

## **APPENDIX C**

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### Transit Funding Analysis





**ONHAND**

Expanding Transportation Access  
Across Southeast Michigan

# Transit Funding Analysis

April 2020

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# 1 INTRODUCTION

Public transit and human service transportation providers in Southeast Michigan are preparing a coordinated human service transportation plan known as “OnHand: Expanding Transportation Access Across Southeast Michigan.” This project will consider how well existing transportation services are matched with the travel needs of residents, especially older adults, people with disabilities, and people with low incomes and where there may be opportunities to improve access to service.

OnHand will develop a regional strategy to improve coordination among providers, reduce inefficiencies and redundancies, and ultimately strengthen regional mobility. As a coordinated human services public transportation plan, OnHand is designed to fulfill requirements laid out by the Federal Transit Administration (FTA) and ensure the region has access to available funds. The project is focused on the Regional Transportation Authority (RTA) of Southeast Michigan region, which for the purposes of this effort, is defined as the four-county area of Wayne, Oakland, Macomb, and Washtenaw counties.

This technical memo, the third in a series, documents funding available to support public and human service transportation services in Southeast Michigan.

## FUNDING OVERVIEW

Individual public transportation services and operations are almost always funded with a combination of resources, with most fixed route and complementary paratransit and community-based services relying on public funding from federal, state, and local sources, as summarized below. Chapter 2, Transit Funding Allocations, presents a more detailed review of individual funding programs.

## FEDERAL FUNDING

### U.S. Department of Transportation Funding

U.S. Department of Transportation (U.S. DOT) provides funding for public transportation administered through the Federal Transit Administration (FTA) and includes a variety of programs. FTA separates funding for urbanized and rural areas and uses a combination of formula and competitive grant programs to distribute resources. Formula funds are allocated based on regional population and demographic characteristics while competitive grants require agencies to apply for funding for specific projects oriented around identified goals. FTA funding is often the largest source of public funding available to transportation providers and always requires a local match. For most

transportation providers, FTA funding can support up to 80% of capital programs and up to 50% of operating budgets.

## **Other Federal Transportation Funding**

Several other federal programs fund transportation, the largest of which reside within the Department of Health and Human Services (DHHS). DHHS programs support transportation for non-emergency medical transportation (NEMT) for Medicaid recipients, and transportation programs for older adults managed under the Administration on Aging.<sup>1</sup>

The Department of Veterans Affairs, for example, funds transportation services and programs for eligible veterans. These programs tend to fund services directly oriented around veteran customers / veteran-specific needs and are typically administered as block grants to local and regional agencies.<sup>2</sup> Other non-DOT federal funding for transportation funding may be available through programs associated behavioral health and developmental disability programming, job training programs and education. Non-DOT transportation funding streams may be used to match FTA grants and are especially important for nonprofit agencies ineligible for other public funding.

## **STATE PUBLIC TRANSPORTATION FUNDING**

The Michigan Department of Transportation (MDOT) provides funding for public and human services transportation through the Comprehensive Transportation Fund (CTF), which includes revenues collected from a portion of the state motor fuel tax, vehicle registration fees, and state sales taxes on automobiles and auto-related products. MDOT funding programs are structured similar to federal funding programs, with distinct programs for urban and rural areas using both formulas and competitive grants.

## **REGIONAL AND LOCAL FUNDING**

Local funding through property taxes (millage), general fund contributions and other local taxes are vital funding sources for public transportation operations.

### **Property Taxes**

In the SMART region, which includes Macomb and Oakland counties, plus Wayne County (not including Detroit), voters are asked to approve local funding amounts by ballot measures every four years; communities without majority voter approval “opt-out” of SMART service (see Technical Memorandum 2, Service Inventory.) In addition, some communities in the SMART region hold their own millage votes to support more localized forms of public transportation.

In Washtenaw County, local property tax or millage is paid by residents living in Ann Arbor, Ypsilanti and Ypsilanti to fund TheRide. TheRide's millage is set at 0.7 and is renewed every five years. The last renewal was approved in 2018.

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<sup>1</sup> Administration for Community Living. Available at: <https://acl.gov/about-acl/administration-aging>

<sup>2</sup> U.S. Department of Veterans Affairs. Available at: <https://www.va.gov/healthbenefits/vtp/>

## **Municipal Budgets**

Several municipalities locally fund some transportation services. These funds differ from dedicated transportation taxes and are thus subject to annual budgeting, which can result in transportation funding increases or decreases each year. The City of Detroit annual budgeting process allocates funding for DDOT services and investments.

## **OTHER FUNDS**

### **Grants and Donations**

In addition to federal and state funding, nonprofit agencies that provide transportation services or referrals typically rely on a combination of private grants from mission-driven foundations, individual donors, and private organizations. Private funds, grants and donations can be essential sources of revenues to nonprofit agencies, often giving them more discretion and flexibility in spending.

While private grants typically support nonprofit agencies rather than public agencies, there are exceptions to this rule, including in Southeast Michigan. A notable example is the QLine service, which was developed with support from the Kresge Foundation and local businesses and institutions.

### **Passenger Fares**

Passenger fares are an essential source of revenue for traditional public transportation services. Despite representing a relatively small portion of agency revenues, fares are part of a funding portfolio that makes a budget whole. In addition to public agencies, many community-based and nonprofit transportation providers charge fares or seek rider donations. However, it is worth noting that some federal funding programs prohibit transportation providers from charging fares, including the FTA Section 5310 program for seniors and people with disabilities, and DHHS and Medicaid programs for people with low incomes.

## **KEY FINDINGS, TRENDS, AND OPPORTUNITIES**

The funding analysis provides an overview of trends, opportunities, and broadly identifies key needs. Key observations include:

- There are several funding sources for public and municipal transportation in Southeast Michigan. The primary sources are federal, state, and local programs, plus funding generated through fares, private donations, and other resources.
  - Federal funding is a significant revenue source for nearly all public transportation providers in Southeast Michigan. Funding levels, however, have largely remained flat for several years.
  - SMART and AAATA raise local funds through property taxes, while DDOT depends on general funds.
- While transportation providers in Southeast Michigan all rely on a combination of federal, state, and local funding, the availability of funds varies based on the

type of service provider, type of service, and geography. For example, some nonprofit providers rely more heavily upon grants and donations.

