Telephone 373-8080
Fax 373-5874

HOUSE FISCAL AGENCY

124 N. Capitol Avenue
4 – North, HOB Lansing, MI

HB5468 AS INTRODUCED

Sponsor: Rep. Kwame Kilpatrick

Committee: COMMERCE

HB5467 AS INTRODUCED

Sponsor: Rep. Kwame Kilpatrick

Committee: COMMERCE

Analyst(s): Hamilton, William

Completed: 12/7/01

State Fiscal Impact		Local Fiscal Impact	
Cost:	Please See Below	**Cost:**	Please See Below
Revenues:	Please See Below	**Revenues:**	Please See Below

The Suburban Mobility Authority for Regional Transportation (SMART) is a regional transportation authority organized under the Metropolitan Transportation Authorities Act of 1967 (PA 204 of 1967, MCL 124.401). SMART provides public transportation services in Wayne, Oakland, Macomb and Monroe counties. PA 204 also provides for the creation of Regional Transportation Coordinating Council (RTCC) "for the purpose of establishing and directing public transportation policy" within the Detroit metropolitan area .

Under PA 204, the RTCC is empowered to adopt public transportation plans for the Detroit metropolitan area, and to coordinate service overlap, rates, routing, and scheduling. RTCC is also authorized to receive transportation operating and capital assistance grants and is the designated recipient for Federal Transit Administration grants. The city of Detroit and SMART are subrecipients of Federal Transit Administration grants. In effect, the RTCC acts as a "pass-through" agency for state and federal assistance.

HB 5467 would repeal PA 204 of 1967 450 days after the effective date of the proposed new act. The bill would create a single entity, the "Detroit Area Regional Transportation Authority" - which, to at least some extent, would perform the functions of both the RTCC and SMART. The new agency would be empowered to both operate public transportation facilities - something the RTCC currently cannot do - and coordinate regional transportation services. The bill would have no apparent direct effect on the operations of the Detroit Department of Transportation.

The bill would increase local costs to the extent that it creates a new local agency (Detroit Area Regional Transportation Authority) and requires certain activities which have costs - the selection of an authority chief executive officer, for example. However, the bill does not obligate the state or any local political entity to pay those costs. The bill indicates that "within 270 days after the selection of the chief executive officer, the authority shall present to the legislature and the governor its recommendations for legislation to establish a dedicated funding stream for the authority."

The bill would have no effect on the formulas which govern the distribution of federal or state operating assistance to transit agencies in Michigan. State operating assistance for public transit agencies is appropriated in annual transportation appropriations acts, and is distributed to transit agencies based on a percentage of transit agency eligible operating expenses. This distribution method is provided in Public Act 51 of 1951. Federal Transit Administration Urbanized Area

Formula grants are distributed in accordance with Title 49 U.S.C. Under terms of the bill, the way grants are distributed between SMART (or its successor agency) and DDOT could be changed, but this was also true under terms of Public Act 204.

HB 5468, which is tie-barred to HB 5467, would exempt the new Detroit Area Regional Transportation Authority from the Motor bus transportation act (MCL 474.104). This bill has no apparent fiscal impact.

For additional background information on public transit in southeast Michigan see the memo to the House Committee on Commerce attached (or linked) to this analysis.

M E M O R A N D U M

HOUSE FISCAL AGENCY

DATE: **December 7, 2001**

TO: House Committee on Commerce

FROM: William E. Hamilton

RE: Preliminary Analysis of HB 5467 (as introduced)
Regional Public Transportation Authorities in Southeast Michigan

Purpose - The purpose of this memo is to provide the Committee with background information on public transportation services in southeast Michigan, including information on the coordination of transit services between the Detroit Department of Transportation (DDOT) and the Suburban Mobility Authority for Regional Transportation (SMART). The memo includes a preliminary analysis of HB 5467, as introduced. This bill analysis may be revised and/or expanded as additional information or amendments to the bill are presented to the Committee.

Summary/Fiscal Impact - SMART is a regional transportation authority organized under the Metropolitan Transportation Authorities Act of 1967 (PA 204 of 1967, MCL 124.401). SMART provides public transportation services in Wayne, Oakland, Macomb, and Monroe counties. PA 204 also provides for the creation of Regional Transportation Coordinating Council (RTCC) "for the purpose of establishing and directing public transportation policy" within the Detroit metropolitan area [1].

Under PA 204, the RTCC is empowered to adopt public transportation plans for the Detroit metropolitan area, and to coordinate service overlap, rates, routing, and scheduling. RTCC is also authorized to receive transportation operating and capital assistance grants and is the designated recipient for Federal Transit Administration grants. The city of Detroit and SMART are subrecipients of Federal Transit Administration grants. In effect, the RTCC acts as a "pass-through" agency for state and federal assistance.

