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BILL



ANALYSIS

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Senate Bill 358 (as passed by the Senate)  
Sponsor: Senator Roger Kahn, M.D.  
Committee: Economic Development and Regulatory Reform

Date Completed: 5-15-09

### **RATIONALE**

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. Public Act 248 of 2000 amended the Act to allow the Michigan Economic Development Corporation (MEDC) to enter into agreements designating certified technology parks (also known as SmartZones) in municipalities that had created an authority, if they applied to the MEDC and satisfied certain criteria. According to the MEDC website, SmartZones include technology business accelerators that provide certain services and facilitate the commercialization of technology emerging from research in both Michigan universities and private companies. As amended in 2000, the Act authorized the MEDC to designate up to 10 certified technology parks. A 2002 amendment authorized the MEDC to designate an additional five certified technology parks after November 1, 2002. A 2008 amendment authorized the MEDC to designate an additional three certified technology parks after February 1, 2008, and before December 31, 2008. Some people believe that the MEDC should be authorized to designate two additional SmartZones this year.

### **CONTENT**

The bill would amend the Local Development Financing Act to allow the Michigan Economic Development Corporation to designate two additional certified technology parks between June 1, 2009, and December 31, 2009. The MEDC could not accept

applications for the additional certified technology parks until after June 1, 2009.

Under the Act, for the additional certified technology parks designated under the 2002 and 2008 amendments, the State must reimburse intermediate and local school districts each year for all lost tax revenue that was captured by an authority for a certified technology park designated by the MEDC after October 3, 2002. The State also must reimburse the School Aid Fund.

The bill would extend these reimbursement requirements to the additional two certified technology parks that the MEDC could designate between June 1, 2009, and December 31, 2009.

MCL 125.2162a

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

SmartZones are driving forces in the development of Michigan's technology economy. These distinct geographical areas serve as incubators where technology-based firms, entrepreneurs, and researchers can locate in close proximity to the assets they need to succeed. While SmartZones do not offer a tax break, local units can capture tax revenue to pay for services in the SmartZones, such as infrastructure improvements. This allows business start-ups to locate in an area that is close to private firms and/or higher education

institutions that can help to foster their development and promote technology transfer between those entities. The SmartZone concept promotes collaboration among universities, industry, research organizations, government entities, and other community organizations to achieve growth in technology-based businesses and jobs.

The bill would allow the State's successful SmartZone concept to expand beyond the current 18 locations. One potential site is Saginaw. Saginaw Future, Inc. (SFI) is a public-private alliance of area businesses and governmental entities that was established in 1992. According to SFI's website, the alliance is "...dedicated to fostering quality job creation through expansion of local industry and attraction of new business projects to the community". The organization is a local partner of the MEDC and has joined with other economic development organizations in the region to form a Great Lakes Bay Region economic development alliance. One aim of this effort is to help bring to the region companies that build on the strengths of Dow Corning and Hemlock Semiconductor in pursuing solar energy opportunities. The Saginaw area economic development groups believe that a SmartZone would help to spur business activity and promote job development in the area's technology sector. The MEDC reportedly would locate one of the two SmartZones authorized by the bill in the Saginaw area, where active economic development efforts would be able to hit the ground running.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would reduce State and local unit revenue and increase State expenditures by an unknown amount depending upon the number of additional properties affected, as well as their specific characteristics. State expenditures would be increased in order to maintain per-pupil funding guarantees for locally captured operating mills.

Fiscal Analyst: David Zin

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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.