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BILL



ANALYSIS

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House Bill 4468 (as reported without amendment)
Sponsor: Representative Rob VerHeulen
House Committee: Transportation and Infrastructure
Senate Committee: Transportation

CONTENT

The bill would add Chapter VIIA, the "Regional Airport Authority Act", to the Aeronautics Code to provide for the incorporation of a regional airport authority to assume operational jurisdiction of an airport owned or operated by a local government. Specifically, the bill would do the following:

- Prescribe procedures by which a local government could incorporate a regional authority.
- Require the regional authority to be directed and governed by a board, and prescribe the board's membership and procedures.
- Require the board to appoint a chief executive officer, who would be responsible for the day-to-day operation of the airport.
- Require the chief executive officer to appoint a chief financial officer to serve as the authority's treasurer.
- Require the authority to establish procurement policies and procedures and authorize it to enter into purchase contracts.
- Require the board to establish an ethics policy governing the conduct of airport business and of airport employees, and take steps to preclude conflicts of interest in authority transactions.
- Prohibit an authority from imposing or levying taxes.
- Provide for the airport's transition from ownership by the local government to the operational jurisdiction of the authority, including the assumption of existing contracts, obligations, and commitments, and the transfer of airport employees and associated retirement obligations from the local government to the authority.
- Provide for the financing of the authority's activities, including the authority's issuance of self-liquidating bonds or borrowing money, as well as financial assistance from the local government.
- Exempt the authority from payment of taxes or assessments on any property used for airport or airport facility purposes, or on any rates, fees, rentals, receipts, or income received by the authority.

Proposed MCL 259.137-259.149

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The impact of the bill on local government would be limited to a local government that operated an airport and determined to convert airport operations to a regional airport authority pursuant to the option provided by the bill, which would have an unknown impact on the costs of airport operations. Changing to a regional airport authority would entail the shift from a local government to a newly created regional airport authority of airport revenue, spending, employees, pension and retiree health care obligations, and funds reserved for those obligations. The ownership of the real property of the airport could be conveyed to the regional airport authority or the local government could lease the property to the regional

airport authority. A regional airport authority would not be able to levy a tax. It would be authorized to impose fees allowed by Federal law. While the finances of the airport would be separated from the local government and the local government would have no further costs associated with operation of the airport (except obligations required to remain in force), the regional airport authority would be able to request financial support from the local government and the legislative body of the local government would retain the ability to financially support the regional airport authority by grants, appropriations, issuance of general obligation bonds, and grant and conveyance of real and personal property.

A newly established regional airport authority would incur costs for several specific activities required by the bill, including employment of a chief executive officer and a chief financial officer. The regional airport authority initially would receive transferred employees from the local government at substantially similar terms of employment, including pension and other benefits. The regional airport authority could offer newly hired employees compensation plans established by the authority. Similarly, existing contracts with vendors, airlines, tenants, and bondholders would not be impaired by the change in governance. The potential impact of the change in governance on the future costs and revenue of airport operations is unknown.

Kent County, which currently owns and operates the Gerald R. Ford International Airport, has explored conversion of airport operations to a regional airport authority. Currently, the airport is operated by the Kent County Department of Aeronautics under the direction of the General R. Ford International Airport Board, which is appointed by the county board of commissioners. Financial reports show that airport operations are budgeted as an enterprise fund, separate from the county general fund.

Date Completed: 5-21-15

Fiscal Analyst: Elizabeth Pratt