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BILL



ANALYSIS

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House Bill 5086 (as reported without amendment)
Sponsor: Representative Mike Simpson
House Committee: Agriculture
Senate Committee: Agriculture and Bioeconomy

Date Completed: 9-17-09

RATIONALE

The agricultural processing renaissance zone (APRZ) program was established in 2000 to attract and retain agricultural processing operations through tax abatements. Like businesses in other renaissance zones, agricultural processing facilities in APRZs are exempt from many State and local taxes, including the Michigan Business Tax and property taxes, for a specified period of time. Originally, the State Administrative Board was authorized to designate up to 10 agricultural processing renaissance zones but subsequent amendments increased the maximum, which presently stands at 30. To date, 23 APRZs have been designated and additional applications are pending. To encourage the growth of Michigan's agricultural industry, and ensure that sufficient designations remain available, it has been suggested that the maximum be increased again.

CONTENT

The bill would amend the Michigan Renaissance Zone Act to increase from 30 to 40 the maximum number of agricultural processing renaissance zones.

The Act allows the State Administrative Board, upon recommendation of the Michigan Strategic Fund board and the Agriculture Commission, to designate up to 30 renaissance zones for agricultural processing facilities in the State in one or more cities, villages, or townships, provided those entities consent to the creation of the zones for that purpose. The Act defines "agricultural processing facility" as one or more facilities or operations that transform, package, sort, or grade livestock or livestock

products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use, and surrounding property. Each APRZ must be one continuous distinct geographic area.

MCL 125.2688c

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

While other sectors of Michigan's economy are shrinking, agriculture continues to be a growth industry. Investment in the agri-food industry contributes to economic development and diversity and the creation of jobs that pay well. Agricultural processing renaissance zones are one tool the State can use to help retain and attract businesses and encourage them to expand. A good example is the Gerber Products Company, headquartered in Fremont, which in 2008 was awarded an APRZ as part of its expansion plans and commitment to Michigan. Gerber's expansion includes modernization of the existing manufacturing facility, the addition of production lines, the purchase of new equipment, and a new warehouse and distribution center. According to the Michigan Department of Agriculture, Gerber will invest \$75.0 million in the Fremont facility, maintain 1,000 jobs, and create an additional 200 new jobs. Indirect jobs also may be created as the company purchases 61,000 tons of produce from more than 200 Michigan growers, as

well as \$36.0 million in packing and raw materials from 11 key Michigan-based suppliers.

Unlike other types of renaissance zones, which are geographic areas where all of the residents or businesses receive tax abatements, agricultural processing renaissance zones are project-specific: The zone consists of the agricultural processing facility in it. This means that a particular business is thoroughly vetted before a zone is designated for it. As a result, the APRZs are successful as well as popular.

Since the APRZ program was established in 2000, the maximum number of zones was increased from 10 to 20 in 2003 and then to 30 in 2005. Although seven designations remain, the program has been accelerating. Rather than waiting for the cap to be reached, the State should expand the program now. The availability of 10 additional zones could help prevent agricultural processors from leaving Michigan or choosing to locate or expand elsewhere.

Response: Raising the maximum number of APRZs would increase the economic impact on counties. Unlike cities, townships, and villages, counties cannot disapprove the designation of APRZs, and unlike school districts and community colleges, counties are not reimbursed for the tax revenue they lose when renaissance zones are created. While they might approve of most APRZs, counties should at least have some say when one is proposed.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State and local tax revenue and would increase School Aid Fund expenditures by an unknown amount. The actual amount would depend upon the specific characteristics of the property affected by the bill and the amount of property included in the additional renaissance zones. Under current law, property inside a renaissance zone is exempt from local property taxes and the State Education Tax, and individuals and businesses that reside in the zone are exempt from the Michigan Business Tax and individual income taxes. Current law also requires the State to reimburse many of the property taxes lost as a result of any

exemptions under the Act, including revenue to intermediate school districts, local school districts, community colleges, public libraries, and the School Aid Fund. The bill would reduce State and local tax revenue and would increase School Aid Fund expenditures by an unknown amount. The actual amount would depend upon the specific characteristics of the property affected by the bill and the amount of property included in the additional renaissance zones.

Fiscal Analyst: David Zin

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