



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



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

Senate Bill 580 (Substitute S-1 as reported)
Sponsor: Senator Tom Casperson
Committee: Economic Development

CONTENT

The bill would amend the Michigan Renaissance Zone Act to do the following with respect to Next Michigan renaissance zones:

- Increase from 25 to 35 the number of eligible businesses that the Michigan Strategic Fund (MSF) may certify as qualified eligible Next Michigan businesses.
- Provide that the MSF board could designate Next Michigan renaissance zones by certifying an eligible Next Michigan business as a qualified eligible Next Michigan business.
- Require each qualified eligible Next Michigan business to be located in a separate Next Michigan renaissance zone.
- Delete provisions regarding the number of Next Michigan renaissance zones to be designated for areas that do or do not include an eligible urban entity; the aggregate area for all Next Michigan renaissance zones designated for a Next Michigan Development Corporation; and the duration of renaissance zone status.
- Delete provisions that allow a business to appeal the denial of certification as a qualified eligible Next Michigan businesses, or the revocation of certification.
- Require approval of the Michigan Strategic Fund for the assignment of the rights of a qualified eligible Next Michigan business that ceases to operate.

(The Next Michigan Development Act allows an "eligible act 7 entity" and an "eligible urban entity" to apply to the MSF board for designation as a Next Michigan Development Corporation, and permits the board to make up to five designations. A Next Michigan Development Corporation must seek to attract eligible businesses to its district, and may exercise powers and responsibilities under certain statutes, including the Michigan Renaissance Zone Act.

The Michigan Renaissance Zone Act defines "eligible next Michigan business" as a business engaged in the shipment of tangible personal property via multimodal commerce; a supply chain business providing a majority of its services to such businesses; a manufacturing or assembly facility receiving a majority of products via multimodal commerce; or a light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships those products via multimodal commerce.

A "qualified eligible next Michigan business" is an eligible Next Michigan business that has been certified as provided in the Act.)

MCL 125.2688h

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase the State cost of renaissance zone reimbursement by an unknown amount, assuming that the additional Next Michigan renaissance zones authorized by the

bill would be designated. Taxpayers located in renaissance zones are exempted from a variety of taxes, including income taxes and certain property taxes. The majority of these taxes at the State level affect the General Fund, although some affect the School Aid Fund. Certain exemptions, such as those affecting the School Aid Fund and local units such as community colleges and libraries, are completely or partially reimbursed. The amount of any revenue loss would depend on the specific characteristics of the affected property or business activity, the duration of renaissance zone status, and, for local units, the extent to which State appropriations were sufficient to reimburse the losses.

Renaissance zone reimbursement is appropriated annually in the budget and is subject to proration if appropriations are insufficient. In FY 2013-14, appropriations for renaissance zone reimbursement for all types of renaissance zones total \$34.5 million, of which \$26.3 million is from the School Aid Fund and \$8.2 million is from the General Fund. These appropriations are shown in the table below.

Renaissance Zone Reimbursements
Year-to-Date (YTD) Appropriations
(millions)

	FY 2013-14 YTD Appropriations
Community Colleges	\$3.5
Libraries	
Department of Education Budget	\$1.5
School Aid Budget	<u>3.2</u>
Subtotal	4.7
School Districts and Intermediate School Districts	<u>26.3</u>
TOTAL	\$34.5

To the extent that the bill increased the number of renaissance zones, it would reduce State and local revenue by an unknown and potentially significant amount. While the bill would increase the maximum number of Next Michigan renaissance zones, it also would impose a requirement that each business be located in a separate zone.

The bill would reduce the potential administrative cost of the Michigan Strategic Fund by an indeterminate amount due to the proposed removal of the current process by which a business can appeal a decision of the Michigan Strategic Fund board to deny or revoke certification as a qualified eligible Next Michigan business. The proposed approval by the Michigan Strategic Fund board of assignment of Next Michigan renaissance zone status to a successor entity would potentially increase State and local revenue by an unknown amount, if the assignment were denied.

Currently, the five allowable Next Michigan Development Corporations (NMDCs) have been designated. These are Grand Traverse, the I-69 International Trade Corridor, the Port Lansing Global Logistics Center, the Vantageport Detroit Regional Aerotropolis, and the West Michigan Economic Partnership. To date, no renaissance zone has been designated in an NMDC.

Date Completed: 10-25-13

Fiscal Analyst: Elizabeth Pratt
David Zin

Floor\sb580

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.