



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

House Bill 6251 (as reported without amendment)

Sponsor: Representative Michael Lahti

House Committee: Intergovernmental and Regional Affairs

Senate Committee: Commerce and Tourism

CONTENT

The bill would amend the downtown development authority (DDA) Act to expand the circumstances under which a debt obligation may be refinanced, and may be repaid with captured tax increment revenue, including school operating taxes and the State Education Tax. The bill would pertain to a capital appreciation bond delivered to the Michigan Municipal Bond Authority on December 21, 1994, and any refunding of the bond issued before 2012.

The Act allows an authority to undertake certain improvements or developments and pay for them by tax increment financing. Tax revenue subject to capture does not include the State Education Tax (SET) or school operating taxes, except to repay eligible advances, eligible obligations, and other protected obligations. Eligible obligations and other protected obligations include certain qualified refunding obligations.

The bill would include in the definition of "qualified refunding obligation" an obligation issued by a DDA or by a municipality on behalf of a DDA to refund an other protected obligation issued as a capital appreciation bond delivered to the Michigan Municipal Bond Authority on December 21, 1994, and any subsequent refunding of that obligation issued before January 1, 2012. The duration of the development program in the tax increment financing plan relating to the qualified refunding obligation would be extended to one year after the obligation's final date of maturity. The obligation could be payable through the year 2025.

The obligation would be a qualified refunding obligation only to the extent that tax increment revenue from property taxes and specific local taxes, other than the State Education Tax, and certain appropriations to repay the qualified refunding obligation if captured revenue were insufficient, did not exceed \$750,000.

MCL 125.1651 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have an indeterminate impact on local governments. The fiscal impact would depend on which downtown development authorities took advantage of this legislation and the full extent of the refinancing activity. In essence, downtown development authorities would be able to reduce borrowing costs in the short term. However, long-term borrowing costs could rise over time. The net impact of all of these changes would depend on the tradeoffs between these two components.

Date Completed: 12-1-10 Fiscal Analyst: Eric Scorsone