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

BILL ANALYSIS

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

House Bill 4248 (as reported without amendment)
Sponsor: Representative Matt Huuki
House Committee: Commerce
Senate Committee: Economic Development

CONTENT

The bill would amend the Downtown Development Authority (DDA) Act to include in the definition of "qualified refunding obligation" an obligation issued to refund another protected obligation issued as a capital appreciation bond delivered to the Michigan Municipal Bond Authority on December 21, 1994, and any subsequent refundings of that obligation issued before January 1, 2012.

(The Act allows a DDA to capture tax increment revenue to pay for certain improvements or developments. Tax increment revenue subject to capture does not include the State Education Tax or school operating taxes except to repay certain advances and obligations, including a qualified refunding obligation.)

The duration of the development program described in the tax increment financing plan related to this qualified refunding obligation would be extended to one year after the final date of maturity of the obligation.

An obligation issued under the bill would be a qualified refunding obligation only to the extent that tax increment revenue from property taxes and specific local taxes, other than the State Education Tax, and certain distributions to repay the qualified refunding obligation, did not exceed $750,000.

The obligation could be payable through the year 2025 at an interest rate not exceeding the maximum rate permitted by law, notwithstanding the bond maturity dates contained in the notice of intent to issue bonds published by the municipality.

MCL 125.1651 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no effect on State revenue or expenditures. The bill would have a minimal impact on local unit revenue and expenses. Essentially, the bill would expand the circumstances that allow a qualified refunding obligation to be issued. Commonly, these obligations are issued to restructure the debt and/or refinance the costs of an earlier debt obligation. As a result, the new obligations typically carry lower interest and payment costs, changing the distribution of revenue and expenses associated with a downtown development authority.

Date Completed: 4-13-11 Fiscal Analyst: David Zin