of mobility, fixed-route buses and more traditional options are essential as part of a multimodal system that provides door-to-door transportation through integrated public and private transportation providers with seamless journey planning and payment and real-time passenger information.

## Improving Regional Transportation in Urban Areas

Improving regional transportation in Michigan's urban areas will require changing the way we view, govern, and fund public transportation and will involve policymakers at the state, regional, and local levels. Integrated regional transportation systems that truly connect people across large geographic regions often require years of work, strong political champions, and private sector support, as well as cooperation and buy-in from local officials. The key word here is regional: cities, even large urban centers, cannot go it alone and need the support of the region.

### Changing Public Perceptions

Providing a system of public transportation that can attract all kinds of riders has been a problem across the country. Some have pointed to urban sprawl or our car-dominant history as the reason for this, but one reason may be in our mindset: European, Asian, and Canadian cities treat public transit as a vital public utility; in the U.S., most policymakers and citizens think of it as a social welfare program for those too poor or otherwise unable to drive.<sup>1</sup> This thinking has led to heavily subsidized services, but also to limiting the attractiveness of public transportation and making it a more highly scrutinized political issue.

To provide effective regional transportation, public transportation needs to be viewed as an important and viable transportation option that contributes to the revitalization of the urban area. Also, the focus of public

transportation needs to move beyond bus or rail service to what can be done in a region to improve mobility and how the latest technology and benefits from the private sector can enhance public transportation.

### Adopting Regional Governance

Currently public transportation is governed at the federal, state, and local levels and provided at the local and regional levels; this can lead to confusion and fragmentation when trying to implement a regional transportation system, which often involves connecting multiple local transit providers.

Michigan has five urban regions with differing levels of public transportation services provided in those regions.<sup>a</sup> Public transportation authorities are all governed under state authorizing legislation, namely a few key authorizing acts which allow communities to come together to provide public transportation services.<sup>b</sup> Current service structures highlight

- a Urban public transit providers include the Regional Transit Authority of Southeast Michigan (RTA), Detroit Department of Transportation (DDOT), Suburban Mobility Authority for Regional Transportation (SMART), and the Ann Arbor Area Transportation Authority (TheRide) in Southeast Michigan; the Interurban Transit Partnership (The Rapid) in the Grand Rapids area; and the Flint Mass Transportation Authority (MTA); among others
- b Mass Transportation Systems Authorities Act (PA 55 of 1963); Metropolitan Transportation Authorities Act (PA 204 of 1967); Public Transportation Authority Act (PA 196 of 1986); and Regional Transit Authority Act (PA 387 of 2012).

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shortcomings arising from a lack of regional policies and governance systems. When transit services are not coordinated and providers are not cooperating, it leads to gaps in service, overlapping services, and challenges for riders, including difficulty planning transit trips, long wait times due to infrequent service areas, and difficulty transferring between providers.<sup>2</sup>

Regional policies need to include transportation-related policies, but also extend to land use and planning, placemaking, transit-oriented development, economic development, and tax base sharing. An effective regional governance system puts the good of the region above the parochial desires of local units. This is why collaboration among transit providers and local units of government is important: transit providers often do not have influence over the local and regional policies that can either enhance or derail transit services.

With limited resources, choices have to be made over which policies to adopt and which direction to go in, which requires strong regional governance and support from local communities. Essentially, before we can provide more effective transportation services, we need to decide upon our public transportation and mobility goals as a state and as regions, and then make sure that state, regional, and local policies are aligned towards those goals.

### Recommended Policy Actions

At the state level, policymakers need to review policies relating to public transportation authorizing acts, local and regional planning and zoning, economic development, and incentives to promote cooperation. State policymakers may need to strengthen state authorizing legislation to make opting-out of regional transportation authorities more difficult. Most of the current state authorizing acts are completely voluntary, and those that are not include governance protections for the local units involved in the transportation authority. Allowing local units to decide to come together to join public transportation authorities promotes local control; however, it can limit the effectiveness of public transportation authorities if local units within a region opt out of public transit taxes and services.

One way to strengthen regional influence over transportation policies is to change the governance structure of transportation authorities from boards appointed by local officials to elected boards. If the constituents of transportation authorities are defined as residents of the transit district, then elected boards would be more accountable to constituents than to the local governments within their boundaries. Elected boards would likely be more partisan and may not possess the level of technical expertise found in appointed boards.

State level policies should incentivize regional collaboration through grants and funding opportunities for regional systems. The state could mandate that planning and zoning move to the county level, which would help provide a more regional focus to these functions. Shifting the focus of land use planning and zoning, as well as community and economic development and related policies, to the regional level would help to control sprawl and make land use decisions that are best for the region, in relation to public transportation and other policy goals. It may face local opposition as it would lessen local control, and these policies can directly impact local revenues and services.

