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Senate Bill 846 (as reported without amendment)
Sponsor: Senator Nancy Cassis
Committee: Finance

CONTENT

The bill would amend the downtown development authority Act to include in the definition of "other protected obligation" a specific loan obligation, or advance issued or incurred by a municipality on behalf of an authority that was approved between April 18, 1994, and July 1, 1994.

Under the Act, downtown development authorities 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. 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 eligible advances, eligible obligations, and other protected obligations. Currently, "other protected obligation" includes a loan from a municipality to an authority if the loan was approved by the municipality's legislative body on April 18, 1994. The bill would revise this provision to include in the definition of "other protected obligation" a loan from a municipality to an authority or an obligation or advance issued or incurred by a municipality on behalf of an authority if the loan, obligation, or advance were approved by the municipality's legislative body on or after April 18, 1994, but before July 1, 1994.

Under the bill, the amortization terms of the loan, obligation, or advance would have to be as established by or pursuant to an approving action of the legislative body. If the approving action did not establish the amortization terms, the terms would have to be established by order of the municipality's chief executive officer executed within 60 days of the bill's effective date. If no order were executed within that period, the loan, obligation, or advance would be considered to amortize on a level-payment basis over 10 years at 5% annual interest.

MCL 125.1651

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would reduce State education tax revenues to the School Aid Fund by an unknown and likely minimal amount, depending upon the repayment costs of the additional items the bill would include as a protected obligation and the number of local units affected by the bill. The bill would minimally increase revenues for local units, as well as alter revenue sources and the expenditures to which they were directed.

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

Date Completed: 12-4-03

Fiscal Analyst: David Zin