Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 979 (Substitute S-2 as reported)
Sponsor: Senator Jim Ananich
Committee: Government Operations

CONTENT

The bill would enact the "Municipal Recovery and Development Authority Act" to:

-- Permit a local government in which a drinking water declaration of emergency was issued by the Governor to form a municipal recovery and development authority.
-- Provide that the authority would have a maximum duration of 15 years.
-- Permit the authority to provide funding to the local government to promote and assist in its recovery and economic development regarding a drinking water declaration of emergency
-- Permit the authority, with voter approval, to levy a tax of up to 0.5 mill on taxable property within the local government, for not longer than the authority was in existence.
-- Permit the authority to borrow money and issue revenue bonds and notes.
-- Provide that bonds issued under the Act would have to be sold to the Michigan Finance Authority, and could not mature beyond the existence of the authority.
-- Require the authority to be governed by an 11-member board of directors, which would have to hire an executive director.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

If established, the proposed municipal recovery and development authority (MRDA) would increase revenue for recovery and development within the City of Flint by an unknown amount. The MRDA would incur administrative costs and the city would incur costs to incorporate the authority. The fiscal impact of the bill would depend on the decision of the city to establish an MRDA and subsequent decisions by the authority board regarding administrative and project costs, bonding, and the levy of a property tax of up to 0.5 mill for up to 15 years. The MRDA could receive revenue from grants; loans; and local, State, and Federal government. An MRDA property tax of 0.5 mill, if approved by the voters, would raise annual revenue of approximately $355,000 based on Flint's 2016 taxable value. That amount would likely decline for at least several years because of the phase-in of the exemption from taxation of eligible manufacturing personal property and the downward trend in taxable value in Flint. Since 2010, taxable value in Flint has declined by approximately 45%. The MRDA would be authorized to issue bonds to raise funds for recovery and economic development, which would be purchased by the Michigan Finance Authority (MFA). Administrative costs of the MRDA would include the cost of an executive director of the authority, audits, and monthly progress reporting. If the MRDA issued bonds, the responsibilities of the MFA within the Department of Treasury would increase. The MFA is funded by program revenue.

Date Completed: 9-28-16

Fiscal Analyst: Elizabeth Pratt