- The patchwork of funding sources is especially complicated for smaller, municipal-based transportation providers and nonprofit agencies. The data shows that many transportation services rely on between three or four relatively small grant awards sources to support service.
  - The loss of any one of these sources could create significant financial burdens for the transportation provider.
  - Assembling multiple grants also complicates the administration of sub-regional services (e.g., municipal collaborations).
    - Many communities in the OnHand region purchase service from other transportation providers and set the terms for service delivery. While service operations are shared, services are designed around specific communities and their needs.
    - Other communities collaborate on service operations and service delivery, so that demand response services are structured and organized around a sub-regional focus.
    - Differences in service delivery models reflect funding programs, relationships among communities, and provider organizational models.
- Access to local funding is the primary difference among transit operators in Southeast Michigan.
  - SMART and AAATA earn revenues through a dedicated property tax that supports transit.
  - DDOT raises local revenue from the City of Detroit, which allocates a portion of its general funds to transit. Funding is reviewed annually and must compete with other important services and programs.
  - A handful of municipalities and townships have some revenues earmarked for transit, but most rely on contributions from local general funding.
- Access to local funding is also a key difference for human service and community transportation providers.
  - Transportation providers in the SMART service area also have access to funding through the Community Partnership Program (CPP), which redistributes some local property taxes to opt-in communities to support additional local demand response transportation services.
  - Outside of the SMART region (City of Detroit and Washtenaw County), the only options to match federal funds are state programs and local funding that requires general fund contributions.
- Raising additional local funds is challenging. This is true for fixed route transit operators and human service and community transportation providers.

- Funding for transit in Southeast Michigan lags peer regions. An analysis of data from the National Transit Database (NTD) shows that Southeast Michigan has the second lowest per capita funding among eight peer regions analyzed. Peer regions analyzed were Cleveland, Dallas, Denver, Kansas City, Milwaukee, Minneapolis, Pittsburgh and St. Louis.
- Performance data available for community-based providers is inconsistent. There is limited regional data about how agencies raise funds or operate service. As a result, data on ridership and traditional transportation service performance measures (operating cost per hour, cost per trip and riders per hour) is not consistently collected or reported.
- Overall, because the funding is fragmented, and while some demand response transportation services are available in most of the OnHand region, the amount of service appears to be highly variable and likely not meeting demand.



## 2 TRANSIT FUNDING ALLOCATIONS

Funding available to support fixed route and demand response transportation in Southeast Michigan amounts to more than \$385 million annually. This includes public and nonprofit providers but excludes for-profit providers. This estimate includes approximately \$330 million in funding from federal, state, regional, and local funding sources and approximately \$55 million from other revenue sources and grants. Within the OnHand region, the availability of funding varies according to the type of transportation provider (see Figure 1) and geography. Individual funding programs are described in detail below and funding portfolios by type of agency are discussed in Chapter 3.

**Figure 1 Allocation of Funding Among OnHand Region Fixed Route and Demand Response Transportation Providers**



Note: Funding for SMART and TheRide includes all services provided, even though some services can be characterized as locally coordinated.

## **FEDERAL DEPARTMENT OF TRANSPORTATION PROGRAMS**

FTA formula and other grants are an essential and stable source of funding for most transportation providers. The FTA oversees a handful of programs that distribute funding to agencies based on the size of the population served. Funding is also often directed to capital or operating programs and may be distributed according to formulas or through competitive grants.

Transit agencies operating in urbanized areas are eligible to receive funding from several grants. Funding for urban operators is generally skewed towards capital projects such as the purchase of vehicles, for maintenance, and for passenger amenities (bus stops, transfer centers), and supporting facilities. However, some funds can be used for transit operations. FTA funds available to small urban and rural providers are available for operations and for capital purchases. Additional U.S. DOT funds for transit are available via transfers through the Surface Transportation Program (STP) and Congestion Mitigation Air Quality (CMAQ) funds (see Figure 2).

Based on available FTA award letters, in Fiscal Year (FY) 2019, the OnHand region received \$72.9 million in federal formula and discretionary transportation funds to support public transportation. Of these funds, \$62.9 million was allocated directly to transit agencies and \$10 million was distributed through MDOT to rural providers and to human services agencies. The largest federal transit funding source (71%) is FTA Section 5307 funds, a formula grant program that funds urban transit agencies such as SMART, TheRide, DDOT, and Detroit People Mover. Another large FTA program (Section 5339 Bus and Bus Facilities) funded the three main fixed route bus providers at approximately \$7.5 million.

The State of Michigan administers Section 5311 Formula Grants for Rural Areas, of which approximately \$660,000 was distributed to the OnHand region to support rural service providers including People's Express, the North Oakland Transportation Authority (NOTA), and Western Washtenaw Value Express (WAVE). These formula grants are limited to rural areas with fewer than 50,000 residents, which in Southeast Michigan are located on the periphery and between the Detroit and the Ann Arbor urbanized areas.

### **Regional Section 5310 Funding**

Section 5310 (Transportation for Elderly Persons & Persons with Disabilities) was funded at \$3.8 million in FY 2019. The region's two urbanized areas (Detroit and the Ann Arbor) receive funding directly, with the RTA administering the Detroit UZA program and TheRide administering the Ann Arbor UZA program. In the Detroit UZA, the RTA distributes funds to SMART, which funds subrecipients, primary community service providers and nonprofits. DDOT used its FY 2019 Section 5310 allocation to support MetroLift complementary paratransit. TheRide used its Section 5310 allocation to support service for older adults and people with disabilities.

**Figure 2 Federal Funding Programs That Support Public Transportation (FY 2019 Apportionments)**

Funding Source	Program Name	System Type	Eligible OnHand Region Recipients	Primary Purpose	Federal Funding Share	FY 2019 Allocation
<b>Federal Transit Administration</b>						
Section 5307	Urbanized Area Formula Grant	Urban	SMART DDOT TheRide People Mover	Capital, Planning Operating allowed for smaller agencies	80% - Capital 50% - Operating	SMART \$22,147,800 TheRide \$7,264,800 DDOT \$21,704,900 <u>People Mover \$443,000</u> Total \$51,560,400
Section 5309	Fixed Guideway Capital Investment Grant	Urban	SMART DDOT TheRide	Investments in heavy rail, commuter rail, light rail, streetcars and bus rapid transit	Up to 50% Capital	None
Section 5310	Transportation for Elderly Persons & Persons with Disabilities	Urban, Rural	Administered by RTA of SEM, SMART and TheRide to approximately 30 agencies regionally	Capital, Planning and Operating	80% - Capital 50% - Operating 100% - Administration, planning, and technical assistance	SMART \$1,650,300 TheRide \$120,200 DDOT \$1,580,300 People Mover \$270,000 <u>RTA \$170,000</u> Total \$3,790,800
Section 5311	Rural Formula	Rural	Administered by MDOT – Provided to People's Express (PEX), Western Washtenaw Area Value Express (WAVE), SMART (for NOTA), and TheRide	Capital, Planning and Operating	80% - Capital 50% - Operating	NOTA \$114,700 WAVE \$203,200 PEX \$167,500 <u>TheRide \$174,200</u> Total \$659,600
Section 5337	State of Good Repair	Urban	SMART DDOT TheRide People Mover	Replacement and rehabilitation of capital projects to maintain good repair	80% - Capital	TheRide \$931,280 People Mover \$1,384,100