Local policymakers need to consider transportation and related policies that promote collaboration and the region as a whole. Transit providers need to work together to determine local transportation boundaries and who is providing what type of service. This will help solve problems such as gaps in service and overlapping service and can lead to a clear division of labor between local and regional services. Boundaries can be managed by the regional agency working with the local providers to each focus on their part of the journey and coordinated to provide seamless transit for the riders.<sup>3</sup> Local and regional transit providers may also need to examine current bus stops and transit routes to determine if they are serving their communities effectively. Many urban areas have recently undertaken redesigns of their bus systems to better reflect current travel patterns and needs.

**Regional Funding Mechanisms Necessary**

A regional funding model that includes tax base sharing can be difficult to provide in fractured communities, but it is necessary to connect transportation and mobility services across an entire region. However, funding for transit is complicated by the fact that public transportation competes with so many other policies and programs for funding, especially with other transportation programs such as road funding. Transit funding is also challenging because it comes from all different levels of government and includes both operating and capital funding (see **Chart 1**).

The main local funding source currently, the property tax, is inadequate because it is used to fund every other type of local government. In addition to its overuse, the property tax can be fairly regressive and require homeowners with less property value to pay the tax at higher rates for the same level of service as a neighboring community. This can create a cycle where

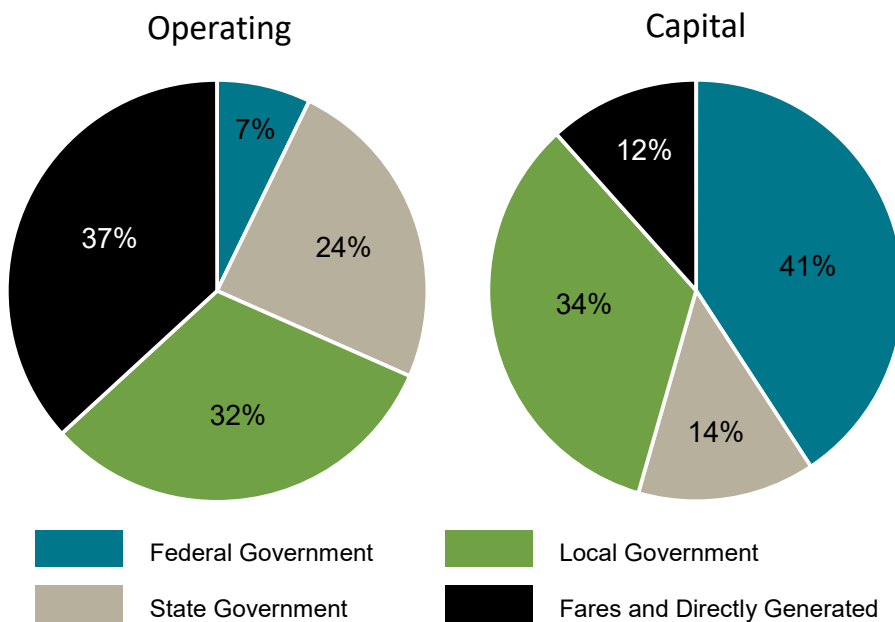
those residents that can afford to leave the community with high property tax rates do, thereby lowering the taxable value even more and requiring even higher tax rates to raise the same amount of revenue as before.

Additionally, the property tax is not suitable as a regional funding source because it is too connected to a person’s home and any benefits received (or not received) by paying the tax are associated with that home. Public services like transportation provide benefits on a broad scale and across an entire region, even if services are not equally accessible throughout the region. Other types of taxes, sales or income taxes for instance, are not nearly as connected to place and therefore are a better fit to fund these regional public services.

Across the country, other transit agencies rely heavily on local sales taxes, as well as other taxes beyond the property tax. Sales taxes are popular for a number of reasons, including the fact that they are paid in part by commuters from outside the

region and visitors; they are paid in small increments so the tax bite is less evident; and they are often passed to support specific lists of transportation projects. In addition, transit providers in other states levy multiple local taxes in support of public transportation and rely on tax base sharing across regions.

**Chart 1**  
Operating and Capital Funding Sources for Public Transportation  
FY2016 U.S. Average



Source: National Transit Database, Federal Transit Administration, U.S. Department of Transportation. “2016 National Transit Summary and Trends: Office of Budget and Policy,” October 2017.

**Policy Options in Michigan**

Moving forward, the state and local governments have some options to provide more stable regional funding for public transportation services.

**New Local Taxes**

In order to improve regional transportation services, local governments and transportation authorities need funding options other than just the local property tax. Property taxes may fit as part

of a regional transit funding model, but they are not a good political (or practical) fit as the main source of funding. The level of funding needed to adequately provide transportation services will require the support of at least one of the big three taxes: property, income, or sales. Smaller taxes and fees may work as part of a funding system to support transit.

**Table 5** in the full report explores the tax options state policymakers could make available to Michigan's regional transit providers and provides some criteria to evaluate those options.

The sales taxes would require a statewide vote to amend the constitution but relate to the expanded economic activity that could result from more robust transit systems. Income taxes are tied to the economic activity associated with matching transit users to employment. Given Michigan's requirement to levy income taxes at flat rates, the tax can be more burdensome on low-income earners and those most likely to use transit to access work. While motor fuel taxes are best left for road funding at this time, other transportation-related taxes may be viable.

