



**House  
Legislative  
Analysis  
Section**

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**COUNCIL TO REORGANIZE SEMTA**

**House Bill 5571** as passed by the House  
Second Analysis (8-10-88)

**Sponsor: Rep. Curtis Hertel**  
**Committee: Transportation**

***THE APPARENT PROBLEM:***

The Metropolitan Transportation Authorities Act of 1967 establishes regional transportation authorities in major metropolitan areas of the state for the purpose of constructing and maintaining public transportation facilities. Almost since its creation, and certainly within the past ten years, the Southeastern Michigan Transportation Authority (SEMTA) has been plagued with controversy concerning its effectiveness. It has been suggested that the authority was doomed to be ineffective from the start because of its lack of a local permanent tax base to ensure adequate funding to the system. Most U.S. metropolitan transit agencies of its size do have a permanent local tax source. Indeed, although the authority provides services to approximately 35,000 to 37,000 bus riders per day, it has been suggested that SEMTA may be the only metropolitan transit agency of its size in the U.S. without a permanent local tax source.

However, lack of a local tax base has not been the only problem facing the system. It became obvious during the development of the People Mover project (early 1980's to present) that the SEMTA board was not as effective as had been hoped. It has been suggested that poor decisions were made concerning the project due to an inability to get consensus among members about the way the project should have been handled. SEMTA's credibility was questioned considerably amid this period of cost overruns and construction problems. (The People Mover project was subsequently taken over by the City of Detroit.) During this same period federal funding began to decrease dramatically, requiring cutbacks of services provided by the authority. SEMTA's failure to effectively administer the People Mover project coupled with a decline in federal funding lead to frequent skepticism about whether the authority could effectively administer the larger transit system. Due to mounting skepticism, several SEMTA members have threatened to withdraw from the system at one time or another within the past eight years, and reorganization plans have been suggested to address the system's problems. Most recently, Oakland County threatened to pull out of SEMTA in 1986 unless the authority was reorganized.

Currently, the authority operates amid accusations of poor management, unresponsiveness, and a projected deficit of \$2.7 million next year and faces possible bankruptcy within the next three years. It has been suggested that SEMTA should remain the entity responsible for mass transit operation within southeastern Michigan in order to maintain contractual agreements with laborers. However, it has also been suggested that the system should be reorganized to address the issues that have been raised.

***THE CONTENT OF THE BILL:***

The bill would establish a Regional Transit Coordinating Council to reorganize the Southeastern Michigan Transportation Authority (SEMTA).

Council. The bill would amend the act to require the chief executive officer of a city with a population of 750,000 or more, each county in which such a city was located, and all other counties immediately contiguous to the city to form a council by written compact to establish and direct public transportation policy within a metropolitan area. (The council would consist of the mayor of the City of Detroit, the Wayne and Oakland County executives, and the chair of the Macomb County Board of Commissioners.) The compact would include the following information:

- name of council;
- address of council;
- name and address of person who could serve as liaison with government officials;
- description of the circumstances under which the council would receive federal, state, local or private funds directly;
- description of the types of projects and grants for which the council would make application;
- formula for division of grants between the city and authority providing service to the counties (the formula could be amended to reflect changes in federal or state law, as well as changing conditions in the region);
- the types of policy issues which the council would address, and the issues which would be left to the city and the authority providing service to the counties;
- the procedure by which the council would provide annual reports of its activities;
- the conditions under which the council would acquire, own, lease, maintain, sell, dispose, divide, or distribute real or personal property;
- the manner of responding for any liabilities that might be incurred by the council, and insuring against any such liability;
- statement that future executives or mayors would be members of the council unless their respective local unit withdrew from the authority providing service to the counties; and
- the process for amending the compact.

The council could adopt public transportation plans for its metropolitan area and coordinate service overlap, rates, routing, scheduling, and like functions between operators of public transportation, but would not have power to employ operating personnel or own operating assets of a public transportation service within the metropolitan area. (The SEMTA system would continue to perform these functions.) The council could act by unanimous vote of its membership and would meet regularly but not less than quarterly. A council member could not designate another representative to serve in his or her place on the council. However, if an emergency financial manager had been appointed under the Local Government Fiscal Responsibility Act with respect to an authority established by the bill, then that emergency financial manager could exercise the authority and responsibilities provided in the bill to the extent allowed under the fiscal responsibility act. Meetings

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of the Regional Transit Coordinating Council would be subject to the provisions of the Open Meetings Act. A county that withdrew from SEMTA and whose chief executive officer was a member of the council could not contract for public transportation services with the Southeastern Michigan Transportation Authority and would not be permitted to retain any assets of the authority. Further, such a county would lose its seat on the council.

