

## CREATE AND FUND THE NORTHERN MICHIGAN REGIONAL TOURISM AND SPORTS FUND

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**House Bill 5134 reported from committee as substitute H-2**

**Sponsor: Rep. Beau Matthew LaFave**

**Committee: Michigan Competitiveness**

**Complete to 12-13-17**

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

**BRIEF SUMMARY:** House Bill 5134 would amend the State Convention Facility Development Act to create the Northern Michigan Regional Tourism and Sports Fund within the state treasury and to require an annual distribution, from fiscal year 2017-18 until fiscal year 2026-27, of \$1.9 million to the fund from the Convention Facility Development Fund.

**FISCAL IMPACT:** House Bill 5134 would reduce available revenues from the Convention Facility Development Fund that are currently used to pay off bonds prior to the maturity date that were issued for Cobo Center renovations. Specifically, available resources would be reduced by \$1.9 million annually between FY 2017-18 and FY 2026-27. The bonds are held by the Detroit Regional Convention Facility Authority (DRCFA). The provisions of the bill would not affect DRCFA's required debt service payments related to the Cobo Center renovations. See **FISCAL INFORMATION** below for more information.

### **THE APPARENT PROBLEM:**

While Michigan has enjoyed recent employment and economic growth, northern Michigan and the Upper Peninsula have lagged the state's recovery. As of October 2017, the Upper Peninsula unemployment rate stands at 4.9%, Northeast Lower Michigan at 5.8%, and Northwest Lower Michigan at 4.4%, compared to the statewide rate of 4.2% (not seasonally adjusted). Montmorency County, located in Northeast Lower Michigan, has the state's highest county unemployment rate at 8.3%, a full percentage point higher than any other.<sup>1</sup>

Many believe more needs to be done to support the economy of the Upper Peninsula and Northern Lower Michigan, especially by utilizing the region's collective outdoor resources. One such economic development project is Copper Peak, a ski flying hill located in Ironwood. The hill is currently in consideration for international ski flying trainings and competitions, but requires additional capital investment in order to qualify for official use. There are multiple similar projects in the region that could benefit from economic development funds. Legislation has been introduced to disburse money from an existing state fund to a newly created Northern Michigan Regional Tourism and Sports Fund to direct money to these projects.

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<sup>1</sup> "October Unemployment Rates Decline Slightly in Nearly All of Michigan's Regional Labor Markets." Department of Technology, Management & Budget, November 29, 2017. Online at: [http://milmi.org/Portals/137/publications/Press\\_Releases/local1017.pdf](http://milmi.org/Portals/137/publications/Press_Releases/local1017.pdf)

## ***THE CONTENT OF THE BILL:***

### Northern Michigan Regional Tourism and Sports Fund

The bill would create this fund within the state treasury. The state treasurer could receive money or assets from any source for deposit into the fund, and would direct the investment of the fund. Any interest and earnings on investments from the fund would be credited to the fund. Money in the fund at the close of a fiscal year would remain in the fund and not lapse to the general fund. However, money remaining in the fund on September 30, 2028 would lapse to the Convention Facility Development Fund.

The Department of Treasury would expend money from the fund, upon appropriation, to the Great Lakes Sports Commission for the development or improvement of facilities or for events promoting tourism and recreation in northern Michigan. Money could not be distributed to the fund if it impaired obligations, bonds, or other evidences of indebtedness issued under the act.

### Convention Facility Development Fund

Currently under the act, the state treasurer makes monthly distributions from this fund to a “qualified local governmental unit.” Among other entities, a qualified local governmental unit can be a metropolitan authority that operates a convention facility under the Regional Convention Facility Authority Act.

The distribution from the fund to a qualified local governmental unit is in an amount equal to the sum of the following:

- Collections from the excise tax levied on accommodations for the previous month from the convention hotels in the county in which the convention facility is located or *to be* located, and in any county in which convention hotels are located that is contiguous to the county in which the facility is located or *to be* located.
- Collections from the 4% specific tax on liquor for the previous month received in the fund.
- Any distribution received from the Health and Safety Fund Act or from the 21<sup>st</sup> Century Jobs Trust Fund.

Distributions for any state fiscal year to any qualified local governmental unit cannot exceed the amount pledged, assigned, or dedicated by the unit for payment during that state fiscal year of bonds, obligations, or other evidences of indebtedness incurred under the act or the Regional Convention Facility Authority Act, *plus* operating deficit cost expenditures and other authorized expenditures, *plus* any amount necessary to maintain a fully funded debt reserve or other similar reserve.

Any money remaining in the fund that is not used for bonds, obligations, or indebtedness or other allowable purpose is distributed according to statute, in a specific order of priority. The remaining money is first distributed to a metropolitan authority created under the Regional Convention Facility Authority Act for the operational deficit costs of a qualified convention facility operated by the authority.

### Proposed Distribution

Under the bill, after the monthly distribution to a qualified local governmental unit, but before the distribution of additional money remaining in the fund, \$1.9 million would be distributed to the proposed Northern Michigan Regional Tourism and Sports Fund. This distribution would only occur for fiscal years 2017-18 through 2026-27. The \$1.9 million would be deducted from the remaining money otherwise distributed according to statute.