HB 5467 would repeal PA 204 of 1967 450 days after the effective date of the proposed new act. The bill would create a single entity, the "Detroit Area Regional Transportation Authority" - which, to at least some extent, would perform the functions of both the RTCC and SMART. The new agency, which for purposes of this memo we will abbreviate as "DARTA", would be empowered to both operate public transportation facilities - something the RTCC currently cannot do - and coordinate regional transportation services. The bill would have no apparent direct effect on the operations of DDOT.

The bill would increase local costs to the extent that it creates a new local agency (DARTA) and requires certain activities which have costs - the selection of a DARTA chief executive officer, for example [2]. However, the bill does not obligate the state or any local political entity to pay those costs. The bill indicates that "within 270 days after the selection of the chief executive officer, the authority shall present to the legislature and the governor its recommendations for legislation to establish a dedicated funding stream for the authority."

The bill would have no effect on the formulas which govern the distribution of federal or state operating assistance to transit agencies in Michigan. State operating assistance for public transit agencies is appropriated in annual transportation appropriations acts, and is distributed to transit agencies based on a percentage of transit agency eligible operating expenses. This distribution method is provided in Public Act 51 of 1951. Federal Transit Administration Urbanized Area Formula grants are distributed in accordance with Title 49 U.S.C. Under terms of the bill, the way grants are distributed between SMART (or its successor agency) and DDOT could be changed, but this was also true under terms of Public Act 204.

HB 5468, which is tie-barred to HB 5467, would exempt the new Detroit Area Regional Transportation Authority from the Motor bus transportation act (MCL 474.104). This bill has no fiscal impact - SMART is currently exempt from the act under PA 204.

---

[1]. See Appendix 1 for expanded definitions of DDOT, SMART, and RTCC.

[2] There are currently no costs associated with RTCC in as much as the RTCC employs no personnel and does not contract for goods or services.

Background/History - DDOT provides bus service only in the city of Detroit. SMART provides bus service primarily in the suburbs. Yet many people in metro Detroit depend on public transportation for travel between the city and suburban communities. There has been long-standing interest in improved coordination of service between DDOT and SMART along city/suburb connecting routes, in particular along the major thoroughfares of Michigan, Grand River, Gratiot, Woodward, and Jefferson. Coordination issues involve questions of efficiency, jurisdiction, and effective service.

In some instances, DDOT and SMART have service along the same routes. SMART runs "express" routes between the city and suburbs, while DDOT is primarily a "local" service. In the past, DDOT representatives have objected to SMART picking up passengers within the city limits, yet at the same time bus passengers within the city have complained that SMART buses drive by without picking them up. There have also been coordination issues between the two agencies regarding fares and transfers.

In January 1998, coordination issues were highlighted when DDOT eliminated 14 routes it had run to the suburbs - ending all DDOT service outside of the city limits. The DDOT director at the time was quoted as saying that SMART was "offering service in the city that exactly duplicates service that we already offer" and that SMART was going after Detroit's "meat and potato bus runs." A January 18, 1998 Detroit News story reported that "Detroit threatens to banish SMART - Council considers kicking suburban buses out of city."

The city did not, in fact, limit SMART bus service in the city. Since 1998 DDOT and SMART have made substantial progress in the coordination of services. In September 1999, in response to a boilerplate requirement in the 2000-01 fiscal year state transportation appropriations act, the RTCC submitted a report to the House Appropriations Subcommittee on Transportation, which addressed coordination of services between the DDOT and SMART including dispatching, ticketing, farebox and intersystem reimbursement, and scheduling [3].

Regional Transportation Plan - In addition to interest in improved coordination between DDOT and SMART, there has been increased interest in a comprehensive regional public transportation plan for southeast Michigan, and the creation of a regional transportation authority (in place of the RTCC) to implement such a plan. On October 25, 2001, the general assembly of SEMCOG, the Southeast Michigan Council of Governments, adopted a regional transit plan for southeast Michigan, *Improving Transit in Southeast Michigan: A Framework for Action* [4]. In addition, the Detroit Regional Chamber of Commerce has advocated for an improved public transit system in the Detroit region including "the establishment of a regional transportation authority in Southeast Michigan with a dedicated source of local funding for its support" [5].

[3] Boilerplate sections in the 1998-99, 1999-2000, and 2000-01 fiscal year transportation appropriations acts directed DDOT and SMART to coordinate services and set various reporting requirements. No such coordination language was included in the current year transportation appropriations act.

[4] See http://www.semcog.org/news/releases/transitadopt.html for a copy of the SEMCOG news release which includes a link to a PDF version of the transit plan.

