



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 1076 (as introduced 1-31-08)
Sponsor: Senator Alan L. Cropsey
Committee: Commerce and Tourism

Date Completed: 2-5-08

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 an authority, 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 an authority, 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.

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

BACKGROUND

Under the DDA 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 term "other protected obligation" includes a qualified refunding obligation issued to refund particular obligations described in the Act.

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.

Fiscal Analyst: David Zin

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