



MICHIGAN TRANSIT VISION



Prepared by Michigan
Transit Advisory Group
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Michigan Transit Advisory Group is responsible for the development of this document.
The members include:

The City of Ann Arbor
www.a2gov.org

Disability Advocates of Kent County
www.disabilityadvocates.us

Michigan Environmental Council
www.environmentalcouncil.org

Washtenaw Area Transportation Study
www.miwats.org

Transit Riders United
www.DetroitTransit.org

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Providing a high quality comprehensive transportation system has become a benchmark for economic competitiveness for nearly every state. Yet for decades, Michigan has underfunded its transportation system and focused almost exclusively on roads alone

Michigan can boost our economy, fulfill the transportation needs of all Michiganders, and start creating a successful, attractive state, if we make significant investments in transit throughout Michigan. This report details why these investments are critical, what a high quality Michigan transit system would entail, and key steps to achieving it.

Introduction

The rapid movement of people, goods and ideas propels the economy now more than at any time in history. Commuters crisscross entire metropolitan regions, products pour across open borders and information races instantaneously around the globe on the Internet. Michigan's successful evolution into the Digital Age requires a transportation system fit for the 21st century. A consensus is emerging around the fact that transportation systems must provide sufficient options in order to provide the best support for a state or region's economic prosperity, environmental sustainability and mobility for all.

What's motivating the broad-based movement for expanded transportation choice is a powerful convergence of global mega trends. Those trends include:

- The urgent need to generate jobs, retain and attract young talented workers and grow the economy.
- Increasing traffic congestion, rising gas prices and the growing financial burden of car ownership.
- The goal of promoting green building, revitalizing cities, preserving rural landscapes and promoting sustainable development.
- Demographic (empty nesters/single professionals) and immigration trends that fuel growth in central cities.
- Mounting concerns about climate change, sprawl, and environmental protection.
- Lifestyle changes that favor walking, biking and healthy living.
- US national security and the reliance on foreign oil

These trends overwhelmingly favor growth in vibrant commerce centers whether large metropolitan areas or rural cities and villages. By extension, balanced transportation systems and corridors that enable people, goods and services to travel safely and efficiently in a variety of ways, including by car, truck, bike, bus, train, trolley or foot are an economic necessity for Michigan. In so doing, we can manage the change and translate some truly ominous threats into real opportunities to propel our economic growth in the knowledge economy.

The stakes for Michigan could not be higher. The new economy uses information as its essential raw material and is defined by technology and mobility. Industries and their workers are no longer bolted to a specific place by the need for resources such as timber, iron ore and the like. They can establish themselves almost anywhere. As a result, quality of life continually ranks among the critical assets workers and executives increasingly cite when choosing a place to live and do business.

A substantial body of research demonstrates how important it is to offer a range of transportation choices in the new century. As “old economy” manufacturing jobs continue to fall to “new economy” knowledge jobs, a recent survey by Jones Lang LaSalle, a worldwide real estate and financial management firm, finds that 77 percent of “new economy companies” rate access to mass public transit as an extremely important factor in deciding where to locate.

What's more, a clear majority of Americans now favor communities that encourage and support a more walkable lifestyle, according to a recent survey published by the National Association of Realtors. The same survey found a clear majority also embrace expanded public transportation choices as a way to promote more sustainable energy use. Support only increases among younger generations, particularly the cohort known as Millennials.

In other words, thoughtful planning for and investment in comprehensive regional transportation systems is both a path to, and a requirement for, strengthening Michigan's economic competitiveness in the modern era. It is also essential to promote environmental stewardship, affordability, and social equity.

The importance of public transportation in the rural portions of the state cannot be understated. The need for adequate access to medical care, lifeline needs such as groceries and prescription drugs as well quality of life outside the State's metropolitan area is just as important as the urban needs. The need for connectivity and access are just as critical for the rural citizens of the State.

Over the last two decades, regions around the country have evolved their transportation policy and spending practices to align more closely with a new era of challenges and opportunities. They have invested billions of dollars to expand their transportation portfolios to include permanent mass transit and commuter rail systems. Those investments, in a majority of the examples, have leveraged and spun off considerable private sector investment. What's more, many of the regions that made the decision to invest in transit now rank among the most attractive, sustainable and prosperous in America.

Michigan must recognize the trends and respond accordingly to ensure we remain competitive nationally and internationally. The state will spend billions of taxpayer dollars in the coming years to maintain and expand transportation infrastructure. In the past, transportation infrastructure investments have been devoted almost entirely to building more roads and increasing the capacity of existing roads. This nearly roads only policy has

come, at the expense of being able to expand other transportation options like mass transit that are so critical to spurring new economic development.

