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BILL ANALYSIS



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Senate Bill 269 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Mike Kowall
Committee: Economic Development

CONTENT

The bill would amend the Michigan Trust Fund Act to extend through fiscal year 2018-19 a requirement that \$75.0 million in tobacco settlement revenue be deposited annually into the 21st Century Jobs Trust Fund. Currently, this requirement applies through fiscal year 2014-15. The Act also provides that, fiscal year 2015-16 only, \$72.0 million of tobacco settlement revenue must be deposited into the Trust Fund. The bill would delete that requirement.

In addition, the Act requires the State Treasurer, upon request from the Michigan Strategic Fund (MSF) board, to transfer and disburse appropriated funds from the 21st Century Jobs Trust Fund only for the purposes of carrying out programs under Chapter 8A (21st Century Investment Programs and Activities) of the MSF Act. The bill would eliminate the reference to Chapter 8A, and refer instead to programs under that Act (which include, among others, the tourism promotion program under Chapter 8B and the community revitalization program under Chapter 8C).

MCL 12.257 & 12.258

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would increase the deposit of tobacco settlement revenue into the 21st Century Jobs Trust Fund by delaying the sunset on the requirement for annual deposits of tobacco settlement revenue to the 21st Century Jobs Trust Fund from FY 2015-16 to FY 2018-19. This would increase the resources restricted for economic development purposes in future years. Spending from the 21st Century Jobs Trust Fund would remain subject to annual appropriation. Currently, tobacco settlement revenue is used for deposits to the 21st Century Jobs Trust Fund, to repay bonds from previous securitizations of tobacco settlement revenue, and for appropriations in various State budgets. This is discussed further below.

Under current law, the remaining deposits to the 21st Century Jobs Trust Fund for 21st Century Jobs Trust Fund programs total \$222.0 million from, FY 2013-14 to FY 2015-16. Under the bill, the deposits would continue through FY 2018-19. This is shown in [Table 1](#).

Table 1
 Scheduled Deposits to the 21st Century Jobs Trust Fund
 Under the Current Trust Fund Act and Senate Bill 269 (S-2)
 (dollars in millions)

	Current Law	Senate Bill 269 (S-2)
FY 2013-14	\$75.0	\$75.0
FY 2014-15	75.0	75.0
FY 2015-16	72.0	75.0
FY 2016-17	0	75.0
FY 2017-18	0	75.0
FY 2018-19	0	75.0
Total	\$222.0	\$450.0

The 21st Century Jobs Trust Fund and 21st Century Jobs Trust Fund programs were established in 2005 to provide resources to encourage economic diversification of Michigan and job creation in targeted technology areas including life sciences, advanced manufacturing including advanced automotive, homeland security, and alternative energy. As originally enacted, the legislation allocated \$1.0 billion over 10 years to 21st Century programs, which included grants, loans, loan enhancements, and investments and earmarks for specific projects such as tourism promotion, a defense contract coordination center, the Michigan Film Office, and other projects. The initial \$400.0 million came from securitization of a portion of tobacco settlement revenue. This funding mechanism was passed by the Legislature, although vetoes reduced the initial amount appropriated to \$394.0 million for FY 2005-06 and FY 2006-07. For subsequent years, the Trust Fund Act required the deposit of a total of \$600.0 million over eight years. The original requirement was for the deposit of \$75.0 million annually to the 21st Century Jobs Trust Fund from FY 2007-08 to FY 2014-15.

In several difficult budget years, amendments to the Trust Fund Act transferred funds from the 21st Century Jobs Trust Fund to the General Fund. With some of these transfers, deposits to the 21st Century Jobs Trust Fund were extended, which resulted in the current requirement for a deposit of \$72.0 million in FY 2015-16. Other legislation required the deposit of additional revenue to the 21st Century Jobs Trust Fund, such as an additional \$60.0 million of refinancing savings, of which \$50.0 million was appropriated for tourism and business promotion in FY 2007-08, and the deposit of appropriations for the Michigan Business Development program and the Community Revitalization program, which total \$120.0 million in FY 2013-14.

Tobacco settlement revenue is used in various areas of the State budget. In FY 2013-14, in addition to the statutory deposit of \$75.0 million to the 21st Century Jobs Trust Fund and the required use of tobacco settlement revenue for the repayment of the securitization bonds, year-to-date appropriations of tobacco settlement revenue total \$118,295,700. These appropriations are for the following purposes: \$487,300 in the budget for the Attorney General for administration; \$81,766,000 in Community Health for Medicaid Base and \$4,068,700 for Aging: Respite Care; \$30.1 million in the Department of Human Services for the Family Independence Program; \$750,000 in State Police for tobacco tax enforcement; and \$1,123,700 in Treasury for student financial services administration.

Date Completed: 10-31-13

Fiscal Analyst: Elizabeth Pratt

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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.