

APPROPRIATION OF STRATEGIC FUND DISBURSEMENTS



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FISCAL ANALYSIS

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HOUSE BILL 6063 AS INTRODUCED

Sponsor: Rep. Leon Drolet
House Committee: Commerce

COMMITTEE ANALYSIS - 11/12/02

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SUMMARY

The bill amends the Michigan Strategic Fund Act to declare that all money and assets of the Michigan Strategic Fund are public money and assets and shall be disbursed only as provided by law in an appropriation. The bill would have no impact on state revenues and would have no direct impact on state costs.

However, the bill could affect the distribution of certain funds held by the Michigan Strategic Fund Agency (MSF), the state's primary economic development agency. As background, the MSF has partnered with various local economic development agencies to form the Michigan Economic Development Corporation (MEDC). Within State-tribal compacts negotiated with various Native American tribes in Michigan during the 1990s, various tribes agreed to contribute 8% of their net win from certain gaming operations to the Michigan Strategic Fund. While certain tribes are no longer required to make these contributions due to the opening of non-tribal casinos in the City of Detroit (note: payment of the 8% for these tribes was tied to their exclusive rights to operate casinos), revenue from newer tribal casinos is still received and expended by the MEDC, as is revenue generated from the repayment of loans and other similar sources which is indirectly tied to the tribal gaming revenue. The MEDC categorizes these revenues as corporate revenues and the distribution of this revenue has not been subject to legislative appropriations.

A 1996 Michigan Court of Appeals ruling on the original 8% tribal contributions to the MSF has been interpreted to allow the distribution of these revenues outside of legislative appropriations. As part of its ruling, the court ruled that the MSF's designation of gaming revenue to finance infrastructure improvements related to the development of a new baseball stadium in Detroit – which has now become Comerica Park – was lawful despite the fact that no legislative appropriation had been obtained for the expenditure. The court concluded that “the revenues involved are public funds not subject to appropriation.” It is not clear what impact the bill's provisions would have on this determination.

If the bill's provisions did legally require the MEDC to receive an appropriation from the Legislature prior to expending its corporate revenues, the bill could potentially alter the distribution of this revenue. According to recent MEDC estimates presented to the MEDC Executive Committee, the MEDC anticipates roughly \$25.3 million in corporate revenues for FY 2003, \$30.8 million for FY 2004, and \$36.8 million for FY 2005. The MEDC has committed future funds to a number of programs, most notably the Next Energy initiative (\$52.5 million over 3 years), the SmartZones initiative (\$4.5 million), and in-state and national marketing efforts (\$5.0 million). In addition to these existing commitments, the MEDC has budgeted \$10.0 million in FY 2003 for general operations and programs. By the end of FY 2003, the MEDC expects the balance of all uncommitted corporate funds to be around \$10.8 million.