



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 739 (as reported without amendment)
Sponsor: Senator Wayne Schmidt
Committee: Transportation

Date Completed: 3-3-16

RATIONALE

The Regional Transit Authority (RTA) was created in 2012 under the Regional Transit Authority Act for the purpose of establishing, organizing, and administering public transportation to serve a "qualified region", which consists of Macomb, Oakland, Washtenaw, and Wayne Counties. Since then, the RTA has been designing a plan to accomplish the goal of rapid regional transit in those counties. As allowed by the Act, the project would be funded by an assessment levied on the residents of each participating county.

It has been pointed out that the Act contains few specifics regarding the assessment and its collection. To address this lack of detail, as well as constitutional concerns that have been raised, it has been suggested that the Act should provide specificity and limitations regarding the assessment and its collection.

CONTENT

The bill would amend the Regional Transit Authority Act to prohibit a tax assessment levied under the Act for the Regional Transit Authority from exceeding two mills; and provide that the assessment and any specific tax attributable to it could not be attributed or transmitted to, or retained or captured by, any other governmental entity for a different purpose.

The Act includes provisions regarding the allowed actions or requirements of the RTA and administration of the Authority.

The Act permits the RTA to raise revenue to fund its activities, operations, and investments. The sources of revenue available to the Authority include all of the following:

- Fees, fares, rents, or other charges for use of a public transportation system.
- Federal, State, or local government grants, loans, appropriations, payments, or contributions.
- Proceeds from the sale, exchange, mortgage, lease, or other disposition of property.
- Grants, loans, appropriations, payments, proceeds from repayments of loans made by the Authority, or contributions from public or private sources.
- The proceeds of a motor vehicle registration tax authorized under the Act.
- The proceeds of a levied assessment.

The RTA may levy an assessment within the public transit region only if it is approved by the Authority board and a majority of the electors of the public transit region voting on the assessment at a general election held on the regular November election date. (The public transit region includes the qualified region and a county added to it, as provided in the Act.) After receiving approval, an assessment must be collected and enforced in the same manner as taxes are collected and enforced under the General Property Tax Act.

The bill would prohibit a tax assessment levied under the RTA Act from exceeding two mills on each dollar of taxable value of the property of a public transit region, and provides that the RTA could use the assessment only for the purposes authorized by the Act. The bill also provides that a tax assessment levied under the Act and any specific tax attributable to that assessment could not be attributed to, transmitted to, retained by, or captured by any other governmental entity for any other purpose.

The bill would take effect 90 days after its enactment.

Proposed MCL 124.550a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill is necessary to provide clarity to the RTA Act and bring it into conformity with the Michigan Constitution. Under the Act, there is no provision specifying the number of mills that may be levied. Article IX, Section 6 of the Michigan Constitution limits the number of mills that may be levied under law, and includes specifics regarding how many mills may be levied in different situations. In some portions of the RTA region, the mills currently levied are at or near the cap in that section, which means that the RTA levy could restrict a local unit's ability to levy mills for other purposes in those communities. Subject to other constitutional provisions, however, the limits in Article IX, Section 6 do not apply to taxes imposed by a local unit of government, including a county, whose tax limitations are provided by charter or general law. By establishing a two-mill tax limit for the RTA, the bill would satisfy the condition for that exemption. The bill also would address the lack of specificity regarding the maximum number of mills the RTA may levy

Additionally, the Act does not clearly indicate whether the RTA levy would be a tax or a special assessment. Article IV, Section 32 of the Michigan Constitution requires every law that imposes, continues, or revives a tax to distinctly state the tax. The bill therefore would identify the levy as an ad valorem property tax.

Supporting Argument

The bill is necessary to guarantee that all revenue collected from any levied assessment is spent on the RTA plan and not "captured" by any tax increment financing mechanism.

Response: The question on tax increment financing (TIF), specifically on how it should be used and which tax collecting authorities should be exempt, is something that should be addressed in its entirety. The bill, however would continue the practice of answering the TIF question for an individual situation.

Opposing Argument

The bill would constrain economic development by exempting the RTA assessment from any tax capturing mechanism. Those captured dollars could be necessary for economic development. Developing the area around the transit system is important to create an effective transit system that maximizes its potential and use. Although the transit system will be significant for economic development and should become an important contributor to the region's economy, economic development authorities should continue to receive their share of funds to work in tandem with the RTA to promote economic development in the region.

Opposing Argument

The additional millage would burden some communities that already have levied a millage rate on residents for the purposes of public transit.

Opposing Argument

A maximum levy of two mills would be insufficient to generate enough funding to construct a comprehensive regional transit system, including progress envisioned in the master planning process over the next decade.

Response: Reportedly, it is expected that the assessment, if approved, will be around one mill and raise about \$150.0 million, enough to trigger additional Federal funding and jump-start the transit plan.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact at the State or local level. There currently is no authorized millage to support the Regional Transit Authority as allowed under the Act, so any millage limitations under the bill would not result in actual revenue losses to the RTA. The bill would have the effect of capping any future RTA millage at two mills.

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.