

Legislative Analysis



STATE SERVICES FEE FUND REVENUE

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House Bill 4849

Sponsor: Rep. Cindy Denby

House Committee: Appropriations

Complete to 9-27-11

A SUMMARY OF HOUSE BILL 4849 AS INTRODUCED 6-30-11

House Bill 4849 would amend Section 12 of the Michigan Gaming Control and Revenue Act, initiated law 1996 IL1, to redirect a portion of the State Services Fee Fund to the Agriculture Equine Industry Development Fund (AEIDF) established in the Horse Racing Law of 1995. Specifically, the bill would direct that each year 12.5% of the money in the State Services Fee Fund, before any other appropriation from the Fund, be distributed to the AEIDF.

State Services Fee Fund Background

The State Services Fee Fund was created within the Department of Treasury by Public Act 69 of 1997, the Michigan Gaming Control and Revenue Act, and is administered by the Michigan Gaming Control Board. Distributions from the State Services Fee Fund may only be made by the Legislature through the appropriations process. The State Services Fee Fund receives revenue from an annual assessment on each of the three Detroit Casinos as well as application, license, and other (fines and penalties) fees paid by the casinos, suppliers, and employees.

Beginning in 1997, the amount of the assessment on each of the three Detroit casinos is equal to one-third of \$25,000,000 adjusted annually by multiplying the previous year's assessment by the Detroit consumer price index. In Fiscal Year (FY) 2010-11, this amount totaled \$31,065,100. The balance of the State Services Fee Fund is not to exceed \$65,000,000. If the amount of fees collected causes the balance of the Fund to exceed the limit, the surplus of funds is required to be credited in equal shares against each casino licensee's annual assessment. To this date, the amount in the fund has never exceeded this threshold.

According to statute, all casino-related regulatory and enforcements costs, compulsive gambling programs, and other casino-related programs, activities, and services performed by the Michigan Gaming Control Board, the Michigan State Police, the Department of Attorney General, Department of Community Health, and other state agencies shall be paid from the State Services Fee Fund. More specifically, \$2.0 million from the State Services Fee Fund must annually be deposited in the state's Compulsive Gaming Prevention Fund. Of that amount, \$1,040,000 may be distributed to the Domestic Violence and Treatment Board in the Department of Human Services, and \$960,000 shall be used for treatment, prevention, education, training, research, and evaluation of compulsive gamblers as determined by the Department of Community Health.

FISCAL IMPACT:

The bill would have no impact on state or local costs or revenues; it would redirect state funds from one restricted fund to another restricted fund, specifically from the State Services Fee Fund to the AEIDF. It would, in effect, statutorily pre-empt the appropriations process.

We note that the bill indicates that each year 12.5% of the money in the *State Service Fee Fund* be distributed to the AEIDF. The bill does not indicate a date certain at which the distribution would be made and does not indicate that the distribution would be of State Service Fee Fund annual revenue. The phrase "money in [the fund]" would suggest the fund cash balance on any particular, although unspecified, date. The amount distributed to the AEIDF would vary widely depending on whether the distribution was made based on annual revenue to the State Services Fee Fund or on the fund cash balance. Annual revenue to the fund for FY 2010-11 is estimated to be \$32.8 million; the projected fund balance at September 30, 2011, is estimated to be \$3.0 million.

If it was determined that the 12.5% of the *annual revenue* credited to the State Services Fee Fund should be distributed to the AEIDF prior to any other appropriation required under statute, the current projected funding shortfall in FY 2011-12 would grow from approximately \$695,200 to just under \$5.2 million.¹ With revenues projected to remain relatively flat and the elimination of the unencumbered fund balance, expenditures from the State Services Fee Fund would continue to outpace revenues into the fund. Without an increase in direct revenues enough to match annual appropriations from the fund, appropriations from the State Services Fee Fund would have to be reduced in future years.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ For more information on the State Services Fee Fund revenue shortfall see <http://www.house.mi.gov/hfa/PDFs/State%20Services%20Fee%20Fund%20History.pdf>.