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BILL ANALYSIS

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

Date Completed: 10-23-13

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 produces 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.)

The Act authorizes the MSF board, upon the application of a Next Michigan Development Corporation, to designate Next Michigan renaissance zones for eligible Next Michigan businesses within the boundaries of a Next Michigan development district. The bill would authorize the MSF board to designate these renaissance zones by certifying the eligible Next Michigan business as a qualified eligible Next Michigan business.

The Act authorizes the MSF board to not certify more than 25 eligible businesses as qualified eligible Next Michigan businesses. The bill would increase this number to 35.

Currently, the number of Next Michigan renaissance zones to be designated for a district that does not include an eligible urban entity must be determined as specified in the Act, but may not exceed 12 for each district. The number of zones to be designated for a district that includes an eligible urban entity also may not exceed 12. The Act also limits the aggregate territory of all Next Michigan renaissance zones designated for a Next Michigan Development Corporation. The renaissance zone status of a Next Michigan renaissance zone must be between five and 10 years. The bill would delete all of these provisions.

Currently, if the MSF board denies an application for certification, the applicant may appeal to the board for reconsideration. If the designation of all or part of a Next Michigan renaissance zone or the certification of a qualified eligible Next Michigan business is revoked, an affected business may appeal to the board, which may restore the designation. The bill would delete these provisions.

The Act allows the MSF board to revoke the designation of all or part of a Next Michigan renaissance zone or the certification of a qualified eligible Next Michigan business under certain circumstances. These include a situation in which the business ceases operation, unless the business has assigned its rights to a successor entity engaged in a qualified eligible Next Michigan business. Under the bill, that assignment would have to be approved by the MSF.

MCL 125.2688h

Legislative Analyst: Suzanne Lowe

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.

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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.