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REVENUE BOND FINANCING FOR AIRPORTS

House Bill 5124 as introduced
First Analysis (3-12-90)

Sponsor: Rep. Michael E. Nye
Committee: Economic Development & Energy

THE APPARENT PROBLEM:

The Industrial Development Revenue Bond Act authorizes local governments to issue revenue bonds to finance the cost of acquisition, purchasing, construction, reconstruction, or remodeling of certain industrial buildings. Examples of "industrial buildings" that qualify for revenue bond financing include factories, shops, air and water pollution-control buildings and equipment, solid waste disposal facilities, and tourist and resort facilities; publicly-owned airports, however, are not included in the act. Apparently, the typical means of funding the costs for airport purchasing, construction, or remodeling is paid out of local governments' general budgets. Some people feel airports should be included in the act to give them more flexibility in financing costs related to the acquisition, construction, or remodeling of airports.

THE CONTENT OF THE BILL:

The bill would amend the Industrial Development Revenue Bond Act to include "airport" within the definition of an "industrial building," so that the acquisition, purchase, construction, or remodeling of an airport would qualify for revenue bond financing under the act.

MCL 125.1252

FISCAL IMPLICATIONS:

According to the Department of Transportation, the bill would not affect state budget expenditures but could have fiscal impact on local units of government. Publicly-owned airports with cash flow problems could raise money for financing the development, preservation, or upgrading of airport facilities by issuing revenue bonds under the act. (11-6-89)

ARGUMENTS:

For:

The bill would allow publicly-owned airports to finance the acquisition, purchase, construction, or improvement of airports by issuing revenue bonds under the act, and thus would give them more financing flexibility than they now have. Generally, municipal airports must rely solely on available general budget funds from local governments. In smaller municipalities, such funds can be scarce, hindering local airports from being able to expand to meet local transportation needs.

Against:

Many communities, especially those in more populated areas of the state, oppose more growth of any kind, but are particularly against airport expansion due to the large amount of land required for airports and the resulting loss of "quality of life" (from noise and air pollution, increased traffic, threat of aviation accidents, and the like). The bill would only encourage further airport growth.

Response: The bill simply would allow local governments the option to issue revenue bonds for financing the construction or expansion of airport facilities. If electors ware opposed to issuing bonds, the act provides for the petitioning by at least 5 percent of electors for a vote on the question. In addition, according to a spokesman of the Bureau of Aeronautics in the Department of Transportation, airports, in addition to state and local funds, rely heavily on matching federal funds (about 90 percent). Under federal environmental laws, before any state or federal funds can be spent on a project an environmental impact statement relative to the project must first be approved under public scrutiny.

POSITIONS:

The Department of Transportation supports the bill. (11-6-89)

The Michigan Association of Counties supports the bill. (3-12-90)

The Capital Region Airport Authority, representing Lansing's Capitol City Airport, supports the bill. (3-8-90)