

# Legislative Analysis



## LOANS TO NONPROFIT SPORTS COMMISSIONS

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### House Bill 6185 (proposed substitute H-1)

Sponsor: Rep. Sara Cambensy

Committee: Commerce and Tourism

Complete to 10-7-20

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 6185 would amend the Surplus Funds in Treasury Act to allow *surplus funds* to be used as loans to a *nonprofit sports commission* for the purpose of facilitating the development of recreational activities in Michigan. A loan could be for a period of up to 10 years, and the aggregate amount of loans under the bill could not exceed \$30.0 million at any one time.

*Surplus funds* would mean the excess of cash and other recognized assets that are expected to be resolved into cash or its equivalent in the natural course of events and with a reasonable certainty, over the liabilities and necessary reserves on that date.

*Nonprofit sports commission* would mean a nonprofit corporation that has received financial support from the state's general fund and that is organized for all of the following purposes:

- Fostering local, regional, national, and international sports competitions in Michigan.
- Promoting northern Michigan, including the Upper Peninsula and the northern part of the Lower Peninsula, as a premier destination for athletic competition and recreational opportunities because of the strategic assets offered by that region of the state.
- Enhancing the economy and quality of life in that region.
- Communicating information about sports, tourism, and recreation industries near the Great Lakes in northern Michigan and promoting industry viewpoints to others, including the general public.
- Initiating, promoting, and sponsoring events related to sports, tourism, and recreation industries near the Great Lakes in northern Michigan.

The terms of a loan under the bill, including the rate of interest, would be as prescribed by the state treasurer. A loan would have to be documented by an agreement between the state treasurer and the nonprofit sports commission that includes a plan for the investment of loan proceeds. Both the agreement and the plan would have to be reviewed by the Department of the Attorney General for compliance with applicable law and approved by the state treasurer.

A nonprofit sports commission that received a loan under the bill would have to report by March 31 of each year to the Department of Treasury and the House and Senate committees with jurisdiction over commerce on the activities that it funded with loan proceeds during the immediately preceding year.

Proposed MCL 21.142g

## **BACKGROUND:**

The Surplus Funds in Treasury Act allows surplus funds to be invested in certificates of deposit (CDs) or other financial instruments and specifies several other allowable uses for the funds, including investment to facilitate marina dredging loans, loans to sugar beet growers' cooperatives,<sup>1</sup> and investment in loans to a land bank fast track authority or a brownfield redevelopment authority.<sup>2</sup>

## **FISCAL IMPACT:**

The bill is permissive in nature; a fiscal impact therefore cannot be determined because it is unknown whether the Department of Treasury would invest surplus funds under the provisions of the bill. Moreover, a comparison to common cash cannot be provided because the specific terms of any loan, including the rate of interest, are unknown. The aggregate amount of loans could not exceed \$30.0 million. The Department of Treasury could incur administrative costs if it chose to develop an investment program pursuant to the bill. It is anticipated that any administrative costs would be minimal and could be offset through interest charges or absorbed under current appropriation levels.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>1</sup> House Fiscal Agency analysis of 2007 PA 4 (Senate Bill 14): <http://www.legislature.mi.gov/documents/2007-2008/billanalysis/House/pdf/2007-HLA-0014-5.pdf>

<sup>2</sup> House Fiscal Agency analysis of 2003 PA 262 (House Bill 4488): <http://www.legislature.mi.gov/documents/2003-2004/billanalysis/House/pdf/2003-HLA-4480-a.pdf>