



Senate Fiscal Agency  
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**BILL ANALYSIS**

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House Bill 5901 (Substitute H-1 as passed by the House)

Sponsor: Representative Tom Meyer

House Committee: Commerce

Senate Committee: Commerce and Labor

Date Completed: 9-19-06

**CONTENT**

The bill would amend the downtown development authority (DDA) Act to include in the Act's definition of "other protected obligation" an obligation incurred by an authority on October 1, 2001, that was used to finance streetscape capital projects, to the extent the State education tax and local or intermediate school district taxes were captured from 2002 to 2004, if a plan for the subsequent repayment of those taxes had been approved by the State Tax Commission.

MCL 125.1651

**BACKGROUND**

Under the Act, a DDA 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. In general, "other protected obligation" refers to certain obligations issued by a DDA after August 19, 1993, but before December 31, 1994, to finance a project described in a tax increment finance plan approved by the municipality before December 31, 1993, for which a contract for final design was entered into by or on behalf of the municipality or authority before March 1, 1994.

Legislative Analyst: J.P. Finet

**FISCAL IMPACT**

The bill would have an indeterminate effect on State and local unit revenue and School Aid Fund expenditures. The bill would allow an authority to capture revenue, including revenue from the State education tax and local school operating mills, to fund a repayment plan. The repayment plan is apparently to refund education taxes that should not originally have been captured. Because the capture involves capturing revenue from several millages, the net effect of any repayments, when combined with the captures, is unknown. To the extent that the repayment plan would increase local school district revenue (net of any capture of local school district operating revenue), it would reduce expenditures from the School Aid Fund because less would be needed in order to meet per-pupil funding guarantees.

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

Fiscal Analyst: David Zin

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