
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5121 (Substitute H-1 as passed by the House)

Sponsor: Representative Tom Alley

House Committee: Tax Policy

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-9-97

CONTENT

The bill would amend the Local Development Financing Act to include under “other protected obligation” a bond issued by an authority to finance a project that was partially funded by a public agency grant.

Under the Act, local development finance authorities are permitted to “capture” the growth in tax revenue in a designated development area for improvements to a variety of public facilities. These improvements are typically financed through bond issues that are paid off out of tax revenue growth. The Act allows the capture of State and local school taxes as necessary to repay other protected obligations.

The Act’s definition of “other protected obligation” includes a qualified refunding obligation issued to refund an obligation described under the Act; an obligation that was issued or incurred after August 19, 1993, and that meets certain criteria under the Act; and an ongoing or professional service contract with the governing body of a county that was entered into before March 1, 1994, and that was preceded by a series of limited term management or professional service contracts with the governing body of the county, the last of which was entered into before August 19, 1993. Under the bill, the term “other protected obligation” also would include a portion of a bond that was issued by an authority, or by a municipality on behalf of an authority, after August 19, 1993, to finance a project described in a tax increment finance plan approved before December 31, 1993, that was partially funded by a public agency grant for which a grant agreement was signed before that date. The amount of this “other protected obligation”, excluding interest payments, could not exceed the municipality’s or authority’s required contribution under the grant.

Under the Act, an authority must file an annual claim with the Department of Treasury if it is eligible to receive tax increment revenue from taxes levied by a school district or this State, or to receive a distribution of appropriated funds to make up for the loss of school operating taxes. The Act lists information that a claim must include. The bill also would require that the claim contain a list and documentation of other protected obligations and the payments due on each of those other protected obligations in the fiscal year, and the total amount of all the payments due on those obligations in the fiscal year.

MCL 125.2152 & 125.2161a

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would expand the definition of “other protected obligations” in the Local Development Financing Act to include the portion of a bond issued after August 19, 1993, and before December

31, 1996, as long as the tax increment finance plan was approved prior to December 31, 1993. The State would have to reimburse the schools for the lost tax revenue that the local development finance authorities would capture.

Fiscal Analyst: R. Ross

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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.