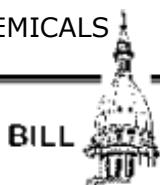




Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1030 (as introduced 12-10-09)
Sponsor: Senator Cameron S. Brown
Committee: Agriculture and Bioeconomy

Date Completed: 2-8-10

CONTENT

The bill would amend the Michigan Renaissance Zone Act to include in the definition of "renewable energy facility" a facility that creates chemicals from the wind, sun, biomass, or other specified renewable sources.

The Act allows the State Administrative Board to designate up to 15 renaissance zones for renewable energy facilities, upon the recommendation of the Michigan Strategic Fund board, and upon the recommendation of the Agriculture Commission if a renewable energy facility uses agricultural crops or residues or processed products from agricultural crops as its primary raw material source. At least five of the renaissance zones must be designated for renewable energy facilities that focus primarily on the production of cellulosic biofuels.

"Renewable energy facility" means a facility that creates energy directly or fuel from the wind, the sun, trees, grasses, biosolids, algae, agricultural commodities, processed products from agricultural commodities, or residues from agricultural processes, wood or forest processes, food production and processing, or the paper products industry. The bill would refer to a facility that creates energy, fuels, or chemicals from those sources.

The term also includes a facility that creates energy or fuels from solid biomass, animal wastes, or landfill gases, including a facility that focuses on research, development, or manufacturing of systems or components of systems used to create energy or fuel from those items. The bill also would include a facility that creates chemicals or systems used to create chemicals from those sources.

MCL 125.2683

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would likely have a minimal impact on State and local revenue. By expanding the types of activities that qualify a firm as a renewable energy facility, the bill could increase the level of activity within affected zones. The impact would depend on a number of factors, including where the additional activity would be located and the economic and tax characteristics of the facilities that would be developed.

The bill would reduce revenue to the State General Fund and local units and would increase State expenditures from the General Fund. Most local property taxes abated in renaissance zones are not reimbursed by the State, reducing local unit revenue. However, the State's General Fund reimburses lost revenue to public libraries, intermediate school districts, local

school districts, community colleges, and the School Aid Fund. Local school districts are able to levy 18 mills upon nonhomestead property, and the State Education Tax levies 6 mills on all property. Tax levies for the other reimbursed components can vary widely, although it is not uncommon for schools to levy an additional 6 to 12 mills in rural areas.

If \$100 million of investments were eventually made in the zones as a result of the bill, the bill would increase General Fund expenditures by at least \$1.5 million per year, a portion of which would represent lost School Aid Fund revenue. Revenue losses, such as under the business taxes and individual income tax, are not reimbursed and are not included in this example; nor are local unit revenue losses that would not be reimbursed. The magnitude of these additional, unreimbursed, revenue losses would depend upon the specific characteristics of the affected businesses.

Fiscal Analyst: David Zin