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BILL ANALYSIS

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House Bill 4782 (as reported without amendment by the Committee of the Whole)
Sponsor: Representative John Kivela
House Committee: Commerce
Senate Committee: Economic Development

CONTENT

The bill would amend the Next Michigan Development Act to require the Michigan Strategic Fund, in determining whether to designate a Next Michigan Development Corporation (NMDC), to give preference to an "eligible act 7 entity" made up of at least two contiguous counties that had a combined population of more than 103,000 but less than 106,000 according to the most recent decennial census, and the population of the largest city of one of those counties, when combined with the largest city of the other county, was more than 32,500 but less than 35,500. (Those criteria describe Marquette and Delta Counties, and the Cities of Marquette and Escanaba.)

The Act allows an "eligible act 7 entity" to apply to the Michigan Strategic Fund board for designation as an NMDC. The Act defines "eligible act 7 entity" as a separate legal and administrative entity formed by interlocal agreement under the Urban Cooperation Act among two or more local governmental units, including at least one county, and at least one qualified local government unit under the Obsolete Property Rehabilitation Act, for the purpose of jointly exercising economic development powers and attracting business.

MCL 125.2954 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

An increase in the number of allowable Next Michigan Development Corporations would be required before an additional NMDC could be designated. Current law allows up to five NMDCs to be designated, and the designations have been made. If authorized, an additional NMDC would reduce State and local revenue by an indeterminate amount. Businesses locating in the new NMDC would be eligible for property tax abatements and, subject to designation by the Michigan Strategic Fund, possible renaissance zone reductions of State and local taxes. The amount of General Fund revenue foregone would depend on the amount of economic activity and whether it would have occurred without the incentives. The State would be required to reimburse school districts for revenue lost due to development in an NMDC, which would increase spending from the School Aid Fund.

The Michigan Strategic Fund would have increased administrative costs of an unknown amount to review and promote the additional NMDC. These costs likely would be absorbed within existing resources.

Date Completed: 12-10-13 Fiscal Analyst: Elizabeth Pratt