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BILL ANALYSIS

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House Bill 6021 (as passed by the House)  
Sponsor: Representative Jerry O. Kooiman  
House Committee: Transportation  
Senate Committee: Transportation

Date Completed: 5-15-06

## **CONTENT**

### **The bill would amend Public Transportation Authority Act to do the following:**

- Allow a public transportation authority to levy taxes under the Act for up to 25 years if the authority were seeking the levy for public transit services that included a fixed guideway project authorized under 49 USC 5309.**
- Require an authority that formed on or after May 1, 2006, to notify all political subdivisions included in the authority of the right to withdraw from it.**
- Allow a political subdivision to withdraw from the authority within 30 days after receiving the notice.**

The bill is described below in further detail.

#### Public Transportation Authority Taxes

Under the Act, a public transportation authority may levy a tax on all of the taxable property within the limits of the authority for authorized public transportation purposes. The tax may not exceed five mills of the State equalized valuation on each dollar of assessed valuation of taxable property within the authority's limits.

The tax may not be levied except upon the approval of a majority of the registered voters residing in the authority affected and qualified to vote and voting on the tax at a general or special election. The election may be called by resolution of the board of the authority. The taxes may be levied for a period of up to five years as determined by the authority in the resolution calling the election and as set forth in the proposition submitted to the electors.

The bill would create an exception to the five-year limit if the public authority were seeking the levy for public transit services that included a fixed guideway project authorized under 49 USC 5309 (described below). In that case, the taxes could be levied at a rate and for a period of not more than 25 years as determined by the authority in the resolution and as set forth in the proposition submitted to the electors.

(Under 49 USC 5302, "fixed guideway" means a mass transportation facility either using and occupying a separate right-of-way or rail for the exclusive use of mass transportation and other high-occupancy vehicles; or using a fixed catenary system and a right-of-way usable by other forms of transportation.)

#### Withdrawal from an Authority

Under the Act, a political subdivision that is a member of a public authority or the portion of a city, village, or township that is a member of a public authority may be released from membership if all of the following conditions are met:

- Adoption of a resolution by a majority of the members elected to and serving on the legislative body of the political subdivision requesting release from membership.
- Acceptance of the request by a two-thirds vote of the public authority board members, excluding the members representing the political subdivision requesting release.
- Payment or the provision for payment regarding all obligations of the political subdivision to the public authority or its creditors.

Notwithstanding these conditions, an entity that is a political subdivision and a member of a public authority or the portion of a city, village, or township that is a member of a public authority may be released from membership if all of the following conditions are met:

- The entity desiring to withdraw has approved the question by a majority of the qualified and registered electors voting at a general or special election held in November before the expiration of a tax authorized to be levied under the Act.
- A petition that bears the signatures of registered electors of the entity equal to at least 20% of the number of votes cast in the political subdivision or portion of a city, village, or township for all candidates for Governor in the last gubernatorial election and that requires the governing body of the entity by resolution to submit the question to its electors at the next general or special election, is filed at least 60 days before the election with the clerk of the entity presenting the question.
- The vote upon the question approving the resolution is by ballot and is in substantially the form provided in the Act.
- All ballots are cast and canvassed, and the results of the election certified in the same manner as ballots on any other question submitted to the electors of the entity seeking withdrawal pursuant to the Michigan Election Law.
- Payment or the provision for payment is made regarding all obligations of the political subdivision to the public authority or its creditors.

If withdrawal is approved by a majority of voters, the decision takes effect at the expiration date of the tax and neither the authority nor officials of the political subdivision may appeal or amend the decision.

A political subdivision or other entity that is part of a public authority may withdraw from it without meeting the conditions described above until the expiration of the 30th day following the date the public authority is incorporated. Under the bill, a political subdivision or other entity also could withdraw until the expiration of the 30th day after receiving notification (described below) without meeting the conditions listed above.

The bill would require an authority that formed under the Act on or after May 1, 2006, to notify all political subdivisions or portions of any city, village, or township that were included in the authority that the political subdivision or portion of the political subdivision was included. The authority would have to include notice of the right to withdraw from the authority as provided in the Act. The political subdivision or portion of the political subdivision would have 30 days after receiving the notification to withdraw from the authority.

MCL 124.458 & 124.468

## **BACKGROUND**

### 49 USC 5309

Under 49 USC 5309, the U.S. Transportation Secretary may make grants to assist state and local governments in financing the following:

- New fixed guideway capital projects, including the acquisition of real property, the initial acquisition of rolling stock for the systems, the acquisition of rights-of-way, and relocation, for fixed guideway corridor development for projects in the advanced stages of alternatives analysis or preliminary engineering.
- Capital projects to modernize existing fixed guideway systems.
- Capital projects to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities.
- The development of corridors to support new fixed guideway capital projects.

(Section 5309 defines "new fixed guideway capital project" as a minimum operable segment of a capital project for a new fixed guideway system or extension to an existing system.)

The Secretary may not approve a grant unless he or she determines that the project is part of an approved transportation plan and program of projects required under the U.S. Code. The applicant must have the legal, financial, and technical capacity to carry out the project; satisfactory continuing control over the use of the equipment or facilities; and the capability and willingness to maintain the equipment or facilities. Additionally, the applicant must submit specified certifications and be deemed to have provided sufficient information upon which the Secretary may make the required determinations.

### House Bill 4993

House Bill 4993 was introduced earlier in the 2005-2006 legislative session and would have allowed a public transportation authority to levy a tax under the Act for up to 25 years, if the authority were seeking a levy for public transit services that included a fixed guideway project authorized under 49 USC 5309. The legislation applied only to counties with a population greater than 500,000 and less than 750,000 (i.e., Kent County). Governor Jennifer Granholm vetoed the bill in December 2005. In her veto message, the Governor wrote, "Restricting to only one county the tools that can enable communities to develop more effective public transportation is short sighted. Citizens in all of our communities deserve access to the same tools that House Bill 4993 would provide only to Kent County." She concluded by calling upon the Legislature to pass legislation that would apply to all Michigan counties.

Legislative Analyst: Julie Koval

### **FISCAL IMPACT**

The bill would have no fiscal impact on State government.

The bill would allow public authorities to levy property taxes for up to 25 years for fixed guideway projects, which is a new category under the Federal SAFETEA-LU transportation funding program. These public authorities would have debt for a longer period of time and citizens would have to pay the property taxes for a longer period of time, but the levy would have to be approved by the voters before taking effect.

Fiscal Analyst: Jessica Runnels

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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.