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BILL ANALYSIS

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Senate Bill 1316 (as introduced 5-15-08)
Sponsor: Senator Roger Kahn, M.D.
Committee: Transportation

Date Completed: 5-19-08

CONTENT

The bill would amend the Michigan Transportation Fund law to do the following:

- **Require a public transit agency or authority to adopt performance goals in six specific areas relating to operating expenses, revenue, and passengers.**
- **Require an agency or authority to report to the Michigan Department of Transportation (MDOT) quarterly on its effectiveness in relation to the goals, and require MDOT to assess each agency or authority annually on its performance.**
- **Require MDOT to perform a management performance audit of each agency or authority at least every five years.**
- **Require the development of standards for urbanized and nonurbanized agencies based on data collected from similarly sized agencies and authorities.**
- **Provide that an agency or authority would be in compliance with its goals if it met or exceeded the established standards for four of the six indicators, if a five-year trend analysis showed improvement in four of the six indicators, or if the agency or authority had made progress in implementing a majority of the recommendations made during its most recent management performance audit.**
- **Require an authority's or agency's funding under the law to be reduced by 10% until it was in compliance, if the authority or agency were not in compliance with the goals after certain corrective actions had been taken.**

Performance Goals

Section 10e of the law governs the appropriation of money in the Comprehensive Transportation Fund. After payment of principal and interest on bonds and notes issued for comprehensive transportation purposes, and payment of MDOT's costs of administering the Fund, the balance must be spent as appropriated annually by the Legislature pursuant to the State transportation program, for purposes specified in the law. These include operating grants to eligible authorities and eligible governmental agencies; matching funds for eligible authorities' and agencies' projects that are approved for Federal funding; and capital grants to eligible authorities and agencies. An eligible authority is an authority that is organized under the Metropolitan Transportation Authorities Act. An eligible governmental agency is a county, city, or village or an authority created under the Urban Cooperation Act or certain other statutes.

The bill would require an eligible authority or an eligible governmental agency that provided public transit services and that received funds under the law to adopt service and

performance goals. The goals would have to be adopted for a four-year period and reviewed annually. The goals would have to be established for all of the following indicators:

- The ratio of passengers to service area population, as expressed in unlinked trips.
- The ratio of operating expenses to passengers, as expressed in unlinked trips.
- The ratio of operating expenses to revenue hours.
- The ratio of revenue to operating expenses.
- The ratio of passengers to revenue hours, as expressed in unlinked trips.
- The ratio of revenue hours to service area population.

("Revenue hours" would mean hours in which a mass transit vehicle is operating in revenue service, such as being available to pick up or discharge passengers. "Unlinked trip" would mean a trip beginning when a passenger boards the vehicle and ending when he or she leaves the vehicle, even though the passenger may have to transfer to another vehicle to complete his or her journey.)

An eligible authority or governmental agency would have to prepare and submit quarterly to MDOT a written report of system effectiveness in relation to those goals. The reports would have to be submitted within 60 days after the end of each calendar quarter. The authority or agency also would have to submit a copy of the report to the appropriate local governing body.

Assessment & Management Audit

On an annual basis, MDOT would have to assess the performance of each eligible authority or governmental agency receiving State operating assistance under the State transportation program using the performance indicators described above.

In addition, MDOT would have to conduct a management performance audit of all eligible authorities and governmental agencies at least once every five years, and would have to determine the scope of services for each audit in cooperation with the management of the eligible authority or governmental agency subject to the audit.

Performance Standards & Compliance

The Department would have to classify the eligible authorities and agencies receiving funds under Section 10e into urbanized and nonurbanized categories. For urbanized authorities and agencies, peer groups of similarly sized transit systems with similar operating characteristics outside of Michigan would have to be developed to establish performance standards. Data used for those peer groups would have to be the most recent available from the Federal Transit Administration National Transit Database. For nonurbanized eligible authorities and governmental agencies, standards would have to be established using in-State data only.

Standards for each of the performance indicators would have to be set for each peer group using a standard deviation. Transit systems within one standard deviation of the arithmetic mean would have to be judged as in compliance with the standard for the measure. Eligible authorities and governmental agencies that met or exceeded the standards for four of the six performance indicators would have to be deemed in compliance with the goals.

If an eligible authority or governmental agency were not in compliance with the goals, a time-trend analysis would have to be performed, analyzing the performance indicators over the most recent five-year period. Data from the preceding calendar year would have to be used. A system showing improvement in four of the six indicators would be deemed in compliance with the goals.

If an eligible authority or governmental agency were not in compliance with the goals under those determinations, the implementation status of recommendations made in the most recent management performance audit would have to be assessed. An eligible authority or governmental agency that had made significant progress in implementing the majority of recommendations targeted at improving efficiency would be deemed in compliance with the goals.

Corrective Actions

If an eligible authority or agency did not meet the goals, the actions described below would have to be taken.

If the management performance audit recommendations had not been implemented, MDOT would have to provide technical assistance to aid in implementing the recommendations.

If a management performance audit had not been conducted within the last three years, MDOT would have to schedule an audit as soon as possible.

If, after those actions had been taken, an eligible authority or agency still were not in compliance with the goals, funds that the authority or agency otherwise would receive under the law would have to be reduced by 10% until it could demonstrate compliance with the goals.

MCL 247.660e

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would create additional administrative costs for the Department of Transportation and public transit agencies, but the exact fiscal impact cannot be determined at this time.

Fiscal Analyst: Debra Hollon

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.