Funding Source	Program Name	System Type	Eligible OnHand Region Recipients	Primary Purpose	Federal Funding Share	FY 2019 Allocation	
Section 5339	Bus and Bus Facilities Formula Grants	Urban, Rural	SMART DDOT TheRide People Mover	Replacement, rehabilitation, purchase of buses, vans, and related equipment, and construction of bus-related facilities	80% Capital	SMART TheRide <u>DDOT</u> Total	\$2,607,000 \$931,300 \$2,607,000 \$6,145,300
Federal Highway Administration							
n/a	Surface Transportation Program	Urban, Rural	Transit agencies, states Half allocated based on population; half can be used to fund projects anywhere in state	Flexible funding for transit vehicles, facilities and safety infrastructure.	Varies	WAVE <u>TheRide</u> Total	\$96,100 \$60,200 \$156,300
n/a	Congestion Management and Air Quality Improvement	Urban, Rural	SMART DDOT TheRide People Mover	Can be used for transit operating assistance	80%	SMART TheRide SEMCOG <u>DDOT</u> Total	\$829,200 \$1,292,300 \$3,099,900 \$3,986,500 \$9,207,900

Source: Michigan DOT and recipient award letters from FTA

## STATE PUBLIC TRANSPORTATION PROGRAMS

The Michigan Department of Transportation (MDOT) distributes over \$300 million annually to support public transportation services statewide. This include funds administered by MDOT on behalf of the FTA (Sections 5311 and 5310), and state funds generated through transportation taxes.

The primary source of state public transportation funds is the Comprehensive Transportation Fund (CTF), which includes revenues raised from the state motor fuel tax, vehicle registration fees, and sales taxes on automobiles and auto-related products. A description of Michigan's eight public transportation funding programs is included as Appendix A.

MDOT supports public transportation to ensure investments are made in rural and urban systems as well as targeted to special populations, including older adults and people with disabilities. In FY 2019, the state distributed just under \$329 million for public transportation programs, including \$273.6 million in direct state support for public transit services, and passed \$54.9 million through to federal subrecipients (see Figure 3).

**Figure 3 Michigan Statewide Transit Funding Allocations FY 2019**

Program	Total	State Funds		Federal Pass Through		
		Comprehensive Transportation Fund (CTF)	Local Match Support	5311	5310	Other Federal
Local Bus Operating	\$196,750,000	\$196,750,000	-	-	-	-
Capital Assistance	\$69,620,700	\$53,070,700	\$1,250,000	-	-	\$15,300,000
Non-Urban Operating/Capital	\$30,027,900	-	\$2,000,000	\$28,027,900	-	-
Specialized Services	\$18,438,900	\$4,353,900	\$4,185,000	-	\$9,900,000	-
Service Development and New Technology Program	\$7,589,200	\$5,614,200	\$325,000	-	-	\$1,650,000
Transportation to Work	\$3,875,000	\$3,875,000	-	-	-	-
Municipal Credit Program	\$2,000,000	\$2,000,000	-	-	-	-
Vanpooling	\$195,000	\$195,000	-	-	-	-
<b>Total</b>	<b>\$328,496,700</b>	<b>\$265,858,800</b>	<b>\$7,760,000</b>	<b>\$28,027,900</b>	<b>\$9,900,000</b>	<b>\$16,950,000</b>

Source: Line Item and Boilerplate Summary-Transportation FY19, 2020, [http://www.house.mi.gov/hfa/PDF/LinItemSummaries/MDOT\\_lineFY20.pdf](http://www.house.mi.gov/hfa/PDF/LinItemSummaries/MDOT_lineFY20.pdf)

See Appendix Table A-1 for descriptions of each funding program

## State Funding Allocation to OnHand Region

Of the nearly \$329 million distributed statewide, about one-third or \$99.3 million was allocated to the OnHand region (see Figure 4), which comprises 42% of the state's population. Of these funds, the largest distribution was in the local bus operating grant category, of which approximately \$37.4 million was allocated to SMART, \$34.1 million to DDOT, and just under \$14 million to TheRide.

**Figure 4 State Allocation to OnHand Region FY 2019**

Program	OnHand Region Funding	SMART	DDOT	DTC	TheRide	State Share of Funding
Local Bus Operating	\$91,085,100	\$37,355,400	\$34,051,500	\$5,751,800	\$13,926,400	\$91,085,100
Capital Assistance	\$7,517,100	\$995,000	\$4,783,800		\$1,738,300	\$1,252,900
Municipal Credit Program	\$4,000,000	\$3,261,100	\$738,900		Not applicable	\$4,000,000
Specialized Services	\$1,316,500	\$787,800	\$351,900		\$176,800	\$1,316,500
Non-Urban Operating/ Capital	\$1,164,400	\$250,600	Not applicable		\$913,800	\$473,300
<b>Total</b>	<b>\$105,082,900</b>	<b>\$42,649,900</b>	<b>\$39,926,100</b>	<b>\$5,751,800</b>	<b>\$16,755,300</b>	<b>\$98,127,900</b>
Percent		41%	38%	5%	16%	93%

Source: Michigan DOT

Notes: State programs with no funding in OnHand region not shown

Most of Non-Urban Operating/Capital funding is passed through to subrecipients

Capital Assistance funds include state matching funds as well as flexed funding from the Surface Transportation Program and Congestion Mitigation Air Quality funds

Municipal credit program includes \$2 million special appropriation in 2019

See Appendix Table A-1 for descriptions of each funding program

## Local Bus Operating Funds

Funded at \$85.3 million in FY 2019, the state allocation for local bus operating funds is the largest source of operating assistance for the OnHand region. Urbanized and non-urbanized areas with a population of less than 100,000 receive assistance for up to 60% of eligible operating expenses. Urbanized areas with populations over 100,000 receive operating assistance for up to 50 percent of eligible expenses. The OnHand region receives approximately 43 percent of the state's share of funding in this category.

## Capital Assistance and Non-Urban Operating/Capital Funds

Capital assistance includes flexed FHWA funding from the Surface Transportation Program and Congestion Mitigation Air Quality funds. This allocates funds for the three main fixed route providers as well as WAVE, and regional planning funds. Most of Non-Urban Operating/Capital funding is passed through to subrecipients.

## Municipal Credit Program (SMART and DDOT)

Prior to SMART's establishment, the Michigan State Legislature established the municipal credit program to reallocate a portion of the bus operating assistance program to local communities. This program provides funding and authority to individual municipalities and townships interested in developing local transit services. With the establishment of SMART, these funds became available to municipalities in Oakland, Wayne, and Macomb counties. State law prohibits communities in Washtenaw County from receiving municipal credits.

Municipal credit funds are allocated based on population with a median allocation of approximately \$14,200 per community in SMART's service area. By distributing the funds across multiple communities, the impact of the program is diluted. For instance, in larger municipalities like Dearborn (\$96,500) and Warren (\$132,000), the Municipal Credit program provides about \$1 per capita in additional funding compared with transit funding of \$82 per capita in the region.

