

Declining State Funding Puts Local Transit Services at Risk

August 15, 2025

Background: In addition to federal and local support, Michigan's public transit systems are funded through the state Local Bus Operating (LBO) budget line item. The LBO is funded from the state's Comprehensive Transportation Fund, which itself comprises a small share of the overall Michigan Transportation Fund revenues that mostly fund roads and bridges.

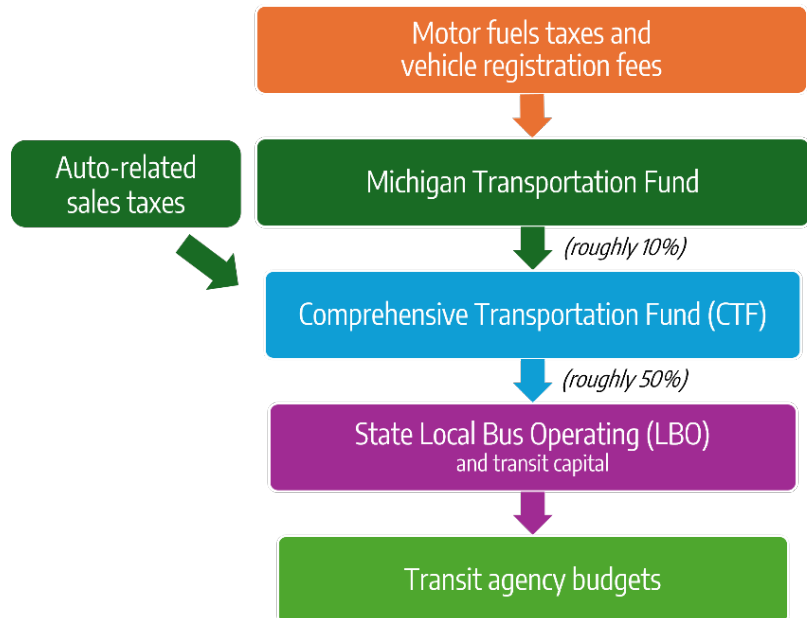
In the current Fiscal Year 2025, the Michigan Department of Transportation distributed \$241 million in LBO funding by formula to Michigan's 80 local transit agencies based on their eligible operating expenses. While Public Act 51 provides that the state may provide LBO reimbursement of up to 50% (for urban agencies) and 60% (for nonurban agencies), the inadequate state funding resulted in reimbursement levels of just 29.6% (for urban agencies) and 35% (for nonurban agencies) this year.

For the upcoming Fiscal Year 2026, the administration's proposed budget with \$226 million in LBO would result in the lowest-ever reimbursement levels of just 26% and 30.6%, respectively. Diminishing state funding has failed to keep pace with increased transportation costs and demands, leaving many local transportation systems confronting potential cuts to services even as transportation needs continue to grow.

To better understand these issues, Michigan transit providers were surveyed in late April – early May about the impacts of recent funding changes on their operations. 31 responses were received – which comprises approximately one-third of all transit providers in the state. Responses were distributed among rural providers and small, medium, and large urban providers in rough correspondence with their actual share of such agencies in the state.

Finding: The demand for public transit grows across our state.

- In FY 2023, Michigan's transit providers served more than 47 million passengers; this is an average of **more than 125,000 rides every day** and an increase of nearly 20% from the prior year.
- **75% of transit providers surveyed report increased ridership in the past four years**, with many reporting total ridership increases of 25 to 45% during that time.
- Taken as a whole, they report that the **largest increases in demand are for medical trips**, with employment-related trips a close second, followed by school trips.
- Michiganders are increasingly requesting trips during **extended hours of service** (nights or weekends) or to out-of-the-county jobs and medical services; however, these trips are more challenging and costly to provide. **Students** - both K12 and college students - are also increasingly using public transit.



Michigan Transit Needs Growing Across Areas



#1 Medical



#2 Employment



#3 Education

- Other local partners - including schools, medical providers, and social services agencies - are increasingly cutting their own transportation services and **looking to public transit to meet transportation needs** for their populations.
- Riders are increasingly seeking **on-demand service** (also known as microtransit services - like Uber/Lyft), which agencies are working to develop.
- While ridership remains lower in some urban areas since the pandemic, **many rural providers are reporting record ridership** in their areas.

