



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 695, 696, and 697 (as enrolled)
Sponsor: Senator Randy Richardville (S.B. 695)
Senator Virgil Smith (S.B. 696)
Senator Tom Casperson (S.B. 697)
Senate Committee: Transportation
House Committee: Transportation and Infrastructure

Date Completed: 1-13-15

CONTENT

Senate Bill 695 would amend the Nonprofit Street Railway Act to include in the definition of "street railway" a nonprofit corporation incorporated for the purpose of assisting a street railway in acquiring, constructing, operating, improving, or financing a street railway system.

Senate Bill 696 would amend the Nonprofit Street Railway Act to do the following:

- Allow an operating license agreement to require a street railway to pay direct administrative costs incurred by a road authority for administering the agreement.
- Prohibit an operating license agreement from requiring that a street railway assume responsibility for legacy costs of a public transportation provider.
- Prohibit a road authority from requiring a street railway, as a condition of obtaining a licensing agreement, to obtain another license or franchise, assess a fee or charge, or impose any other licensing, regulatory, or franchise requirements.
- Provide that the obligation of a street railway to pay relocation and modification costs for public utilities would not apply within the geographic boundaries of a local government if its governing body incorporated an authority under the Municipal Lighting Authority Act.
- Exempt the property, income, and operations of a street railway from State and local taxation.

Senate Bill 697 would amend the General Property Tax Act to provide that the Act would not apply to real or personal property owned by a nonprofit street railway.

Senate Bill 697 is tie-barred to Senate Bill 696. A more detailed description of Senate Bills 695 and 696 follows.

Senate Bill 695

The Nonprofit Street Railway Act provides for the formation of nonprofit street railway companies, defines their powers, and provides the statutory framework for local development of street railway systems.

The Act defines "street railway" as "a nonprofit corporation organized under this act for the purpose of operating a street railway system other than a railroad train for transporting

persons or property". The bill would amend this definition to include a nonprofit corporation formed by a street railway, or by one or more members of the board of directors of a street railway, "for the purposes of assisting the street railway in acquiring, owning, constructing, furnishing, equipping, completing, operating, improving, or maintaining a street railway system or for the purposes of financing a street railway system".

Senate Bill 696

The Act provides that a street railway may acquire, own, complete, operate, improve, and maintain a street railway system in and upon streets and highways operated by a road authority with the approval of the road authority. This approval must come in the form of an operating license agreement, which includes the terms and conditions for operating the street railway system. The Act sets forth procedures and requirements for a street railway to enter into an operating licensing agreement with a road authority. (A "road authority" is a governmental agency with jurisdiction over public streets and highways.)

The bill would allow an operating license agreement to require the street railway to pay direct administration costs incurred by the road authority in administering the operating agreement. The bill would prohibit an agreement from requiring a street railway to acquire, accept responsibility for, or obligate itself to assume liability for or pay for any legacy costs of a "public transportation provider". The bill would define that term as it is defined in the Regional Transit Authority Act: "a public or private entity that provides public transportation services and includes a contractor providing services to a public transportation provider".

The bill also would prohibit a road authority from requiring, as a condition to obtaining or holding an operating license agreement, a street railway to obtain any other license or franchise, assess any other fee or charge, or impose any other licensing, regulatory, or franchise requirement, including a provision regulating schedules or fares, unless expressly authorized by the Nonprofit Street Railway Act.

In addition, the Act requires a street railway to pay the costs of the relocation and/or modification of a public utility facility if the street railway requests the modification or relocation, or if the public utility determines, in response to construction or expansion of a street railway system, that the relocation or modification is needed. This requirement applies unless the public utility and the street railway agree otherwise. Under the bill, this requirement would not apply within the geographic boundaries of a local government, if the local government had adopted articles of incorporation and incorporated an authority under the Municipal Lighting Authority Act. The bill would define "local government" as that term is defined in the Municipal Lighting Authority Act: "a city with a population of more than 600,000".

The bill also specifies that the property of a street railway and its income and operations would be exempt from all taxation by this State or any of its political subdivisions.

Currently, a street railway may transfer a street railway system to a public entity operating a public transportation system if the transfer is authorized by a law enacted after January 12, 2009 (the effective date of amendments allowing a local unit in which a street railway is located to establish a transit operation finance zone). Under the bill, such a transfer could be made with the consent of the public entity.

MCL 472.7 (S.B. 695)
472.13 & 472.15 (S.B. 696)
Proposed 211.7 uu (S.B. 697)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would reduce State and local property tax revenue by an unknown amount that would depend on the specific characteristics of the affected property.

Senate Bill 695 would have no fiscal impact on State or local government. To the extent that the bill would expand the number of eligible entities that meet the definition of "street railway", however, it could amplify the impact of Senate Bills 696 and 697.

The tax exemption provisions of Senate Bill 696 would partially duplicate the exemption in Senate Bill 697. Many nonprofit firms, including M-1 RAIL, are generally exempt from income taxes at the Federal, State, and local levels. As a result, the proposed exemptions, other than the property tax exemption, would primarily apply to sales and use taxes—for both purchases and sales, as well as any potential utility or fuel-related taxes. The magnitude of any revenue loss or foregone revenue is unknown and would depend on the level of economic activity associated with a street railway.

According to the business plan for the M-1 rail project (which is the most developed of the entities that would be affected by the bills), capital costs are expected to total \$137.0 million, representing a taxable value of approximately \$68.5 million. Assuming a nonhomestead millage of 84.9 mills, the bills would reduce property tax revenue by approximately \$5.8 million per year, of which roughly \$2.3 million would be revenue that the City of Detroit otherwise would likely receive, \$0.4 million otherwise would be State Education Tax revenue deposited into the School Aid Fund, and \$1.8 million would be revenue received by local school districts from school operating mills. The remaining \$1.3 million in lost revenue would affect other local units. These reductions would require School Aid Fund expenditures to increase by \$1.8 million per year in order to maintain per-pupil funding guarantees. Combined with the revenue loss under the State Education Tax, the total impact on the School Aid Fund, if per-pupil funding guarantees were maintained, would be a negative \$2.2 million.

The impact of the bills would be greater as more entities qualified under them. To the extent that Senate Bills 695 and 696 would expand the number of eligible entities that meet the definition of "street railway", those bills would further reduce State and local property tax revenue and local school district revenue and increase School Aid Fund expenditures.

Fiscal Analyst: David Zin

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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.