In FY 2019, the State of Michigan increased funding for the Municipal Credit Program from about \$2 million to \$4 million through a special appropriation outside of the transportation budget process. This increased municipal credit funding to \$3.3 million for communities in Macomb, Oakland, and Wayne counties.

SMART publishes budget reports annually that list municipal credits for each community in its service area. As discussed in the Transit Service Inventory Technical Memorandum, many communities pool municipal credit funds and community credit funds (discussed below) to fund service collaborations.

**Figure 5 Regional Allocation of Municipal Credits FY 2019**

	Macomb	Oakland	Wayne	SMART Total	Detroit	Total
Total	\$870,520	\$1,241,320	\$1,149,240	\$3,261,080	\$738,920	\$4,000,000
Median	\$13,760	\$12,240	\$17,460	\$14,200	-	-
Average	\$33,482	\$21,039	\$27,363	\$25,678	-	-

Source: SMART budget data

## Specialized Services Program

The Specialized Services Program provides operating assistance to nonprofit agencies and public agencies providing transportation services primarily to seniors and individuals with disabilities.<sup>3</sup> In the OnHand region, this funding often represents the capital and mobility management matching funds for federal 5310 funding. Funded regionally at \$1.3 million in FY 2019, most funds are distributed to municipal and/or community providers (or collaborations), or to nonprofits (see Figure 6). According to SMART, funding levels allocated to the SMART region have been the same for the past 20 years, despite rising operating expenses.

**Figure 6 Distribution of Specialized Services Funds FY 2019**

Program	SMART	DDOT	TheRide	Total
Specialized services directly operated	-	-	\$94,500	\$94,500
Specialized services passed through to municipal providers	\$600,000	-	\$71,800	\$671,800
Specialized services passed through to nonprofits	\$187,800	\$351,900	\$10,500	\$550,200
<b>Total</b>	<b>\$787,800</b>	<b>\$351,900</b>	<b>\$176,800</b>	<b>\$1,316,500</b>

Source: Michigan DOT

<sup>3</sup> [https://www.michigan.gov/mdot/0,4616,7-151-11056\\_11266-26947--,00.html](https://www.michigan.gov/mdot/0,4616,7-151-11056_11266-26947--,00.html)

## OTHER FEDERAL AND STATE FUNDING THAT SUPPORTS TRANSPORTATION

Funding is available to support senior transportation through the U.S. Department of Health and Human Services and the Michigan Department of Health and Human Services (MDHHS). This includes Older Americans Act funding, which funds programs to support transportation for older adults, and Medicaid funding, which includes transportation program for Medicaid-eligible clients to travel to medical appointments. Based on discussions with AAA-1B, Older Americans Act funding is not used to directly fund transportation services in that region. The State of Michigan offers the MI Choice Waiver Program, to assist older adults and people with disabilities to remain in a community setting and avoid institutionalization. MDHHS manages access to the program. MDHHS contracts with waiver agencies to deliver authorized program services.<sup>4</sup> The OnHand team was unable to obtain detailed funding amounts for these programs.

## REGIONAL FUNDING – TRANSPORTATION PROPERTY TAXES

Michigan law permits cities and regions to tax themselves to support public transportation. The primary mechanism is the property tax, which is levied as a millage on property values. The OnHand region has several taxes that support public transportation services.

## SMART Community Credits

SMART's service area includes all of Macomb and Oakland counties, and suburban Wayne County; individual communities in Oakland and suburban Wayne have the option to participate ("opt-in") in SMART's service network. SMART also manages the Community Partnership Program (CPP), which was established in 1996 to help support local transportation services. This program gives local opt-in communities the opportunity to invest tax revenues locally, either by operating service directly or purchasing it from a nearby service provider. In most cases, communities participating in the CPP use these community credit funds to serve older adults and persons with disabilities.

In 2019, the voter-approved 1 Mill tax raised \$74 million, which accounts for more than half (56%) of SMART's operating budget.<sup>5</sup> In FY 2019, SMART allocated \$3.75 million in community credits—grants based on the amount of millage paid—to 76 communities in Wayne, Macomb and Oakland counties. Some communities received less than \$5,000 while others received more than \$222,000. In FY 2019, the median allocation was \$29,005 (see Figure 7). CPP funds can be combined with the municipal credit funds and other resources such as Specialized Services funding and FTA Section 5310 operating funds.

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<sup>4</sup> [https://www.michigan.gov/mdhhs/0,5885,7-339-71547\\_2943\\_4857-16263--,00.html](https://www.michigan.gov/mdhhs/0,5885,7-339-71547_2943_4857-16263--,00.html)

<sup>5</sup> SMART Financial Report, June 30, 2019, 2019, <https://www.smartbus.org/Portals/0/Documents/Finance/December%202019/2019%20Financial%20Report.pdf>

**Figure 7 SMART Community Partnership Program by County**

	Macomb County	Oakland County	Wayne County	All Counties
Total	\$1,441,289	\$1,166,573	\$1,142,380	\$3,750,242
Median	\$20,897	\$29,088	\$31,600	\$29,005
Average	\$55,434	\$48,607	\$43,938	\$49,345

Source: SMART budget data

## Regional Funding for TheRide

The cities of Ann Arbor Ypsilanti and Ypsilanti Township in Washtenaw County also levy a property tax for public transit, with taxes collected and allocated directly to TheRide. In 2019, the 2.7 Mill (in Ann Arbor) and 1.673 Mill (in Ypsilanti) collected \$15.6 million, 30 percent of TheRide's budget.<sup>6</sup>

## LOCAL FUNDING

In addition to federal, state, and regional sources, some communities use general revenue funding to support transportation services. DDOT, for example, is funded directly from the City of Detroit's general fund, which allocated \$47.2 million to DDOT in 2018. Other communities use general funds to support their local or sub-regional services. General fund revenues for transit are vulnerable to changes in local budget priorities.

Some communities in the SMART service area collect property taxes to support transportation. For example, STAR Transportation includes local funding (0.25 Mill) from Romeo, Bruce, and Washington. Mt. Clemons has a local millage to support Dial-A-Ride service and Warren has a recreational millage that also supports local transportation.

As discussed in Chapter 5, local funding levels for transit lag peer regions.

<sup>6</sup> AAATA Operating & Capital Budget 2019, 2018, [https://www.theride.org/Portals/0/Documents/5AboutUs/BudgetsandPlans/AAATA\\_2019\\_budget\\_adopted.pdf?ver=2018-09-26-070711-897](https://www.theride.org/Portals/0/Documents/5AboutUs/BudgetsandPlans/AAATA_2019_budget_adopted.pdf?ver=2018-09-26-070711-897)

## OTHER RESOURCES

### Fare Revenue

Passenger fares are an essential source of revenue for traditional public transportation service providers, like SMART, DDOT and TheRide. Some local and sub-regional transportation providers also charge fares. However, it is worth noting that some federal funds, including FTA Section 5310 funds and resources available through DHHS and Medicaid prohibit transportation providers from charging fares.