Vehicle registration and licensing fees, car rental taxes, emissions fees, and transportation utility fees relate to many of the goals of a robust transit system, but because each would have to be levied at fairly high tax rates to yield the revenues sought, they are best employed in combination with other taxes. Finally, policymakers might consider utility, real estate transfer, tourism, amusement, or sin taxes to raise some of the funding sought to fund transit.

Before any new local taxes could be levied, they would need to be authorized in state law, approved by local legislative bodies and/or authority boards, and voted on by residents of any government or authority that wished to levy a new tax. The key point to remember is that any new taxes would be more effective if levied regionally, rather than locally. Allowing taxes to be levied at the most local level can reduce their administrative efficiency, decrease their equity and neutrality<sup>c</sup>, increase local competition, and intensify socioeconomic disparities between neighboring communities.

<sup>c</sup> Neutrality is defined as the idea that taxes should be structured so as to minimize interference with economic decisions in otherwise efficient markets.

### Tax Base Sharing

A new funding model needs to include tax base sharing in addition to new local (or regional) taxes. Services such as public transportation extend beyond local political boundaries and are only feasible if funded with a regional model. Users of the system benefit most directly, but, others benefit indirectly through increased tourism, expanded regional and cross-county services, better connection to jobs and retail, and decreased road congestion and wear. Tax base sharing can be done with multiple different local taxes; the key is that the taxes are levied regionally and the tax revenues are spent across the region in support of projects that benefit and expand mobility and access to public transportation services.

### Spreading the Tax Burden and Feathering Tax Rates

Local governments need to work together to support services and policies, like public transportation, and fund them as a region. One way to make this more palatable for the local units that are farther from the urban center of a region is to feather the tax rates and levy higher taxes near the central city and lower taxes farther from the city to reflect the fact that services decrease the farther you get from the urban center. This can be done by levying two different transit taxes – one throughout the entire county or urban region and another tax that is only levied in the urban center.

Another option that can be done in conjunction with different tax rates across an urban region is to levy multiple local taxes in support of public transportation. For example, recently in Southeast Michigan, the focus has been on trying to fund the Regional Transit Authority (RTA) through local property taxes alone; a better plan would employ property taxes in combination with a vehicle registration tax and support from constituent local governments. Or if local-option taxes were expanded in Michigan, regional transit providers could attempt to couple a local property tax with a local sales or income tax. Many public transportation providers in other states rely on multiple local taxes to support transit services.

### Multimodal Transportation Funding

One big problem that often arises with expanding funding for public transportation is that there is an

outcry that more road funding is needed and that increased funds to support public transportation take funds away from the roads.<sup>4</sup> One option to combat this is to combine road and transit funding. The state must follow constitutional and statutory guidelines in how it separates road funding from transit funding, but that does not necessarily preclude transit and road projects from being considered together in a complete streets policy; however, it might face political resistance from those in support of road funding.

At the local level, governments could request funding for roads and transportation projects together. It does become complicated, though, because county road commissions and local governments have authority over roads and streets and transit operators have authority over transit projects. Combining road and transit projects and funding would require either 1) these groups to work together (a potentially difficult proposition when they are often seen as competitors for the same funding) or 2) authority to be given over both roads and transit to public authorities (e.g., RTAs) or regional governments (e.g., counties).

### Conclusion

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No one right way exists to provide regional transportation in urban areas; many policy options related to governance and funding can lead to effective regional transportation systems. However, it is clear from the research that it is mandatory to approach public transportation in urban areas from

a regional, rather than local, perspective. Urban transportation systems will not grow, and will not be able to contribute to the growth of their urban regions, without regional governance and funding mechanisms to support them.

### Endnotes

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1 Stromberg, Joseph. Vox. "The real reason American public transportation is such a disaster," August 10, 2015 ([www.vox.com/2015/8/10/9118199/public-transportation-subway-buses](http://www.vox.com/2015/8/10/9118199/public-transportation-subway-buses), accessed 9/13/18).

2 Amin, Ratna and Sara Barz. SPUR Report. "Seamless Transit: How to make Bay Area public transit function like one rational, easy-to-use system," April 2015 ([www.spur.org/sites/default/files/publications/pdfs/SPUR\\_Seamless\\_Transit.pdf](http://www.spur.org/sites/default/files/publications/pdfs/SPUR_Seamless_Transit.pdf), accessed 6/5/18).

3 Walker, Jarrett. Human Transit Blog, August 3, 2015 ([humantransit.org/2015/08/on-transit-integration-or-seamlessness.html](http://humantransit.org/2015/08/on-transit-integration-or-seamlessness.html), accessed 6/5/18).

4 "Evaluating Michigan's Options to Increase Road Funding," February 2019 ([https://crcmich.org/PUBLICAT/2010s/2019/rpt405-Road\\_Funding\\_Options.pdf](https://crcmich.org/PUBLICAT/2010s/2019/rpt405-Road_Funding_Options.pdf)).

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