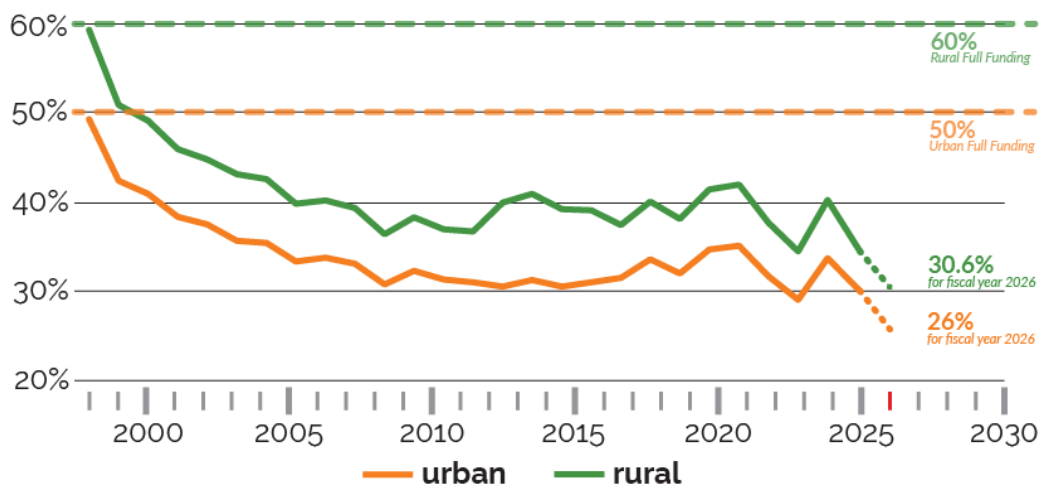
Finding: Transit providers are stepping up with innovation.

- Most providers report having recently **implemented software and mobile apps** that allow riders to book and track their rides.
- Agencies also report **adjusting their service routes and hours** to align with the changes in local transportation demands. As mentioned, new microtransit services are also growing more prevalent.

Finding: Transit providers are being hit with decreased state funding (which is at an all-time low rate).

- The share of local transit expenses reimbursed by the state of Michigan has dropped significantly in the past three years, with **many providers reporting hits to their budgets of hundreds of thousands or even millions of dollars** relative to the level of support previously provided by the state.

Local Bus Operation (LBO) Distribution Percentages, 2000-2026



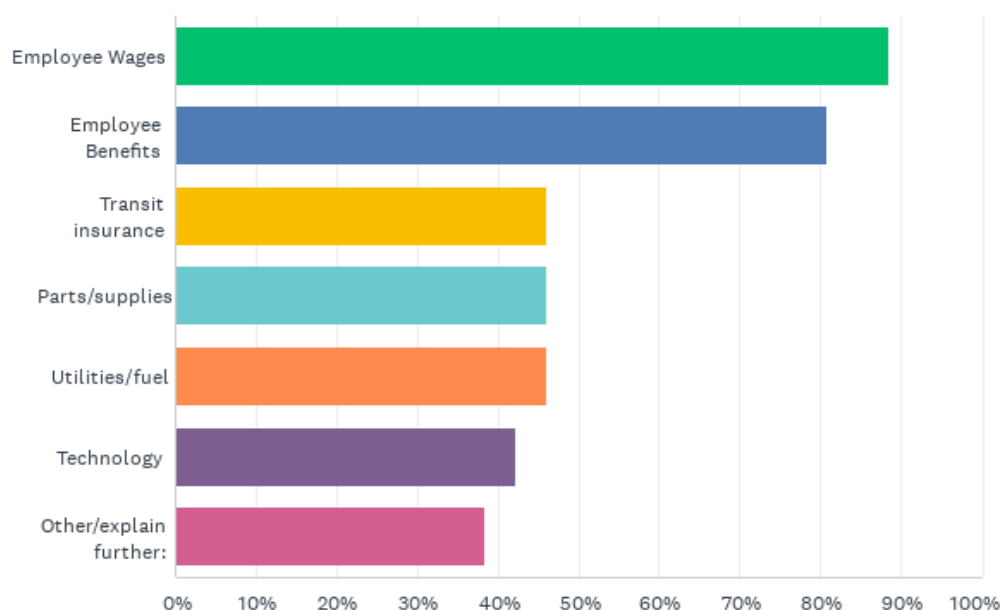
Source: MDOT Office of Passenger Transportation

- While **local transportation demands and expenses grow**, actual state funding has remained flat.
- For most providers, this equates to thousands of hours of transit services effectively lost every year – or **numerous rides that can no longer be given**.

Finding: Transit providers are responding to significant increases in transportation costs.

- More than 85% of transit providers surveyed report *significant* increases in their operating expenses over the past four years.
- The biggest recent cost increases are for **employee wages and insurance**, followed by transit insurance, parts/supplies, and utilities/fuel.
- Providers report that their **overall expenses have increased between about 25% and 50%** during the past four years.
- Transportation providers must meet **stringent safety and driver qualification standards** and cannot afford to skimp on these essentials.

