



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

SPECIAL ASSESSMENTS FOR STREET LIGHTS

House Bill 4228 with committee amendment
First Analysis (5-12-88)

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Sponsor: Rep. James A. Kosteva
Committee: Taxation

JUL 06 1988

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THE APPARENT PROBLEM:

Some Michigan cities have for many years levied special assessments to cover the costs of installing, operating, and maintaining street lighting systems. (In some cases, cities began the practice while operating under the township form of government.) Officials in these cities do this, they say, so that the people who directly benefit from street lighting pay the cost of the lighting rather than making all property owners shoulder the burden. For example, Southfield officials say one-third of improved properties in the city benefit from street lighting, and the beneficiaries pay for the lighting through 100 separate street lighting districts. If the city paid for the lighting through general property taxes, residents without street lights would pay the lighting costs for residents who do live in areas with street lights. In June of 1986, however, the attorney general issued a letter of opinion declaring that home rule cities are not authorized by the legislature to levy special assessments for the operation and maintenance of a street lighting system, but only for their installation. The opinion also said that the legislature has not granted cities the authority to use special assessments to purchase the service of street lighting from a utility that is not publicly owned. The law thus needs to be changed if Taylor, Romulus, Westland, Southfield, and perhaps a dozen other cities are to continue their current street lighting financing practices.

THE CONTENT OF THE BILL:

The bill would amend the Home Rule Cities Act to allow a city to levy a special assessment to pay the cost of operating and maintaining a street lighting system, whether the system was provided directly by a city or by an investor-owned utility. A special assessment district could only include an entire city if the assessments against real property were levied on other than an ad valorem basis. The bill says special assessments levied for street lighting purposes prior to passage of the bill would be validated. (The act requires a city to provide for the special assessments in its charter.) The bill also contains definitions of "boulevard lighting system" and "street."

MCL 117.4d

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill would allow Michigan home rule cities to continue their current practice of paying for the installation, operation, and maintenance of street lighting systems through special assessments. Cities have done this for over a quarter of a century with the apparent support of their citizens. A recent attorney general's opinion has cast doubt on the legality of this practice. It said only the installation of street lights from a publicly owned utility can be financed by special assessment, not their operation or maintenance,

and also said special assessments cannot be used to purchase the service of street lighting from a privately owned utility. An official from Westland has said that many of the streets there do not have street lights, which are installed only after residents petition for them. Each street lighting district in the city is assessed separately based on such factors as the kind of lighting, the number of lights, and the number of parcels served. The assessment system is aimed at making the beneficiaries of the service pay for the cost of the service. If the cost of street lights was spread citywide through ad valorem property taxes, residents without street lights would be forced to pay for a service from which they receive no benefit. Further, officials say, such a change in financing would result in a one mill tax levied citywide. Officials in Romulus have predicted a 2.5 mill increase would be necessary there if, because of the end to special assessments, the city was forced to install street lights throughout the city. Government representatives from other cities have also said that the discontinuance of the current practice would be disastrous.

For:

This bill, by allowing for situations in which a portion of street lighting costs can be defrayed by special assessments, provides a means for some areas of a city to have a special kind of lighting, for aesthetic or historical purposes, and pay through special assessments the extra cost of the special lighting. In such cases, areas that are satisfied with the standard municipal lighting system would not pay a special assessment.

POSITIONS:

The Michigan Municipal League supports the bill. (5-11-88)

The Michigan Municipal Electric Association supports the bill. (5-11-88)

Officials from the cities of Southfield, Romulus, Taylor, and Westland, and from the Charter Township of Canton testified in favor of the bill. (5-11-88)

Detroit Edison supports the bill. (5-11-88)

H.B. 4228 (5-12-88)