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

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5752 (Substitute H-2 as reported)
Sponsor: Representative Tom Casperson
House Committee: Agriculture
Senate Committee: Technology and Energy

CONTENT

The bill would amend the Michigan Renaissance Zone Act to allow the State Administrative Board, upon the recommendation of the Michigan Strategic Fund board, to designate up to 10 additional renaissance zones for renewable energy facilities in one or more cities, villages, or townships that consented to the creation of a zone within their boundaries.

"Renewable energy facility" would mean a system that creates energy from a process using residue from agricultural products, forest products, paper products industries, and food production and processing; trees and grasses grown specifically to be used as energy crops; and gaseous fuels produced from solid biomass, animal waste, municipal waste, or landfills.

When designating a renaissance zone under the bill, the Board would have to consider all of the following:

-- The economic impact on local suppliers who supplied raw materials, goods, and services to the renewable energy facility.
-- The creation of jobs relative to the employment base of the community, rather than the static number of jobs created.
-- The viability of the project.
-- The economic impact on the community in which the facility was located.
-- All other things being equal, giving preference to a business entity already located in Michigan.

MCL 125.2683 et al. Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would reduce State and local revenue by an unknown amount. The impact of the bill would depend on a number of factors, including where the additional renaissance zones would be located, the economic and tax characteristics of the renewable energy facilities that would be developed in each of these zones, whether other businesses would move their existing operations into a renaissance zone to become eligible for the various tax exemptions granted in these zones, and whether the zones would be drawn to include property other than renewable energy facility property.

In the near future, the fiscal impact of the bill is likely to be minimal. Few, if any, facilities that would meet the definition of a renewable energy facility currently exist in the State. Furthermore, it will take some time for businesses to expand or relocate into the proposed zones and the fiscal impact of the bill largely would depend upon the value of the investments made in the property within the zones.

In future years, the bill would reduce revenue to both the State and local units and would increase State expenditures from the General Fund. Most local property taxes previously levied in renaissance zones are not reimbursed by the State, leaving local units to deal with reduced revenue. However, the General Fund reimburses lost revenue to public libraries, intermediate school districts, local school districts, community colleges, and the School Aid Fund. Local school districts are able to levy 18 mills upon nonhomestead property, and the State education tax levies 6 mills on all property. Tax levies for the other reimbursed components can vary widely, although it is not uncommon for schools to levy an additional 6 to 12 mills in more rural areas, where these facilities may be more likely to be established. If $100 million of investments eventually were made in the new zones, the bill would increase State General Fund expenditures by at least $1.5 million per year, a portion of which would represent lost School Aid Fund revenue. Revenue losses, such as under the single business tax and individual income tax, are not reimbursed and are not included in this example; nor are local unit revenue losses that would not be reimbursed.

This estimate is preliminary and will be revised as new information becomes available.

Date Completed: 6-2-06 Fiscal Analyst: David Zin