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## BILL ANALYSIS



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Senate Bill 269 (as introduced 3-19-13)  
Sponsor: Senator Mike Kowall  
Committee: Economic Development

Date Completed: 3-20-13

**CONTENT**

**The bill would amend the Michigan Trust Fund Act to do the following:**

- **Eliminate a 2015 sunset on a requirement that at least \$75.0 million in tobacco settlement revenue be deposited annually into the 21<sup>st</sup> Century Jobs Trust Fund.**
- **Delete a requirement that for FY 2015-16, \$72.0 million of this tobacco settlement revenue be deposited into the Trust Fund.**

The 21<sup>st</sup> Century Jobs Trust Fund consists of donations made to it from any source, as well as the net proceeds of the sale of tobacco settlement revenue to the Tobacco Settlement Finance Authority under the Michigan Tobacco Settlement Finance Authority Act.

(That Act authorized the State Budget Director to sell to the Authority all or a portion of the State's tobacco receipts from tobacco manufacturers under the terms of the master settlement agreement (entered into by 46 states and the U.S. tobacco industry). Of the money from the sale, \$400.0 million had to be deposited and spent as provided in the Michigan Trust Fund Act.)

Under the Michigan Trust Fund Act, every fiscal year through fiscal year (FY) 2014-15, at least \$75.0 million of the tobacco settlement revenue received by the State that is not considered a TSR (the portion of the State's tobacco receipts sold to the Authority) must be deposited into the 21<sup>st</sup> Century Jobs Trust Fund. The bill would eliminate the reference to FY 2015-16, and instead require this money to be deposited into the Trust Fund every fiscal year.

Currently, for FY 2015-16 only, \$72.0 million of the tobacco settlement revenue received by the State that is not considered a TSR must be deposited into the Trust Fund. The bill would delete this requirement.

Under the Act, upon request from the Michigan Strategic Fund (MSF) Board, the State Treasurer must transfer and disburse appropriated funds from the 21<sup>st</sup> Century Jobs Trust Fund only for the purposes of carrying out programs under Chapter 8A (21<sup>st</sup> 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).

**FISCAL IMPACT**

The bill would increase the deposit of tobacco settlement revenue into the 21<sup>st</sup> Century Jobs Trust Fund by removing the current sunset on the requirement that \$75.0 million of tobacco settlement revenue be deposited annually to the 21<sup>st</sup> Century Jobs Trust Fund. This would increase the resources available for economic development purposes in future years. Under the bill, a decision to allocate the funds to a different purpose in future years would require legislation to redirect the funds. Spending from the 21<sup>st</sup> Century Jobs Trust Fund would remain subject to annual appropriation. Currently, tobacco settlement revenue is used for deposits to the 21<sup>st</sup> 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 21<sup>st</sup> Century Jobs Trust Fund for 21<sup>st</sup> Century Jobs Trust Fund programs total \$222.0 million over the next three fiscal years, FY 2013-14 to FY 2014-16. Under the bill, the deposits would continue indefinitely. This is shown in [Table 1](#).

**Table 1**  
Scheduled Deposits to the 21<sup>st</sup> Century Jobs Trust Fund  
Under the Current Trust Fund Act and Senate Bill 269  
(dollars in millions)

	Current Law	Senate Bill 269
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
Subsequent years	0	75.0 annually
Total	\$222.0	Unknown

The 21<sup>st</sup> Century Jobs Trust Fund and 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> Century Jobs Trust Fund to the General Fund. With some of these transfers, deposits to the 21<sup>st</sup> 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 21<sup>st</sup> 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.

Tobacco settlement revenue is used in various areas of the State budget. In FY 2012-13, in addition to the statutory deposit of \$75.0 million to the 21<sup>st</sup> 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 \$143,374,000. These appropriations are for the following purposes: \$463,100 in the budget for the Attorney General for administration; \$76,733,500 in Community Health for Medicaid Base and \$4,468,700 for Aging: Respite Care; \$30.1 million in Higher Education for the Tuition Incentive Program; \$716,200 in State Police for tobacco tax enforcement; \$1,092,500 in Treasury for student financial services administration; and \$29.8 million to offset a shortfall in Health Insurance Claims Assessment revenue.

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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.