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BILL ANALYSIS



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House Bill 4122 (Substitute H-2 as passed by the House)
Sponsor: Representative Dan Lauwers
House Committee: Tax Policy
Senate Committee: Government Operations

Date Completed: 6-9-15

CONTENT

The bill would amend the Michigan Strategic Fund Act to do the following:

- Prohibit the Michigan Film Office or the Michigan Strategic Fund, beginning October 1, 2015, from providing new funding, or increasing funding under an existing agreement, for production expenditures or personnel expenditures.**
- Require an agreement entered into after the bill's effective date to provide that only expenditures incurred on or before September 30, 2016, would be eligible for funding.**
- Require the balance of the Michigan Film Promotion Fund after September 30, 2016, to revert to the General Fund and be used only to repay State public employee pension systems for losses related to a qualified facility.**

Section 29h of the Act requires the Michigan Film Office to create and operate the Film and Digital Media Production Assistance Program. The Program may provide funds to the eligible production company for direct production expenditures and qualified personnel expenditures for State-certified qualified productions. An eligible production company that intends to produce a qualified production in the State may apply to the Film Office for funding. If it decides to award funding, the Film Office, with the concurrence of the president of the Michigan Strategic Fund or his or her designee, must enter into an agreement with the eligible production company.

The bill would prohibit the Film Office and the Michigan Strategic Fund, beginning October 1, 2015, from providing new funding, or increasing funding through an amendment to an existing agreement, for direct production expenditures, Michigan personnel expenditures, crew personnel expenditures, or qualified personnel expenditures under Section 29h.

Currently, for State certified qualified production expenditures after December 1, 2014, an agreement under Section 29h must provide for funding equal to the sum of 1) 25% of direct production expenditures and qualified personnel expenditures, and 2) 3% of direct production expenditures and qualified personnel expenditures at a qualified facility or 10% of such expenditures at a postproduction facility for a qualified production produced at the facility. Under the bill, this funding requirement would apply through September 30, 2015.

An agreement entered into after the bill's effective date would have to provide that only the direct production expenditures, the qualified personnel expenditures, and the combination of those expenditures incurred on or before September 30, 2016, would be eligible for funding.

The Act requires that Michigan residents be hired to work on qualified productions at certain phased-in ratios of residents to nonresidents, unless there are not enough qualified Michigan residents for the positions. The first stage of the phase-in requires at least 1.5 Michigan residents for every nonresident hired through September 30, 2017, and the last stage requires a ratio of at least three residents to every nonresident beginning October 1, 2022. Under the bill, the ratio of 1.5 residents to every one nonresident would apply through September 30, 2015, and the remainder of the phase-in would be deleted.

The Act prohibits the Michigan Film Office from awarding funding seven years after the effective date of Public Act 396 of 2014. (Public Act 396 added that prohibition to the Michigan Strategic Fund Act and made a number of other changes. Public Act 396 took effect on December 26, 2014.) The bill would delete that language.

The bill specifies that, notwithstanding any provision in Section 29d, after September 30, 2016, the money remaining in the Michigan Film Promotion Fund would have to revert to the State's General Fund and be used only to repay State public employee retirement systems for any losses incurred due to the construction or operation of a qualified facility, after all payments and obligations under Section 29h had been satisfied.

(Section 29d provides for the creation of the Michigan Film Promotion Fund; requires certain fees, proceeds, and appropriations to be deposited into the Fund; provides that money in the Fund at the end of a fiscal year will remain in the Fund; and allows money in the Fund to be spent, upon appropriation, to support the Michigan Film Office and for purposes authorized under the Act.)

MCL 125.2029h

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill could have a positive impact on the State General Fund. The fiscal year (FY) 2015-16 budget appropriates \$25.0 million for the film incentive program, with boilerplate requiring \$19,050,000 to be deposited into the State pension system to retire debt obligations from a previous bond agreement used to build a film production studio. The bill would require the remainder of the appropriation to revert to the General Fund at the end of FY 2015-16. This could result in an increase of at least \$5,950,000 to the General Fund. It is unknown whether the Michigan Film Office would be able to spend any of the remaining balance before September 30, 2016.

Appropriations to the Film Office would be unknown, because statute allows 4% of the funds in the Michigan Film Promotion Fund to be used for administration and the FY 2015-16 budget supports the Michigan Film Office with only this fund source. It is unclear whether the Office would need General Fund appropriations in order to fulfill the remaining reporting requirements or if it could be supported by remaining funds within the Michigan Film Promotion Fund or by other funds held by the Michigan Economic Development Corporation.

Fiscal Analyst: Cory Savino

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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.