



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 1076 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Alan L. Cropsey
Committee: Commerce and Tourism

CONTENT

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

Currently, the term 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 would include in the definition an obligation issued or incurred by a DDA, or by a municipality on behalf of an authority, to refund an obligation that was issued to refund a qualified refunding obligation issued on May 15, 1997. This provision would be limited to a DDA in which one parcel or group of parcels under common ownership represented 50% or more of the taxable value captured within the tax increment finance district and that ultimately would provide for at least a 40% reduction in the taxable value of the property.

The bill specifies that an obligation described above that was issued before January 1, 2010, would not be subject to the requirements of Section 611 of the Revised Municipal Finance Act. 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 would be extended to one year after the final date of maturity of the qualified refunding obligations.

(Section 611 of the Revised Municipal Finance Act 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.)

MCL 125.1651

Legislative Analyst: Patrick Affholter

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. The bill essentially 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: 2-14-08

Fiscal Analyst: David Zin