

Are Bus Fares Fair in Michigan?

By Kenneth M. Braun - For the Daily Press

Editor's note: The following guest column is from Kenneth M. Braun, policy analyst specializing in fiscal and budgetary issues for the Mackinac Center for Public Policy, a research and educational group based in Midland.

MIDLAND — State Rep. David Agema, R-Grandville, has introduced legislation that would require local bus systems subsidized by state road tax dollars to generate at least 20 percent of their operating expenses from fares paid by riders.

Given that few taxpayers know much about the finances of Michigan's public bus systems, most might consider this proposal, House Bill 4928, to be a paltry and superfluous requirement. "Surely," they may think, "most if not all of Michigan's public transit users pay that much and more of their own way, right?"

Wrong.

As of 2005, the latest year that reports are available from the Federal Transit Administration for Michigan's largest urban bus systems, not one of them raised as much as 20 percent of their operating expenses from fare revenues. The largest systems, those responsible for carrying the majority of Michigan's public bus passengers, fell well short.

For example, fares as a share of operating expenses for SMART, the system for the Detroit suburbs, and DDOT, the city of Detroit's system, were less than 12 percent. The figure for the Lansing area's Capital Area Transportation Authority was less than 15 percent. "The Rapid," serving Grand Rapids, was less than 15 percent; the Flint Mass Transportation Authority was less than 16 percent; and the Ann Arbor Transportation Authority was less than 14 percent.

If riders pay less than 20 percent of the operating costs, then who pays the rest? Ahem — got a mirror?

About one-third of the total public bus operating expenses noted above came from the state's Comprehensive Transportation Fund — a mass transit subsidy carved out of the state's annual road budget. Like the rest of this budget, nearly all CTF funding comes from federal and state motor fuel taxes and state vehicle registration fees. The money for the CTF that's taken from this pool of transportation dollars is a redistribution of wealth from the state's car and truck drivers to its transit agencies. Vehicle owners

and drivers pay substantially more for rides they may never take on public buses than do the riders themselves.

The state constitution caps this diversion at no more than 10 percent, meaning that at least 90 percent of annual transportation revenues must be spent on roads. But even with this restriction, Michigan lawmakers in Fiscal Year 2005 allocated more than \$161 million for local bus operating subsidies, \$16.3 million for bus capital improvements, \$7.2 million for passenger train subsidies, and more for various other public bus and transportation-related spending.

It is also noteworthy that FTA reports indicate that virtually all of the fare revenue for Michigan's largest fixed route bus systems is dedicated for operating expenses only. The overwhelming majority of the operating costs, and virtually all of the capital costs, come from a combination of the CTF revenue diversion described above, local tax revenue and federal grants. (The requirements of House Bill 4928 and the calculations above apply only to fixed-route bus systems and not dial-a-ride or other "on demand" public transit service.)

Notwithstanding the figures cited above, the 20 percent requirement of HB 4928 is not beyond the reach of public bus agencies. DDOT, by far the state's largest public transit service, covered more than 20 percent of its fixed-route operating costs with fares as recently as 1999. Elsewhere, in New York City's massive bus system, operating costs were 42.4 percent fare-supported in 2005; Chicago riders covered 34.2 percent; Toledo's paid 20.7 percent; and Indianapolis patrons contributed 22.2 percent. It's neither unreasonable nor unprecedented to expect the people using the service to pay more of the cost.

Yet testifying in favor of more taxpayer support earlier this summer, the executive director of The Rapid told state legislators that his system covered only 18 percent of its 2006 operating costs with fares. He said increasing fares would mean a loss of customers. His remark reveals a skewed perception in the collective mind of Michigan's mass transit chiefs: The people forking over the vast majority of the money are not considered the real customers, while those considered the customers are expected to pay very little of the cost.

House Bill 4928 represents a helpful turn toward clearing up this confusion.