

State-Level Public Transportation Funding Issues
2010 MDOT Budget
July 2009

Transit Moves Michigan

Spring 2009 marked the return to Michigan of volatile gasoline prices, which in some areas exceeded \$3 per gallon for several weeks. At the same time, transit ridership continued to grow or remained steady in many cities, despite additional job losses and continuing high unemployment levels. In the first quarter, the City of Detroit posted a 4.41% increase in transit ridership, while bus use in Ann Arbor grew by 3.6%, and in Muskegon by 1.5%*, building on increased bus ridership recorded during the gasoline price increases of 2008. As auto use in our country continues to decline, Michigan residents are relying more than ever on public transportation to save money and maintain their mobility. During these difficult economic times, Michigan residents are counting on legislators to maintain state funding support for public transportation.

MPTA's Position

The Michigan Public Transit Association (MPTA) supports the distribution priorities in the Governor's budget recommendation for 2010, but recognizes significant unmet needs as detailed in the Transit Funding Task Force (TF2) report and hopes that the legislature will deal with these recommendations. MPTA also supports restoring boilerplate language (Sect 740 of the 2009 budget bill) which requires reporting of any unencumbered balances in the comprehensive transportation fund (CTF).

MPTA supports the TF2 proposals related to public transportation and other transportation modes, based on sustainability, a long-term solution, all federal money being matched at needed levels, with room for growth of both infrastructure and operational funding and accountability at the local level.

Funding cannot be stable until it is sustainable, meaning allowing for reasonable increases in the cost of doing business as well as recognizing the need for growth, especially in urban areas, without putting smaller rural systems in jeopardy. It is clear that a long-term solution will have to recognize that as public transit is successful in growing ridership, attracting new customers, and responding to community pressures for better service options, sources of funding must reward this success. It is counterproductive for systems to receive less in operating expense reimbursement at the same time ridership is growing and there is significant demand for service expansion. Public transportation is a critical piece of the state's transportation infrastructure and economic vitality.

Funding Sources

All state revenues for public transportation come from the Comprehensive Transportation Fund (CTF). There are no general fund dollars, or funds from other revenue sources, going to support public transit. The CTF is comprised of two main sources: a portion of gas tax revenues, which are constitutionally protected, and revenues from auto and auto-related sales taxes, which are not.

Operating Expenses

Operating expenses pay for the cost of putting service on the street: driver wages and benefits; contracted service (hiring private providers to operate services); fuel; and parts and maintenance. The state matches transit system operating expenses on a percentage basis. This percentage is determined by the amount of local bus operating assistance identified in the Michigan Department of Transportation

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budget compared to the total amount of eligible expenses from all systems. This percentage fluctuates from year to year, leaving systems unable to forecast out-year budgets with any degree of confidence.

Because MDOT's local bus operating budget line item has remained flat for the past several years, the percentage of operating expense reimbursement has consistently decreased while the cost of doing business has increased.

Capital Expenses

Capital expenses are funded at 80% by the federal government, with a 20% local match required. Capital expenses are costs such as: buses and other service-related vehicles; facilities such as transit centers and bus garages; bus shelters, benches, information kiosks, and other amenities used by passengers; and improvements to equipment and facilities to increase the efficiency and safety of transit systems. Until 2005, the 20% local match was paid totally by the State of Michigan. Since then, Michigan has not been appropriating enough funds to match the federal capital investment, putting millions in federal transit funds at risk.

For each dollar in state capital funds, the federal government provides \$4 in matching funds—a state investment of \$30 million returns \$120 million in federal funds. Federal appropriations for Michigan public transportation systems are higher than ever before, with about \$120 million authorized each year between 2006 and 2010. Unfortunately, we can not leverage these federal dollars without a significant increase in our state commitment.

The Local Funding Picture

Local support for Michigan's public transportation systems comes from four sources: farebox revenues; local property tax millages; local government general fund contributions; and contracts with local agencies to provide services, primarily for seniors and people with disabilities. These combined local sources make up the majority of transit system budgets across the state and pay for the bulk of the cost of providing service.

Summary

More and more Michigan citizens are turning to public transportation to meet their transportation needs. This trend must be acknowledged as funding priorities are established. The broader benefits of public transportation must also be recognized. By supporting economic vitality, creating jobs, supporting successful employment, promoting independence and mobility, reducing traffic congestion, and improving air quality, public transportation plays a significant role in the quality of life that makes Michigan an attractive choice for residents and businesses.

Action Requested

Legislators: Take positive action on the transportation funding reform recommendations made in the TF2 Report, which will ensure adequate and sustainable funding for critical public transportation services statewide, and guarantee the availability of state matching dollars to leverage additional federal transportation funds for Michigan.

MPTA Members, employees and customers: Contact your legislators, make sure they understand the importance of public transportation to their constituents, and ensure their support for both the transportation funding distribution priorities in the Governor's budget recommendations for 2010, and the TF2 funding proposals for public transportation and other transportation modes.

**Source: APTA 1st Quarter 2009 Transit Ridership Report.*

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