

Funding Recommendations

1. Retain federal match, ensuring a 4-to-1 return on state funds.

Currently, the federal government contributes 80% of the cost of capital projects, such as replacing busses and buying new technology to support the system. The state has usually contributed the remaining 20%. For FY 2006, the state is planning to contribute well under the needed \$30 million in state match. This results in pressure on local systems to use operating dollars to make up the difference.

2. Stop CTF transfers to General Fund

Over the past few years, over \$65 million in CTF funds have been sent to the general fund. The result is that there is not enough state dollars to match the federal capital dollars and the bus operating line item has remained flat resulting in lower state match for operating support (dropping from a high near 45% to a projected 30% for this fiscal year).

3. Include performance measures as a mechanism to distribute funds

Today, the state contributes a percentage of what local systems spend in local dollars (e.g. local taxes, fares and contracts). There is no regard to how well the local systems spend the money or how effective their systems are. In 2000, there was a study that recommended efficiency measures be put into the formula for matching local dollars. Due to its well run operations, the Rapid would gain under such a formula.

4. Allow general fund money to be used for transit

Currently, the CTF receives no money from the state general fund. In fact, as noted above, CTF funds move from the CTF to the general fund putting a strain on local systems. General fund dollars should be able to be transferred to the CTF, as they are able to be transferred to the school aid fund, when circumstances warrant.

5. Argue for full 10% allocation for current and future gas and diesel taxes (currently, it is about 8.2%)

The Michigan Constitution allows “up to 10%” of gas and diesel tax revenues to be put into the CTF. However, the state does not contribute the full 10%. In fact, the last time the state gas tax was raised under the Engler administration, the entire 4 cents was dedicated to roads and none to the CTF. With the full 10% going to the CTF, additional dollars would be available to maintain service levels or expand service.

6. Eliminate ceilings on transit funding.

By artificially capping what the state spends on transit, local services are constrained and unable to grow.

7. Allow local sales tax as a revenue source for transit

Michigan law only allows local property taxes or general fund dollars to be raised for transit operations. Other states have found success in funding transit services with a locally enacted sales tax rather than a property tax. A sales tax is often seen as more fair than a property tax since persons who do not own property and visitors to the area would pay the sales tax.

8. Pass the auto lease use-tax bill (after getting it reintroduced)

When the funding mechanisms were developed for the CTF, a certain percent of the sales tax on automobiles was deposited into the CTF. However, at that time, the growth in auto leasing was not envisioned. As a result, the tax from auto sales is less and the tax on auto leasing is not deposited into the CTF.

9. Increase the local millage in the current 6-city area

In 2000, the six cities that comprise the Rapid service area passed a 0.75 mill levy for transit services. In 2003, voters passed an increase to 0.95 mills. In both instances, services expanded. If the millage were to be increased, additional services would be able to be supported.

10. Pass metropolitan area millage(s)

- a. Kent County**
- b. Eastern Ottawa**

Currently, there is only a millage in the six cities that comprise the Rapid service area. If millages were levied throughout Kent County or in eastern Ottawa County, additional services could be developed and paid for throughout the metropolitan area.

11. Increase state gas and/or diesel tax (1 cent = \$50 million)

The state gas and diesel taxes are set amounts. With an increase in the gas and diesel taxes, additional dollars could be put into the CTF for bus operations.

12. Index gas tax to inflation

The Michigan gas tax is a set amount per gallon. As inflation has increased and the amount of these taxes remained the same, the “buying power” of these taxes

has decreased. In fact, it was reported that the current fuel taxes have the “buying power” of the fuel taxes in the 1950’s. If the fuel taxes were indexed to inflation, the loss in buying power due to inflation would be eliminated.

Source Documents:

Act 51 Transit Committee Report, April 2000.

Michigan Department of Transportation – Transportation Summit December 2004.

Down the Road... The Future of Public Transportation in the Greater Grand Rapids Area.

Citizens League of Greater Grand Rapids: April 1990.

Michigan’s Land, Michigan’s Future: The Final Report of the Michigan Land Use Leadership Council. August 2003.