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STATE CONVENTION FACILITY DEVELOPMENT DEBT

House Bills 4989 and 4990
Sponsor: Rep. John Pappageorge
Committee: Economic Development

Complete to 10-18-00

A SUMMARY OF HOUSE BILLS 4989 AND 4990 AS INTRODUCED 10-12-99

Public Acts 106 and 107 of 1985 established the State Convention Facility Development Act (MCL 207.621 to 207.640) and the Tourism and Convention Facility Promotion Tax Act (MCL 436.141 to 436.148), respectively. Public Act 106 imposed a graduated excise tax on motel and hotel rooms in Detroit and in Wayne, Oakland, and Macomb counties, and Public Act 107 imposed a four percent specific tax on the sales of liquor across the state. In general, both acts provided funds to promote tourism and convention facilities. Revenue from the taxes goes to the Convention Facility Development Fund. Specifically, it was intended that the funds would be used to renovate Cobo Hall in the City of Detroit. House Bills 4989 and 4990 would amend sections 10 and 11 of the State Convention Facility Development Act (MCL 207.630 and 631), respectively, to change the distribution of the funds, and to place a cap on debt obligations, as follows:

<u>Convention Facility Development Fund</u>. Currently, under the State Convention Facility Development Act, money in the Convention Facility Development Fund, from the hotel-motel tax and from liquor taxes, is used to make monthly payments to the City of Detroit sufficient to make payments on bonds used to finance the renovation of Cobo Hall. The money remaining in the fund at the end of the fiscal year is transferred to the general fund and is distributed in the following order of priority:

• Detroit receives an amount equal to any year-to-year increase in the accommodations tax revenue, to be used for early retirement of the Cobo Hall debt.

• The 80 counties outside of Wayne, Oakland, and Macomb each receive an amount equal to the liquor taxes collected in each county in the previous fiscal year, distributed in proportion to collections.

After these distributions, the remainder of the money received at the end of the state fiscal year is then distributed as follows:

• The available money, multiplied by the percentage of collections under the liquor tax in the 80 counties, not including Wayne, Oakland, and Macomb, is distributed in proportion to liquor tax collections.

• Wayne (outside of Detroit), Oakland, and Macomb counties receive a percentage of the remainder of the money received, in proportion to liquor tax collections.

Under House Bill 4989, these two provisions would be deleted. Instead, the remaining funds would be distributed to Wayne, Oakland, and Macomb counties (each county in which convention hotels were located) in the same proportion that the room and liquor taxes were collected. Therefore, the bill would distribute money remaining in the fund -- after payments were made to Detroit for Cobo Hall, and money raised from liquor taxes in the 80 counties was distributed back to those counties -- to Wayne, Oakland, and Macomb counties only.

Other Provisions. The Tourism and Convention Facility Promotion Tax Act was repealed when the Liquor Control Act was recodified under Public Act 58 of 1998. However, references to that act remain in the State Convention Facility Development Act. House Bill 4989 would refer, instead, to the Michigan Liquor Control Code. The bill would also delete the current provision that allows the amount collected from a county's licensees to be excluded from calculations of the amount distributed to that county.

House Bill 4990. Currently, the act specifies that a local governmental unit may issue refunding bonds or other evidences of indebtedness to refund all or a portion of the indebtedness issued to finance convention facilities if the aggregate present value of the principal and interest to be paid on the refunding bonds would be less than the aggregate present value of the principal and interest to be paid on these. House Bill 4990 would specify that, except for refunding bonds such as these, a local governmental unit could not issue any bonds, obligations, or other evidences of indebtedness to finance convention facilities. The provisions of the bill would be effective January 1, 2000.

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