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 BILL ANALYSIS

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House Bill 5346 (Substitute H-2 as passed by the House)  
House Bill 5347 (Substitute H-2 as passed by the House)  
House Bill 5348 (Substitute H-2 as passed by the House)  
House Bill 5349 (Substitute H-2 as passed by the House)  
House Bill 5350 (Substitute H-2 as passed by the House)  
House Bill 5351 (Substitute H-2 as passed by the House)

Sponsor: Representative Douglas Geiss (H.B. 5346)  
Representative Pam Byrnes (H.B. 5347)  
Representative Andrew Kandrevas (H.B. 5348)  
Representative John Walsh (H.B. 5349)  
Representative Marc Corriveau (H.B. 5350)  
Representative Bert Johnson (H.B. 5351)

House Committee: Transportation

Senate Committee: Commerce and Tourism

Date Completed: 11-8-10

## **CONTENT**

**House Bill 5346 (H-2)** would create the "Next Michigan Development Act" to do all of the following:

- Provide for an "eligible act 7 entity" or an "eligible urban entity" to apply to the Michigan Strategic Fund (MSF) board for designation as a Next Michigan Development Corporation.
- Allow the MSF board to designate up to five Next Michigan Development Corporations.
- Require a Next Michigan Development Corporation to seek to attract eligible Next Michigan businesses to its district.
- Allow a Next Michigan Development Corporation to exercise powers, privileges, and responsibilities granted to it by law, including those granted by the other bills.
- Allow an eligible Next Michigan business to sell or assign tax credits granted by a Next Michigan Development Corporation, with its approval.
- Allow a Next Michigan Development Corporation to purchase and sell or assign tax credits granted to eligible Next Michigan businesses.

- Specify that all incentives previously granted by a Next Michigan Development Corporation would be unaffected if the development corporation dissolved or were terminated.
- Specify legislative findings and declarations.

**House Bills 5347 (H-2) through 5351 (H-2)** would amend various statutes to do all of the following:

- Define "eligible next Michigan business".
- Allow the MSF board to designate Next Michigan renaissance zones for eligible Next Michigan businesses within the boundaries of a Next Michigan development district.
- Provide for the MSF's certification of a business as a qualified eligible Next Michigan business.
- Allow a Next Michigan Development Corporation to establish a local development finance authority (LDFA), which could establish a tax increment finance (TIF) plan and issue tax increment bonds.
- Allow an LDFA to convey or lease public facilities at less than fair

**market value or at below-market rates, if it would assist in increasing employment or private investment in a development area.**

- Allow a Next Michigan Development Corporation to offer tax abatements under the plant rehabilitation and industrial development Act.**
- Allow a Next Michigan Development Corporation to exempt new personal property owned or leased by an eligible Next Michigan business from personal property taxes.**

House Bill 5347 (H-2) would amend the Local Development Financing Act; House Bill 5348 (H-2) would amend the plant rehabilitation and industrial development Act (commonly called PA 198); House Bill 5349 (H-2) would amend the Michigan Renaissance Zone Act; House Bill 5350 (H-2) would amend the General Property Tax Act; and House Bill 5351 (H-2) would amend the Michigan Economic Growth Authority (MEGA) Act.

Under the proposed Next Michigan Development Act, "eligible act 7 entity" would mean a separate legal and administrative entity formed by interlocal agreement under the Urban Cooperation Act among two or more local governmental units, at least one of which is a county and at least one of which is a qualified local government unit as defined in the Obsolete Property Rehabilitation Act, for the purpose of jointly exercising economic development powers and attracting business. "Eligible urban entity" would mean a city with a population of 100,000 or more that is the largest city within a metropolitan statistical area as defined by the U.S. Office of Management and Budget.

### **House Bill 5346 (H-2)**

#### **Next Michigan Development Corporations**

Application & Boundaries. Under the proposed Next Michigan Development Act, an eligible Act 7 entity could apply to the MSF board for designation as a Next Michigan Development Corporation. An eligible urban entity also could apply for designation. An eligible urban entity could expressly designate an instrumentality of it or a nonprofit corporation to file the application and act as the Next Michigan

Development Corporation on behalf of the eligible urban entity.