The goal is a superior transportation system that promotes sustainable development and enables communities and citizens to save time, money, resources and stress. The solution is a modern and collaborative transportation strategy in Michigan

The purpose of this *Statewide Transit Vision* is to develop a sketch of the transit component of a comprehensive transportation system that serves and connects urban, suburban and rural population and commerce centers.

Components of a Comprehensive Transportation System

Michigan's transportation system must ensure that all people can get where they need to go, while helping create places people want to be. It must serve the needs of:

-  A Grand Rapids businessman who is tired of high gas prices and traffic,
-  A single mom in Saginaw whose car is unreliable,
-  An accountant in Munising with a physical disability,
-  A college student in Kalamazoo visiting her family in Dearborn,
-  A senior citizen in Gladwin who can no longer drive but needs to get to the doctor, and
-  A Birmingham couple having drinks after attending the Detroit Symphony.

Major components and examples of the plan should include the following as a minimum:

- High speed rail between Detroit and Chicago and other major Midwest metropolitan areas as specified in the Midwest High Speed Rail Initiative, similar to Amtrak Acela trains in the Northeast corridor;
- Intercity passenger rail and buses linking all metropolitan areas and the major tourist areas throughout Michigan, providing full access to one of the state's largest economic sectors;
- Metropolitan/regional commuter rail providing circulation within urban areas;

- Light rail, bus rapid transit or street cars in the urban areas of development that can support these modes;
- Comprehensive metropolitan transit systems, linking trains, buses, and non-motorized paths;
- Transit advantaging infrastructure—e.g., dedicated bus lanes, trolley streets within metropolitan areas;
- Quality local bus service that is comprehensive enough to ensure workers get to jobs and citizens have access to essential services such as education, medical care, etc. in all population centers;
- Non-motorized infrastructure such as sidewalks and bike paths to connect people and destinations by public transit service – specifically along non-freeway state trunk line facilities and all federally funded streets within the urbanized areas of the state. The state should also consider adopting Complete Streets as a state wide policy;
- Provision of paratransit, demand response and other lifeline services throughout the state to ensure sufficient access for all to necessary stores, services and employment;
- Advanced ITS that is ADA accessible to maximize the capacity of the transportation system including public transit and park and ride lots.

In addition to providing planning and funding mechanisms for the above transit modes, the state should be an active partner with local units of government by supporting:

- Sustainable development with integration between all levels of government that supports high-quality accessibility and mobility choices;
- Transit as a desirable, mobility option that is ADA accessible;
- Adequate and secure funding mechanisms are available at all levels of government to ensure development and maintenance of a comprehensive transit system. The “Win-Lose” funding structure must be replaced with adequate funding for all service.

Transit Provides Enormous Economic and Other Benefits

Public transit provides enormous benefits, including well known benefits of increased accessibility and mobility options, decreased pollution and traffic congestion, plus less obvious benefits of increased property values, job creation, and healthier communities.

Transit plays a critical role in creating vibrant, attractive communities and spurring enormous economic investment into our cities and nodes along transit corridors. Development occurs

around major, permanent transportation investments. Many people want to live, work, shop and play in vibrant, compact communities, where all their daily activities are within an easy walk, bike-ride or transit trip. Experts estimate that fully one-third of housing demand is for lofts, condos and townhouses in compact, walkable, transit-oriented communities. Yet only 2% of Michigan's housing supply is meeting this demand. This trend towards urban-living is expected to grow significantly over the coming decade, even more so now that driving is becoming so expensive. Many young, college-educated people are leaving Michigan to go to vibrant cities with effective public transit systems. If we want to retain that critical demographic, and the new technology and creative businesses they create and attract, we must provide them with the type of housing and transportation choices they prefer, including quality public transit.

By providing transportation alternatives, effective public transit systems can decrease the reliance on driving while improving accessibility. Providing alternatives to single occupant driving also decreases oil consumption, reducing demand-side pressure on gas prices. Almost all of oil used in the U.S. is imported, much from politically unstable regions of the world. If Americans used public transit for 10% of daily travel needs, as Europeans do, the United States would reduce its dependence on oil imported from the Persian Gulf by more than 40%.

At the individual level, transit alternatives save money. Although communities with good transit generally have to pay slightly more in taxes, they more than make it up in transportation cost savings. It costs, on average, \$8,000 a year to own and operate a private car (pre-2008 gas price increases), but only \$800 a year to buy transit passes. Even families who own cars but also take transit can save thousands of dollars a year in gas, maintenance and insurance.

