

Legislative Analysis



21ST CENTURY FUND & INDIAN GAMING REVENUE: EARMARK FOR ROAD FUNDING

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4607 as introduced
Sponsor: Rep. Phil Pettalia

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

House Bill 4608 as introduced
Sponsor: Rep. Lee Chatfield

Committee: Roads and Economic Development
Complete to 5-19-15

SUMMARY:

House Bill 4607 would amend the Michigan Trust Fund Act to allocate \$75 million from tobacco settlement revenue to the Michigan Transportation Fund, to be distributed as described below. This would be an annual allocation beginning with 2016 Fiscal Year. That revenue currently is earmarked for the 21st Century Jobs Trust Fund.

House Bill 4608 would amend the Michigan Strategic Fund Act to earmark \$60 million from Indian Gaming Compact receipts and other sources for the Michigan Transportation Fund, to be distributed as described below. This annual earmark would begin in Fiscal Year 2015-2016. That money currently goes to the Michigan Economic Development Corporation.

Both bills would direct revenue for deposit in the Michigan Transportation Fund for distribution "as provided in Section 10(1)(k) of PA 51 of 1951." That subdivision (as reorganized by amendments to PA 51 made in House Bill 4613), distributes funds as follows:

- 39.1% to the State Trunk Line Fund (for the preservation of the state trunkline system—state highway maintenance, state road and bridge capital construction and reconstruction program, MDOT administration, and debt service.)
- 39.1% to county road commissions.
- 21.8% to cities and villages.

As a result, the bills would bypass the 10% distribution to the Comprehensive Transportation Fund (CTF) currently made in Section 10(1)(f) of PA 51 of 1951, which is restricted for public transportation purposes.

FISCAL IMPACT AND BACKGROUND INFORMATION:

21st Century Jobs Trust Fund

The 21st Century Jobs Trust Fund was established in Public Act (PA) 232 of 2005. Over the ten-year period of funding agreed to at the time of passage, the 21st Century Jobs Trust Fund was allocated approximately \$1.0 billion for economic development and tourism purposes under Section 7 of the Michigan Trust Fund Act (MCL 12.257). Specifically, in

FYs 2005-06 and 2006-07 \$394.0 million was deposited in the fund through the securitization of future tobacco settlement revenues. An additional \$600.0 million (\$75.0 million annually) was statutorily scheduled for deposit over the following eight years ending in FY 2014-15. An additional transfer of \$72.0 million was added in FY 2015-16 to offset the various transfers from the 21st Century Jobs Trust Fund to the General Fund carried out in an effort to balance the state budget. Most recently, PA 504 of 2014 eliminated the \$72.0 million transfer in FY 2015-16 and extended the deposit of \$75.0 million into the 21st Century Jobs Trust Fund until FY 2018-19 (See Table 1).

Table 1
21st Century Jobs Trust Fund Deposits (Current Law)

<u>Fiscal Year</u>	<u>Orig. Appropriation</u>	<u>Adjustment</u>	<u>TOTAL</u>
2005-06	\$394,000,000	(\$55,950,000)	\$338,050,000
2006-07*	0	0	0
2007-08	75,000,000	50,000,000	125,000,000
2008-09	75,000,000	(22,050,000)	52,950,000
2009-10	28,500,000	0	28,500,000
2010-11	75,000,000	0	75,000,000
2011-12	75,000,000	0	75,000,000
2012-13	75,000,000	0	75,000,000
2013-14	75,000,000	0	75,000,000
2014-15	75,000,000	0	75,000,000
2015-16 (est.)	75,000,000	N/A	75,000,000
2016-17 (est.)	75,000,000	N/A	75,000,000
2017-18 (est.)	75,000,000	N/A	75,000,000
2018-19 (est.)	75,000,000	N/A	75,000,000
TOTAL	\$1,247,500,000	(\$28,000,000)	\$1,219,500,000

*FY 2005-06 appropriation covers two-year period.