A Next Michigan Development Corporation's territory would consist of the area within the boundaries of the cities, villages, and townships that were parties to the interlocal agreement, or the area of the eligible urban entity. The interlocal agreement could include a division of rights, responsibilities, and duties between and among the local unit parties to the interlocal agreement, as they determined appropriate, and otherwise would have to conform to law.

An application for Next Michigan Development Corporation status from an eligible Act 7 entity would have to be accompanied by a copy of the interlocal agreement creating the entity and the Governor's approval of the agreement.

Designation. The MSF board could designate up to five applicants as Next Michigan Development Corporations. The MSF president would have to develop the form of the application within 49 days of the bill's effective date, but an application from an entity that otherwise met the proposed Act's requirements could be filed with the MSF board at any time after the bill's effective date, and the application would have to be considered by the board. The MSF would have to use its best efforts to develop the application process jointly with eligible Act 7 entities and eligible urban entities.

The MSF board would have to apply the following criteria in determining to designate a Next Michigan Development Corporation:

- The nominal level of unemployed workers within the county or counties that were parties to the interlocal agreement creating an eligible Act 7 entity, or within the eligible urban entity, as of the month before the application was filed.
- The number of local governmental unit parties to the applicant's interlocal agreement, if the applicant were an eligible Act 7 entity.
- Whether the application demonstrated evidence of significant job-creation potential of a regional or State asset or combinations of enterprises, facilities, or obsolete facilities within the applicant's territory, as documented by a

comprehensive business plan and a third-party study quantifying the job-creation potential, and the degree of that potential.

- Whether the application was supported by public and private commitment and the degree of the commitment.
- The extent to which the interlocal agreement or the eligible urban entity created the possibility of streamlined permitting.

The MSF board would have to grant or deny designation to an applicant within 42 days of receiving the application. If the board did not do so, the application would be considered approved. If an application were denied, the board would have to give the applicant specific reasons for the denial by reference to the criteria listed above. An applicant could amend the application to take into account the reasons for the denial and then could resubmit the application.

Dissolution or Termination. If a Next Michigan Development Corporation dissolved or were terminated, all incentives previously granted by the development corporation would be unaffected and would remain valid and in full force and effect, in accordance with their terms. Incentives previously granted by the development corporation would have to be administered by the city, village, township, or charter township in which the eligible business to which the incentives were granted was located, unless otherwise provided in an interlocal agreement.

Activities. A Next Michigan Development Corporation would have to seek to attract eligible Next Michigan businesses to its district and could exercise all of the powers, privileges, and responsibilities granted to it under State law, including those granted in the Michigan Renaissance Zone Act (under House Bill 5349 (H-2)); the Local Development Financing Act (under House Bill 5347 (H-2)); Section 9f of the General Property Tax Act (under House Bill 5350 (H-2)); and PA 198 (under House Bill 5348 (H-2)).

The Michigan Economic Development Corporation (MEDC) would have to market the Next Michigan Development Corporations.

## Disclosure of Information

The business of a Next Michigan Development Corporation would have to be conducted at public meetings held in compliance with the Open Meetings Act.

Except as expressly provided otherwise in the proposed Act, a writing prepared, owned, used, in the possession of, or retained by a Next Michigan Development Corporation in the performance of an official function would be a public record and would have to be made available in compliance with the Freedom of Information Act (FOIA). A record, material, or other data received, prepared, used, or retained by a Next Michigan Development Corporation in connection with an application by an eligible business for renaissance zone status or other tax or development incentive would not be subject to FOIA's disclosure requirements if it related to financial or proprietary information or site selection (if more than one site were under consideration) and if it were considered by the applicant and acknowledged by the Next Michigan Development Corporation as confidential.

A designee of the Next Michigan Development Corporation would have to determine whether the corporation acknowledged as confidential any financial or proprietary information submitted by an eligible business applicant and considered by the applicant as confidential. Unless considered proprietary information, the Next Michigan Development Corporation could not acknowledge routine financial information as confidential. If the designee determined that submitted information was financial or proprietary information and was confidential, the designee would have to prepare a written statement, subject to disclosure under FOIA, stating both of the following:

- That the designee determined the submitted information to be confidential as financial or proprietary information or site selection information.
- A broad, nonspecific overview of the financial or proprietary information determined to be confidential.