This is especially important for lower income families. Transportation is the second largest expenditure in a family budget, after housing. Even before the recent spike in gas prices, many lower income families were spending 30%, 40%, or even 50% of their budget just for owning, insuring, maintaining and operating a car. With gas prices continuing to climb, transportation costs may become more costly than housing. Because of the limited transit alternatives, Detroiters' transportation costs are among the highest in the nation. Providing effective, attractive transit alternatives can mean thousands of dollars going to food, education, better housing or other critical needs such as medical care.

The reduction in personal vehicle miles traveled (VMT) that results from the availability of transit options improves public health by decreasing the air pollution that exacerbates asthma and other diseases. A 22% decrease in auto use during the 1996 Olympic Games held in Atlanta, led to a 44% decrease in asthma-related medical visits. The reduction in auto traffic congestion, particularly during peak hours, allows trucks to deliver freight with less delay and expense. Moreover, urban, transit-oriented living is also attractive to many senior citizens. Many empty-nesters who find that they no longer need a big house and yard and prefer to live where they can walk or take an easy transit ride to the symphony or

stadium. Older adults want to live in close proximity to their immediate needs without relying on others for transportation.

Public transportation is also essential for providing access and connectivity in rural areas of the state. In addition to allowing greater quality of life, public transportation serves rural residents by ensuring dependable access to employment and lifeline needs and services such as groceries and medical care

Our vision is an efficient, multi-modal transportation system, the key for sustained economic vitality and global competitiveness. Good transportation can keep the pumps of these economic engines primed and working, bringing opportunity, jobs and prosperity to all Michiganders.

Current Transit Funding

To date, user fees have been the preferred transportation funding route. Simply put, user fees are collected from those who use the system. User fees include fuel excise taxes, registration fees, and tolls. Tolls, however, do not play a role in Michigan except for specific bridges. The user fees only mechanism and the diversion of funds by the legislature exacerbate an already difficult funding structure that does not increase funds when demand and use increases and sets up a “win-lose” environment for transit providers.

Many other states that are thriving in this down economic time allow the use of more than user fees to invest in transportation because they recognize that transportation is critical to economic development as well as the environmental and social needs of a community.

User fees (fuel taxes and registration fees) and sales taxes (a portion from vehicle related sales tax) are currently the main State transportation funding possibilities in Michigan and the only local funding available for public transit is a millage. User fees account for the largest funding portion of State revenues with property millage providing support in urban areas and several rural counties which must be renewed at least every five years. Only AATA in Ann Arbor has a millage that is included the City Charter and does not need to be renewed. User fees include the fuel taxes and registration fees. Sales taxes provided for public transit include only sales taxes on automotive related sales and a sales tax added to fuel sales. What follows is a brief discussion of the current funding structure, the revenue sources, and the mechanisms by which these sources must be altered or added. To be competitive Michigan must invest significantly more in all modes of transportation as transit cannot exist without quality roads or pedestrian pathways.

Public Act 51

Public Act 51 of 1951 established the Michigan Transportation Fund (MTF) and the Comprehensive Transportation Fund (CTF). It directs how much money is distributed to

the MTF and the CTF and determines the priority of the programs supported by the funds. It also directs how the state allocates transportation dollars transportation revenue to various funds.

Michigan Transportation Fund (MTF)

Public Act 51 of 1951 established the Michigan Transportation Fund as the mechanism for the “collection and distribution fund for state-generated transportation revenue,” The MTF receives constitutionally restricted transportation revenue and then disburses the money to the various funds. Among the various funds, such as the State Trunkline Fund, that receive money from the MTF is the Comprehensive Transportation Fund.

Comprehensive Transportation Fund

Public transit is funded mainly through the CTF. In addition to bus transit, the CTF also funds freight rail, and passenger rail and water transportation. By statutory formula, the CTF is allocated up to 10% of the MTF; however, the 10% CTF share is allocated *after* various statutory deductions, and the most recent gas tax implemented by PA 83 of 1997 circumvented the formula reducing the current amount actually allocated closer to 8%. In addition to funds provided from the MTF, the CTF receives a portion of the sales tax that is generated on auto related sales. It should be noted that MTF allocations to the CTF are essentially statutory, not constitutional, and the auto related sales tax that is allocated to the CTF are subject to diversion by the state legislature.

