



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

Senate Bill 1550 (Substitute S-1 as reported)
Sponsor: Senator Alan L. Cropsey
Committee: Appropriations

(as enrolled)

CONTENT

The bill would amend the General Property Tax Act to change the amount a county had to place in its revenue sharing reserve fund. The Act specifies that the total amount placed in a county's fund must equal the December 2004 property tax levy of the county's operating mills. The bill would subtract from that total any amount of the tax levy captured and retained by various tax increment financing plans.

As part of the efforts to balance the FY 2004-05 budget, the State required counties to accelerate their collection of operating taxes over a period of three years and place the revenue into a reserve fund that would replace restricted revenue historically distributed to counties under the State Revenue Sharing Act. Before the change, mills for county operating purposes were levied as part of the December levy. Public Act 357 of 2004 amended the General Property Tax Act to shift the collection date to the July tax levy. Counties are allowed to make withdrawals from the fund in lieu of receiving revenue sharing payments from the State. The State specifies the amount each county may withdraw from the fund each year.

If appropriated, the Act provides for a distribution to counties that have depleted the reserve fund. During FY 2007-08, at least one county (Tuscola County) depleted the reserve fund and \$113,600 was appropriated in an effort to ensure that the combination of the payment plus any withdrawals would total the amount a county would be allowed to withdraw if the reserve fund had a sufficient balance.

However, many counties do not receive the entire tax levy even when there are no delinquencies, largely due to tax increment finance authorities, which are able to capture a portion of the tax levy for themselves. As a result, while the statute specified that the amount each county was to deposit into the reserve fund equaled the total tax levy, many counties only deposited an amount equal to the tax levy less any captured amounts. Department of Treasury calculations in determining the amount to appropriate are based on the assumption that the entire tax levy was deposited in the fund. Consequently, the Department's calculations frequently will be based upon reserve fund balances that are greater than the actual balance.

Relative to the Department's calculations, in a county where revenue may be captured, the county will prematurely deplete the reserve fund, and the appropriated amounts to supplant the reserve fund withdrawals will not be enough to bring the county's revenue to the allowed withdrawal amount. The bill would address this situation by changing the Department's calculations.

MCL 211.44a

FISCAL IMPACT

The bill would not have any impact on State revenue and would have an impact on State expenditures only to the extent that the additional amounts needed to bring a county to its allowed withdrawal amount were actually appropriated. The bill would affect local unit revenue and expenses by eliminating the need for affected counties to deposit additional revenue in the reserve fund and/or face funding reductions in the budget year in which a reserve fund is depleted.

Based on the limited data available from tax increment authorities, at least \$25.0 million per year of revenue is captured from counties each year. This amount would compare with the approximately \$1.7 billion that counties collectively deposited into their respective reserve funds. Any later appropriation to cover the revenue for an individual county would affect only the year in which the reserve fund was depleted and the amount would depend upon the specific characteristics of the county and its tax increment captures.

Date Completed: 10-6-08

Fiscal Analyst: David Zin

floor\sb1550

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.