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BILL ANALYSIS

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Senate Bill 779 (as introduced 9-17-07)
Sponsor: Senator Roger Kahn, M.D.
Committee: Energy Policy and Public Utilities

Date Completed: 9-20-07

**CONTENT**

**The bill would amend the Michigan Renaissance Zone Act to allow the State Administrative Board to designate up to three additional renaissance zones for integrated coal gasification facilities.**

The Board could designate the additional zones upon the recommendation of the Michigan Strategic Fund board in one or more cities, villages, or townships if the municipality or combination of municipalities consented to the creation of a renaissance zone for an integrated coal gasification facility within its boundaries. Each renaissance zone designated for an integrated coal gasification facility would have to be one continuous distinct geographic area.

The bill would define "integrated coal gasification facility" as a facility that produces synthesis gas from low- or negative-value carbon-based feedstocks, including coal and petroleum coke.

The State Administrative Board could revoke the designation of all or a portion of a renaissance zone designated under the bill if the Board determined that the facility failed to commence operation, ceased operation, or failed to commence construction or renovation within one year from the date the zone was designated.

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 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 and environmental impact on the community in which the facility was located and the State.

Beginning on the bill's effective date, the State Administrative Board would have to require a development agreement between the Michigan Strategic Fund and the integrated coal gasification facility. As used in this provision, "development agreement" would mean a written agreement between the Michigan Strategic Fund and the facility that included a requirement that the facility comply with all State and local laws, as well as a requirement that the facility report annually to the Michigan Strategic Fund on all of the following:

-- The amount of capital investment made at the facility.
-- The number of individuals employed at the facility at the beginning and end of the reporting period, as well as the number of individuals transferred to the facility from another facility owned by the integrated coal gasification facility.
-- The percentage of raw materials purchased in Michigan.

In addition, the development agreement would have to include any other conditions or requirements reasonable required by the Michigan Strategic Fund.

MCL 125.2683 et al. Legislative Analyst: Julie Cassidy

**FISCAL IMPACT**

The bill would reduce revenue to both the State and local units and would increase State expenditures from the General Fund by an unknown amount. Most local property taxes levied in renaissance zones are not reimbursed by the State, although the General Fund reimburses lost revenue to public libraries, intermediate and local school districts, community colleges, and the School Aid Fund. The actual revenue loss would depend upon the specific characteristics of the property located in the zones, as well as the activities that occurred within them. Furthermore, it is not known where the additional renaissance zones would be located, the affected tax rates, or the size of the integrated coal gasification facilities that would be developed in each of these zones.

In FY 2006-07, renaissance zones were estimated to reduce single business tax revenue by $21.1 million and local property taxes by $100.0 million. Reimbursements for FY 2007-08 are expected to total approximately $55.9 million.

Fiscal Analyst: David Zin

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