### Grants and Charitable Contributions

Some nonprofit agencies receive funding through private grants from mission-driven foundations, individual donors, and private organizations. Private grants typically support nonprofit agencies rather than public agencies, although there are exceptions, including Kresge Foundation's support for the QLine.

#### **The Challenges of Relying on Multiple Funding Sources**

Most community and nonprofit providers in the OnHand region rely on numerous funding sources to operate service. While some receive dedicated funding through local taxes, most rely on grant programs and other sources. Program administrators must regularly apply for renewal grants or find other sources to continue service.

Cobbling together transportation services from myriad funding programs, while not uncommon, means the loss of one funding program can lead to service reductions. This is challenging to sustain over the long term.

# 3 TRANSIT AGENCY FUNDING MODELS AND PERFORMANCE

## OVERVIEW

Transportation providers use slightly different funding models depending on agency structure, geography, and type of service provided. Fixed route service providers, for example, rely more heavily on state and regional sources for operating funds. In contrast, municipal and sub-regional demand response providers rely on a combination of local, state and regional funds. Nonprofit agencies typically generate most of their transportation operating funds from local sources but also rely on federal funds. There is also a discrepancy in the availability of funding depending on geography, even within the OnHand region. Differences in funding sources partly reflect legacy provisions in taxing authority and state statutes. These result in real differences in access to and the stability of resources. See Figure 8.

**Figure 8 Allocation of Annual Funding Among OnHand Region Fixed Route and Demand Response Transportation Providers**



Note: Funding for SMART and TheRide includes all services provided, even though some services can be characterized as locally coordinated.

This chapter evaluates the operating resources available to different transportation providers in the OnHand region. It also analyzes available performance indicators for various types of services provided with the aim of identifying potential cost efficiencies from alternative operating models.<sup>7</sup>

## **FIXED ROUTE AND PARATRANSIT PROVIDERS**

Providers of fixed route transit and complementary paratransit serve the most riders in the OnHand region and have the largest operating budgets. Operating revenues for the three largest (SMART, DDOT, and TheRide) include a combination of federal, state and local funds and passenger fares. Figure 9 shows the operating budgets for these three providers (plus QLine and People Mover) as reported to the National Transit Database in FY 2018, the most recent year for which complete data are available.

As shown, SMART gets 56% of its revenues from the dedicated property tax, one-third from state grants, and the remaining 14% from a combination of federal funds and fares. DDOT receives 37% of its revenue from City of Detroit contributions, one third from state funds, and 30% from federal grants, fares and other revenues. This formula is roughly consistent with TheRide, which receives 37% from property taxes, one third from state funds, and one third from federal grants, fares and other sources.

The largest difference in the funding models is that DDOT's local funds are provided by the City of Detroit, while SMART and TheRide have access to a dedicated funding stream. One a practical level, this means that DDOT must renegotiate its funding with the City of Detroit each year as part of the budgeting process. While SMART and TheRide renew their revenues through periodic millage referenda, obtaining voter approval requires a larger outreach effort.

### **The National Transit Database**

Congress established the National Transit Database (NTD) in 1974 as data repository for financial, operating and asset conditions of American transit systems. The NTD is designed to support local, state and regional planning efforts and help governments and other decision-makers make multi-year comparisons and perform trend analyses. It contains a wealth of information such as agency funding sources, inventories of vehicles and maintenance facilities, safety event reports, measures of transit service provided and consumed, and data on transit employees.

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<sup>7</sup> Note: Reported budget data varies depending on the type of provider and most recent data available. In addition, some information will need refinement upon review by the OnHand Technical Working Group and provision of additional data.

**Figure 9** FY 2018 Operating Budgets for Fixed Route and Paratransit Providers from the FTA National Transit Database

Revenue Source	SMART	TheRide	DDOT	Q Line	People Mover
Federal	\$4,644,307	\$4,663,227	\$14,001,381	-	\$209,366
	4%	11%	12%	-	1%
State	\$38,292,397	\$13,478,474	\$36,946,743	-	\$5,632,358
	30%	33%	31%	-	32%
Dedicated Property Tax	\$72,234,283	\$15,264,657	-	-	-
	56%	37%	-	-	-
General Funds	-	-	\$47,193,200	-	\$10,079,571
	-	-	40%	-	57%
Fares + Other Revenue	\$13,055,719	\$8,002,409	\$20,242,095	\$8,996,404	\$1,906,820
	10%	19%	17%	100%	11%
<b>Total</b>	<b>\$128,226,706</b>	<b>\$41,408,767</b>	<b>\$118,383,419</b>	<b>\$8,996,404</b>	<b>\$17,828,115</b>

Source: National Transit Database, 2018

## Operational Effectiveness

Direct recipients of federal transit funds must report a range of performance data to FTA for inclusion in its National Transit Database (NTD). With OnHand's focus on transportation services for older adults, people with disabilities and people with low incomes, our analysis of performance data focused on demand response services (see Figure 10). In FY 2018, the data for demand response services includes complementary paratransit and other demand response services such as SMART's Connector service and TheRide's Gold Ride service.

Demand response services are costly to operate. The cost per passenger trip ranges from \$15.39 per trip to \$47.16 (see Figure 9). The range in costs reflects a combination of factors, including geography but also service delivery models. SMART covers a large and geographic area. TheRide serves a larger region with low density, while the Detroit service area is smaller with higher density. The data also shows the effectiveness of using taxi services to provide demand response; both TheRide's taxi program and DDOT's MetroLift service, which uses taxi subcontractors, reported much lower per trip costs of \$18.99 and \$15.39 per unlinked trip, respectively.

**Figure 10** FY 2018 NTD Demand Response Performance Data

2018 NTD Reporting Year	SMART	TheRide		DDOT
Demand Response (DR)	All DR	DR	DR-Taxi	All DR
Unlinked Trips	404,441	166,583	30,611	332,151
Operating Expenses per Unlinked Trip	\$47.16	\$37.72	\$18.99	\$15.39
Vehicle Revenue Hours	200,437	89,996	16,839	140,112
Operating Expenses per Revenue Hour	\$95.16	\$72.23	\$34.51	\$36.48
Passenger Miles	3,071,966	1,123,611	305,176	3,332,821
Operating Expenses per Passenger Mile	\$6.21	\$5.59	\$1.90	\$1.53

Source: National Transit Database, 2018

## **MUNICIPALLY/ LOCALLY COORDINATED DEMAND RESPONSE TRANSPORTATION PROVIDERS IN THE SMART SERVICE AREA**

In the SMART service area, in addition to SMART-operated Connector and Dial-A-Ride services, there are at least 65 services operating either independently or in a collaboration. In Washtenaw County, in addition to non-ADA demand response services operated by the TheRide, there are three other service providers. See Technical Memo 2 for a complete listing.

