



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 774 (Substitute S-3 as passed by the Senate)

(as enrolled)

Sponsor: Senator Michael Switalski

Committee: Appropriations

Date Completed: 9-24-07

CONTENT

Senate Bill 774 (S-3) would amend the State Convention Facility Development Act to allow for a \$35.0 million distribution from the Convention Facility Development Fund to the General Fund in FY 2006-07 only, and to accelerate the schedule under which counties receive their payments from the Convention Facility Development Fund.

Under current law, revenue from the accommodations tax and the liquor excise tax is earmarked to this Fund. The first priority for the revenue in the Fund is payment of the annual debt service on Cobo Hall bonds. In addition, any increase in the accommodations tax collections from one year to the next is used to help pay off the Cobo Hall debt service early. Once these debt service payments are made, the remaining funds are distributed to county governments. The payments to county governments consist of two components: 1) The liquor tax collected in each county during the previous fiscal year is distributed to all counties, excluding Macomb, Oakland, and Wayne Counties, in the current fiscal year, and 2) any remaining funds available in any fiscal year then are distributed to all 83 counties based on the proportional amount of liquor tax that was collected in each county during the previous year.

Under the bill, the payments from this Fund for the Cobo Hall debt service would continue as usual in FY 2006-07, as would the payments to counties made with the funds carried over from FY 2005-06, but once these payments were made, \$35.0 million of the remaining money in the Fund that otherwise would be carried over into FY 2007-08 to be distributed among the counties under current law, would be allocated to the General Fund.

To offset this loss to the counties, this bill also would accelerate the Convention Facility Development Fund's payments to counties. Currently, tax revenue flowing into the Fund that is not needed to pay Cobo Hall bond debt service obligations is carried forward and distributed to counties in the following fiscal year. Under this bill, counties would receive their distribution in the same fiscal year during which the revenue is collected, instead of waiting until the following fiscal year. As a result, by the end of FY 2007-08, counties would receive the same amount of revenue from the Convention Facility Development Fund as they would under the payments that would occur under existing law.

MCL 207.628 & 207.629

FISCAL IMPACT

This bill would transfer \$35.0 million from the Convention Facility Development Fund to the General Fund in FY 2006-07 only, and this money would be appropriated for General Fund expenditures in FY 2006-07. This would represent a one-time gain in General Fund revenue. Under current law, this loss in revenue to the Convention Facility Development Fund would reduce the payments to counties in FY 2007-08 by \$35.0 million, from an estimated \$37.3 million to \$2.3 million. However, the proposed acceleration in the county payment schedule would offset this loss, as it would distribute an estimated \$37.3 million to counties by the end of FY 2007-08 from new revenue flowing into the Convention Facility Development Fund during FY 2007-08.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.