

# Legislative Analysis

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## **TOURISM PROMOTION FUNDING FROM TOBACCO SETTLEMENT REFINANCING**

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### **House Bill 5865**

**Sponsor: Rep. Kate Ebli**

### **House Bill 5866**

**Sponsor: Rep. Terry Brown**

### **House Bill 5867**

**Sponsor: Rep. Kenneth Horn**

**Committee: Tourism, Outdoor Recreation and Natural Resources**

**Complete to 3-10-08**

## **A SUMMARY OF HOUSE BILLS 5865-5867 AS INTRODUCED 3-6-08**

House Bill 5865 would add a Chapter 8B to the Michigan Strategic Fund Act, under which \$60 million would be appropriated and transferred from the 21st Century Jobs Trust Fund for the 2008 fiscal year to a newly established Michigan Promotion Program to promote tourism and business development in Michigan. The funding would be intended to enhance funding beyond that included in the annual appropriation for Travel Michigan. (MCL 125.2089)

House Bill 5866 would amend the Michigan Tobacco Settlement Finance Authority Act to allow, generally speaking, for the refunding and refinancing of tobacco settlement bonds issued under the act, with the net proceeds to be deposited in the 21st Century Jobs Trust Fund. (MCL 129.268) House Bill 5867 would make a complementary amendment to the Michigan Trust Fund Act (under which the 21st Century Jobs Trust Fund was established) so the fund could receive the proceeds from refinancing. (MCL 12. 257 and 258)

Under House Bill 5865, the Board of the Michigan Strategic Fund would have to establish the Michigan Promotion Program to promote tourism and pay business development and marketing costs to promote business development in Michigan. At the request of the MSF board, the state treasurer would transfer appropriated funds from the 21st Century Jobs Trust Fund in the amount the board designates as necessary for the Promotion Program.

The \$60 million appropriation would be considered a work project appropriation and any unencumbered or unallotted funds would be carried forward into the following fiscal year. The bill contains language specifying that the purpose of the project is "to provide economic benefits and job creation within this state and to create incentives for the diversification of this state's economy through the promotion of tourism and enhancing this state's business marketing and development activities." The project is to be

accomplished through interagency agreements, state employees, and contracts and has an expected completion date of December 31, 2010.

The bill also contains a findings section, which states:

*The Legislature finds and declares that the activities authorized under this chapter to promote this state and to encourage diversification of the economy and the creation of jobs in this state are a public purpose and of paramount concern in the interest of the health, safety, and general welfare of the citizens of this state. It is the intent of the Legislature that the economic benefits and the creation of jobs resulting from this chapter shall accrue substantially within this state.*

## **FISCAL IMPACT:**

State of Michigan receives tobacco settlement funding from tobacco companies under the provisions of the Master Settlement Agreement entered into by the tobacco companies and 46 states. In FY 2007, the state of Michigan received \$266.5 million from the tobacco settlement agreement.

The Michigan Tobacco Settlement Finance Authority (MTSFA) was created by PA 226 of 2005 and authorized the state budget director to sell to MTSFA a portion of the state's tobacco settlement revenue that would net \$400.0 million dollars, which was deposited into the 21st Century Jobs Trust Fund. MTSFA issued bonds in FY 2006 upon the agreement that MTSFA would receive 13.34% of the state's share of the annual payments made under the MSA after April of 2008 to make future payments of principal and interest on the bonds.

This package of bills proposes to refinance the outstanding 2006 Tobacco Settlement securitization bonds which funded the 21st Century Jobs Trust Fund. The State Budget Office estimates that additional one-time funding of \$60 million over a two-year period can be realized through this refinancing proposal because a review of the 21st Century Jobs Trust Fund projects indicates that a portion of these bonds can be refinanced as tax-exempt bonds. In addition, additional tax-exempt bonds can be issued which would provide more revenue to the 21st Century Jobs Trust Fund. By changing the tax-exempt status for refinancing a portion of the bonds, issuing additional tax-exempt bonds, and extending the portion of revenues currently pledged by four years, it is estimated that an additional \$60.0 million funding would be raised. These bills propose to appropriate this \$60.0 million funding to the Michigan Promotion Program to be used to promote tourism and business development in Michigan over the next two 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.