

State Transit Operating Assistance (aka Local Bus Operating or LBO) Distribution Rates for Fiscal Year 2013

On September 14, 2012, the Office of Passenger Transportation, within the Michigan Department of Transportation (MDOT) released the final budget distribution for Fiscal Year 2013 State Operating Assistance. The memo and the distribution results are appended to this document.

This briefing memo provides additional background information.

Final Distribution Results

The final budget distribution rates for each group are:

- 27.1136% for the “up to 50%” group, which is down from 30.65% for Fiscal Year (FY) 2012.
 - Based on total eligible expenses for this group of \$365,481,386 (down from \$398,378,568 in FY 2012).
 - Four recipients in this group, including both the Detroit Department of Transportation (DDOT) and the Suburban Mobility Authority for Regional Transportation (SMART) will receive their Act 51 floors (described more below).
- 38.4887% for the “up to 60%” group, which is up from 36.23% in FY 2012.
 - Based on total eligible expenses for this group of \$123,640,768 (up from \$120,618,905 in FY 2012)
 - Five recipients in this group will receive their floors.

The results of this distribution are problematic because of the significant drop in state reimbursement for nine recipients in the 50% group not protected by their FY 2013 floor.

Legislative Language

Under Section 10(e) of Act 51 of 1951, as amended, each recipient of local bus operating (LBO) funds is to receive

- Up to 50% of eligible expenses for agencies that service areas over 100,000 in population (i.e., the “50% group”)
 - Up to 60% for agencies that service areas less than 100,000 population (i.e., the “up to 60%” group)
- AND
- “Not less than the distribution received for the fiscal year ending September 30, 1997” (their “floor”)

Annual Calculation of Distribution Rates

- Based on transit agencies budgets for each fiscal year (eligible expenses) and the Comprehensive Transportation Fund (CTF) appropriated for the LBO program, distribution rates for each group are calculated prior to the start of the fiscal year.

Calculations are done in this order.

1 $\left(\begin{array}{l} \text{Total eligible} \\ \text{expense} \\ \text{for the} \\ \text{group} \end{array} \right) \times \left(\begin{array}{l} \text{Total funding} \\ \text{needed to get each} \\ \text{member of that} \\ \text{group to the} \\ \text{maximum} \\ \text{allowable funding} \end{array} \right) \div \left(\begin{array}{l} \text{Total funding} \\ \text{needed to get} \\ \text{both groups to} \\ \text{maximums} \end{array} \right) = \left(\begin{array}{l} \text{Percentage of the} \\ \text{appropriation to be} \\ \text{distributed to each} \\ \text{group} \end{array} \right)$

2 $\left(\begin{array}{l} \text{Percentage of the} \\ \text{appropriation to be} \\ \text{distributed} \\ \text{to each group} \end{array} \right) \times \left(\begin{array}{l} \text{Total} \\ \text{Appropriation} \end{array} \right) = \left(\begin{array}{l} \text{The groups share of the} \\ \text{appropriation (in dollar} \\ \text{amount)} \end{array} \right)$

3 $\left(\begin{array}{l} \text{The groups share of the} \\ \text{appropriation (in dollar amount)} \end{array} \right) \div \left(\begin{array}{l} \text{Total eligible} \\ \text{expenses of} \\ \text{all agencies in} \\ \text{that group} \end{array} \right) = \left(\begin{array}{l} \text{The percent of eligible} \\ \text{expenses to be distributed} \\ \text{(reimbursed) to each recipient} \\ \text{in the group} \end{array} \right)$

4 The 60% group's amount is reduced by the amount necessary to give the two ferry system's the 50% reimbursement required by Act 51 and a new distribution percent is calculated for that group

5 The dollar amount for each recipient is compared to their floor and dollar amounts are raised as needed for agencies to ensure each gets their floor

6 The floor dollar amounts are deducted from the distribution amount of their group and the distribution amount for each group is recalculated (Step 3) to determine the percent distribution for all agencies not at their floor. (This calculation may need to be done several times)

FY 2013 Budget Results

MDOT did the distribution for FY 2013 in early September 2012. Highlights of the results include:

- DDOT's FY 2013 budget represented a \$35 million reduction from their FY 2012 budget – from \$159 million to \$124 million.
- As a result of the DDOT budget reduction, \$118.5 million of the FY 2013 appropriation for this program would be allocated among the agencies in the “up to 50%” group as compared to \$122.2 million in FY 2012 (Steps 1 and 2).
- The initial distribution percentage (Step 3) resulted in DDOT being \$8 million below their FY 1997 floor (Step 5).
- Once DDOT was taken to their floor, the revised distribution rate for the “up to 50%” group was 27.11% as compared to 30.65% for FY 2012.

September 14, 2012

There are agencies that receive their floor distribution every year and some small agencies have been receiving their floor distribution for many years. However, for most agencies the increase associated with taking the recipient up to their floor has been relatively small and the impact on other agencies in their group has also been small. DDOT's budget is such a large portion of the "up to 50%" group and the amount of funding needed to bring DDOT up to their floor is large. As a result, the impact on remaining agencies in the "up to 50% group" of bringing DDOT up to their floor is significant.