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BILL ANALYSIS

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Senate Bill 444 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Loren Bennett
Committee: Transportation and Tourism

Date Completed: 8-2-95

RATIONALE

The Metropolitan Transportation Authorities Act of 1967 established the Southeastern Michigan Transportation Authority (SEMTA) and other regional transportation authorities in major metropolitan areas of the State. In response to continued controversy over SEMTA's effectiveness, as well as reduced Federal funding, Public Act 481 of 1988 amended the 1967 Act to reorganize the Authority. Among other things, Public Act 481 required Wayne, Oakland, and Macomb Counties, and Detroit to incorporate the Regional Transit Coordinating Council, which establishes public transportation policy for the metropolitan area. Ultimately, SEMTA was replaced by the Suburban Mobility Authority for Regional Transportation (SMART). Currently, SMART is the only multicounty authority operating under the Metropolitan Transportation Authorities Act. Not all of the communities within the counties covered by SMART, however, are served by that Authority.

Reportedly, SMART is one of the few bus systems in the country not supported by a local transit tax, and has been forced to supplement State funding as Federal money has declined. According to an article in the Detroit Free Press, SMART received about $21 million in Federal funds in 1985, compared with $7 million this year. In order to provide a revenue source, referendums were held on May 23, 1995, in Wayne and Macomb Counties and on June 6 in Oakland County, asking the voters to increase property taxes by one-third of a mill for SMART. Although the county-wide votes were approved in all three counties, not all of the communities in Wayne and Oakland Counties participated in the elections. (Evidently, Wayne and Oakland Counties established separate transportation authorities that enabled them to hold county-wide elections in which some communities did not participate; Macomb County did not create a separate authority.) As a result, the communities that "opted out" are no longer served by SMART.

Apparently, the law is not clear on whether SMART may deny municipal transportation "credits" to nonparticipating communities. Under the Michigan Transportation Fund Act, each multicounty authority created under the Metropolitan Transportation Authorities Act annually must return $2 million from a portion of the distribution of the Comprehensive Transportation Fund, in terms of a credit, to those cities, villages, and townships within each transportation district of the authority that apply for the credit. In addition, the annual Transportation budget includes another $1 million for municipal credits. Although the SMART board of directors reportedly made a decision to continue providing municipal credits to the communities that opted out, it has been suggested that the statute be amended to ensure that these credits still are paid.

CONTENT

The bill would amend the Michigan Transportation Fund (MTF) Act to revise provisions concerning municipal credits that are returned to cities, villages, and townships in a multicounty transportation authority.

The bill specifies that the authority could not grant or deny an application for a municipal credit solely on the basis of the results of a millage election at which the question of voting millage to support the authority was a ballot question or whether a municipality decided not to submit to the electors the question of voting millage for support of the authority. A city, village, or township that was denied a municipal credit by an authority under the guidelines established by this section of the MTF

Act could appeal to the State Transportation Department. The Department's decision would be final and would have to be made within 60 days after receipt of the appeal.

The bill would require any program operated as a municipal credit program to operate as public transportation open to all seniors and handicappers or the general public in the service area. To satisfy this requirement, documentation of public announcements advertising times, locations, and price of bus service would have to be submitted to the authority with the application. A municipal credit program could include, but would not be limited to, one or more of the following:

- -- Purchase of tickets or cards for ridership within the authority's service area.
- -- Purchase of subscription services, such as shuttle service.
- -- Interim support of municipally operated services such as a van or taxi service.
- -- The transfer of funds to other local units for participation in joint programs.
- -- Other transportation initiatives as defined and documented with the application.
- -- The application of funds to connector service within the authority's total service area.

These guidelines for the distribution of municipal credits would apply to any authority or its successor authority with a service area consisting of a county containing a city with a population of 750,000 or more and the counties immediately contiguous to that county with a population of 600,000 or more formed under the Metropolitan Transportation Authorities Act, or formed in the same service area under any other act allowing the formation of public authorities on or after the bill's effective date, and to cities, villages, or townships that received municipal credit funds from that authority as of January 1, 1995.

Under the MTF Act, for each 12-month period, a city, village, or township may apply to the authority to use its credit for public transportation purposes within the authority's jurisdiction. A city, village, or township that provides public transportation service for that local unit, however, must use its credit exclusively toward reducing the operating deficit of that service. A city, village, or township has one year to spend the credit, and an unspent credit is to be used by the authority for an expenditure within the county in which the local unit lies. Further, notwithstanding any other section of this Act or any other act, an authority has the final decision as to what constitutes a proper expenditure, a public transportation service, or a public transportation purpose under these provisions. The bill provides, however, that a decision of the authority could not be based solely on the results of a millage election at which the question of voting millage to support the authority was a ballot question or whether the municipality decided not to submit to the electors the question of voting millage for support of the authority. In addition, the authority's final decision would be subject to the guidelines established by this section of the Act.

MCL 247.660

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would ensure that SMART continued to pay municipal credits to all of the communities in Wayne, Oakland, and Macomb Counties, regardless of whether they participated in a millage election to support SMART and regardless of the results of such an election, if the communities applied for the credits and met the Act's guidelines. Although the elections already have been held, and the SMART board has decided to continue paying the credits to communities that opted out, additional elections could be held on future millage questions, and there is no guarantee that the SMART board will not reverse its decision. The nonparticipating communities not only will no longer have basic bus service, but they also will be without "paratransit" service that typically serves seniors and handicappers. The receipt of municipal credit dollars may help these communities continue to provide this type of demand/response service. Since there is a grey area in current law regarding the ability of an authority to withhold municipal credits from nonparticipating communities, the bill would ensure that credits were not denied on the basis of an election.

Opposing Argument

The State Department of Transportation should not be responsible for deciding appeals by communities that were denied a municipal credit. This is a local concern and should be handled at the local level. A more appropriate decisionmaking body would be the Regional Transit Coordinating Council.

Legislative Analyst: S. Margules

FISCAL IMPACT

The bill would not change the amount allocated by the State for municipal credits. The bill would limit a multicounty authority's ability to withhold municipal credits from cities, villages, and townships.

Fiscal Analyst: B. Bowerman

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