

Vision 2050 – Regional Transportation Plan for Southeast Michigan

APPENDIX B: Sources of Funding for Public Transit Agencies as of June 2024.

Section 5307 (Urbanized Area Formula Program)

This is the largest single source of federal-aid transportation funding apportioned to Michigan. Section 5307 funds can be used for capital projects, transit planning, and projects eligible under the former Job Access Reverse Commute (JARC) program (intended to link people without transportation to available jobs). Certain limited amounts of the funding can also be used for operating expenses, depending on the size of the public transit agency. One percent of funds received are to be used by the agency to improve security at agency facilities. Distribution is based on formulas including population, population density, and operating characteristics related to transit service. Urbanized areas of 200,000 population or larger receive their own apportionment. Areas between 50,000 and 199,999 population are awarded funds through what is known as the “governor’s apportionment.” In Southeast Michigan, the Detroit Urbanized Area’s (UZA) apportionment is split between the Detroit Department of Transportation (DDOT), the Suburban Mobility Authority for Regional Transportation (SMART), and the Detroit Transportation Corporation (People Mover), while the Ann Arbor UZA apportionment is used by the Ann Arbor Transportation Authority (AATA). Blue Water Area Transportation Commission (BWATC) in St. Clair County, Livingston Essential Transportation Services (LETS) in Livingston County, and the Lake Erie Transportation Commission (LETC) in Monroe County receive Section 5307 funding through the State of Michigan.

Section 5310 (Elderly and Persons with Disabilities)

This federal-aid funding source is intended for projects benefitting seniors and disabled persons when service is unavailable or insufficient, and for transit access projects for disabled persons that will exceed Americans with Disabilities Act (ADA) requirements. Section 5310 incorporates the former New Freedom program. Urbanized areas in Southeast Michigan with populations over 200,000 (the Ann Arbor, Detroit, and Toledo Urbanized Areas) receive an apportionment of Sec. 5310 funding directly from the federal government. The State of Michigan allocates Section 5310 funding in remaining areas of the region on a per-project basis.

Section 5311, Non-Urbanized Area Formula Grant

This federal-aid source funds capital and operating projects, and rural transit planning activities, in areas under 50,000 population. Activities under the former JARC program (see Section 5307 above) in rural areas are also eligible. The state must use 15 percent of its Section 5311 funding on intercity bus transportation. The State of Michigan operates this program on a competitive basis.

Section 5337, State of Good Repair Grants

Federal-aid funding to state and local governmental authorities for capital, maintenance, and operational support projects to keep fixed guideway systems in a state of good repair. Recipients are required to develop and implement an asset management plan. Half of Section 5337 funding is distributed using a formula that accounts for vehicle revenue-miles and directional route miles; the other half is distributed based on ratios of past funding received. The Detroit Transportation Corporation (People Mover) is currently the only recipient of Section 5337 funding in Southeast Michigan.

Section 5339, Bus and Bus Facilities

Federal-aid funding to replace, rehabilitate, and purchase buses and related equipment, as well as construct bus-related facilities. Each state receives a fixed amount, with the remaining funding apportioned to transit agencies based on various population and service factors.

Federal-aid highway funds flexed to transit

In addition to these funding sources, transit agencies can also apply for Surface Transportation Block Grant Program (STBG) and Congestion Mitigation and Air Quality Improvement (CMAQ) program funds. STBG and CMAQ funds are transferred from their original highway programs to transit in a process called **flexing**. In Southeast Michigan, approximately one-half of each year's local CMAQ allocation is flexed to transit projects; STBG funds are also occasionally flexed on a project-by-project basis.

Local Bus Operating (LBO) Funds

Unlike the other funding in this list, Local Bus Operating (LBO) is state, rather than federal, money. This funding is part of the state's motor fuel tax and vehicle registration revenue, as well as a portion of the auto-related sales tax. These revenues are deposited in an account in the Michigan Transportation Fund known as the Comprehensive Transportation Fund (CTF) and distributed to public transit agencies by the Michigan Department of Transportation's Office of Passenger Transportation. Since most federal-aid transit funding is intended for capital projects, LBO funds are extremely important for Michigan's public transit agencies, because operating expenses usually constitute the majority of each agency's annual expenditures. Among other items, operating expenditures include wages, supplies, utilities, and insurance—those expenditures that make it possible for the public transit agency to function on a daily basis.

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