

MEMORANDUM



DATE: January 30, 2003

TO: House Commerce Committee

FROM: William E. Hamilton

RE: House Bill 4072 (H-4) As Passed by the House Commerce Committee
Proposed Detroit Area Regional Transportation Authority (DARTA) Act
House Bill 4073 to amend the Motor bus transportation act
House Bill 4074 to Amend Public Act 51 of 1951

Summary Description of House Bill 4072 (H-4)

The Regional Transportation Coordinating Council (RTCC) is the agency currently responsible for “establishing and directing public transportation policy” within the Detroit metropolitan area. Created under the authority of PA 204 of 1967¹, the RTCC is empowered to adopt public transportation plans for the Detroit metropolitan area, and to coordinate service overlap, rates, routing, and scheduling.² House Bill 4072 would repeal PA 204 of 1967 and thus eliminate the RTCC.

Effective June 30, 2003, House Bill 4072 would replace the RTCC with a new entity responsible for public transportation services in southeast Michigan, the *Detroit Area Regional Transportation Authority* (DARTA). The new entity would perform the functions currently performed by the RTCC - planning and coordinating public transportation services for the region, as well as functioning as the designated recipient for state and federal operating and capital assistance grants. In addition, the new agency would also be empowered to operate public transportation facilities - something the RTCC currently cannot do.

HB 4072, as introduced, was substantially the same as Enrolled House Bill 5467 of the 91st Legislature which was vetoed by Governor Engler in December 2002. The H-4 version includes amendments adopted by the House Commerce Committee.

HB 4073 would amend PA 432 of 1982, the Motor bus transportation act, to include references to the proposed DARTA act.

HB 4074 would amend PA 51 of 1951 to include references to the proposed DARTA act in sections dealing with the distribution of Comprehensive Transportation Fund operating assistance to local transit agencies.

The three bills are tie-barred.

¹ PA 204 of 1967 is the Metropolitan Transportation Authorities Act of 1967, MCL 124.401, et. seq.

² See following pages for a more detailed description of the RTCC.

Fiscal Impacts

House Bill 4072 (H-4), 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.³ However, the bill does not obligate the state or any local political entity to pay those costs. Section 4(8) of the bill indicates that "within 1 year after the selection of the chief executive officer of the authority, the authority shall present to the legislature, the members of the appropriations committees of the house of representatives and the senate, and the governor its recommendations for legislation to fund the implementation of the comprehensive regional transportation service plan and for legislation to establish a dedicated funding stream for the authority."

Section 18 of the bill indicates that DARTA "shall not levy taxes."

Except as noted below, 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 by DARTA between SMART and DDOT could be changed, but this was also true under terms of Public Act 204.

Discussion of State Bus Operating Assistance

Section 10e of PA 51 of 1951 provides for the priority order of appropriations from the Comprehensive Transportation Fund (CTF). The third order of priority, after payment of CTF debt service and administration, is the payment of state operating assistance to eligible recipients, including "eligible authorities." "Eligible authorities" are defined in Act 51 as authorities organized under PA 204 of 1967; i.e. the RTCC⁴.

The total FY 2002-03 appropriated distribution of state (CTF) operating assistance to all 75 Michigan transit agencies is \$160.0 million. Of this total, the estimated distribution to the RTCC for FY 2002-03 is \$87.2 million, of which the Detroit Department of Transportation (DDOT) would receive \$55.1 million and SMART would receive \$31.0 million. This distribution of state operating assistance between DDOT and SMART is based upon an agreement by the RTCC to divide state operating assistance 65/35 between DDOT and SMART. At the effective date of the proposed DARTA act, June 30, 2003, the RTCC would be abolished along with authority for 65/35 funding agreement. It is our belief that DARTA would have to establish a new agreement to provide for the distribution of state operating assistance between DDOT and SMART.

