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BILL



ANALYSIS

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Senate Bill 895 (as introduced 4-19-16)  
Sponsor: Senator Goeff Hansen  
Committee: Appropriations

Date Completed: 5-2-16

### **CONTENT**

The bill would amend the Michigan Trust Fund Act to create the Detroit Public Schools (DPS) Trust Fund and to earmark \$72.0 million of Tobacco Settlement revenue each year, from fiscal year (FY) 2016-17 through FY 2025-26, for deposit into the Fund. This would represent a total of \$720.0 million in Tobacco Settlement revenue that would be deposited into the DPS Trust Fund over the next 10 years.

Specifically, the bill would create the DPS Trust Fund within the State Treasury, and allow the State Treasurer to receive money or other assets from any source for deposit into the Fund (in addition to the Tobacco Settlement revenue). The Treasurer would be required to direct the investment of the Fund, and credit to it any interest and earnings from the Fund's investments.

The bill specifies that money in the DPS Trust Fund at the close of a fiscal year would remain in the Fund and not lapse to the General Fund. The Department of Treasury would be the administrator of the Fund for auditing purposes.

The bill would direct the Department of Treasury to spend money from the DPS Trust Fund upon appropriation, as provided by law.

MCL 12.252 et al.

### **FISCAL IMPACT**

The bill would result in \$72.0 million per year, for 10 years, being earmarked from Tobacco Settlement revenue to the proposed DPS Trust Fund. Under current law, Tobacco Settlement revenue not earmarked for other purposes is allocated to the Michigan Merit Award Trust Fund. If this bill were enacted, it would reduce the amount of Tobacco Settlement revenue deposited into the Merit Award Trust Fund by \$720.0 million over a 10-year period.

Money in the existing Fund currently supports appropriations in the following departments, totaling \$161.5 million for FY 2015-16: Health and Human Services (\$98.4 million); Treasury (\$49.8 million), Technology, Management, and Budget (\$11.9 million); State Police (\$0.8 million); and Attorney General (\$0.5 million). If this bill were enacted, at least a portion of the appropriations currently supported by the Merit Award Trust Fund would need to be funded with a different revenue source, such as the State's General Fund.

Table 1 illustrates the current and projected balances in the Merit Award Trust Fund based on the Governor's recommendations for FY 2015-16 through FY 2017-18.

**Table 1**

<b>Estimates of Tobacco Settlement Revenue and Appropriations</b> <b>FY 2015-16 Compared to Governor's Recommendation for FYs 2016-17 and 2017-18</b> <b>(Actual Dollars)</b>			
	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
	<b>Year-To-Date</b>	<b>Gov's Rec.</b>	<b>Gov's Rec.</b>
<b>Revenue</b>			
Unreserved Balance From Prior Fiscal Year .....	\$61,187,000	\$48,663,400	\$0
Total Annual Payments .....	285,158,000	283,931,800	295,280,000
Assumed Withheld Payments .....	(8,500,000)	(8,500,000)	(8,500,000)
Settlement Credit to Manufacturers/Adjustments .....	(22,778,500)	(21,097,400)	0
Interest Earnings .....	60,000	60,000	60,000
Total Tobacco Settlement Revenue.....	<u>\$315,126,500</u>	<u>\$303,057,800</u>	<u>\$286,840,000</u>
<b>Less Transfers Out For:</b>			
21st Century Jobs Trust Fund.....	(\$75,000,000)	(\$75,000,000)	(\$75,000,000)
Payment to Budget Stabilization Fund (Detroit) .....	(17,500,000)	(17,500,000)	(17,500,000)
Detroit Public Schools Trust Fund .....	0	(72,000,000)	(72,000,000)
Payment on 2006 Bond Securitization .....	(33,867,500)	(33,928,200)	(38,256,500)
Payment on 2007 Bond Securitization .....	(27,342,800)	(27,391,800)	(30,886,200)
Total Transfers Out .....	<u>(\$153,710,300)</u>	<u>(\$225,820,000)</u>	<u>(\$233,642,700)</u>
<b>Net Revenue To Merit Award Trust Fund .....</b>	<b>\$161,416,200</b>	<b>\$77,237,800</b>	<b>\$53,197,300</b>
<b>Appropriations</b>			
<u>Attorney General</u>			
Operations.....	\$485,200	\$495,700	\$495,700
<u>Health and Human Services</u>			
Medicaid Base.....	64,266,000	40,604,100	16,563,600
Aging: Respite Care .....	4,068,700	4,068,700	4,068,700
Family Independence Program .....	30,100,000	30,100,000	30,100,000
<u>State Police</u>			
Tobacco Tax Enforcement.....	793,100	805,500	805,500
<u>Technology, Management, and Budget</u>			
Venture Michigan Tax Voucher Purchase .....	11,900,000	0	0
<u>Department of Treasury</u>			
Student Financial Services Administration.....	1,139,800	1,163,800	1,163,800
Detroit Public Schools Cash Flow Payment.....	48,700,000	0	0
<b>Total Merit Award Trust Fund Appropriations .....</b>	<b>\$161,452,800</b>	<b>\$77,237,800</b>	<b>\$53,197,300</b>
Replace Merit Award Revenue with Reserved GF/GP ....	\$48,700,000	\$0	\$0
<b>Merit Award Trust Fund Year-End Balance .....</b>	<b>\$48,663,400</b>	<b>\$0</b>	<b>\$0</b>
<b>Data Source:</b> State Budget Office			

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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.