A Next Michigan Development Corporation could not disclose financial or proprietary information or site selection information not subject to disclosure under the proposed Act

without the consent of the eligible business applicant submitting the information. The Act would not preclude the MSF president, members of the MSF board, or their designees from reviewing information otherwise exempt from disclosure.

For purposes of these provisions, "financial or proprietary information" would mean information that has not been publicly disseminated or is unavailable from other sources, the release of which might cause the eligible business applicant, in its own judgment, material competitive harm. The term would not include a written agreement under the Michigan Renaissance Zone Act.

#### Transfer of Tax Credits

Upon application to and the approval of the Next Michigan Development Corporation, an eligible Next Michigan business that had been awarded a tax credit, by or upon the recommendation of the development corporation, could sell or assign the tax credit, in whole or in part. This provision would not apply to tax exemptions from ad valorem taxes or specific taxes. The application would have to be on a form required by the development corporation and include or demonstrate all of the following:

- The applicant's name and address.
- A copy of the tax credit certificate or documentation establishing the tax credit previously issued to the applicant.
- A statement as to whether any part of the tax credit had been applied to the applicant's tax liability and the amount applied.
- Any other information required by the development corporation.

The Next Michigan Development Corporation would have to review the application and, if satisfied that all requirements were met, could approve it. The development corporation would have to notify the tax collecting units to which the tax credit applied.

A purchaser or assignee of all or a portion of a tax credit would have to claim the credit in the taxable year in which the purchase or assignment was made. The purchaser or assignee could use the tax credit against any of its tax liability under law in respect of the tax to which the credit applied. The

amount of the tax credit used could not exceed 80% of the purchaser's or assignee's tax in respect of the tax to which the credit applied for the taxable year. The purchaser or assignee could not carry over, carry back, obtain a refund of, or assign the tax credit. Except as provided below, the purchaser or assignee would have to satisfy the documentary procedures established by the State Treasurer as conditions of applying the tax credit against the purchaser's or assignee's tax liability.

A Next Michigan Development Corporation, from time to time, could purchase and then sell or assign, in whole or in part, tax credits granted to eligible Next Michigan businesses from its revenue, assessments, or other funds lawfully available for that purpose.

#### Construction/Legislative Finds & Declarations

The proposed Act would have to be construed liberally to effectuate its legislative intent and purposes, as stated in the Act. The Act would constitute complete and independent authority for the performance of each and every act and thing authorized by it; all powers granted by the Act would have to be broadly interpreted to include any power reasonable and convenient to effectuate its intent and purpose; and the language used in the Act would have to be read as grants of authority and not as limitations of expressed or necessarily implied powers.

The bill states: "The legislature of this state finds and declares that there exists in this state the continuing need for programs to encourage economic development and investment, job creation and job retention, and ancillary economic growth in this state. To achieve these purposes, it is necessary to assist and encourage the creation and implementation of intergovernmental development corporations and to enable those corporations to foster economic opportunities in this state, prevent conditions of unemployment and underemployment, and promote economic growth."

### **House Bill 5347 (H-2)**

#### Next Michigan LDFA

Under the Local Development Financing Act, a local government 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.

The bill would authorize a Next Michigan Development Corporation to establish one LDFA. The LDFA could exercise its powers within its authority district and in all Next Michigan development areas. The authority district would include all or part of the territory of a Next Michigan Development Corporation, as determined by the governing body of the development corporation.

The Next Michigan Development Corporation would have to comply with the procedures prescribed for a municipality in the creation of an LDFA. The public hearing notice required under the Act could be published in a newspaper or newspapers of general circulation within the municipalities that were constituent members of the development corporation, and would not have to be mailed to the property taxpayers of record in the proposed authority district. The governing body of the development corporation would be the governing body of the authority. A taxing jurisdiction that levied ad valorem taxes within the authority district, which otherwise would be subject to capture, but that was not a party to the intergovernmental agreement, could exempt its taxes from capture by adopting a resolution to that effect and filing a copy with the Next Michigan Development Corporation.

