



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

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1353 (Substitute S-2 as reported)
Senate Bill 1374 (Substitute S-1 as reported)
Sponsor: Senator John Pappageorge (S.B. 1353)
Senator Buzz Thomas (S.B. 1374)
Committee: Finance

Date Completed: 6-24-08

RATIONALE

The Council for Arts and Cultural Affairs provides grants to organizations, institutions, and individuals throughout the State in order to strengthen arts and culture, support art education, increase visibility and awareness of the arts, and encourage innovative works of art. During the last nine fiscal years, the State has diverted money from the Council to other areas in the budget, reducing State funding for the Council from almost \$21 million in fiscal year (FY) 1999-2000 to about \$5.8 million in FY 2006-07 and just over \$7.0 million in FY 2007-08. Some people believe that, in order to increase funding for the arts and thereby allow the Council to grant more money to arts endeavors throughout the State, the State income tax form should include a check-off allowing individuals to donate money to the Council.

CONTENT

Senate Bill 1353 (S-2) and Senate Bill 1374 (S-1) would amend the Income Tax Act and the History, Arts, and Libraries Act, respectively, to add the "History, Arts, and Libraries Fund" to the funds listed on the schedule of contribution designations (check-offs) included with a taxpayer's income tax return and to create that Fund in the Department of History, Arts, and Libraries. Money in the Fund could be spent only to fund grants administered by the Michigan Council for Arts and Cultural Affairs.

The bills are tie-barred and described in detail below.

Senate Bill 1353 (S-2)

Under the Income Tax Act, an individual may designate on his or her annual tax return that contributions of \$5, \$10, or more of his or her State income tax refund (or additional tax liability) be credited to any of the funds specified in the Act. The Department of Treasury must create a schedule of the specified check-offs to be included with an annual income tax return. New check-offs must be incorporated as soon as practical on the schedule, and the Department may discontinue a check-off that fails to raise \$100,000 in a tax year for two consecutive years.

Currently, check-offs on the schedule include the Children of Veterans Tuition Grant Program, the Children's Trust Fund, the Prostate Cancer Research Fund, Amanda's Fund For Breast Cancer Prevention and Treatment, the Animal Welfare Fund, and the Michigan Housing and Community Development Fund. The bill would add the History, Arts, and Libraries Fund to the schedule.

Senate Bill 1374 (S-1)

The bill would create the "History, Arts, and Libraries Fund" in the Department of History, Arts, and Libraries, and allow money in the Fund to be spent only to fund grants administered by the Michigan Council for Arts and Cultural Affairs.

By November 1 of each year, the Department would have to provide the Senate and House Appropriations Subcommittees on History, Arts, and Libraries with a report of all revenue to and

expenditures from the Fund. The report would have to include an estimated Fund balance for the fiscal year.

The Department would have to administer the Fund and the State Treasurer would have to direct its investment. The Department would have to credit to the Fund all amounts appropriated to it and any money received as contributions for purposes under the Act, including money credited to the Fund from income tax check-off contributions, any interest and earnings accruing from the saving and investment of that money, and any other appropriations, money, or things of value received by the Fund. Money appropriated or money received as a contribution to the Fund would be available for disbursement upon appropriation and money in the Fund at the close of the year would remain in the Fund and could not lapse to the General Fund.

MCL 206.435 (S.B. 1353)
399.702 et al. (S.B. 1374)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

In recent years, the money given to the Council for Arts and Cultural Affairs by the State has dropped by two-thirds and the Council has had to reduce drastically the amount of grants given to local art organizations and institutions. The bills would allow the History, Arts, and Libraries Fund to receive money from taxpayer refund donations or additions to tax liability through an income tax check-off. The money contributed to the Fund would have to be used for grants made by the Council, which would increase the amount and number of grants the Council can offer.

In fiscal year 2007-08, arts and cultural grants have benefited public schools, festivals, brass bands, arts councils, operas, theaters, orchestras, film festivals, museums, libraries, choirs, zoos, downtown development authorities, parks, and college foundations.

Supporting Argument

Public Act 117 of 2007 created the History, Arts, and Libraries Fund in Department of

History, Arts, and Libraries, and requires the Department to report on the Fund by November 1, 2008. Public Act 117, however, is an appropriation act for FY 2007-08 only. Under Senate Bill 1374 (S-1), the Fund would be created in the Michigan Compiled Laws.

Legislative Analyst: Craig Laurie

FISCAL IMPACT

Senate Bill 1353 (S-2)

The bill would have an indeterminate fiscal impact on State government. Each time a check-off is added, the Department of Treasury incurs administrative costs for implementing the necessary changes to the forms, and for processing the various contributions. In 2005, the Department of Treasury received \$2.2 million in total contributions to the three check-offs then available. On average, the total amount of contributions in a given tax year has ranged from \$1.5 million to \$3.5 million, and the amount per check-off has varied from \$300,000 to \$2.1 million. It is difficult to predict the popularity of a new check-off and whether the addition of choices for check-off contributions would increase the total amount of contributions, or reduce the distribution to any given fund.

Senate Bill 1374 (S-1)

The bill would create the History, Arts, and Libraries Fund in a statute; currently, it is created in the boilerplate language of the annual appropriation bill for the Department. This Fund receives revenue from various sources including application fees for grant programs, revenue from the museum stores, and fees associated with the historic preservation tax credit. In the FY 2006-07 HAL Fund report, revenue to the Fund totaled \$1.1 million which, combined with \$829,500 carryforward, brought the balance in the Fund to \$1.9 million. Expenditures from this Fund are made for the programs in which the funds are collected.

Fiscal Analyst: Elizabeth Pratt
Maria Tyszkiewicz
Stephanie Yu

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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.