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BILL ANALYSIS

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Senate Bill 534 (Substitute S-2 as reported)
Sponsor: Senator Randy Richardville
Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the Brownfield Redevelopment Financing Act to revise the definitions of "eligible activities", "eligible property", and "blighted".

Under the bill, "eligible activities" would include reasonable costs of developing and preparing brownfield plans and work plans, as well as reasonable costs of environmental insurance. The bill also would include certain demolition activities; lead or asbestos abatement; certain activities at a former mill located along a river that is a Federal Superfund site; and certain activities at a redevelopment site north of the 45th Parallel where at least \$250 million of new capital investment was made.

The bill would revise the definition of "eligible property" to encompass property on which eligible activity could occur under the bill's expanded definition of "eligible activities", including property that was used for public purposes, as well as the purposes currently authorized under the Act (commercial, industrial, or residential).

"Blighted" refers to property that meets certain criteria indicating its nonuse. The bill would include property that has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.

The bill is tie-barred to Senate Bill 539 and House Bills 4711 and 4712, which also would amend the Brownfield Redevelopment Financing Act. Senate Bill 539 (S-1) would require performance postaudits of the brownfield program, and expand brownfield authority reporting requirements. House Bills 4711 (S-1) and 4712 (S-1) would extend for five years, until January 1, 2013, the deadline for State approval of a work plan if an authority will use taxes levied for school operating purposes; make additional exceptions to the Act's limitation on the use of captured tax revenue; and revise provisions concerning work plans, the duration of a brownfield plan, and State reporting requirements.

MCL 125.2652

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Senate Bills 534 (S-1) and 539 (S-1) and House Bills 4711 (S-1) and 4712 (S-1) would reduce State and local unit revenue by an unknown amount and increase School Aid Fund expenditures by an unknown amount, depending upon the specific characteristics of the projects affected by the bills. By expanding the definitions of "eligible activities" and "eligible property", as well as increasing the costs not subject to limitations, the bills would increase the amount of taxes subject to capture. The broadened definitions also could increase the duration of any revenue capture. Delaying the sunset on the approval of work plans would increase the revenue loss due to additional projects that would be approved

after January 1, 2008. The expansion in the bills likely would result in a greater revenue loss than would occur from simply postponing the sunset under current law.

As of July 2007, there were 270 brownfield redevelopment authorities. According to the Department of Treasury, approximately \$300.0 million in State and local property tax revenue will be captured under current law by all authorities using tax increment capture (downtown development authorities, local development finance authorities, tax increment finance authorities, and brownfield redevelopment authorities) during FY 2007-08. The portion of that amount attributable to brownfield projects is unknown. A 2006 report from the Department of Environmental Quality estimated approximately \$2.6 million in captured State education tax revenue and \$6.6 million in captured local school operating property tax revenue, up from \$2.1 million and \$5.2 million, respectively, in 2005.

School Aid Fund expenditures would be increased to maintain per-pupil funding guarantees for any captured school operating taxes and/or captured State education tax.

In addition, Senate Bill 539 (S-1) would necessitate a supplemental appropriation as specified in the annual appropriation language for the Legislative Auditor General. This language provides that any audits, reviews, or investigations requested of the Auditor General by the Legislature, legislative leadership, legislative committees, or individual legislators must include an estimate of the additional costs involved and, when those costs exceed \$50,000, should provide supplemental funding. According to the Legislative Auditor General, the performance postaudit required under the proposed legislation would exceed \$50,000 and thus a supplemental appropriation would be necessary before the audit could be performed. The exact cost of the audit is unknown, but would certainly exceed \$50,000 according to the Auditor General's office.

House Bill 4711 (S-1) could result in additional restricted revenue collected from baseline environmental assessment (BEA) fees. If an individual or entity wants a determination from the Department of Environmental Quality that the person or entity is exempt from liability after completion of a BEA, a fee of \$750 is required. It is deposited into the Cleanup and Redevelopment Fund and used to pay for the liability determination service. The amount of additional revenue would depend on the number of additional liability determination requests.

Date Completed: 11-19-07

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