



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



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

Senate Bill 304 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator John N. Damoose  
Committee: Regulatory Affairs

Date Completed: 9-8-25

## **RATIONALE**

Previously, visitors could access Mackinac Island by using one of three ferry companies, but today only two companies remain. In March 2022 and June 2024 a parent company purchased both ferry companies (see **BACKGROUND**). While two independent ferry companies exist, some people believe that there is no competition between them because of the parent company's mutual ownership. Local Act 437 of 1899, which governs the City of Mackinac Island's city charter, allows the City to regulate ferry transportation fees to and from the City as specifically described in **CONTENT**. Testimony before the Senate Committee on Regulatory Affairs indicates that most agree that this provision allows the City of Mackinac Island to regulate the fee that ferry companies charge for transport service; however, there is less agreement concerning whether the provision allows for the regulation of other ancillary fees. When the City Council of Mackinac Island recently denied a request from both ferry companies for a \$2 ferry fee increase, the companies instead increased ancillary fees for parking and baggage and bike transport, among others. Testimony indicates that the minimum cost of passage to Mackinac Island has increased from \$34 to \$51 due to these increased ancillary fees.

The City of Mackinac Island is the only city that has not been granted "home rule", or permission to change its own charter. Instead, the Michigan Legislature must change the charter on behalf of the City of Mackinac Island. Accordingly, it has been suggested to give the residents of the City of Mackinac Island the ability to vote on whether to change the City charter to allow for its regulation of all costs associated with ferry service, which could result in Michigan residents accessing Mackinac Island more affordably.

## **CONTENT**

**The bill would amend Local Act 437 of 1899 to grant the City of Mackinac Island the authority to regulate *all aspects* of ferry service to and from the City, including ancillary fees and charges to consumers.**

The bill would not take effect unless approved by a majority of voters of the City of Mackinac Island at a vote held at least 60 days after the bill's effective date. If a majority voted to adopt the bill, the bill would take effect 10 days after the certification of the election results.

### **Amend Charter to Regulate All Aspects of Ferry Service**

The Act establishes the charter of the City of Mackinac Island. The charter is amended only by the State legislature. The Act authorizes the City of Mackinac Island to license and regulate ferries to and from the city, and to regulate and prescribe from time to time the charges and prices for the transportation of persons and property therein. The City also has the authority to provide for the revocation of any such licenses and for the punishment, by proper fines and penalties, of the violation of any ordinance prohibiting unlicensed ferries, and regulating those established and licensed.

The bill would grant to the City the authority to license and regulate *all aspects of ferry service* to and from the City and to regulate all charges and prices for or in connection with the transportation of persons and property by ferry, including baggage fees, early or priority boarding fees, fees and charges for parking of vehicles by persons accessing the ferry service, whether within the City or on the mainland, and all other fees and charters in connection with the ferry service. The bill specifies that the authority granted to the City would not diminish any authority provided by other statutes to any other city, village, or township.

#### Majority Vote Requirement by City of Mackinac Island

The bill would not take effect unless approved by a majority of the electors of the City of Mackinac Island voting on the question. The question of the approval of the bill would be submitted to the qualified electors of the City at the next regular election to be held at least 60 days after the effective date of the bill or at a special election called for that purpose. The question would be submitted in substantially the following form:

"Shall 1899 Local Act 437, entitled 'An act to amend 1899 LA 437, entitled 'An act to vacate the Township of Holmes and Village of Mackinac in Mackinac County, State of Michigan, and to Incorporate the City of Mackinac Island in said Mackinac County,' by amending section 1 of chapter IX and section 1 of chapter XVI; and to provide for a referendum,' be adopted?

Yes ( )

No ( )"

If a majority of the electors voting on the question, as determined by the canvass of votes cast, voted in favor of the adoption of the bill, it would take effect 10 days following the certification of the election results.

#### **BACKGROUND**

Before 2016, three ferry companies serviced Mackinac Island: Shepler's Mackinac Island Ferry, Star Line Mackinac Island Ferry, and Arnold Transit Company. In 2016, Star Line purchased Arnold Transit's assets and renamed itself to Mackinac Island Ferry Company, decreasing the number of available ferry companies from three to two. In March 2022 and June 2024, respectively, Shepler's Ferry and Mackinac Island Ferry were purchased by a parent company called the Hoffman Family of Companies. After Hoffman acquired Mackinac Island Ferry Company, it renamed the company to Arnold Transit Company. Shepler's and Arnold Transit are the two choices consumers have to access Mackinac Island today.

#### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Some people believe that the price increases that have followed the Mackinac Island ferry companies' consolidation creates unequal access to Mackinac Island State Park. Mackinac Island State Park is a public resource that comprises more than 80% of the land area of Mackinac Island; however, a single private entity influences prices that Michigan residents pay to access the Park. Testimony indicates that the ferry service fees have become unaffordable for residents. Some people believe Michigan residents are entitled to affordable transportation to a public resource paid for with taxpayer money. Passage of the bill could make prices for Mackinac Island ferry services more affordable.

### **Supporting Argument**

The City of Mackinac Island's other possible solutions to the problem of unaffordable ferry service fees are too expensive and burdensome. Firstly, some people believe the charter's language is already adequate to regulate fees other than those for transport service; however, attempting to enforce this regulatory authority could provoke a legal response from Hoffman Family of Companies, which could result in burdensome legal costs for a small municipality and take years to resolve. Secondly, constructing new ferry docks and selling those ferry docks to a competitor is a solution that some people believe would help make transportation to the island more affordable; however, constructing new ferry docks would be costly and take years. Michigan residents and tourists to Mackinac Island should have access to affordable ferry transportation now, and the bill would improve ferry affordability the quickest.

### **Opposing Argument**

The bill would give the City of Mackinac Island undue authority over the Village of Mackinac City and the City of St. Ignace. Under the bill, the City of Mackinac Island would have the authority to license and regulate all aspects of ferry service to and from the City, giving the City control over personnel, facilities, ferries, licensure, and fees that currently are influenced by the Village of Mackinac City and the City of St. Ignace. This would negatively affect Mackinac City and St. Ignace, as Mackinac Island's control over infrastructure that Mackinac City and St. Ignace financially depend on deprives these communities of political representation and forms a hierarchical relationship between that could be unconstitutional. In Michigan, it is legal for a municipality to join a regional authority and give that regional authority control over certain operations, such as the operation of ferry services; however, the bill gives one municipality authority over assets within another. Instead, the bill should not be passed until a better solution is proposed, such as the formation of a Mackinac Straits Ferry Authority comprising all three municipalities.

**Response:** The substitute's clause stating "the authority granted to the City would not diminish any authority provided by other statutes to any other city, village, or township" would ensure that the City of Mackinac Island did not have authority over the Village of Mackinac City or the City of St. Ignace.

Legislative Analyst: Nathan Leaman

### **FISCAL IMPACT**

The bill would have no fiscal impact on the State and no direct fiscal impact on local units of government. The bill could have an indirect positive fiscal impact on Mackinac Island by allowing the regulation of the ferry services, not only the ticket price of ferries but also other fees associated with the ferry services like baggage fees and parking fees. The regulation of these fees could result in a larger amount of tourism to Mackinac Island and could result in a positive fiscal impact for Mackinac Island.

Fiscal Analyst: Bobby Canell

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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.