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BILL ANALYSIS

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Senate Bill 1076 (as enacted)
Sponsor: Senator Alan L. Cropsey
Senate Committee: Commerce and Tourism
House Committee: New Economy and Quality of Life

PUBLIC ACT 35 of 2008

Date Completed: 1-9-09

CONTENT

The bill amended the downtown development authority (DDA) Act to expand the definition of "qualified refunding obligation".

Under the Act, an authority may "capture" the growth in tax revenue in a designated development area for improvements to a variety of public facilities, such as streets, parks, parking facilities, and recreational facilities. A DDA may capture the State education tax and local school taxes as necessary to repay eligible advances, eligible obligations, and other protected obligations. The definition of "other protected obligation" includes a qualified refunding obligation issued to refund particular obligations described in the Act.

The term "qualified refunding obligation" includes an obligation issued or incurred by a DDA, or by a municipality on behalf of an authority, if the obligation is issued to refund a qualified refunding obligation issued in November 1997 and any subsequent refunding of that obligation issued before January 1, 2010. The bill includes in the definition an obligation issued or incurred by a DDA, or by a municipality on behalf of an authority, to refund a qualified refunding obligation issued on May 15, 1997, and any subsequent refundings of that obligation issued before January 1, 2010, in a DDA in which one parcel or group of parcels under common ownership represents 50% or more of the taxable value captured within the tax increment finance district and that ultimately will provide for at least a 40% reduction in the taxable value of

the property as part of a negotiated settlement as a result of an appeal filed with the State Tax Tribunal.

The bill specifies that an obligation described above that is issued before January 1, 2010, is not subject to the requirements of Section 611 of the Revised Municipal Finance Act. (That section generally prohibits a municipality from issuing a refunding security unless the net present value of the principal and interest to be paid on the refunding security is less than that to be paid on the outstanding security to be refunded.)

The duration of the development program described in a DDA's tax increment financing plan relating to the qualified refunding obligations issued as described above is extended to one year after the final date of maturity of the qualified refunding obligations.

The bill took effect on March 14, 2008.

MCL 125.1651

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will have no effect on State revenue or expenditures. The bill will have a minimal impact on local unit revenue and expenses. The bill essentially expands 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.

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.