

Legislative Analysis



AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND: PERMITTED USES OF FUND REVENUE

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

House Bill 5498

Sponsor: Rep. Chris Kolb

Committee: Appropriations

Complete to 1-30-06

A SUMMARY OF HOUSE BILL 5498 AS INTRODUCED 12-13-05

House Bill 5498 would amend Section 20 of the Horse Racing Law of 1995 (Public Act 279 of 1995), a section which establishes and sets rules for the Agriculture Equine Industry Development Fund (AEIDF) to allow a transfer of money from the AEIDF to the General Fund.

Current law (Section 20, Subsection 4) directs that money appropriated from the fund "shall be expended by the director of the Department of Agriculture with the advice and assistance of the racing commissioner to provide funding for agriculture and equine industry development programs...." The bill would insert the words "**the General Fund and**" following the word "for" to indicate that moneys appropriated from the fund "shall be expended by the director of the Department of Agriculture with the advice and assistance of the racing commissioner to provide funding for **THE GENERAL FUND AND** agriculture and equine industry development programs..."

The bill would also amend strike language in Subsection 11 which states that: "Money appropriated and allotted to the fund shall not revert [lapse] to the General Fund and shall be carried forward from year to year until disbursed to fund grants for research projects beneficial to the industry." The bill would insert similar language in subsection 13, adding a reference to the General Fund: "Money appropriated and allotted to the fund shall not revert [lapse] to the General Fund and shall be carried forward from year to year until disbursed **TO THE GENERAL FUND OR** to fund grants for research projects beneficial to the industry."

Other changes to the section made in the bill appear to be technical in nature.

FISCAL IMPACT:

The General Fund revenue estimates on which the current year (FY 2005-06) enacted state budget is based assume a \$2.0 million transfer from the AEIDF. It is our understanding that the bill is intended to effect this transfer. However, although the bill as introduced would allow the transfer of AEIDF to the state General Fund, the bill does not actually make the transfer. Senate Bill 837 (Sen. Emerson) is similar to House Bill 5498 but includes a section which does transfer \$2.0 million from the AEIDF to the state General Fund for the 2005-06 fiscal year.

Both the FY 2003-04 and 2004-05 Agriculture budget acts (PA 157 of 2003 and PA 353 of 2004) included \$2.0 million in AEIDF revenue as a fund source in the *Departmentwide* appropriations unit. This use of AEIDF revenue in these appropriations acts effectively offset General Fund revenue.

BACKGROUND INFORMATION:

The Agriculture Equine Industry Development Fund is a state-restricted fund created in the Horse Racing Law of 1995 (PA 279 of 1995) to provide funding for agriculture and equine industry development programs, as provided in the act. Fund revenue is estimated to be \$17.0 million in FY 2005-06 – prior to the proposed \$2.0 million transfer. Fund revenue is derived from the following sources:

Under the Horse Racing Law:

3.5% tax on simulcast racing wagering	\$9.6 million
Fees/Fines	\$ 200,000

Under Public Act 90 of 1951 (dealing with racing meets)

Uncashed Tickets	\$ 700,000
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Michigan Gaming Control and Revenue Act

Public Act 306 of 2004 (House Bill 4612) amended the Michigan Gaming Control and Revenue Act (effective September 1, 2004) to impose a 6% wagering tax on Detroit casino licensee's adjusted gross receipts. PA 306 also earmarked 1/12 of the new 6% wagering tax receipts to the AEIDF. For FY 2005-06 that earmark is estimated to generate \$6.5 million for the AEIDF.

Fiscal Analyst: William Hamilton

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