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BILL ANALYSIS



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House Bill 4226 (Substitute H-1 as passed by the House)
Sponsor: Representative Daniela R. Garcia
House Committee: Commerce and Trade
Senate Committee: Economic Development and International Investment

Date Completed: 6-11-15

CONTENT

The bill would amend the Local Development Financing Act to do all of the following:

- **Increase from three to nine the number of satellite certified technology parks for which the State Treasurer may approve the capture of the State Education Tax and local and intermediate school district taxes.**
- **Require that any applications for additional satellite certified technology parks be approved by the Michigan Economic Development Corporation (MEDC) through a competitive application process.**

Under the Act, a local government may create a local development finance authority to finance public improvements in a given area, by capturing increases in property tax revenue due to increased value of property in a district or development area (tax increment revenue). The Act also allowed the Michigan Economic Development Corporation to enter into agreements designating certified technology parks (also known as SmartZones) in municipalities that had created a local development finance authority, if they applied to the MEDC and satisfied certain criteria. (The last SmartZones had to be designated before March 31, 2013.)

Tax increment revenue includes ad valorem property taxes and specific local taxes levied by all local taxing jurisdictions (except school districts) upon the captured assessed value of real and personal property in a district, development area, or certified technology park. For limited purposes, tax increment revenue also includes taxes levied by the State under the State Education Tax Act and levied by local or intermediate school districts upon the captured assessed value of that property.

If a municipality has created an authority in which a certified technology park has been designated, the municipality may enter into an agreement with another authority that does not contain a certified technology park, under certain circumstances, to designate a distinct geographic area within the authority district as a certified technology park (i.e., a satellite certified technology park). The State Treasurer may approve the capture of amounts levied by the State under the State Education Tax Act and by local and intermediate school districts, as permitted to fund public facilities, for not more than three distinct geographic areas. Under the bill, the State Treasurer could approve that capture for up to nine distinct geographic areas. The State Treasurer could not approve the capture of this revenue, however, unless the MEDC also approved the application for approval for a distinct geographic area, as described below.

The bill would require the MEDC to designate the new satellite certified technology parks through a competitive application process that had an initial application period and a final

application period. The initial application period would begin on the bill's effective date and end on October 1, 2015. All applications submitted during that period would have to be approved or denied by November 1, 2015. The MEDC would be allowed to approve up to three applications during this period. The final application period would go from January 1, 2016 to July 1, 2016. All applications submitted during that period would have to be approved or denied by September 1, 2016. The MEDC could approve the remaining designations during this period up to the limit of nine; however, it would not be required to make all nine designations. Applications submitted outside the initial or final application period could not be considered.

The bill also would require the MEDC to publish on its website the application process and competitive criteria upon which the applications would be evaluated.

MCL 125.2162b

BACKGROUND

A local development finance authority is a type of tax increment finance (TIF) authority. A TIF authority is set up to capture tax increment revenue and use that revenue to improve a designated geographic area according to a tax increment financing plan. A TIF plan must provide for the use of tax increment revenue for public facilities for eligible property. As the value of the property increases, the taxes on the increased value are "captured" and produce the tax increment revenue. Examples of public facilities include the development or improvement of access to and around, or within the eligible property, of road facilities reasonably required by traffic flow to be generated by the eligible property, and the development or improvement of public facilities that are necessary to service the eligible property, whether or not located on that eligible property.

A plan is generally approved for a set number of years, or until the improvements made have been paid for. A TIF authority is able to capture the increased property taxes due to property value increases after the establishment of the authority, except that it usually may not capture the State Education Tax or taxes levied by local and intermediate school districts. The State Treasurer may authorize a designated number of certified technology parks and satellite certified technology parks to capture up to 50% of the State Education Tax and taxes for local and intermediate school districts.

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would reduce State and local unit revenue and increase State expenditures by an unknown amount depending upon the number of additional properties affected, as well as their specific characteristics. State expenditures would be increased because the State would have to reimburse intermediate school districts, local school districts, and the School Aid Fund for revenue captured under the bill's provisions.

Fiscal Analyst: David Zin

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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.