For the SMART service area, the OnHand team compiled available funding information for each provider, including municipal credits, community credits, specialized services funding, and Section 5310 operating funding, which totaled \$7.9 million, exclusive of local funding sources.

The team also compiled annual ridership data for 2019 to identify possible metrics of operational effectiveness. Figure 11 provides excerpted data from that analysis for providers serving opt-in communities (i.e., receiving both municipal and community credits) whose total operational funding exceeds \$100,000. As shown, the average provider received \$233,331 and carried 15,367 riders, which translates to \$19.38 per trip.

**Figure 11 2019 Funding and Trips for Selected Local Demand Response Services**

Provider	Community Credits	Municipal Credits	Specialized/ 5310 Funds	Total Funds	Trips Provided	Cost per Trip
Clinton Township Senior Transportation	\$138,644	\$95,190	\$4,832	\$238,666	9,390	\$25.42
Dearborn Heights Parks and Recreation	\$88,624	\$56,810		\$145,434	2,383	\$61.03
Dearborn Sr. Citizens Bus Service	\$141,629	\$96,520		\$238,149	12,620	\$18.87
Farmington Hills Senior Transportation	\$133,853	\$88,654	\$51,951	\$274,458	19,935	\$13.77
Harrison Township Dial-a-Ride	\$76,672	\$24,168	\$3,241	\$104,081	9,655	\$10.78
Pointe Area Assisted Transportation	\$71,893	\$58,824	\$47,666	\$178,383	19,684	\$9.06
Redford Connector	\$78,980	\$47,576	\$6,601	\$133,157	7,274	\$18.31
Recreational Authority of Roseville and Eastpointe	\$125,489	\$110,352		\$235,481	10,567	\$22.32
Richmond Lenox E.M.S.	\$258,886	\$162,184	\$198,539	\$619,609	25,724	\$25.09
Royal Oak Senior Center	\$105,619	\$61,142		\$166,791	14,745	\$11.31
Saint Clair Shores Transportation	\$103,314	\$58,710	\$13,019	\$175,043	18,513	\$9.46
Shelby Township Senior Citizens Transportation	\$170,032	\$77,254		\$247,286	15,385	\$16.07
Sterling Heights Senior Center Transportation	\$189,917	\$127,566		\$317,483	39,002	\$8.14
Transportation of Southfield Seniors	\$117,831	\$74,556	\$13,227	\$205,614	7,018	\$29.30
Troy R.Y.D.E.	\$117,082	\$79,648	\$23,605	\$220,335	18,612	\$11.84
Average	\$127,898	\$75,373	\$40,298	\$233,331	15,367	\$19.38

Sources: SMART budget tables, SMART 5310 tables, SMART Specialized Services tables

Notes: Only opt-in communities/collaborations shown; Communities with known local funding excluded; data subject to change

## MUNICIPALLY/ LOCALLY COORDINATED DEMAND RESPONSE TRANSPORTATION PROVIDERS IN WASHTENAW COUNTY

Three primary providers serve the urban, suburban and the rural areas of Washtenaw County where transit funding is less uniform. There are formal and informal relationships between providers and municipalities. This is exemplified by the coordination between TheRide and the People's Express (PEX) and with Western Washtenaw Value Express (WAVE). TheRide acts as a direct recipient and coordinates federal and state funds with smaller providers. WAVE and People's Express depend on service contracts with local cities, towns and other institutions to support their services. The contract revenue model is common to small providers in the region and places an additional administrative burden on those providers. This burden includes negotiating terms of service with individual entities to determine fees for service, quality and the span of service provided. The terms of service can vary from contract to contract, and increase

the complexity of service delivery, fares, and billing. In the case of People's Express, the contracts it has with six communities guides how their demand response service is provided.

## NONPROFIT AND HUMAN SERVICE AGENCY TRANSPORTATION

In many cases, nonprofit agencies that operate transportation services have a similar mission as public agencies, serving clients, older adults, and persons with disabilities. In some cases, nonprofit agencies receive federal and state funding, including funds available through FTA's Section 5310 program and other non-DOT programs. Regional Area Agencies of Aging (i.e., AAA 1-A and AAA 1-B), for example, receive non-DOT federal block grants to support older adults with programs that can include shuttles. Michigan's Specialized Services funding is also available to nonprofit transportation providers.

Evaluating operating performance for nonprofits is more challenging as only some of their funding comes from public sources. Further, depending on the services they provide, some providers seek fare payments (sometimes on a sliding scale), while others provide free transportation. Figure 12 summarizes the estimated public operating funding provided to nonprofit entities in the OnHand region.

**Figure 12 Federal and State Operating Funding for Nonprofit Transportation Providers**

Nonprofit	Average 5310 Operating Funds	FY19 Specialized Services	Estimated Riders
Catholic Charities of SE Michigan – Macomb	-	\$37,275	2,600
Catholic Charities of SE Michigan – Oakland	-	\$11,532	2,900
Community Social Services of Wayne County	-	\$65,566	16,000
Downriver Community Conference*	\$30,000	\$8,999	2,000
Freedom Road Transportation Authority	\$77,955	-	Not available
Golden Home Services*	\$60,000	-	Not available
Interfaith Volunteer Caregivers	\$70,000	\$5,686	4,000
Jewish Family Service of Metro Detroit*	\$396,638	-	Not available
Jewish Vocational Services	-	\$13,149	3,640
Macomb Community Action	-	45,560	1,500
Program to Educate all Cyclists	266,220	-	Not available

Sources: Michigan DOT, SMART 5310 reports

Notes: Nonprofit with \* also received Section 5310 capital funds in the past three years; Data subject to change

## PRIVATE TRANSPORTATION SERVICES

### Non-Emergency Medical Transportation (NEMT)

Non-Emergency Medical Transportation (NEMT) is a medical transportation service for individuals who need more assistance than a taxi service. This service is provided by providers equipped to transport riders in wheelchairs, or with other special needs. For those who are Medicaid eligible, NEMT is free. Some private insurers also cover NEMT costs because it is less expensive to provide the necessary transport to keep a person healthy than to treat them later once their medical issues have worsened.

#### NEMT in Southeast Michigan

In Michigan, decision-making on who provides NEMT transportation is left to each individual county. Oakland, Macomb, and Wayne counties are the only counties in Michigan that operate a NEMT brokerage that can coordinate transportation services among multiple transportation providers. The brokerage is currently operated by LogistiCare, the nation's largest provider of NEMT programs for state governments and managed care organizations. Public transportation providers in Southeast Michigan are currently excluded from Medicaid NEMT trips.

