



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 992 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator Mat J. Dunaskiss
Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the downtown development authority Act to enable downtown development authorities to refund obligations for which State and local school tax revenue may be captured, without losing that revenue as a result of the refunding; and to refund obligations that are eligible for State appropriations (commonly called "hold harmless" distributions), without compromising that eligibility. An authority could issue or incur such a "qualified refunding obligation" only if, generally speaking, it would have the effect of reducing the amount of principal and interest to be paid on the obligation being refunded, as well as the amount of school tax revenue captured by the authority and the amount of hold harmless distributions needed from State to repay the obligation being refunded. If an authority could issue a qualified refunding obligation and did not make a good faith effort to do so, the State Treasurer could reduce the amount of the authority's hold harmless distributions or the amount of school tax increment captured.

The bill would amend the Act's definitions of "eligible obligation" and "other protected obligation" to include qualified refunding obligations, and would authorize downtown development authorities to issue bonds to refund bonds "in advance". The bill also would amend the definition of "initial assessed value" to provide that under certain criteria specified in the bill initial assessed value for any tax increment financing plan or plan amendment adopted as an extension of a plan that expired on December 31, 1991, would have to be determined as if the plan had not expired. In addition, the bill would define "assessed value" as one of the following:

- For valuations made before January 1, 1995, the State equalized valuation as determined under the General Property Tax Act.
- For valuations made after December 31, 1994, the taxable value as determined under Section 27a of the General Property Tax Act (which implements the constitutional assessment cap pursuant to Proposal A).

The bill is tie-barred to Senate Bill 993 and House Bill 5072.

MCL 125.1651 et al.

Legislative Analyst: L. Burghardt

FISCAL IMPACT

Local units, in which authorities refund obligations, and the State would realize decreased costs associated with refunding of the obligations. The saving would depend on the interest rate of the current obligations and the lower interest rate obtained.

Municipalities that have a population less than 35,000 and that established an authority prior to 1985, and established a development plan or tax increment financing plan that expired by December 31, 1991, would be able to capture some county tax revenue.

Date Completed: 5-20-96

Fiscal Analyst: R. Ross

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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.