Transit has been Significantly Underfunded for Decades

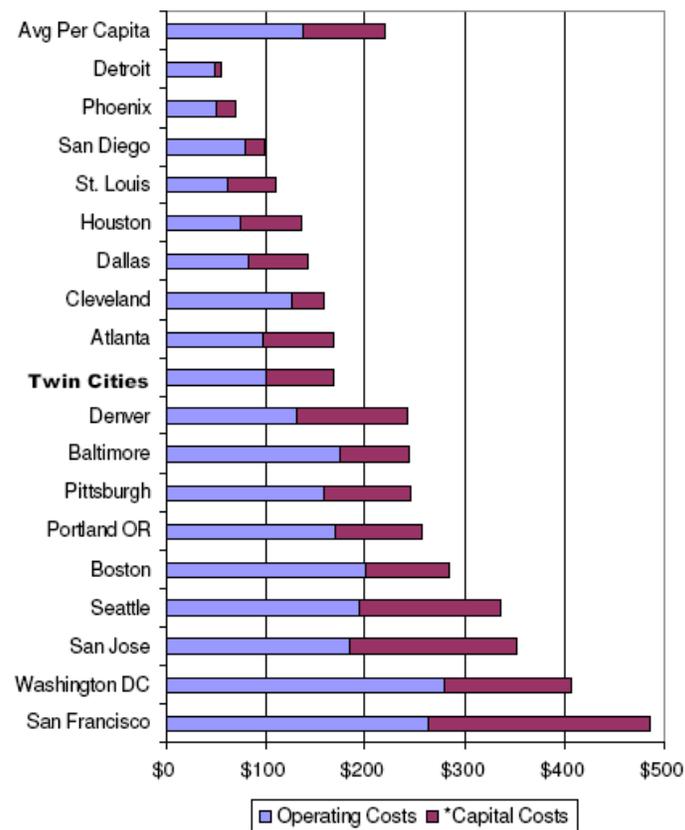
Michigan has systematically ignored and underfunded its entire transportation infrastructure. The state’s current transportation funding levels are not even sufficient to properly maintain its once excellent road system. Michigan roads are now ranked eighth worst in the nation with fourth worst for rural interstate conditions, and ranked 16th worst for deficient bridges. But transportation underfunding has been most problematic for Michigan’s transit infrastructure.

Table 1
Level of Public Transit Investment, Ranked by Per Capita Funding.

State	Transit Funding	Per Capita Spending
DC	\$211,822,288	\$384.77
Massachusetts	\$1,197,137,541	\$187.09
Maryland	\$727,433,000	\$129.89
New York	\$2,169,005,000	\$112.65
New Jersey	\$910,584,000	\$104.45
Alaska	\$59,850,000	\$90.18
Delaware	\$72,600,000	\$86.07
Pennsylvania	\$835,223,000	\$67.20
Connecticut	\$206,440,541	\$58.81
Minnesota	\$254,527,000	\$49.59
California	\$1,399,800,143	\$38.74
Illinois	\$445,600,000	\$34.91
Rhode Island	\$34,847,617	\$32.38
Virginia	\$157,600,000	\$20.83
Wisconsin	\$109,438,341	\$19.77
Michigan	\$195,149,300	\$19.28
North Carolina	\$154,680,000	\$17.81
Oregon	\$49,585,874	\$13.62
Vermont	\$6,266,976	\$10.06
Florida	\$149,738,231	\$8.42
Indiana	\$37,046,940	\$5.91

2005 Survey of State Funding for Public Transportation, by the US Department of Transportation Bureau of Transportation Statistics, with AASHTO and APTA

Chart 1
Transit funding in Peer City Regions, per capita.



1999-2003 Average – Regions with 1.5 million-4.1 million Population

Data from the National Transit Database (www.ntdprogram.com).
 Chart developed by Transit for Livable Communities, St. Paul, MN. (www.TLCMinnesota.org)

Funding Options for Consideration

To be an economic player that attracts both businesses with high quality and high paying jobs as well that the talented workers to fill those jobs, Michigan must strategically invest in transportation. Michigan cannot efficiently move goods to market, people to jobs or provide a quality, desirable place to live without significantly more investment that is not restricted by mode.

Possible Future Funding Sources and Structure

There are a host of potential funding sources. States that have the most effective transit systems, and rail transit systems especially, have some funding tools in common. These include a suite of local option transportation taxes. Local option transportation taxes are an

important, if not essential, aspect of Michigan's transportation funding system necessary for development of a comprehensive transportation/transit system.

A local option transportation tax is a tax that may vary from county to county. It is controlled at the local level. The revenue raised through this tax would be dedicated for transportation purposes. A local option transportation tax would require the state to devolve, or decentralize, some of its taxation powers to a county government. The county residents would determine whether or not to tax themselves, and if so, to what extent. There are five basic local option transportation taxes: sales, fuel, registration, property, and license fees.

