Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5100 (Substitute S-1 as reported)
Sponsor: Representative Jeff Mayes
House Committee: Agriculture
Senate Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the Michigan Renaissance Zone Act to include in the definition of "renewable energy facility" a system that creates energy from a process using agricultural crops or processed products from agricultural crops. (The Act allows the State Administrative Board to designate up to 10 renaissance zones for renewable energy facilities upon the recommendation of the Michigan Strategic Fund board.)

The bill is tie-barred to Senate Bill 885, which would require the recommendation of the Agriculture Commission to designate a renaissance zone for a renewable energy facility that used agricultural commodities or products as its primary fuel, and provide for the expansion of certain tool and die renaissance recovery zones.

MCL 125.2683 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would likely have a minimal impact on State and local revenue. The bills would not change the number of renaissance zones allocated to renewable energy facilities, but would expand the types of activities that qualify a firm as a renewable energy facility. As a result, the bills 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 renewable energy facilities that would be developed.

The bills would reduce revenue to both the State and local units and 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 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 more rural areas, where these facilities may be more likely to be established. If $100 million of investments were eventually made in the zones as a result of the bills, the bills 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.

Date Completed: 11-14-07 Fiscal Analyst: David Zin