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Senate Bill 993 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator Leon Stille
Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Local Development Financing Act to enable local development financing 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 local development financing authorities to issue bonds to refund bonds "in advance". 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 992 and House Bill 5072, which would amend the downtown development authority Act and the Tax Increment Finance Authority Act, respectively, to make the same changes as those proposed by Senate Bill 993.

MCL 125.2152 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.

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.