**Operating and Capital Assistance Grants.** The written compact forming the council would provide for the conduct of the affairs of the council, including provision for the appointment of a general secretary to the council and allocation between the city and any authority representing the counties of any grants applied for by the council. The council would be considered an authority under the act for the sole purpose of receiving transportation operating and capital assistance grants. The council would be a "designated recipient" for the purposes of the federal Urban Mass Transportation Act to apply for federal and state transportation operating and capital assistance grants. However, the council could designate the City of Detroit and the SEMTA system each as a sub-recipient of federal and state transportation funds. To the extent required by the Federal Urban Mass Transportation Act, the council, the City of Detroit and the authority would execute a supplemental agreement conferring on the designated sub-recipients the right to receive and dispense grant funds and other provisions required by federal law and regulation. The general secretary of the council would submit the council's application for such grants to the responsible federal and state agencies in a timely manner. The application would designate the distribution of all capital and operating funds which would be paid directly to Detroit and SEMTA. If the recipient was the council, the general secretary would remit to Detroit and SEMTA their designated distribution of funds as soon as possible and not more than ten business days after receipt of the funds by the general secretary.

**Reorganization of SEMTA.** At the earliest date practicable after the effective date of the bill, the board of SEMTA would be required to allocate and convey to the City of Detroit all assets and liabilities utilized or attributable to the city in its present transportation activities at that date located within the city's service area and not pertaining presently to the transportation activities of any other entity. However, before any conveyance could be completed, the board would be required to authorize a comprehensive audit of all assets and liabilities. Copies of the audit would be provided to the Michigan Department of Transportation and the auditor general. All other assets and liabilities not utilized by or attributable to the city would remain the property of SEMTA.

Under the act, SEMTA's governing board consists of fifteen members appointed on the basis of population according to the latest federal decennial census, with certain exceptions. The bill would provide that the board be composed of the chief executive officers of each county in which a city having a population of 750,000 or more was located within the area served by SEMTA and all other counties immediately contiguous to the city (Wayne, Oakland and Macomb counties). Council members could designate a representative to serve on the board. The board could change the name of the authority by unanimous vote. A change would be effective upon the filing of the resolution authorizing the change with the secretary of state and the clerk of each constituent county.

The bill would require the board to obtain an annual audit. Under the bill, the audit would have to be in accordance with generally accepted government auditing standards

as developed by the U.S. General Accounting Office and would have to satisfy federal regulations relating to federal grant compliance audit requirements. A copy of the annual audit would have to be filed with the state treasurer and the Michigan Department of Transportation. The board would also be required to prepare budgets and appropriations acts in accordance with the Uniform Budget Act. The bill would also provide that if ending a fiscal year in a deficit condition, the board would be required to file a financial plan to correct the deficit condition in the same manner as provided in the State Revenue Sharing Act. A copy of the financial plan would also have to be filed with the Michigan Department of Transportation.

**Other changes.** The bill would amend the definition of "metropolitan area" to exclude Lapeer County, thus excluding Lapeer County from the area affected by the bill.

The bill would provide for the establishment of an advisory committee composed of riders who are senior citizens or handicappers and who live within the Southeastern Michigan Transportation Authority service area to report their concerns to the council on a regularly scheduled basis.

The bill would exempt authorities from the Motor Bus Transportation Act in the exercise of their power within their geographical boundaries. The bill would also delete obsolete sections of the act.

MCL 124.402 et al.

## **FISCAL IMPLICATIONS:**

According to the Department of Transportation, the bill would have negligible fiscal implications to the state. (8-3-88)

## **ARGUMENTS:**

### **For:**

The Southeastern Michigan Transportation Authority has been plagued with accusations of mismanagement and poor operating procedures. In order to combat these problems the bill would split the policy making entity of the authority from the operating entity of the authority by creating the Regional Transit Coordinating Council. The council would be more effective in addressing transit issues because its members would be elected officials held accountable by their constituents. Further, due to the number of members currently on the SEMTA board, the board is considered cumbersome and ineffective. The bill would reduce the number of transit policy makers from fifteen to four, thereby alleviating some of the confusion within the authority.