### Reporting Requirement

The bill would require the Great Lakes Sports Commission to submit an annual report by March 1 to the House and Senate appropriations committees. The report would have to include the number of applicants that requested money from the Northern Michigan Regional Tourism and Sports Fund and, for applicants who did receive money, the applicant's name and contact information, the amount of money received, and an explanation of the money's intended use.

MCL 207.629

### ***FISCAL INFORMATION:***

House Bill 5134 would place payments to the Northern Michigan Regional Tourism and Sports Fund above only the final distribution of excess revenues used to pay off the outstanding bonds associated with the Cobo Center early. Therefore, if revenues were ever insufficient to cover all statutory obligations, the Northern Michigan Regional Tourism and Sports Fund would be the first to realize a reduced or eliminated statutory payment.

The bill stipulates that funds deposited in the Northern Michigan Regional Tourism and Sports Fund would be available for the Great Lakes Sports Commission for the development or improvement of facilities or for events promoting tourism and recreation in northern Michigan upon appropriation by the legislature. Any fiscal impact to the state or local government from the creation of the Northern Michigan Regional Tourism and Sports Fund would depend on how and where the funds were expended.

### ***ARGUMENTS:***

#### ***For:***

The Northern Michigan and Upper Peninsula economy needs a boost, and Copper Peak is a ready-made project. The capital improvements will allow the hill to return to operational capacity and host international competitions and training groups. Combined with other ski jumping hills in the region, the project will serve to position the Upper Peninsula as the world leader in ski jumping and ski flying. Ski flying is one of the most popular sports in Europe, and any event will attract a global viewing audience of millions and thousands of tourists. In fact, Copper Peak is the only ski flying hill of its kind outside of Europe, and would be the only hill open year-round for training. The hill is clearly a regional asset that deserves economic development support, and there is no doubt that the small investment proposed in the bill will create lasting, long-term benefits. The potential investments in

other tourism and sports projects, like an ice climbing wall in Marquette and a hockey arena in Traverse City, will further strengthen the region's economy and position it as a leader in outdoor recreation.

***Against:***

Opponents—generally those associated with the regional operation of Cobo Center (Wayne, Oakland, and Macomb Counties, as well as the City of Detroit)—note that while the projects presented are clearly admirable and worthy, the Convention Facility Development Fund is simply the wrong fund source. The fund currently supports Cobo Center through both debt payments and operational subsidies, and supports counties with a payment (and premium) of state liquor taxes collected. Any remaining amount is used for additional bond payments. A diversion of money in the fund, as the bill proposes, impairs the fund's ability to make its required statutory payments. An erosion of the fund could lead to increased market risk, increased borrowing costs for future bond issues, increased interest payments for state taxpayers, and decreased payments to counties.

***Response:***

The Convention Facility Development Fund is for just this purpose—funding facilities that will become anchor regional assets and attract continued redevelopment and tourism. If everyone pays into the fund, through the statewide liquor tax, why should Southeast Michigan be the only region in the state allowed to use the money? Certainly, residents of the Upper Peninsula, hundreds of miles away, receive little, if any, tangible benefit from Cobo Center. There is currently an excess balance in the fund, and the amount directed to the Northern Michigan Regional Tourism and Sports Fund simply reflects the region's population in proportion to the state's population. Northern Michigan deserves an opportunity to use the fund to develop world class sports and tourism facilities.

***Reply:***

Out-state counties do receive money from the Convention Facility Development Fund, as the liquor tax is returned to counties, with a small premium. The excess money proponents seek to divert is not excess for any purpose, it is specifically directed by statute to be used for additional debt payments for Cobo Center. This represents a prudent use of the money—it accelerates repayment of the debt and saves taxpayers interest costs. The Cobo Center renovation project has been extremely successful, meeting financial and operational goals while serving as a model of regional cooperation.

Overall, the bill represents a dangerous precedent of using revenue in the fund for purposes for which it was never intended. The projects at hand should seek funding through existing economic development programs or tax increment financing programs.

***POSITIONS:***

Representatives of the following entities testified in support of the bill:

Northern Michigan University (11-29-17)

Copper Peak (11-29-17)

USA Nordic (11-29-17)

Representatives of the following entities indicated support of the bill:

Benzie County Chamber of Commerce (11-29-17)  
Lake Superior Community Partnerships of Marquette County (11-29-17)  
TraverseCONNECT (11-29-17)  
Cadillac Area Chamber of Commerce (11-29-17)  
Petoskey Regional Chamber of Commerce (11-29-17)  
Traverse City Area Chamber of Commerce (11-29-17)  
Centre Ice Area (11-29-17)

Representatives of the following entities testified in opposition to the bill:

Detroit Regional Convention Facility Authority (11-29-17)

Representatives of the following entities indicated opposition to the bill:

Detroit Regional Chamber (11-29-17)  
Michigan Regional Council of Carpenters and Millwrights (11-29-17)

The county executives of Wayne, Oakland, and Macomb Counties indicated opposition to Senate Bill 523 [the as-introduced version of SB 523 being identical to the as-introduced version of HB 5134].

Legislative Analyst: Patrick Morris  
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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.