Funds in the 21st Century Jobs Trust Fund are subject to legislative appropriation for economic development and tourism purposes outlined in the Michigan Strategic Fund Act, PA 270 of 1984. Since FY 2011-12 there have been three uses of the \$75.0 million appropriated to the MSF:

- Business Attraction and Community Revitalization (MEGA, Brownfield, and Historic Preservation Tax Credit replacement) – FY 2014-15 Appropriation: **\$28.8 million**
- Entrepreneurship Eco-System (Accelerator Funds, Business Incubators, Entrepreneurial Support Initiatives, Next Energy, University Technology Acceleration) – FY 2014-15 Appropriation: **\$17.2 million**
- Pure Michigan (tourism campaign) – FY 2014-15 Appropriation: **\$29.0 million**

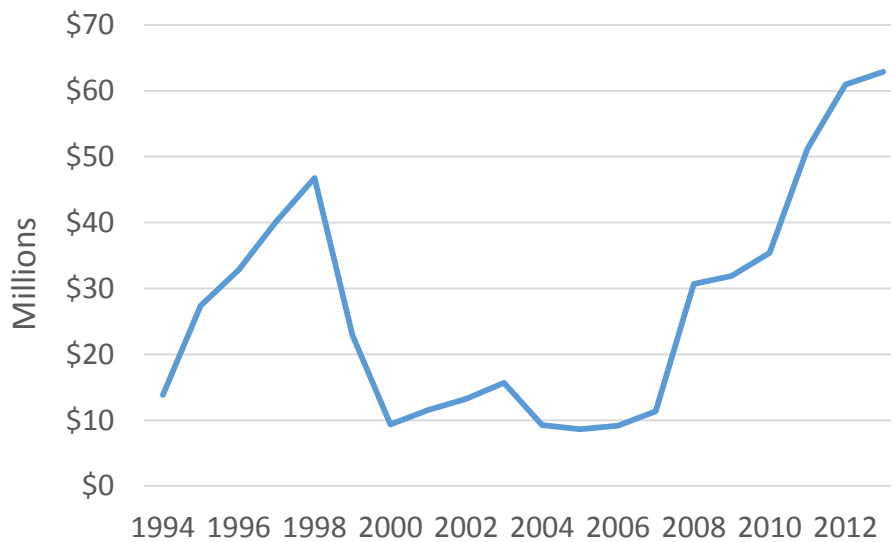
Indian Gaming Compacts

The MEDC receives direct payments, also known as corporate revenues, under various Indian Gaming Compacts. The revenues flow directly from the tribal casino operations to the MEDC, or its Jobs for Michigan Investment Fund (permanent fund), and are not subject to the legislative appropriations process.

All but one of the tribes operating under the 1993 Tribal-State Gaming Compacts have stopped making payments to the MEDC. Payments were stopped in FY 1998-99 upon the approval of the three Detroit casinos by the voters, which terminated the exclusivity agreement in the 1993 Tribal-State Gaming Compacts. Payments under the 1993 compacts had reached a high of \$46.8 million in 1998.

Since 2006, tribal gaming payments have grown substantially due to new compacts (1998 and 2007 compacts) and new tribal gaming facilities created under the authority of those compacts. Tribal payments to MEDC reached approximately \$62.9 million in 2013 and are expected to remain relatively flat or slightly declining, all else being equal, due to current casino revenue projections. The chart below identifies the trends in tribal gaming payments to MEDC since 1994.

Tribal Gaming Payments History



Source: Michigan Gaming Control Board

The state is currently engaged in negotiations with the tribes covered under the 1993 compacts. While a fiscal impact is uncertain at this time, successful renegotiation of the compacts has the potential to increase annual tribal gaming revenues to the MEDC. If the 1993 Tribal-State Gaming Compacts are not successfully renegotiated, current compact language will continue and no payments will be made to the MEDC.

Corporate fund expenditures are spread to various entrepreneurship, business growth, capital access, community revitalization, talent enhancement, and marketing programs within the MEDC.

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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.