### **Against:**

Under the bill, the Regional Transit Coordinating Council (RTCC) would be the designated recipient of state and federal transit funding and the SEMTA board would allocate the money to the counties and the Detroit Department of Transportation. The RTCC would consist of representatives of Wayne, Oakland, and Macomb counties and the Detroit Department of Transportation (the "big four") and the SEMTA board would consist of representatives of the counties of Wayne, Macomb, and Oakland (the "big three"). The current structure of the bill would allow the big four to monopolize the use of transit money and would not afford the outlying counties with any means of vocalizing their views on transit issues.

**Response:** Under federal and state guidelines, urbanized areas receive a certain amount of money based on several factors (including intensity of use of the transit system, and so forth). Based on the state and federal

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guidelines, money allocated to SEMTA (for the outlying counties and the counties of Wayne, Oakland and Macomb) or the Detroit Department of Transportation would have to be dispensed to those agencies. Since Oakland, Wayne, and Macomb counties and the outlying counties are all lumped together and included in the state and federal allocation of transit funding to SEMTA, it is unlikely that the big four would try to jeopardize this system.

**Rebuttal:** Under the bill, it is true that when the RTCC received funds from the state and federal governments the allocation for Oakland, Wayne, and Macomb counties and the outlying counties would come as one lump sum and the funding for the Detroit Department of Transportation would come as a separate lump. However, once the SEMTA board received its share of state and federal transit funding from the RTCC for the outlying counties and the big three, it could allocate the money any way it wanted. Further, since the bill would reduce the present SEMTA board from fifteen members to representatives of the big three, it is highly likely that money previously used for transit funding in outlying counties would be switched to the big three. There is nothing in the bill which would prevent the big three from making this switch.

**Response:** Although nothing in the bill would prevent the SEMTA board from allocating all of the money it received from the RTCC to the big three, the big three have promised not to dramatically change the current allocation of transit funding are willing to sign a contract to this effect. In addition, the big three have pointed out that because they hold a majority of the votes on the current SEMTA board they could change the allocation now if they so desired and there would be no contract to stop them.

### **Against:**

Under the current SEMTA system, outlying counties have a voice in deciding how transit issues are addressed. In addition, with representatives of the big three and the outlying counties on the board there is cooperation and coordination between outlying areas and the big three. Under the bill, there would be no incentive for regional cooperation and coordination. Further, the big three would not necessarily be made aware of the transit concerns of outlying counties because the counties would not have a voice on the board.

**Response:** The big three should not, nor do they want, to make transit policy decisions for the outlying counties. If the outlying counties were not satisfied with the board they would be free to form their own regional authority. In addition, according to some calculations the outlying counties only represent two percent of the annual ridership on the SEMTA system. Therefore, whether or not the outlying counties actually deserve a spot on the board is questionable.

**Rebuttal:** To suggest that the outlying counties form a regional authority is absurd. The counties are separated geographically and therefore face different situations and needs which would not be effectively addressed by an authority composed of outlying county representatives. Further, SEMTA currently provides the outlying counties with much-needed technical expertise in addition to supporting their systems by making bulk purchases of transportation items (such as tires, fuel, insurance, and so forth). If the counties try to meet their own transit needs they would not be able to receive all of the services that SEMTA currently provides. Some counties estimate that if they did try to provide their own transit service without SEMTA they would probably spend an additional \$100,000 annually on operating costs. Further, the outlying counties adamantly

maintain that the present system has worked well for them. If the system is to be reorganized, there should be at least one member on the SEMTA board representing outlying county interests.

Further, some have calculated that the outlying counties represent seven percent of the annual ridership on the SEMTA system. The people comprising that seven percent feel that their numbers are substantial enough to warrant representation on the SEMTA board.

### **POSITIONS:**

The chief executive officers for the counties of Wayne, Oakland, Macomb and the Detroit Department of Transportation support the bill. (8-9-88)

The Amalgamated Transit Union (a group representing the interest of transit workers) supports the bill. (8-10-88)

The Metro Transit Development Committee supports the bill. (8-9-88)

The Michigan AFL-CIO supports the bill. (8-10-88)

The Ann Arbor Transportation Planning Board opposes the bill. (8-9-88)

The Ann Arbor Ypsilanti Urban Area Transportation Elected Study Committee opposes the bill. (The committee consists of elected officials from the cities of Ann Arbor, Saline, and Ypsilanti, and the townships of Ann Arbor, Lodi, Pittsfield, Scio, Superior, and Ypsilanti.) (8-9-88)

The Monroe County Board of Commissioners opposes the bill. (8-9-88)

The St. Clair County Board of Commissioners opposes the bill. (8-9-88)

The Washtenaw County Metropolitan Planning Commission opposes the bill. (8-9-88)