#### Opportunities for Local and Regional Coordination

As Flint MTA's Rides to Wellness program demonstrates (see callout), NEMT can increase revenue for providers. The Michigan Public Transit Association has been working with the State of Michigan for many years to guarantee that public transportation providers can compete for these transportation dollars at a rate in line with actual costs.<sup>8</sup>

#### FLINT RIDES TO WELLNESS

The Flint Mass Transportation Authority's Rides to Wellness program is a comprehensive non-emergency medical transportation system that provides mobility management, door-to-door service, and same day service to riders going to medical or other health and wellness-related appointments. Using dynamic vehicle scheduling, Rides to Wellness is provided through service agreements with local agencies and medical providers. Which includes the County Department of Veterans Services, The American Cancer Society, The Michigan Department of Health and Human Services, and other Medical and Community partners. Rides to Wellness also provides on demand transportation from local medical offices to the Flint's Downtown Transfer Center, the center of the region's transit network.

Rides to wellness has experienced tremendous growth, providing 11,218 trips in July 2019 a 63% increase from July of 2017. Rides to wellness as a premium service charges a premium fare of approximately \$25 per trip and is projected to provide 100,000 trips with \$2.5 million in revenue in 2019.

<sup>8</sup> MPTA's Michigan Model Solution for Non-Emergency Medical Transportation Management Statewide (20, [https://www.mptaonline.org/sites/default/files/MPTA\\_NEMT\\_Webinar.pdf](https://www.mptaonline.org/sites/default/files/MPTA_NEMT_Webinar.pdf))



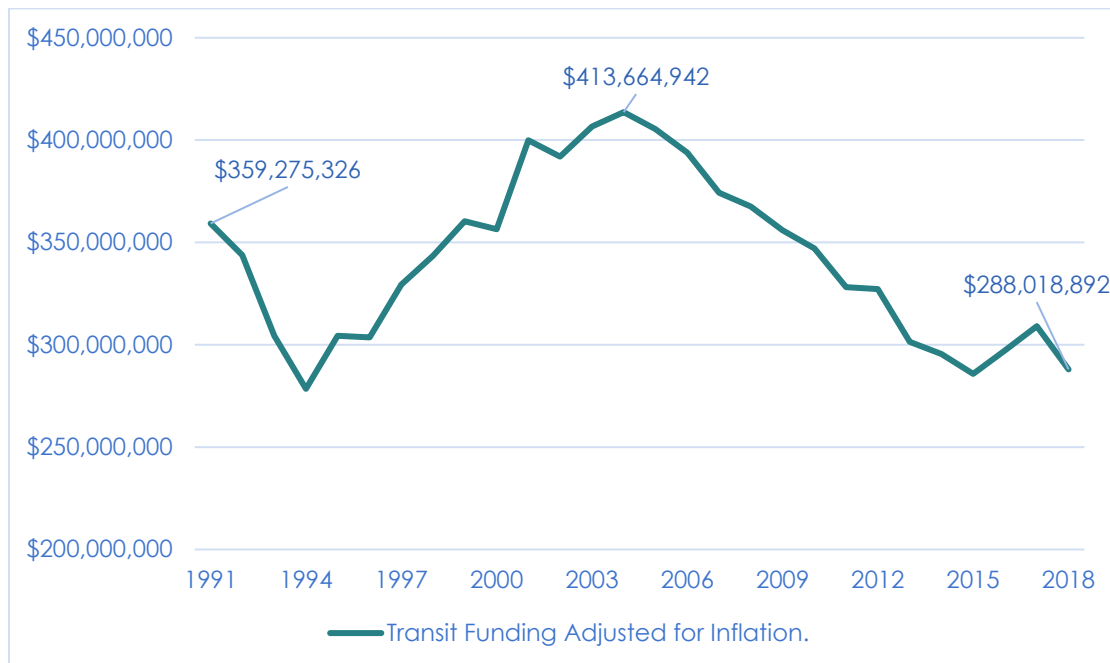
## 4 FUNDING COMPARISON WITH PEER REGIONS

This chapter presents historical trends in transit funding and compares funding with peer regions. It shows an inflation-adjusted decline in regional transit spending and levels of state funding that, when combined, lag transit funding levels of peer regions.

### REGIONAL HISTORICAL TRENDS

Using NTD data, which enables year-to-year comparisons, the OnHand team analyzed historical funding trends in Southeast Michigan. Figure 13 shows regional transit funding adjusted for inflation from 1991 to 2018 (the most recent year available). Overall funding for public transit in the region has declined from a peak of \$414 million in 2006 to \$288 million in 2018, an inflation-adjusted overall decline of 27%. These amounts include some funding for community-based transportation, particularly in the SMART region.

**Figure 13** Regional Transit Funding Adjusted for Inflation (2018 Dollars)

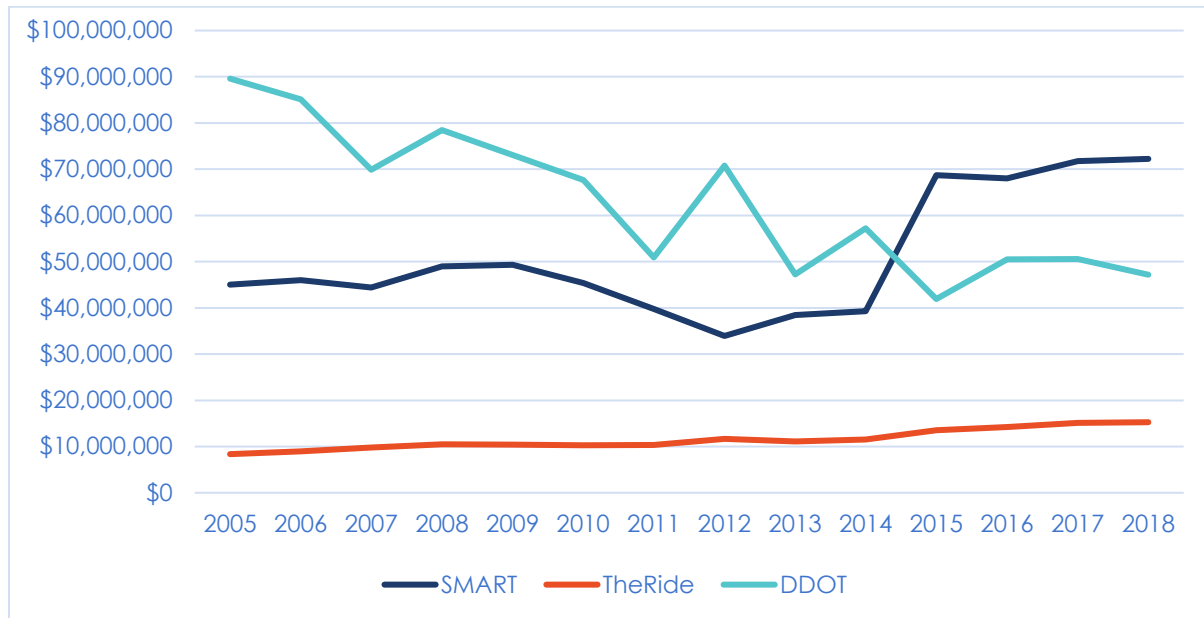


Source: National Transit Database

## Local Funding Trends

Figure 14 shows trends in funding between 2005 and 2018 for SMART, DDOT, and TheRide. As shown, DDOT experienced the most dramatic reduction in funding (47%) during this period.

