



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 695 (as reported without amendment)
Senate Bill 696 (Substitute S-1 as reported)
Senate Bill 697 (as reported without amendment)
Sponsor: Senator Randy Richardville (S.B. 695)
 Senator Virgil Smith (S.B. 696)
 Senator Tom Casperson (S.B. 697)
Committee: Transportation

CONTENT

Senate Bill 695 would amend the Nonprofit Street Railway Act to include in the definition of "street railway" 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 (S-1) would amend the Act to do the following:

- Exempt the property, income, and operations of a street railway from all State and local taxation.
- Prohibit an operating license agreement (for the operation of a street railway system) from requiring a street railway to 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.
- Allow an operating license agreement to require a street railway to pay direct administrative costs incurred by a road authority for administering the agreement.
- Require a street railway that constructed, expanded, or modified a street railway system in a qualified city to protect and keep in place the facilities of an affected public utility in a public highway, street, or right-of-way unless sound utility practice required modification or relocation of the facilities.

If modification or relocation were required, the street railway would have to pay the costs of the modification or relocation, unless one of the following applied:

- Modification or relocation of the facilities was required because the facilities were in an unauthorized location in the public highway, street, or right-of-way.
- The street railway and public utility agreed to an alternative cost allocation.

Notwithstanding those provisions, a qualified city and street railway could agree that the street railway would pay the cost of modifying or relocating a public utility's facilities in the city if the modification or relocation were required by modification of a street railway system.

("Qualified city" would mean a city that has incorporated an authority under the Municipal Lighting Authority Act.)

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.

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

Legislative Analyst: Jeff Mann

FISCAL IMPACT

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 met the definition of "street railway", however, it could amplify the impact of Senate Bills 696 (S-1) and 697, as discussed below.

Senate Bills 696 (S-1) and 697 would reduce State and local property tax revenue by an unknown amount that would depend on the specific characteristics of the affected property.

The tax exemption provisions of Senate Bill 696 (S-1) would partially duplicate the exemption in Senate Bill 697. Many nonprofit firms, including M-1 Rail (an organization formed to develop a light railway along Woodward Avenue in Detroit), 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 the bills. To the extent that Senate Bills 695 and 696 (S-1) would expand the number of eligible entities that met 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.

Date Completed: 6-11-14

Fiscal Analyst: Glenn Steffens

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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.