Transit Funding for Southeast Michigan

Year after year, Michigan fails to properly invest in its transportation system – hurting its citizens, cities and economy. Hardest hit by this failure is often Southeast Michigan and its overall public transit services. We need to solve this problem – and the solution is finding a dedicated funding source for the region.

❖ **Transit funding across the United States**

The funding sources of several major cities and regions throughout the U.S. can serve as a model for Southeast Michigan.

- **Dallas, Texas**
  Dallas, like Detroit, is a city that relies heavily on the usage of cars. However, with the introduction of the Dallas Area Rapid Transit (DART) System, this is changing. DART operates buses, light rail, commuter rail, and high-occupancy vehicle lanes in Dallas and 12 of its suburbs. The system is funded by a 1% sales tax in cities that receive DART services. To opt into the DART system, cities in the metro Dallas area can simply pay the tax.

- **Allegheny County, Pennsylvania**
  Located in southwestern Pennsylvania, Allegheny County has come up with an innovative way to fund its public transit system of buses and light rail. By raising its liquor tax by 10%, the county generates $30 million a year.

- **Portland, Oregon**
  Portland has one of the best public transit systems in the country – and in addition, a great funding source. Trimet, the Portland area's transit authority, uses a payroll tax to support its buses, light rail, streetcar and commuter rail. In doing this, employers within districts using transit are taxed on their gross payroll.

- **San Francisco, California**
  The San Francisco Metropolitan Transportation Agency (Muni) receives a significant amount of revenues for the provision of transit services through parking fees and fines. Of the city's entire revenue from these sources - 80% is dedicated to Muni operations.

❖ **Transit funding for Southeast Michigan**

Based on our research, there are four main options to raise funding for transit in the metro Detroit area.

- **Sales Tax**
  Currently, the state of Michigan levies a 6% sales tax on goods and services. By increasing this tax 1%, the counties of Wayne, Oakland and Macomb could generate an estimated $502 million** for public transit in the region.

  -Advantage: This source of funding would raise a large amount of money for Southeast Michigan's transportation system. Additionally, research shows that an increase in the sales tax would garner support from citizens.
  -Disadvantage: In order for an increase to occur, the Michigan state constitution would need to be amended to allow a local sales and use tax. To make this happen, the state

legislature would need to pass an amendment to the constitution or Michigan voters would need to pass a ballot initiative in support of the local tax.

- **Gas Tax**
  In 2010, the state of Michigan generated $840 million from its 19-cent gas tax. With an increase of 6-cents, the region could raise an estimated $103 million.**

  -Advantage: A gas tax could raise a significant amount of money for Southeast Michigan.
  -Disadvantage: Like the sales tax, a gas tax would need an amendment to the state constitution.

- **Property Tax**
  A 1-mil property tax in the counties of Wayne, Macomb and Oakland could generate an estimated $129 million.**

  -Advantage: A property tax is an attractive option in that it does not require an amendment to the state constitution – the tax can simply be placed by any city.
  -Disadvantage: This tax is highly dependent on the economy and the housing market – and when these struggle, transit funding could be cut.

- **Parking Fees and Fines**
  A final option for Southeast Michigan is the use of county revenue from parking fees and fines.

  -Advantage: This option is a city/county issue and would not require approval from the state.
  -Disadvantage: The use of parking fees and fines is a short-term plan and would not be a significant funding source.

❖ **TRU believes that a 1% sales tax would be most effective in raising dependable transit funding. This long-term solution would consistently generate a large amount of money – providing the region the revenue they need to both continue and increase much-needed transportation services for the people of Southeast Michigan.**

**Estimated Tax Revenue from Various Options

Local Area	**1% Sales Tax**	**6-cent gas tax**	**1 mil property tax**
Wayne County	$198,765,000	$49,073,684	$46,586,125
Detroit	$71,555,000	$19,152,000	$9,111,881
Oakland County	$210,002,000	$32,256,000	$55,081,702
Macomb County	$93,397,000	$22,547,368	$27,893,428
Tri-County Totals	**$502,165,000**	**$103,877,052**	**$129,561,255**

Sources:
-Michigan's Sales and Use Tax Data 2008
-www.Michigan,gov/documents/treasury/2011DNR-PILTMasterList_347187_7.pdf
-http://.house.Michigan.gove/hfa/PDFs/source0611.pdf
-http://.2010.census.gov/news/releases/operations/cb11-cn106.html
-www.Michigan.gov/documents/treasury/625_2010_Ad_Valorem_Tax_Levy_Report_353538_7.pdf