

EXPAND AIRPORT AUTHORITIES

House Bill 4536 (Substitute H-1) First Analysis (11-5-97)

**Sponsor: Rep. Kirk Profit
Committee: Transportation**

THE APPARENT PROBLEM:

Air services are vital transportation services in Michigan communities. To better assure the availability of air transportation services, airport authorities sometimes are formed. Currently in Michigan there are 11 airports owned by airport authorities: Harbor Springs, South Haven, Flint, Empire, Frankfort, Benton Harbor, Cadillac, Lansing, Mason, Oscoda, and Traverse City. The authorities work as quasi-governmental partnerships, and are able to raise and leverage funds to retain and improve air transportation in their regions.

Retention of air services is important. Throughout Michigan, small private airports serve as necessary transportation links to and from centers of service and commerce. Businesses, hospitals, and residents of communities near these airports rely on them to provide supplies and materials, health and safety services, and air passenger transportation. When an owner of a small private airport decides to sell his airport to property developers, a community that has come to rely on the small airport's services loses some of its transportation options.

In addition to assured access to air transport, it is also important to upgrade air services and facilities. Improvements are needed to better ensure the health and safety of air passengers. Yet small unpaved airports with few passenger amenities can only be enhanced when funds exist to expand and renovate.

Small airports would benefit from access to capital that comes from local partnerships. One such organization having access to financial markets and financial resources is the Michigan Aeronautics Commission. The commission has a budget of about \$80 million, of which nearly three-quarters is provided by federal funds. Legislation has been proposed to enable the Michigan Aeronautics Commission to join together with other governmental entities to form airport authorities, which could assist communities and business people as they work to retain and enhance air services in their regions.

THE CONTENT OF THE BILL:

The Community Airports Act currently authorizes two or more counties, cities, townships, or incorporated villages

to form airport authorities. To do so, these eligible public entities set forth a sum of money not to exceed one mill of their assessed valuation, funds that are then requested by the airport authority in order to operate a community airport. Entities are assessed their fair and equitable share of the authority's annual budget using a ratio based on the respective members' state equalized valuation (SEV). That share is appropriated by each local entity. The law also allows the authority to pledge the requested money to retire revenue bonds and to call for a general revenue bond election by resolution, and it enables the public entities constituting the authority to levy a property tax with a vote of the people. Authorities are, then, considered to be charter authorities, within the meaning of section 6, article IX of the State Constitution. Once formed, the constituting members may not be released from membership until all outstanding obligations that have been incurred after the time of their admission have been paid, or adequate provision has been made for their payment.

House Bill 4536 would amend the Community Airports Act to allow the Michigan Aeronautics Commission to join together with a county, city, township, or incorporated village, in order to incorporate airport authorities either within or outside of the governing entities' jurisdictional boundaries. The bill provides that the Michigan Aeronautics Commission would be exempt from the requirements of the act related to the levying of an ad valorem property tax.

The bill would delete a provision that defines a "fair share" as that ratio of state equalized valuation (SEV) for each constituent member as a part of total SEV in the authority's combined jurisdiction. Instead, it would require that the resolution creating an airport authority provide for the fair and equitable share contribution of each participating entity by resolution, and would require payment of that fair share within 120 days after receipt of the requested amount.

Finally, House Bill 4536 would add two definitions to the act. The bill defines "community" to mean a county, township, city, or village of this state; and "eligible public entity" to mean a county, city, village, township,

the Michigan Aeronautics Commission, or any combination of these entities.

MCL 259.621 et al.

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that House Bill 4536 would have no overall fiscal impact, as it does not impose any new fiscal requirements on the Aeronautics Commission or on authorities in general. However, the bill does have the potential to decrease costs to local units of government currently participating in airport authorities if the Aeronautics Commission chooses to contribute financially to the operations of the authorities that it joins. (10-31-97)

ARGUMENTS:

For:

Small airports often look to the State of Michigan Aeronautics Commission to help them sustain their service. The commission sometimes advises that those airports join together with local governmental entities to form an airport authority. Doing so, airports can often improve their service and safety since they have additional financial resources with which to adopt state-of-the-art methods of operation. While the commission can advise airports to join authorities, the commission itself is precluded under law from joining an airport authority. This legislation will allow the Michigan Aeronautics Commission to join together with local governmental entities to form authorities, and in doing so, help to enhance air transportation services.

Against:

The bill would require an airport authority to develop an annual budget, and to apportion fair share payments to authority members that would have to be paid within 120 days. An authority can also issue general revenue bonds, and assess a property tax. If the Michigan Aeronautics Commission (a citizen board that exists to advise a bureau within the Department of Transportation) is to become responsible for annual payments to an airport authority (or to several airport authorities) of which it is a member, then there will likely be a grant or appropriation necessary from the state budget.

Against:

Although the bill specifies that a resolution creating an authority would provide for the "fair and equitable share" of each participating county, city, village, and township, and the commission, the committee substitute

version of the bill did not retain the original definition of "fair and

equitable share" based on SEV. This may confuse what is already a contentious allocation process among local governmental entities that constitute airport authorities. Further, the House Fiscal Agency points out that this may affect the distribution of the authority's budgetary costs among individual members.

POSITIONS:

The Michigan Aeronautics Commission supports the bill. (10-30-97)

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

