

Legislative Analysis



AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND: PERMITTED USES OF FUND REVENUE

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House Bill 5498 (Substitute H-2)

Sponsor: Rep. Chris Kolb

Committee: Appropriations

Complete to 1-31-06

A SUMMARY OF HOUSE BILL 5498 AS REPORTED FROM COMMITTEE 1-30-06

House Bill 5498 (H-2) 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 transfer \$2.0 million from AEIDF to the state 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 add new subsection 17 to direct that *"Two million dollars shall be transferred from the Michigan AEIDF to the General Fund in the fiscal year ending September 30, 2006."*

Other changes to Section 20 made in the bill appear to be technical in nature.

FISCAL IMPACT:

The General Fund revenue estimates on which the current fiscal year (FY 2005-06) enacted state budget is based assume a \$2.0 million transfer from the AEIDF. House Bill 5498 (H-2) would effect this transfer.

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. The current year Agriculture budget act (PA 148 of 2005) does not include AEIDF revenue as a fund source in the *Departmentwide* appropriation unit.

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 (based on FY 2005-06 estimates).

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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