



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1197 (Substitute S-1 as reported)
Sponsor: Senator Tom Casperson
Committee: Government Operations

CONTENT

The bill would amend the Mackinac Bridge Authority law to do the following:

- Allow the Mackinac Bridge Authority to acquire, construct, operate, maintain, improve, repair, and manage a utility tunnel.
- Allow the Authority to purchase or otherwise acquire at a fair and reasonable price property and property rights in connection with the construction of a tunnel.
- Authorize the Authority to enter on any land, water, or premises to make a survey, sounding, or examination in connection with a utility tunnel.
- Allow the Authority to perform all acts necessary to secure the consent of any department, agency, instrumentality, or officer of the State or Federal government to the construction and operation of a tunnel.
- Specify that all property owned by the Authority related to a utility tunnel would be exempt from all taxes levied by the State and all of its political subdivisions.

The bill also specifies that Section 5 of the law, which authorizes the Authority to provide for the issuances of revenue bonds to pay the cost of the Mackinac Bridge and specifies the terms for those bonds, would not apply to the acquisition, construction, operation, maintenance, improvement, repair, or management of a utility tunnel.

"Utility tunnel" would mean a tunnel joining and connecting the Upper and Lower Peninsulas of Michigan at the Straits of Mackinac for the purpose of accommodating utility infrastructure, including pipelines, electric transmission lines, facilities for the transmission of data and telecommunications, all useful and related facilities, equipment and structures, and all necessary tangible or intangible real and personal property, licenses, franchises, easements, and rights-of-way.

MCL 254.315 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill likely would not have a fiscal impact on the Department of Transportation. The bill could have an indeterminate fiscal impact on the Mackinac Bridge Authority.

The bill would empower the Mackinac Bridge Authority, which is responsible for the management and maintenance of the Mackinac Bridge, to build and operate a utility tunnel to connect the Upper and Lower Peninsulas at the Straits of Mackinac. The cost to the Authority to build a tunnel is not currently known, nor are there estimates for annual operational expenses. It is not clear from the language of the bill that the Authority would bear the cost, or partial cost, to build a tunnel. The bill would not allow the Mackinac Bridge Authority to bond for such a project. The bill would allow the Authority to lease the tunnel

once constructed, but no rates are identified in the bill and no estimates on leasing revenue are currently available. No estimates are currently available in regards to an economic impact related to the construction project or for insurance and liability costs for clean up in the event of a detrimental environmental impact. A request for information to the Mackinac Bridge Authority related to the cost of the project, and of the Authority's current financial status was not returned.

Although the MBA is considered part of the Department of Transportation, its autonomy was codified by Public Acts 329 to 332 of 2005. It remains an independent governing body and does not receive annual appropriations from the Department's budget.

The Authority has not had to consider a large construction project since the original bridge project, for which it was formed. The Authority in its current form was created in 1950 to determine the feasibility of a bridge that could connect the upper and lower peninsulas. Two years later, the powers of the Authority were expanded to bond for the construction of the Bridge at a cost of \$85.0 million (\$727.8 million in 2018 dollars, Detroit CPI). Those bonds have since been paid. According to the Auditor General's 2015 Financial Report of the Authority, annual operational revenue and expenses for the Authority are about \$21.4 million and \$18.8 million, respectively. As of 2015, the Authority had \$180 million in total assets (including investments, the bridge, land holdings, etc.) and \$14.5 million in total liabilities.

Date Completed: 12-3-18

Fiscal Analyst: Michael Siracuse