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SFA BILL ANALYSIS

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House Bill 5896 (as passed by the House)
Sponsor: Representative Marc Shulman
House Committee: Commerce
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 5-21-02

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, and to provide that, of the 10 current technology parks, two located in Wayne County would be counted as one certified technology park.

The Act allows the MEDC to designate up to 10 certified technology parks. The bill would require that, of those 10, two certified technology parks located in a county that contains a city with a population of more than 750,000 be counted as one certified technology park.

In addition, the bill would allow the MEDC to designate an additional five certified technology parks after November 1, 2002. The MEDC could not accept applications for those additional technology parks until after that date.

MCL 125.2162a Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce both State and local revenues by an unknown amount. The bill 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. By reducing local property taxes, the bill also would increase expenditures from the School Aid Fund. Because the bill 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 School Aid Fund 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 School Aid Fund 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.

This fiscal analysis is preliminary and will be revised as additional information becomes available.

Fiscal Analyst: David Zin