Legislative Analysis

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CONVENTION FACILITY DEVELOPMENT FUND

Senate Bill 774 (Substitute S-3)
Sponsor: Sen. Michael Switalski
House Committee: Appropriations
Senate Committee: Appropriations

Complete to 9-24-07

A SUMMARY OF SENATE BILL 774 AS PASSED BY THE SENATE 9-20-07

The bill would amend the State Convention Facility Development Act to transfer $35 million from the Convention Facility Development Fund to the General Fund in Fiscal Year 2006-2007, and alter the timing of distributions from the fund to counties beginning October 1, 2007 to account for the one-time transfer.

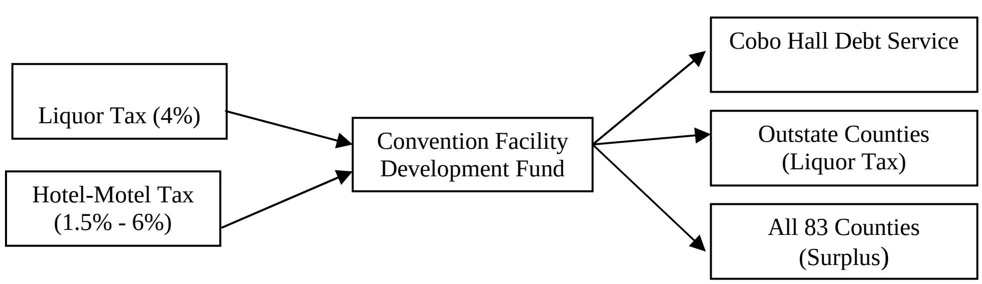
Under the State Convention Facility Development Act, revenue from the hotel occupancy excise tax, imposed under the act, and a 4% liquor excise tax imposed under the Liquor Control Code of 1998 (MCL 436.2207) are credited to the Convention Facility Development Fund and disbursed to local governmental units.

The fund is first used to make payments to the City of Detroit for debt service payments on bonds issued to renovate and expand Cobo Hall. (The latest series of bonds was issued in 2003, and has final maturity date of 2015.) These payments are to be paid to the city on the 30th of each month. (In FY 2008, the debt service payments will total $16.2 million.) Any amount remaining in the fund at the close of the fiscal year is expended in the following fiscal year (with payments typically being made in February), as follows:

- An amount equal to the increase in the hotel occupancy tax revenue over the prior fiscal year is paid to the City to retire bonds early. [Section 10(2)(a); MCL 207.630(2)(a)]

- An amount equal to that portion of the four percent liquor tax collected in the 80 "outstate" counties is paid to those counties based on proportionate share of each counties liquor tax collections. [Section 10(2)(b); MCL 207.630(2)(b)]

- Any remaining amount is then distributed to all 83 counties based on a proportionate share of each counties liquor tax collections. In Wayne County, sales in Detroit are excluded for the purposes of this calculation. [Section 10(2)(c); MCL 207.630(2)(c)]



Under Senate Bill 774, the monthly payments made to the City of Detroit for Cobo Hall debt service payments would continue. Beginning October 1, 2007, the payments made to the 80 outstate counties [Section 10(2)(b)] and to the payments made to all 83 counties [Section 10(2)(c)] would be made on a quarterly basis, based on tax collections in the prior fiscal quarter, less the amounts paid to Detroit. The "extra" payment made to Detroit, based on increases in the hotel excise tax revenue [Section 10(2)(a)] would be made from tax collections in the last fiscal quarter of the year, and would be made prior to the payments made to counties under Sections 10(2)(b) and 10 (2)(c).

FISCAL IMPACT:

The bill would transfer approximately $35 million from the Convention Facility Development Fund to the General Fund for FY 2006-07 only. This funding shift was included as part of the FY 2007 General Fund budget balancing agreement. In and of itself, this transfer would have eliminated the payments made to counties that would have otherwise been made in February 2008.[1] (These payments are based 2007 tax collections.) To make up for the loss of revenue to counties, the bill alters the payment schedule so that payments made to counties would be made on a quarterly basis, based on tax collections in the prior quarter, less the amounts paid to Detroit for debt service.

The Department of Treasury projects the Convention Facility Development Fund to have a year-end balance of $37.6 million. Following the $35 million transfer, the remaining $2.6 million balance would be distributed to counties on a pro rated basis.

Fiscal Analyst: Mark Wolf

[1] One apparent solution, from the counties standpoint, was to permit them to take an additional draw from their Revenue Sharing Reserve Funds to make up for the lost revenue. For Tuscola County, the only county that has exhausted its reserve fund, the state would have provided a payment directly to the county made through the General Government Appropriations Act. [See SB 229 (S-3), Section 957 and SB 229 (H-1) Section 949 and the corresponding line item.] Additionally, the House-passed version of the Department of Community Health budget bill [HB 4344 (H-1) allocated $18 million to Substance Abuse Coordinating Council to account for approximately half of the revenue lost by counties. Under the State Convention Facility Development Fund Act [MCL 207.630(3) and the General Property Tax Act ("Truth in Taxation" – MCL 211.24e), counties generally use half to their CFDF payments for substance abuse treatment programs.