Greatest Cost Drivers for Transit Providers

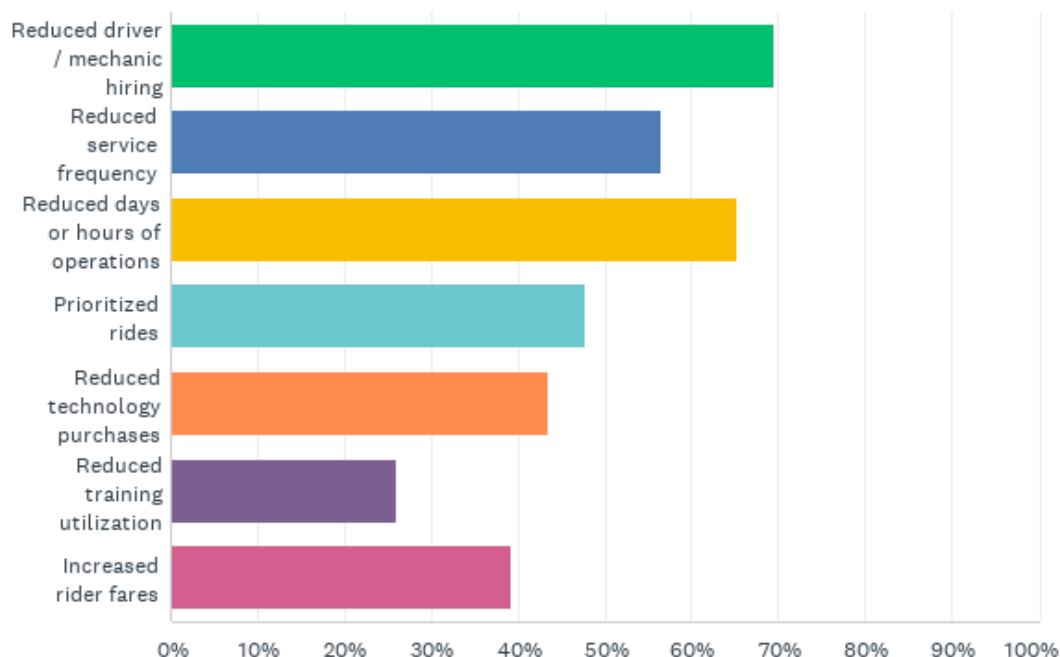


Finding: Many transit providers are implementing tough cuts that will negatively impact their communities.

- More than 69% of transit providers surveyed report **experiencing or considering reduced driver and mechanic hiring**.
- More than 65% of providers have experienced or are considering **reduced days or hours or operations**, with more than 47% considering some prioritizing who can ride the bus or to where.
- Nearly all providers report not filling open positions and **challenges in attracting qualified staff** at relatively low wages.
- Reduced staffing levels threaten to **increase wait times and diminish the quality of transportation services**.

- Many transit providers report that they have **delayed improvements to their facilities, infrastructure, and technology**. Many providers report being forced to downsize or delay the purchase of replacement vehicles.

Share of Transit Agencies Implementing or Considering Cuts



- Most transit providers also note that **increasing their fares is extremely difficult**, with many riders unable to afford even the modest current fares of \$1 - \$2 per ride.
- Increasing the costs on riders makes it more likely that **Michiganders will stay home and miss out on essential trips**. Reduced numbers of riders also make the overall system less efficient.
- One transit system noted that if a mother and three kids were to ride to a local doctor's visit, it may already cost the family \$28.
- As one respondent noted, "Increasing fares for the population we serve would only **create further inequities** in those people being able to access employment, medical care, and groceries."

Finding: Transit providers are running out of time.

- 92% of transit providers surveyed report a **concern about depletion of their agency's fund balance or reserves**, with many relying on a few years of remaining savings to help maintain current services.

Finding: Transit providers are missing out on valuable grants and partnership opportunities.

- While some transit providers have pursued new partnerships, many others report **challenges in bringing on board new partners** when the state's matching share has dropped precipitously. External grantees and programs are interested in expanding services; not filling in for state funding cuts.

Finding: Transit providers cannot provide service at the times when it is needed.

- Given that service hours are often the first area for budget reductions, many providers report being **limited to weekday business hours**.
- This means that many Michiganders may be relegated to their homes all weekend; others may be able to take the bus to their job, but not back home again at night.
- A number of transit providers are at their current capacity and **must already turn away requested rides**, let alone meet new and growing demands.

Finding: Transit providers are already supported by their local communities.

- 80% of transit providers surveyed report having a **local millage** in place. Of course, it should be noted that these millages may only fund rides in certain areas or, for example, or only for seniors, not the general population.
- While local transit millages have passed more than 90% of the time in our state, most counties are **increasingly hesitant to ask voters to bear a bigger local burden**, especially if only to maintain current services due to state funding cuts.

Finding: If funding were increased, transit providers have plans to expand services to meet local needs.

- 84% of transit providers surveyed report that expanded services would be their priority if funding were increased. These services would include **longer hours of service, reduced wait times for senior and workforce rides**, and **better use of technology to deliver rides more efficiently**.
- It should be noted that in Oakland County, **ridership in some areas dramatically increased** (nearly 200% over several years) in response to new local funding that expanded transit services.
- Michiganders are already using public transit at significant rates, and local transit agencies believe in the **opportunity to benefit their communities even further** if the state could address its funding responsibilities.

Acknowledgements:

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