The development corporation would have to mail notice of the public hearing to the governing body of each taxing jurisdiction that was not a party to the intergovernmental agreement at least 20 days before the hearing. After the public hearing, the governing body of the development corporation would have to adopt a resolution designating the boundaries of the authority district within which the LDFA would exercise its power. The district could include any certified technology park within the proposed authority district and could include property adjacent to or within 1,500 feet of a road classified as an arterial or collector according to the Federal Highway Administration or of another road, in the discretion of the Next Michigan Development Corporation, and property adjacent to that property, within the territory of the development corporation,

as provided in the resolution. The resolution would be effective when adopted, would have to be filed with the Secretary of State and the MSF president promptly after its adoption, and would have to be published at least once in a newspaper of general circulation in the territory of the development corporation.

If the district of an LDFA established by a Next Michigan Development Corporation included a certified technology park that was within the authority district of another authority and was subject to an existing development plan or tax increment financing plan under the Act, then that technology park could be considered to be under the jurisdiction of an authority established under the bill if so provided in a resolution of that authority and if approved by resolution of the governing body of the municipality that created the other authority, and approved by the MSF president. The development plan and TIF plan applicable to the certified technology park, including all assets and obligations under the plans, then would be considered assigned and transferred from the other authority to the authority created under the bill. The initial assessed value of the technology park before the transfer would remain the initial assessed value of the technology park following the transfer.

A Next Michigan Development Corporation establishing an LDFA would have to notify the MEDC of the designation of a Next Michigan development area. The MEDC would have to market the authority district, including the Next Michigan development areas.

#### TIF Plan & Bonds

The Act requires an LDFA board, if it determines that doing so is necessary for the achievement of the purposes of the Act, to prepare and submit a TIF plan to the governing body of the municipality that created the authority. Under the bill, a plan submitted by an LDFA established by a Next Michigan Development Corporation would have to be approved if the governing body of the development corporation made determinations that the Act requires a local unit's governing body to make for the approval of a TIF plan.

The TIF plan could provide for the use of tax increment revenue within or outside of the

development area from which the tax increment revenue was derived, if the tax increment revenue would be used for public facilities within a Next Michigan development area within the municipality whose levy contributed to the tax increment revenue, except as otherwise provided in the interlocal agreement creating the Next Michigan Development Corporation that established an LDFA.

The Act allows an LDFA to authorize, issue, and sell tax increment bonds to finance its development program. A municipality's governing body may make a limited tax pledge to support the bonds. If authorized by its voters, a municipality may pledge its full faith and credit for the bonds. Under the bill, for an authority established by a Next Michigan Development Corporation, each municipality and county that was a party to the interlocal agreement establishing the development corporation, or any one of them, by a majority vote of its governing body, could make a limited tax pledge to support the authority's tax increment bonds issued under the Act. If authorized by the voters of the municipality or county, the local unit could pledge its full faith and credit for the payment of the principal of and interest on the bonds. The municipalities or counties that made a pledge to support the authority's tax increment bonds could approve an agreement establishing obligations each could have to the other party or parties to the agreement for reimbursement of all or any portion of a payment made by a municipality or county related to that pledge.

#### Below-Market Sale or Lease

If an LDFA determined that a sale price or rental value at below-market rate would assist in increasing employment or private investment in a development area, it could determine a sale price or rental value for public facilities owned or developed by the authority at below-market rate.

If public facilities were conveyed or leased at less than fair market value or at below-market rates, the terms of the conveyance or lease would have to include legal and equitable remedies and rights to assure that the public facilities were used as eligible property. Legal and equitable remedies and rights could include penalties and actual or liquidated damages. If public facilities for

public benefit were provided to private owners or users of eligible property, the terms of the conveyance or lease would have to include a benefit to the private owners or users.

#### **House Bill 5348 (H-2)**

The plant rehabilitation and industrial development Act (PA 198) allows local units of government, with the approval of the State Tax Commission, to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. A certificate essentially grants a property tax abatement to an industrial facility, which is subject to an industrial facilities tax that is lower than standard property taxes.

