



Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

Senate Bill 1042 (as introduced 1-22-08) Sponsor: Senator Patricia L. Birkholz

Committee: Energy Policy and Public Utilities

Date Completed: 1-24-08

CONTENT

The bill would amend the Michigan Renaissance Zone Act to increase the maximum number of renewable energy facility renaissance zones from 10 to 20.

Under the Act, upon the recommendation of the Michigan Strategic Fund board, the State Administrative Board may designate up to 10 renaissance zones for renewable energy facilities in one or more cities, villages, or townships if the municipality or combination of municipalities consents to the creation of such a renaissance zone within its boundaries. The renewable energy facility renaissance zones may be designated in addition to the renaissance zones otherwise allowed under the Act.

The Act defines "renewable energy facility" as a system that creates energy from a process using residue from agricultural products, forest products, paper products industries, and food production and processing; trees and grasses grown specifically to be used as energy crops; and gaseous fuels produced from solid biomass, animal waste, or landfills.

MCL 125.2688e Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State and local revenue by an unknown amount. The impact of the bill would depend on a number of factors, including where the additional renaissance zones would be located, the economic and tax characteristics of the renewable energy facilities that would be developed in each of these zones, whether other businesses would move their existing operations into a renaissance zone to become eligible for the various tax exemptions granted in these zones, and whether the zones would be drawn to include property other than renewable energy facility property.

In the near future, the fiscal impact of the bill would likely be minimal. Few, if any, facilities that meet the definition of a renewable energy facility currently exist in the State. Furthermore, it would take some time for businesses to expand or relocate into the new zones and the fiscal impact of the bill largely would depend upon the value of the investments made in the property within the zones. Current law has authorized 10 zones since 2006 and, to date, only one has been approved, suggesting the impact of the additional 10 zones added by the bill would be zero in the near future.

In future years, the bill would reduce revenue to both the State and local units and increase State expenditures from the General Fund. Most local property taxes levied in areas before the designation of a renaissance zone are not reimbursed by the State, leaving local

Page 1 of 2 sb1042/0708

units to deal with reduced revenue. However, the 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, where these facilities may be more likely to be established. If \$100 million of investments eventually were made in the new zones, 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 Michigan business tax 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.

Fiscal Analyst: David Zin

S0708\s1042sa

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.