



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

BILL ANALYSIS



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

Senate Bill 523 (Substitute S-1)
Sponsor: Senator Tom Casperson
Committee: Commerce

Date Completed: 9-26-17

CONTENT

The bill would amend the State Convention Facility Development Act to do the following:

- Create the "Northern Michigan Regional Tourism and Sports Fund".**
- Require the Department of Treasury to spend money from the Fund to the Great Lakes Sports Commission for the development or improvement of facilities or for events promoting tourism and recreation in northern Michigan.**
- Require, for fiscal years 2017-18 through 2026-27, \$1.9 million each fiscal year to be distributed to the Fund from the Convention Facility Development Fund.**

Northern Michigan Regional Tourism and Sports Fund

The bill would create the Northern Michigan Regional Tourism and Sports Fund within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund. The Treasurer would have to direct the investment of the Fund and credit to it interest and earnings from the Fund investments. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund; however, money remaining in the proposed Fund on September 30, 2028, would lapse to the Convention Facility Development Fund.

The Department of Treasury would have to spend money from the proposed Fund, upon appropriation, to the Great Lakes Sports Commission for the development or improvement of facilities or for events promoting tourism and recreation in northern Michigan. Money that impaired obligations, bonds, or other evidences of indebtedness issued under the Act could not be distributed to the Fund.

Distributions to the Fund

Except as otherwise provided, Section 9 of the Act requires the State Treasurer to make a monthly distribution from the Convention Facility Development Fund to a qualified local governmental unit. ("Qualified local government unit" generally means a city, village, township, county, or authority that is located in, or includes within its territory or jurisdiction, a county in which convention hotels are located and that is the owner or lessee of a convention facility with 350,000 square feet or more of total exhibit space. The term also includes a metropolitan authority that leases, develops, operates, and maintains a qualified convention facility (i.e., Cobo Center in Detroit) under the Regional Convention Facility Authority Act.

A "convention hotel" must have more than 80 rooms for providing accommodations to transient guests and be located in a county that has a population of 700,000 or more (Macomb, Oakland, or Wayne County) and that has either a) a convention facility with 350,000 or more square feet of total exhibit space, or b) 2,000 or more rooms to provide accommodations for transient guests.)

The distribution must be in an amount equal to the sum of the collections from the following:

- The excise tax levied for accommodations under the Act for the previous month from the convention hotels in the county in which the convention facility is or is to be located and in any county in which convention hotels are located that is contiguous to the county in which the convention facility is located, or is to be located.
- The additional 4% tax imposed under the Michigan Liquor Control Code for the previous month received in the Fund.
- Any distribution received from the Health and Safety Fund or from 21st Century Jobs Trust Fund.

(For a convention hotel located within a qualified local governmental unit, the Act levies a tax of 3% of the room rate for accommodations in a convention hotel with 81 to 160 rooms, and 6% of the room rate for accommodations in a convention hotel with more than 160 rooms. For convention hotels not subject to those rates, the rates are 1.5% (for 81 to 160 rooms) or 5% (more than 160 rooms) of the room charge for accommodations.)

Under the bill, notwithstanding any other provisions of the Act, after these distributions, and before any distributions of money remaining in the Fund, for fiscal years 2017-18 through 2026-27 only, \$1.9 million each fiscal year would have to be distributed to the Northern Michigan Regional Tourism and Sports Fund. The money distributed to the Fund would have to be deducted from the money described in Section 10(2)(f) before any distribution was made under Section 10(2)(f). (Section 10(2)(f) specifies that if the revenue in the Convention Facility Development Fund exceeds the amounts distributed under Section 9 and the distributions of the additional 4% tax under the Liquor Control Code to counties, the excess revenue must be distributed to a metropolitan authority created under the Regional Convention Facility Authority Act for the retirement of debt for which distributions under Section 9 are pledged).

MCL 207.629

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have no overall impact on the State, but would have an impact on the distribution of funds from the Convention Facility Development Fund. All money deposited in that Fund is distributed by the end of the fiscal year. For fiscal years 2017-18 through 2026-27, the bill would divert \$1.9 million each year from excess payments made to the Detroit Regional Convention Facility Authority to pay down more debt obligations. The Authority operates the Cobo Center and is responsible for its debt obligations. Due to increases in revenue generated for the existing Fund, as well as scheduled decreases in debt obligations and operations expenses for the Detroit Regional Convention Facility Authority in the future, it is likely that there would be sufficient revenue to cover the \$1.9 million payments without affecting the other distributions made to the Detroit Regional Convention Facility Authority and counties. However, in the event that funds were insufficient to cover all distributions in future years, the \$1.9 million payment to the Northern Michigan Regional Tourism and Sports Fund would be the first distribution subject to decreases in the payment amount.

The Northern Michigan Regional Tourism and Sports Fund would hold the \$1.9 million until spent by the State Treasurer to the Great Lakes Sports Commission for the development or improvement of facilities or for sporting event promotion.

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.