[5] See http://216.185.153.38/pages/issues/public_priorities_sub.asp?id=12 for the Detroit Regional Chamber of Commerce web site.

KPMG Report - In July 2000, the consulting firm KPMG Peat Marwick was hired to assess options for the coordination of services between DDOT and SMART. The report indicated that "DDOT and SMART have coordinated activities and plan further coordination on a wide range of fronts."

The report concluded that “it is difficult to make a case for complete merger of the two systems based on intended cost savings,” and also suggested that savings from additional coordination of routes would be “relatively small.” The report also noted that "there are significant additional advantages in regional coordination like that which has been completed to date."

The KPMG report recommended that DDOT and SMART "should also initiate legislation at least to enhance the role of the RTCC. Such legislation would make the RTCC responsible for coordination of long range planning, service planning, fares and customer information, and would provide the ability and authority to fulfill these responsibilities (either directly through RTCC staff, through existing staff at an affiliated public agency, or through contract)." The report suggested that increased regional coordination through a reform of the RTCC “could achieve many of the benefits of coordination without risking the disadvantages of complete merger.”

The KPMG report also noted that the region lags other comparable regions in the amount of transit funding and concluded that "there is a direct correlation between the quality and quantity of transit service and the amount of reliable funding spent on public transit, no matter institutional configuration is implemented. " The report stated that "substantial improvements to transit service in the region cannot reasonably be expected without new transit funding."

Appendix 1

Metro Detroit Public Transportation Agencies

DDOT is the Detroit Department of Transportation - a division of the city of Detroit. DDOT provides public transportation services within the city limits of Detroit.

DDOT operating costs not covered by farebox revenue are primarily funded by state local bus operating assistance (through the RTCC) and by contributions from the city's General Fund.
Over the last several years the city has contributed over $50 million each year from the city General Fund to support DDOT transit operations.

DDOT also receives state and federal capital assistance.

SMART is an acronym for the Suburban Mobility Authority for Regional Transit, a regional transportation authority organized under the Metropolitan Transportation Authorities Act of 1967 (PA 204 of 1967, MCL 124.401). SMART provides public transportation services in Wayne, Oakland, Macomb, and Monroe counties.

Although SMART has no scheduled routes which both begin and end within the city of Detroit, SMART buses do provide express bus service between suburban communities and downtown Detroit.

SMART operating costs not covered by farebox revenue are primarily funded by state local bus operating assistance (through the RTCC) and by a 1/3 mill property tax levied in Macomb County, most of Oakland County, and most of Wayne County excluding the city of Detroit.

PA 204 does not authorize SMART to levy taxes in its own name. However, in 1995 the Oakland County Transportation Authority, the Wayne County Transit Authority, and all of Macomb County approved a three-year 1/3 mill property tax for SMART. In August of 1998 the 1/3 mill tax was approved for an additional four years. These property tax revenues generate approximately $20 million per year for SMART operations.

SMART also receives state and federal capital assistance.

RTCC - In 1988 the Legislature amended PA 204 of 1967 to establish the Regional Transportation Coordinating Council (RTCC) "for the purpose of establishing and directing public transportation policy" within the Detroit metropolitan area. The rights, duties, and powers of the RTCC are defined in section 4a of the act, (MCL 124.404a).

There are four voting members of the RTCC, the chief executive officer of the city of Detroit, and the chief executive officers of Wayne, Oakland, and Macomb counties. Subsection 6 of the act requires the RTCC to act by unanimous vote of its members.

The RTCC is empowered to adopt public transportation plans for the Detroit metropolitan area, and to coordinate service overlap, rates, routing, and scheduling. RTCC is authorized to receive transportation operating and capital assistance grants and is the designated recipient for federal transit administration grants. The city of Detroit and SMART are subrecipients of federal transit act grants.

The RTCC receives state local bus operating assistance based on the Act 51 distribution formula (based on a percentage of eligible operating expenses) and then apportions the assistance 65% to DDOT and 35% to SMART. For the current fiscal year, it is estimated that approximately $84.0 million in state operating assistance will be distributed to the RTCC, of which approximately $54.0 million will be distributed to DDOT and $30.0 million to SMART.

If the two agencies were reimbursed separately rather than through the RTCC, DDOT would receive a greater share, and SMART a smaller share, of state operating assistance under the current Act 51 distribution formula.

DARTA is the abbreviation used in this analysis for the Detroit Area Regional Transportation Authority proposed in HB 5467, as introduced. HB 5467 would substantially combine the responsibilities and authority of the RTCC and SMART. The proposed DARTA would have authority for coordination of public transportation facilities in the region, as well as authority to operate a public transportation facility.

MEMO1