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BILL ANALYSIS



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Senate Bill 1203 (as enacted)
House Bill 5609 (as enacted)
Sponsor: Senator Randy Richardville (S.B. 1203)
Representative Mike Simpson (H.B. 5609)
Senate Committee: Economic Development and Regulatory Reform
House Committee: Commerce

PUBLIC ACT 104 of 2008
PUBLIC ACT 105 of 2008

Date Completed: 3-26-09

CONTENT

The bills amended the Local Development Financing Act to do the following:

- Allow a municipality that has created an authority in which a certified technology park has been designated, to enter into an agreement with another authority that does not contain a certified technology park, designating a distinct geographic area within the authority district as a certified technology park.**
- Allow the Michigan Economic Development Corporation (MEDC) to designate three additional certified technology parks between February 1, 2008, and December 31, 2008.**

The bills were tie-barred to each other and took effect April 23, 2008.

Senate Bill 1203

Under the Act, a local government may create a local development financing authority to finance public improvements in a given area, by capturing increases in property tax revenue due to increased value. Public Act 248 of 2000 amended the Act to allow the MEDC to enter into agreements designating certified technology parks (also known as SmartZones) in municipalities that had created an authority, if they applied to the MEDC and satisfied certain criteria.

Under the bill, if a municipality has created an authority in which a certified technology park has been designated under the Act, the municipality may enter into an agreement with another authority that does not contain a certified technology park to designate a distinct geographic area within the authority district as a certified technology park.

The authority must consider the advantages of the unique characteristics and specialties offered by the public and private resources available in the distinct geographic area, the benefits to regional cooperation and collaboration, and whether designating the additional distinct geographic area adds value to the mission of the designated certified technology park. The distinct geographic area is subject to the provisions of Section 12a(3), (4), and (5). A copy of the designation must be filed with the Michigan Economic Development Corporation.

The State Treasurer may not approve the capture of amounts levied by the State under the State Education Tax Act and by local and intermediate school districts as permitted in Section 2(ee)(ii)(B) for more than three distinct geographic areas.

(Under Section 12a(3), a local development financing authority and a municipality that incorporated the authority may enter into an agreement with the MEDC establishing the terms and conditions governing the certified

technology park. Under Section 12a(4), if the MEDC has determined that a sale price or rental value at below market rate will assist in increasing employment or private investment in the certified technology park, the authority and municipality may determine the sale price or rental value for public facilities owned or developed by the authority and municipality in the certified technology park at below market rate. Under Section 12a(5), if public facilities developed pursuant to an agreement entered into under the Act are conveyed or leased at less than fair market value or at below market rates, the terms of the conveyance or lease must include legal and equitable remedies and rights to assure the public facilities are used as eligible property.

Under 2(ee)(ii)(B), tax increment revenue may be used to fund or to repay an advance or obligation issued by or on behalf of an authority to fund the cost of public facilities related to or for the benefit of eligible property located within a certified technology park to the extent the public facilities have been included in an agreement under Section 12a(3), not to exceed 50%, as determined by the State Treasurer, of the amounts levied by the State under the State Education Tax Act and local and intermediate school districts for up to 15 years, as determined by the Treasurer, if he or she determines that the capture is necessary to reduce unemployment, promote economic growth, and increase capital investment in the municipality.)

House Bill 5609

As amended in 2000, the Local Development Financing Act authorized the MEDC to designate up to 10 certified technology parks. A 2002 amendment authorized the MEDC to designate an additional five certified technology parks after November 1, 2002.

Under the bill, the MEDC could designate an additional three certified technology parks after February 1, 2008, and before December 31, 2008. The MEDC could not accept applications for additional certified technology parks until after February 1, 2008.

Under the Act, for the additional certified technology parks designated under the 2002 amendments, the State must reimburse

intermediate and local school districts each year for all tax revenue lost that was captured by an authority for a certified technology park designated by the MEDC after October 3, 2002. The State also must reimburse the School Aid Fund.

The bill extended these reimbursement requirements to the additional three certified technology parks that the MEDC could designate between February 1, 2008, and December 31, 2008.

MCL 125.2162b (S.B. 1203)
MCL 125.2162a (H.B. 5609)

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bills will reduce State and local unit revenue and increase State expenditures by an unknown amount depending upon the number of additional properties affected, as well as their specific characteristics. State expenditures will be increased because the State will have to reimburse intermediate school districts, local school districts, and the School Aid Fund for revenue captured under the bills' provisions. However, for areas affected by Senate Bill 1203, while local unit revenue will decline, no reimbursement will be required because certain captures are prohibited.

It is unclear under Senate Bill 1203 whether the changes allowing municipalities with an existing technology park to create a new park in another authority, require the new park to be created in an authority located in the same municipality or whether those new parks are subject to the limits specified elsewhere in the Act on the number of parks that may be created. To the extent that such agreements are not subject to those limits, the fiscal impact of the bill on local units may be significantly greater because the number of parks essentially is unlimited.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.