State bus operating assistance reimburses transit agencies for a share of each agency's eligible operating expense. Eligible operating expenses attributable to the RTCC for FY 2002-03 (based on budget estimates) are \$237.5 million – approximately 60% of eligible operating

3. 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.

4. House Bill 4074 would amend the definitions of "eligible authorities" in PA 51 of 1951 to reference authorities organized under the DARTA act created by the HB 4072,

expense of all 75 Michigan transit agencies. The state's estimated reimbursement of \$87.2 million represents approximately 54.5% of the total state operating assistance of \$160.0 million. The RTCC's share of state operating assistance has declined over the last seven years as out-state Michigan transit agencies have expanded their budgets at a faster rate than have DDOT and SMART. In FY 1995-96 the RTCC's share of total state operating assistance was 67.8%.

Summary Description of Current Law

There are currently three primary agencies with authority for public transportation in southeast Michigan: DDOT, SMART, and the RTCC.⁵

❖ DDOT is the Detroit Department of Transportation. DDOT provides transit services within the Detroit city limits. It is a department of city government and derives its authority from the Home Rule City Act (PA 279 of 1909).

❖ 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. SMART service within the city of Detroit is generally limited to express service between the city and suburbs.

❖ The RTCC is the Regional Transportation Coordinating Council, established under Sections 4a and 4b of PA 204 of 1967 "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.

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 4a(6) of the act requires the RTCC to act by unanimous vote of its members.

Section 4a(2) of the PA 204 states that the RTCC is considered a regional transportation authority under the Act "for the sole purpose of receiving transportation operating and capital assistance grants". The RTCC is specifically prohibited from exercising any of the rights, duties, or powers of a regional transportation authority, i.e. operating a public transit system.

The RTCC is the recipient of state bus operating assistance on behalf of DDOT and SMART. The estimated distribution to the RTCC for FY 2002-03 is \$87.2 million, of which DDOT would receive \$55.1 million and SMART would receive \$31.0 million. This distribution of state operating assistance between DDOT and SMART is based upon an agreement by the RTCC to divide state operating assistance 65/35 between DDOT and SMART.

In addition, section 4a(5) of PA 204 makes the RTCC 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 both state and federal assistance.

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

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.⁶

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*.⁷ 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".⁸

6. 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 either the FY 2001-02 or the current year transportation appropriations act.

7. See <http://www.semcoq.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.

8. See http://www.detroitchamber.com/pages/issues/regional_transportation.asp 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 .6 mill property tax levied in Macomb County, most of Oakland County, and most of Wayne County excluding the city of Detroit.

Note that 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. In August 2002 voters passed a four-year .6 mill property tax which is expected to generate approximately \$40.0 million per year for SMART operations.

SMART also receives state and federal capital assistance.

SMART is currently organized under PA 204 of 1967. Although HB 4072 would repeal PA 204, HB 4072 also contains language which provides for SMART to continue under the authority of the DARTA act created by HB 4072.

Appendix 1 - Continued

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 sections 4a and 4b of the act, (MCL 124.404a and 124.404b).

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 4a(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 \$87.2 million in state operating assistance will be distributed to the RTCC, of which approximately \$55.1 million will be distributed to DDOT and \$31.0 million to SMART.

DARTA is the abbreviation used in this analysis for the Detroit Area Regional Transportation Authority proposed in HB 4072. The DARTA authority created in HB 4072 would have substantially the same responsibilities and authority as the RTCC. DARTA would be responsible for regional transportation planning and coordination functions that the RTCC is currently authorized to perform. DARTA would also replace the RTCC as the designated recipient for state and federal grants.

HB 4072 would also authorize DARTA to **operate** a public transportation facility - something the RTCC is prohibited from doing. Since SMART's authority to operate a public transportation facility is continued under the DARTA Act, and DDOT's authority to operate a public transportation facility is continued under PA 279 of 1909 (the Home Rule City Act), it is not clear what public transportation facilities would be operated by DARTA.