Revisions to Michigan's transportation funding system necessary for development of a new transit vision include:

- Increasing transportation user's fees (fuel and registration taxes) to provide funding for the transit system envisioned and the base transportation system that supports the vision;
- Enabling local options—
 - Sales tax
 - Local gas tax
 - Local vehicle registration fees
 - Local property transfer tax
 - Enabled private investment for transportation improvements;
- Eliminating the restriction of transportation revenues by mode from the State constitution and Public Act 51; and
- Identifying other stable funding sources and indexing them to inflation.

Local Option Sales Tax

The local option sales tax has become the most important local option tax for funding major new transportation initiatives nationwide. In many states, it has become known as the most politically feasible option for local areas looking to finance major new transportation investments. The reason is simple: more than any other tax option, taxpayers have been willing to approve sales taxes on a scale that makes major new infrastructure projects possible. There are 33 states that have authorized local option sales taxes for transportation purposes (or for more general purposes that include transportation, such as capital improvements or economic development). Of these, local governments in at least 21 states have adopted sales taxes for road projects, and in 18 states for public transportation. In 14 cities nationwide, voters have approved sales taxes to fund the construction or expansion of light rail or rapid rail transit systems.

Local Option fuel Tax

Local taxes on motor vehicle fuels, such as gasoline, are authorized in 15 states, and have been adopted in ten. In states where they are in widespread use (e.g. Alabama, Florida, Hawaii, Nevada), the funds support the operating budgets of county road departments, much like state gasoline taxes that are passed down to the local level in other states. In suburban Northern Virginia, a regional sales tax on gasoline funds a variety of public transit and road investments.

This option could also be used to encourage regional cooperation. For example, legislation could be drawn to permit a 3 cent per gallon (cpg) increase if one county alone votes for the increase. Or, if two adjacent counties vote for a fuel tax increase jointly, up to 5 cpg could be permitted. Lastly, if three or more adjacent counties vote themselves a fuel tax increase, the counties may each be able to raise up to 7 cpg. This type of incentive for regional cooperation is especially important for transit projects such as commuter rail that may transverse two or three contiguous counties.

Local Option Vehicle Registration Fees

A wide range of taxes on motor vehicles is used to fund transportation investments around the country. The most important varieties are license or registration taxes, which tend to be either flat fees based on vehicle type, or variable taxes based on a vehicle's value. As previously mentioned, sales taxes on vehicle sales contribute significantly to the MTF. One option is to permit a county to capture up to 20% of a vehicle registration fee. Vehicle registration fees would also need to be adjusted; a sliding fee schedule, with lighter vehicles paying less and heavier vehicles paying more.

Local Option Property Transfer Tax

This option could permit county voters to agree to a local property transfer tax of up to .35% of the value of the property sale. This could also be based on a sliding scale. A higher transfer tax rate would be assessed on new development to account for accelerated road deterioration caused by increased traffic.

The Drive Michigan campaign has been working for more than two years in an effort to incrementally raise vehicle fuel taxes to keep the existing system from crumbling. Businesses for Better Transportation (BBT) has been working to enable new funding options that will be necessary to improve Michigan's transportation system. Currently the State Constitution limits local funding options to millages, severely impinging on the ability of localities to chart their own destinies and fund major transportation improvements.

In the short-term, gas tax user fee must be increased to minimally maintain our current transportation infrastructure by, at minimum, passing the Drive Michigan proposal. In order

to make a new transit vision a reality *and* ensure that the state's road infrastructure is sufficiently funded for the long-term, the BBT proposal must be passed with the necessary constitutional changes that allow Michigan communities to invest in their own futures.

The first critical steps to begin achieving this vision include the following:

-  Increase and stabilize bus funding, ending agency vs. agency conflict,
-  Authorize new local funding options,
-  Support and fund new rapid transit investments including the Grand Rapids bus-rapid-transit project, the Wally and Detroit-Airport-Ann Arbor commuter train projects, and a Woodward light rail line.

Conclusion

In the early part of the 20th Century, the State of Michigan was a leader in transportation infrastructure development, including rail transit systems as well as roadways. Detroit once hosted the most comprehensive municipal street railway system in the country. But by the middle of the 20th century, Michigan had converted to a near-exclusive auto-oriented system, and its cities and towns disinvested in their transit systems. Years later, this disinvestment has become a major contributor to the decline in the Michigan economy and the inability to compete for the new knowledge based workers and jobs this state needs to attract.

Achieving the vision and economic benefits outlined in this document are within reach if the State invests in its future by expanding its transportation revenue options and fully funding the development of a comprehensive public transit system.