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SFA BILL ANALYSIS

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Senate Bill 163 (as introduced 2-11-03)
Sponsor: Senator Gerald Van Woerkom
Committee: Agriculture, Forestry, and Tourism

Date Completed: 3-5-03

CONTENT

The bill would amend the Michigan Renaissance Zone Act to allow the designation of additional agricultural renaissance zones. The Act permitted the State Administrative Board, by December 31, 2002, to designate up to 10 renaissance zones for agricultural processing facilities in the State in one or more cities, villages, or townships, provided those entities allowed the creation of the zones for that purpose. The bill would increase the cap on agricultural renaissance zones to 20, and would remove the deadline for their designation.

MCL 125.2686 et al. Legislative Analyst: Claire Layman

FISCAL IMPACT

It is not possible to estimate the fiscal impact of the bill at this time because: 1) it is not known where the additional renaissance zones would be located or the size of the agricultural processing facilities that would be developed in each of these zones, and 2) there is no way to estimate how many businesses would move their existing operations into a renaissance zone in order to become eligible for the various tax exemptions granted in these zones.

The original legislation for agricultural processing renaissance zones (APRZs) authorized the creation of 10 zones before December 31, 2002. On December 3, 2002, five APRZs were approved, bringing the total number of zones approved under the original authorization to nine. That the full 10 zones under the original legislation were not created suggests that it may be some time before the additional 10 zones under the bill would be created.

In the near future, the fiscal impact of the bill would likely be minimal. It takes time for corporations to expand or relocate and the fiscal impact of the bill largely would depend upon the value of the investments made in the property within the zone. To date, the impact from the existing zones has been minimal, with a total of $46.6 million of investment expected in three zones over the next 15 years.

In future years, the fiscal impact would reduce revenues to both the State and local units and would increase State expenditures from the General Fund. Most local property taxes previously levied in renaissance zones are not reimbursed by the State, leaving local units to deal with reduced revenues. However, the General Fund reimburses lost revenues to public libraries, intermediate school districts, local school districts, community colleges, and the School Aid Fund. Local school districts are able to levy 18 mills upon nonhomestead property, and the State education tax levies 6 mills on all property. Tax levies for the other reimbursed components can vary widely, although it is not uncommon for schools to levy an additional 6 to 12 mills in areas where existing APRZs have been established. If $100 million of investments were eventually made in the new zones, the bill would increase State General Fund expenditures by at least $1.5 million per year, a portion of which would represent lost School

Aid Fund revenues. Losses to single business tax and individual income tax revenues are not reimbursed and are not included in this example.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin