



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 69 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Senator Tupac A. Hunter

Committee: Commerce and Tourism

CONTENT

The bill would create the "Neighborhood Improvement Authority Act" to authorize a city or village to create a neighborhood improvement authority. The bill would do the following:

- Allow the board of an authority, among other things, to plan and propose projects, including the development of low-income housing, that the board believed aided in a development area's residential and economic growth.
- Authorize the authority to borrow money and issue bonds.
- Specify that, if the governing body of the city or village levied a separate library millage, the library millage would be exempt from tax increment financing capture, at the request of the library board.
- Require an authority to prepare a development plan if the authority's board decided to finance a project in the development area.
- Require the governing body of a city or village to hold a public hearing on an authority's development plan before approving a development plan or tax increment financing plan.
- Authorize the State Tax Commission to enforce and administer the proposed Act.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase local unit expenses and possibly increase local unit revenue as well as restrict the spending of any increased local unit revenue. Depending on whether the changes in property values under the bill will occur absent the bill, the bill either would have no effect on State revenue or would accelerate future increases in State revenue and reduce School Aid Fund expenditures. It is unknown how many communities would establish an authority under the bill, or how many authorities would be established within each community. Similarly, it is unknown what properties would be included within an authority and what the change in property values subject to capture would be.

The bill would allow the taxes resulting from any increase in property tax values to be captured to pay for any authorized expenditures, including payments on bonds issued for the authority. Certain property taxes, such as the State education tax (SET) and local school district and intermediate school district (ISD) mills, would not be subject to capture. Any positive change in property values that will occur absent the bill would represent a delay in future revenue increase for local units. To the extent that the bill produced higher property values than what will occur absent the bill, it would increase local unit revenue and SET revenue, particularly in the future. In the near-term, any increased property tax revenue from taxes that could be captured would be restricted to the authority.

To the extent that local school district and ISD revenue would be higher under the bill, the bill also would reduce School Aid Fund expenditures. School Aid Fund expenditures are reduced when local school districts and ISDs receive more local revenue, but less money is needed from the State to meet per-pupil funding guarantees.

Date Completed: 3-20-07

Fiscal Analyst: David Zin