



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 4850 (Substitute H-1 as passed by the House)

Sponsor: Representative Virgil Smith

House Committee: Appropriations

Senate Committee: Appropriations

Date Completed: 5-30-07

CONTENT

The bill would amend the Michigan Tobacco Settlement Finance Authority Act to authorize an additional \$410.0 million of borrowing against future tobacco settlement revenue to be received by the State of Michigan. The bill would require \$202.8 million of the borrowing to be deposited in the School Aid Fund and the balance of \$207.2 million in the General Fund. This borrowing would be used to eliminate the remaining projected FY 2006-07 deficits in the General Fund/General Purpose and School Aid Fund budgets. During FY 2005-06, the State borrowed \$400.0 million under authorization of the Michigan Tobacco Settlement Finance Authority Act. This initial borrowing was used as the financing mechanism for the 21st Century Jobs Fund.

MCL 129.268

FISCAL IMPACT

The borrowing of \$410.0 million for the School Aid Fund and the General Fund would be financed by dedicating a portion of future tobacco settlement revenue received by the State. Depending on the timing of the borrowing, the structure of the borrowing, and the market interest rates at the time of the borrowing, the annual debt service payments on the borrowing should total approximately \$40.0 million to \$46.0 million for the next 20 years. The initial tobacco settlement borrowing that was used to finance the 21st Century Jobs Fund requires annual debt service appropriations of \$43.0 million. During FY 2007-08, the Senate Fiscal Agency is estimating the total tobacco settlement revenue to be received by the State at \$321.0 million.

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