



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

BILL ANALYSIS



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

Senate Bill 1197 (as introduced 11-8-18)
Sponsor: Senator Tom Casperson
Committee: Government Operations

Date Completed: 11-27-18

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 the 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.**
- **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 would allow the Authority to acquire, construct, operate, maintain, improve, repair, and manage a utility tunnel. The Authority would have to determine the rates charged for the services offered by the tunnel, and could enter into contracts or agreements necessary to perform its duties and powers under the law, including leasing the right to use a utility tunnel on terms and for consideration determined by the Authority. The bill would not authorize the Authority to incur obligations that would constitute an indebtedness of the State contrary to the Michigan Constitution. "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.

The Authority could purchase or otherwise acquire at a fair and reasonable price property and property rights in connection with the construction of a tunnel, including roads, structures, rights-of-way, franchises, easements, and other interests in land, including land under water, any person's riparian rights; and the right to cut off light, air, and access to real property.

The Authority could enter on any land, water, or premises to make a survey, sounding, or examination in connection with a utility tunnel. The Authority would have right to use and full easements and rights-of-way through, across, under, and over any land or property owned by the State or in which the State had any right, title, or interest, without consideration, that could be necessary or convenient to the construction and efficient operation of the tunnel.

The Authority could 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 utility tunnel and the charging of fees for its use, and to secure the approval of any department, agency, instrumentality of officer of the State or Federal government required by law to approve the plans, specifications, and location of a tunnel or the fees to be charged for its use.

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 and taxing districts. The Authority also would not have to pay taxes or assessments on its activities or its revenue. If a tax of any nature were legally imposed on any Authority property or obligation in connection with a utility tunnel, and that tax was determined to be valid and effective, the tax would have to be paid from the Authority's revenue as an expense of maintaining and operating the tunnel.

The bill states, "The creation of the authority and the carrying out of the authority's purposes, including a utility tunnel, are for the benefit of the people of this State and constitute a public purpose, and the authority is performing an essential government function in the exercise of the powers conferred upon it by this act."

Proposed MCL 254.324

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have an indeterminate, potentially large, fiscal impact on the Department of Transportation and local units of government.

The bill would empower the Mackinac Bridge Authority (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. It also is not clear the language would authorize 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.

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.

Fiscal Analyst: Michael Siracuse

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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.