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SFA BILL ANALYSIS

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House Bill 5896 (as reported without amendment)
Sponsor: Representative Marc Shulman
House Committee: Commerce
Senate Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Local Development Financing Act to allow the Michigan Economic Development Corporation (MEDC) to designate five additional certified technology parks after November 1, 2002. The bill also provides that, of the 10 current technology parks, two located in Wayne County would be counted as one certified technology park.

MCL 125.2162a Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce both State and local revenues by an unknown amount. It would enable additional certified technology parks to capture a portion of the increase in property taxes attributable to investment in the affected areas, thereby reducing State revenues from what otherwise would be received under the State education tax (SET) for the School Aid Fund (SAF). By reducing local property taxes, the bill also would increase expenditures from the SAF. Because the additional parks would capture only property taxes not currently levied, the revenue loss would reflect a loss of future revenues from new property and not a reduction from revenues currently received from existing property. Similarly, the increase in SAF expenditures would reflect an increase relative to the level that would occur if the investment occurred and there were no capture of property taxes. Property taxes under the SET and for local school operating purposes may be captured only at a 50% rate under current law, while 100% of other local unit taxes may be captured.

No accurate data yet exist on the revenues captured by the existing technology parks or how much the property values would increase in the proposed parks. Assuming that $200 million of investment occurs in each park, and that eventually $200 million of investment will exist in the park in Oakland County not currently receiving the tax increment financing benefits, and that only 10% of the total investment occurs in the first year, the bill would reduce SET revenues by approximately $240,000 in calendar year 2003. Assuming that the investment is complete in four years, the bill would reduce SET revenues by approximately $1.6 million by 2007.

The bill would increase expenditures from the School Aid Fund because local units would lose revenues from the 18 mills levied locally for school purposes. As a result, under the example above, the bill also would increase SAF expenditures by approximately $0.7 million in calendar year 2003 and by $4.8 million by calendar year 2007.

The bill would reduce local unit revenue to units other than school districts by approximately $2.2 million in calendar year 2003 and $14.3 million in 2007.

Date Completed: 5-22-02 Fiscal Analyst: David Zin