**Figure 14 Local Funding by Fixed Route and Complementary Paratransit Provider 2005-2018**



Source: National Transit Database

## PEER REGIONS

To better understand the funding challenges within the OnHand region, it can be helpful to compare the funding at peer regions around the country. While the funding models can vary from region to region depending on local and state laws, funding best practices from other regions can help guide future funding decisions in the OnHand region. Figure 15 shows the peer regions used for funding comparisons, selected based on population, regional similarities, and location. Overall, regional peers provide a diverse picture of transit funding in the U.S., while avoiding comparisons with large systems in Chicago, New York, or Los Angeles. As shown, urbanized area (UZA) populations range between 1.4 million in Milwaukee to 5.1 million in Dallas; the OnHand region's UZA population is approximately 4 million.

**Figure 15 Overall Transit Funding Comparison with Peer Regions (2018 Data)**

Region	UZA Population	Overall Transit Funding per Capita	Non-federal Funding per Capita	UZA Land Area (Sq./Mi)
Detroit / OnHand Region	4,040,112	\$82.00	\$76.09	1,497
Cleveland	1,780,673	\$150.76	\$137.76	772
Dallas	5,121,892	\$157.16	\$149.28	1,779
Denver	2,374,203	\$280.83	\$245.26	668
Kansas City	1,519,417	\$76.31	\$66.16	678
Milwaukee	1,376,476	\$123.48	\$104.79	546
Minneapolis	2,650,890	\$212.23	\$203.62	1,022
Pittsburgh	1,733,853	\$258.01	\$236.34	905
St. Louis	2,150,706	\$149.46	\$140.84	924

Source: National Transit Database

## PEER REGION STATE AND LOCAL FUNDING

Federal transit funding for operations is determined by formula largely based on population. In other words, amounts are generally pre-determined. Peer region comparisons of funding from states and local sources illustrates the challenge in the OnHand region. Using FY 18 NTD data, Figure 16 compares combined state and local funding among peer regions. As shown, the peer average state per capita funding was \$44.27, and local was \$75.72, a total of \$119.99 per capita. In the OnHand region, total state and local per capita funding was \$60.61 about half of the average total. Only the Kansas City region had lower per capita state and local funding.

This information suggests that most of the cited transit agencies rely heavily on state or local funding. The OnHand region is in the middle of range for state funds, but low in local funding range. For example, the OnHand region receives more state funds than all but three of the peers (Milwaukee, Minneapolis and Pittsburgh). The three peers with generous state support rely less on local funds and the peers with limited state support rely considerably on local funds. The OnHand region's state funding support doesn't make up the difference in the low level of local funding. Differences in the way local funds are raised also makes it difficult for transportation providers to meet local needs. This is true for fixed route providers and local municipally based services.

**Figure 16 State and Local Funding Comparison with Peer Regions (2018 Data)**

Region / Urbanized Area	Funding Amounts			Per Capita		
	State	Local	Total	State	Local	Total
Detroit/OnHand Region	\$100,032,180	\$144,844,900	\$244,877,080	\$24.76	\$35.85	\$60.61
Cleveland	\$1,580,090	\$185,374,159	\$186,954,249	\$0.89	\$104.10	\$104.99
Dallas	\$2,787,625	\$626,475,521	\$629,263,146	\$0.54	\$122.31	\$122.86
Denver	\$2,974,257	\$401,577,396	\$404,551,653	\$1.25	\$169.14	\$170.39
Kansas City	\$1,430,852	\$88,061,809	\$89,492,661	\$0.94	\$57.96	\$58.90
Milwaukee	\$79,037,151	\$22,860,828	\$101,897,979	\$57.42	\$16.61	\$74.03
Minneapolis	\$369,421,349	\$29,752,601	\$399,173,950	\$139.36	\$11.22	\$150.58
Pittsburgh	\$250,700,121	\$42,042,772	\$292,742,893	\$144.59	\$24.25	\$168.84
St. Louis	\$19,655,297	\$215,451,085	\$235,106,382	\$9.14	\$100.18	\$109.32
<b>Peer Average</b>	<b>\$90,948,343</b>	<b>\$201,449,521</b>	<b>\$292,397,864</b>	<b>\$44.27</b>	<b>\$75.72</b>	<b>\$119.99</b>

Source: National Transit Database

# Appendix A

Appendix Table 1 – State of Michigan Public Transportation Funding Program Descriptions

Program Name	System Type	Description
Municipal Credit Program	Urban, Rural	Established under Section 10 of Act 51 the Municipal Credit Program directs that \$2.0 million be returned from the distribution of local bus operating assistance made under Section 10e(4)(a) of Act 51 by each eligible authority organized or continued under the Regional Transit Authority Act (2012 PA 387) as a credit to those cities, villages, and townships within the authority. The section directs that the return of money in terms of a credit be based on population.
Service Development and New Technology Program	Urban, Rural	The Service Development and New Technology Program provides funds for research, training/education, planning and coordination, and operational and technical projects that preserve or enhance public transit. Projects submitted for funding under this application must demonstrate statewide benefits and are subject to a competitive project selection process.
Specialized Services	Urban, Rural	The Specialized Services Program provides operating assistance to private, nonprofit agencies, and public agencies providing transportation services primarily to seniors and individuals with disabilities.
Capital Assistance	Urban, Rural	This program provides state share to match federal funds under various federal programs such as Section 5307, Section 5339, Small Urban, 5311(f), STP, and CMAQ.
Transportation to Work	Rural	Supports transportation services which help remove transportation as a barrier to employment primarily for low-income individuals. State funds primarily used to match federal program funds appropriated in other line items primarily Nonurban operating/capital.
Van Pooling	Urban, Rural	Funds continuation of MichiVan vanpool services to qualified commuting groups in the state; used for vehicles and marketing.
Local Bus Operating	Urban, Rural	Nonurbanized areas and urbanized areas under 100,000 population will receive state operating assistance for up to 60 percent of eligible expenses. Urbanized areas with populations over 100,000 will receive state operating assistance for up to 50 percent of eligible expenses.
Non-Urban Operating/Capital	Rural	Federal transit grant funding available to local transit systems in nonurbanized areas of state (under 50,000 in population). Funds can be used for operating or capital assistance; Michigan has primarily used these funds for operating assistance.