The bill would include a Next Michigan Development Corporation in the definition of "local governmental unit". If a Next Michigan Development Corporation established a plant rehabilitation district or an industrial development district, it would have to act as the local unit in establishing and operating the district. For these purposes, industrial property would include only property used in the operation of an eligible Next Michigan Business.

A Next Michigan Development Corporation could not approve an application for an industrial facilities exemption certificate for an eligible Next Michigan business without a written agreement entered into with the business. The agreement would have to contain a remedy provision under which the exemption certificate would be revoked, and the eligible Next Michigan business could be required to repay all or part of the benefits received under PA 198, if the business violated the written agreement.

#### **House Bill 5349 (H-2)**

##### Next Michigan Renaissance Zones

Renaissance zones established under the Michigan Renaissance Zone Act are geographic areas that are virtually tax-free for any business or resident located in or moving into one of the zones. Businesses and residents located in renaissance zones receive abatements from income, business, and property taxes in the form of exemptions, deductions, or credits.

Renaissance zones may be designated for up to 15 years.

The bill would allow the MSF board, upon the application of a Next Michigan Development Corporation, to designate Next Michigan renaissance zones for eligible Next Michigan businesses within the boundaries of a Next Michigan development district. The number of Next Michigan renaissance zones to be designated for a Next Michigan development district that did not include an eligible urban entity would equal the cumulative number of initial or subsequent local unit parties to the Next Michigan Development Corporation interlocal agreement, plus one additional zone for each county party to the interlocal agreement, but could not exceed 12 for each development district. The number of Next Michigan renaissance zones for a development district that included an eligible urban entity could not exceed 12 as determined by the MSF president. The number of zones allowed could not be reduced because of a reduction in the number of local unit parties to an interlocal agreement.

A Next Michigan Development Corporation would have to make recommendations to the MSF board regarding which areas should be designated as Next Michigan renaissance zones for eligible Next Michigan businesses. The aggregate territory of all Next Michigan renaissance zones designated for a Next Michigan Development Corporation could not exceed 200 acres times the number of Next Michigan renaissance zones designated for a Next Michigan Development Corporation or 2,000 acres, whichever was smaller.

A Next Michigan renaissance zone would have renaissance zone status for not less than five years and not more than 10 years, as determined by the MSF board. If the board determined that the duration of zone status was less than 10 years, the MSF president, with the consent of both the Next Michigan Development Corporation and the city, village, or township in which the zone was located, could extend the duration of the renaissance zone status for one or more periods that, when combined, did not exceed 10 years.

#### Certification of Next Michigan Business

A Next Michigan Development Corporation would have to make recommendations to

the MSF president to certify an eligible Next Michigan business as a qualified eligible Next Michigan business entitled to exemptions, deductions, or credits under the Act. Upon the recommendation of a development corporation, the MSF could determine whether an eligible Next Michigan business should receive renaissance zone benefits and certify that eligible Next Michigan business as a qualified eligible Next Michigan business under the Act.

The MSF president would have to certify or deny the application to certify an eligible Next Michigan business as a qualified eligible Next Michigan business within 30 days of receiving an application. If the president failed to do so, the application would be considered approved. If the MSF president denied the application, the applicant could appeal to the MSF board. If the board failed to certify or deny an application within 40 days of receiving an appeal, the application would be considered granted.

The MSF president would have to notify a Next Michigan Development Corporation that it had certified a qualified eligible Next Michigan business in a Next Michigan development district. The development corporation would have to develop an application process for eligible Next Michigan businesses and the process would have to be approved by the MSF president.

A Next Michigan Development Corporation could not recommend and the MSF board could not certify an eligible Next Michigan business as a qualified eligible Next Michigan business unless the business opened a new location in Michigan, located in Michigan, or was an existing business located in Michigan that would materially expand its business in Michigan, as determined by the MSF president. The MSF board, however, could not certify an eligible Next Michigan business as a qualified eligible Next Michigan business if the principal economic effect of its expansion or location into a Next Michigan development district were the transfer of employment from one or more Michigan cities, villages, or townships to the development district.

