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Senate Bill 1097 (Substitute S-1 as reported)  
Sponsor: Senator Mark C. Jansen  
Committee: Economic Development

### **CONTENT**

The bill would amend provisions of the Local Development Financing Act under which a municipality with a local development financing authority (LDFA) in which a certified technology park has been designated, may enter into an agreement with another LDFA to designate a distinct geographic area within the authority district as a certified technology park. The bill would do the following:

- Set a deadline of December 31, 2015, on the time a municipality has to enter into such an agreement.
- Increase from three to nine the number of distinct geographic areas for which the State Treasurer may approve the capture of the State Education Tax and school taxes, under the circumstances described above.

Under the Act, a municipality may create a local development financing authority to finance public improvements in a given area, by capturing increases in property tax revenue due to increased value of real and personal property in a district or development area (tax increment revenue). The Act also allowed the Michigan Economic Development Corporation, until March 30, 2013, to enter into agreements designating certified technology parks (also known as SmartZones) in municipalities that had created an LDFA. If a municipality has created an LDFA in which a certified technology park has been designated, it may enter into an agreement with another LDFA to designate a distinct geographic area within the authority district as a certified technology park.

For limited purposes, 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, for not more than three distinct geographic areas designated under these provisions. Under the bill, the State Treasurer could approve that capture for up to nine distinct geographic areas.

MCL 125.2162b

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would reduce State and local property tax revenue, assuming that the additional geographic areas (satellite sites of certified technology parks or SmartZones) and the capture of State Education Tax, local school district operating millage, and intermediate school district operating millage were approved by the State Treasurer through December 31, 2015, pursuant to the bill. This would reduce revenue from the property-based State Education Tax, which goes to the School Aid Fund. School Aid Fund costs would increase to make up the reduction in local school operating revenue. Other local units of government would not be reimbursed for the captured property tax revenue. The amount of the State and local revenue loss and increased School Aid Fund cost would depend on the number of

areas (but not more than nine) designated, the characteristics of the development, and the taxable value growth in those areas. The bill would increase revenue to a SmartZone that gained an approved satellite site under the bill. The smart zone would be able to capture revenue in the smart zone and the designated satellite site for an additional 15 years, as determined by the State Treasurer and the president of the Michigan Economic Development Corporation.

Date Completed: 11-5-14

Fiscal Analyst: Elizabeth Pratt

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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.