
Bill/Sponsor **HOUSE BILL 4072 As Passed the House**, Rep. Clark Bisbee
HOUSE BILL 4073 As Passed the House, Rep. Alma G. Stallworth
HOUSE BILL 4074 As Passed the House, Rep. Clark E. Bisbee

House Committee Commerce

Analysis **Summary**
The House Fiscal Agency floor analysis of House Bills 4072, 4073, and 4074 is contained in a memo to the House Commerce Committee dated January 30, 2003 and posted to the michiganlegislature.org website on February 5, 2003¹. That analysis provided an overview of public transportation services in southeast Michigan and describes how those services would be affected by the DARTA bill package. The following analysis updates, clarifies, and corrects certain parts of that document:

DARTA Funding –

In our discussion of the fiscal impacts of HB 4072 on page 2 of our January 30, 2003 analysis, we state: *“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. However, the bill does not obligate the state or any local political entity to pay those costs.”* We also note that Section 4(8) of the bill requires DARTA to *“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.”*

The text quoted above suggests that without a new dedicated funding stream there would be no funding mechanism for DARTA. That is not the case. At a minimum DARTA startup and administrative costs could be funded from existing sources.

To start with, the FY 2002-03 federal transportation appropriations act, PL 108.7 (H.J. Res. 2) includes a total of \$850,000 earmarked for the Detroit Area Regional Transportation Authority. It is quite likely that state funding would be necessary to match these federal funds – at up to 20% of cost. Expenditure of state funds to match federal funds could be used from existing

¹ See the following link for the House Fiscal Agency floor analysis of HBs 4072, 4073, and 4074:
<http://www.michiganlegislature.org/documents/2003-2004/billanalysis/house/pdf/2003-HFA-4072-x3.pdf>

transportation appropriation line items. Furthermore, DARTA administrative costs – including initial start up costs – could be funded out of the distribution of state local bus operating assistance.

In accordance with the provisions of Public Act 51 of 1951, local bus operating assistance is distributed to the state's 75 transit systems as a percentage of each transit agency's eligible operating expense². Currently the RTCC receives a share of this distribution based on the combined eligible operating expenses of DDOT and SMART. The RTCC then distributes that assistance between DDOT and SMART on a 65/35 ratio in accordance provisions of the RTCC's original articles of incorporation³.

Our previous memo incorrectly indicated that there were no costs associated with the RTCC. There are in fact some minimal costs related to the outside law firm which serves as RTCC's legal counsel and council secretary. These costs are billed to DDOT and SMART on a 65/35 basis. No costs are taken "off-the-top" of the RTCC's distribution of state local bus operating assistance to DDOT and SMART.

If HB 4072 were enacted, the RTCC would be abolished and DARTA would be the recipient of state local bus operating assistance. DARTA startup and administrative costs would be eligible expenses under Act 51 and those costs would be combined with DDOT and SMART eligible operating expenses for purposes of determining the distribution of state assistance to DARTA. Although state assistance would reimburse only 37% of total eligible operating expense, DARTA could elect to reimburse its administrative and startup expenses at 100% - less federal aid. In other words, DARTA could take administrative and start up costs "off-the-top" of state operating assistance before making the distribution to DDOT and SMART.

DARTA's Effect on Local Bus Operating to Other Transit Agencies –
In our previous analysis we stated that the bill package would not affect the formulas which govern the distribution of federal or state operating assistance to transit agencies in Michigan. That statement is still true – but deserves clarification.

² With regard to state operating assistance, Act 51 provides for nonurbanized agencies to receive up to 60% of eligible operating expense and urbanized systems to receive up to 50% of eligible operating expense. Because the state appropriation for local bus operating assistance is less than the amount necessary to reimburse transit agencies at the 60% and 50% ceilings, the actual percentage is reduced for all agencies on a pro-rata basis. For FY 2002-03 the 67 nonurbanized systems will receive approximately 44% of their eligible operating expense; the 8 urbanized systems – including the RTCC - will be reimbursed approximately 37% of their eligible operating expense. These reimbursement percentages are based on the amount of state local bus operating assistance appropriated, \$160.0 million, and local transit agency budget estimates. Costs not reimbursed from state assistance must be paid out of local contributions, farebox revenue, or, for nonurbanized systems, federal operating assistance.

³ The RTCC's 65/35 distribution to DDOT and SMART is made after deductions for the municipal credit program and to several small transit providers in the DDOT and SMART service areas. Authority for the agreement to split state assistance 65/35 between DDOT and SMART would end with the dissolution of the RTCC. A new agreement could be made under authority of the DARTA act.

Under current law, any transit agency that can increase local financial support can increase its operating budget, expand service, and thus increase eligible operating expense. By increasing eligible operating expense the transit agency can capture additional state assistance. Transit agencies typically increase local support through local mileages or from increased contributions of the governing municipality. Transit agencies can thus use local funds to leverage additional state operating assistance. The additional state operating assistance comes at the expense of other public transit agencies.

To the extent that DARTA could significantly increase local revenue it could increase its share of state operating assistance and thus reduce the share allotted to other transit agencies. But that is true under current law, and there does not appear to be anything in the DARTA bill package to make that more or less likely. In point of fact, the RTCC's share of state operating assistance has declined over the last seven years as outstate 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 68%. The RTCC's estimated share of the current year (FY 2002-03) distribution is 54%.

Nonetheless, the House-passed version of HB 4074 includes language to limit the amount of local bus operating assistance distributed to DARTA. The bill provides that an eligible authority created under the DARTA act *"shall not receive a grant or distribution under this section that has a greater percentage of total grants or distributions than the grants or distributions received by an entity created under the metropolitan transportation authorities act of 1967, 1967 PA 204, MCL 124.401 to 124.426, during the fiscal year ending September 30, 2004."* This reference to the fiscal year ending September 30, 2004 appears to be an anomaly, since the DARTA act would abolish the Metropolitan Transportation Authorities Act effective June 30, 2003.

Correction –

In our previous analysis we indicate that the RTCC is comprised of the chief executive officer of the city of Detroit, and the chief executive officers of Wayne, Oakland, and Macomb counties. Macomb County does not have a county executive; the county is represented on the RTCC by the chair of the Macomb County Board of Commissioners.

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