A qualified eligible Next Michigan business in a Next Michigan renaissance zone would be granted renaissance zone status for up to 10 years.

### Modification of Next Michigan Renaissance Zone

Upon the Next Michigan Development Corporation's request, the MSF president could modify an existing Next Michigan renaissance zone to add property under the same terms and conditions as the existing zone, if all of the following were met:

- The additional real property was located within the boundaries of the development district and would be owned or operated by a qualified eligible Next Michigan business once it was brought into operation, as determined by the MSF board.
- The Next Michigan Development Corporation and the city, village, or township in which the qualified eligible Next Michigan business was located consented to the modification.
- The modification would not exceed the aggregate territory limitations (described above).

### Revocation of Zone or Certification

The Next Michigan Development Corporation or the MSF president could revoke the designation of all or a portion of a Next Michigan renaissance zone or the certification of a qualified eligible Next Michigan business if the development corporation or the MSF president determined one or more of the following:

- The business proposed in the application failed, or a preponderance of businesses failed, to commence operation within two years from the date of certification as a qualified eligible Next Michigan business.
- The business ceased operation, although designation could not be revoked if the business had assigned its rights to a successor entity engaged in a qualified eligible Next Michigan business.
- The business failed to commence construction or renovation within one year from the date of certification as a qualified eligible Next Michigan business.
- The business failed to meet jobs and investment criteria set forth in the application and approved as a condition by the MSF president or board.
- The local unit in which the qualified eligible Next Michigan business was

located withdrew from the development corporation interlocal agreement.

If the local unit withdrew from the interlocal agreement, the tax incentives previously granted to the qualified eligible Next Michigan business would remain in full force and effect for the stated term of the tax incentives, as long as the business satisfied all of the conditions upon which the incentives were granted.

If a Next Michigan Development Corporation revoked the designation of all or a portion of a Next Michigan renaissance zone or the certification of a qualified eligible Next Michigan business, an affected business could appeal the revocation to the MSF president. If the designation of all or a portion of a zone or the certification were revoked, the designation could subsequently be restored by the MSF president to the same site and in respect of a qualified eligible Next Michigan business, but the duration of the restored designation could not exceed the term of the original designation. If the designation of a zone were revoked and not restored, the zone designation could be transferred by the Next Michigan Development Corporation to other property within the Next Michigan development district. The duration of a transferred zone would be for the full term initially determined for that zone.

### Extension of Zone Status

Upon request of a Next Michigan Development Corporation, the MSF president could extend the duration of renaissance zone status for one or more portions of a Next Michigan renaissance zone if the extension would increase capital investment or job creation, and both the development corporation and the city, village, or township in which that portion of the zone was located consented to the extension. The MSF president could extend renaissance zone status for one or more portions of the renaissance zone for up to five additional years, as he or she determined.

### Written Agreement/Tax Benefits

Before an eligible Next Michigan business was certified as a qualified eligible Next Michigan business, the MSF president and board would have to enter into a written agreement with the Next Michigan



Development Corporation and the business regarding the terms and conditions of granting and retaining renaissance zone status, certification of the business, and any other related matters.

The written agreement also would have to contain a remedy provision under which all or a portion of the exemptions, deductions, or credits available under the Act would be revoked, and the business could be required to repay all or a portion of the exemptions, deductions, or credits, if the business violated the Act or the written agreement, or relocated outside the development district for a period of years after renaissance status expired.

The commencement of Next Michigan renaissance zone status would take effect on January 1 in the year following designation. For purposes of certain property tax benefits, however, the commencement of renaissance zone status would take effect on December 31 in the year immediately preceding the year in which the commencement took effect.

In a Next Michigan renaissance zone, only property owned or leased by a qualified eligible Next Michigan business and business activity conducted in a Next Michigan renaissance zone by a qualified eligible Next Michigan business would be eligible for the Act's exemptions, deductions, or credits.

#### **House Bill 5350 (H-2)**

Under the General Property Tax Act, the governing body of an eligible local assessing district may adopt a resolution to exempt from the collection of taxes under the Act all new personal property owned or leased by an eligible business located in one or more eligible districts or distressed parcels designated in the resolution. Under the bill, the board of a Next Michigan Development Corporation in which an eligible local assessing district was a constituent member could exempt new personal property owned or leased by an eligible Next Michigan business.

A Next Michigan Development Corporation could adopt a resolution granting the personal property tax exemption only for new personal property located in a Next Michigan development district. A Next Michigan Development Corporation could not

adopt a resolution exempting new personal property without a written agreement entered into with the eligible Next Michigan business. The agreement would have to contain a remedy provision under which the exemption would be revoked, and the business could be required to repay all or part of the exempted personal property taxes, if the business violated the written agreement.

The Act defines "eligible business" as a business engaged primarily in manufacturing, mining, research and development, wholesale trade, office operations, or the operation of a facility for which the business that owns or operates the facility is an eligible taxpayer. Under the bill, for purposes of a Next Michigan Development Corporation, "eligible business" would mean only an eligible Next Michigan business.

The Act excludes a professional sports stadium from the definition of "eligible business". Under the bill, "professional sports stadium" would not include a stadium in existence on June 6, 2000, that is not used by a professional sports team on the date of adoption of a resolution granting a personal property tax exemption.

#### **House Bill 5351 (H-2)**

The MEGA Act allows the Michigan Economic Growth Authority to enter into agreements with eligible businesses for Michigan Business Tax credits if the businesses meet prescribed sets of criteria. The criteria include creating and maintaining a minimum number of qualified new jobs at a facility, maintaining a prescribed number of full-time jobs in Michigan, paying a certain level of wages, and making a particular level of capital investment.

The bill would define "eligible next Michigan business" as a business engaged in the shipment of tangible personal property via multimodal commerce; a supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory, via multimodal commerce; a manufacturing or assembly facility receiving a majority of its production components via multimodal commerce; a manufacturing assembly facility shipping a majority of products via multimodal commerce; or a

light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships them via multimodal commerce.

"Multimodal commerce" would mean the movement of products or services via two of the following: air, road, rail, or water.

MCL 125.2152 et al. (H.B. 5347)  
207.552 & 207.572 (H.B. 5348)  
125.2683 et al. (H.B. 5349)  
211.9f (H.B. 5350)  
207.803 (H.B. 5351)

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

By expanding the types of economic development tools and incentives available to local governments in the State to include eligible Next Michigan businesses and associated activities, the bills would likely result in an indeterminate reduction in State and local government revenue. The impact would depend on a number of factors including the number of firms that applied to be Next Michigan businesses and the total value of activity subject to any new tax credits.

In regard to the impact on specific State and local funds, the bills could reduce revenue to the State General Fund and local units and could increase State expenditures from the General Fund. State taxes could be reduced via additional renaissance zone activity and other tax incentives authorized by the bills. The State would be liable through the School Aid Fund to reimburse school districts for lost revenue due to some of the activity associated with the Next Michigan Development Corporations. Local government property tax, which generally flows to local government general funds, that would be abated due to activity by a Next Michigan Development Corporation, including activity in plant rehabilitation districts, industrial development districts, and renaissance zones, would not be reimbursed by the State, thus potentially reducing local unit revenue.

The bills would increase the administrative responsibilities and costs of the Michigan Strategic Fund due to the proposed requirements to develop applications, review applicants, and designate Next Michigan

Development Corporations. The MSF also would be required to consider the designation of Next Michigan renaissance zones for eligible businesses. The bills would limit the time available for the MSF to make these determinations. The MSF also would be required to promote Next Michigan Development Corporations and related local development finance authorities. The amount of these costs is unknown; however, additional staff could be needed to implement these programs. The bills would not make any appropriation for this purpose. Absorbing the additional costs within existing appropriations could result in a reduction in staff effort in other MSF programs. The budget for the MSF for FY 2010-11 is appropriated in Public Act 191 of 2010. Gross appropriations to the MSF total \$155,846,200 in FY 2010-11, including \$22,781,500 from General Fund/General Purpose revenue.

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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.