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BILL ANALYSIS



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Senate Bill 6119 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Cynthia Neeley
House Committee: Appropriations
Committee: Committee of the Whole

CONTENT

The bill would amend the State Convention Facility Development Act to do the following:

- Transfer \$10.0 million from the Conventional Facility Development Fund to the General Fund in the fiscal year ending September 30, 2020.
- Increase the distribution for operations costs of a qualified convention facility.
- Distribute up to \$5.0 million to the operator of a street railways systems for operations.
- Distribute up to \$4.0 million to the Michigan Strategic Fund to award grants to other qualified convention centers.
- Dedicate up to \$5.0 million in excess toward paying outstanding bonds, obligations, or other indebtedness for a qualified local government.
- Distribute the excess after all other required payments are made to a qualified local government unit to reserve for expenditures of a regional convention facility.

Fund Distribution

Under the Act, any money remaining in the Convention Facility Development Fund that is not used for the bonds, obligations, or other evidence of indebtedness or other purposes as described in Section 9 of the Act must be distributed as described below.

Each year, from the revenue collected during the previous quarter, after distributing the monthly payments to qualified local governmental units equal to the sum of the collections from the excise tax levied for accommodations for the previous month as provided by the Act, the State Treasurer must make quarterly distributions in the following manner.

For fiscal years beginning after September 30, 2016, an amount equal to the product of the amount of liquor tax distributions in the immediately preceding fiscal year multiplied by 1.01, not to exceed the total amount of tax collected under Section 1207 of the Michigan Liquor Control Code, must be distributed to counties as calculated in a manner prescribed by the Code.

Beginning with the fiscal year ending on September 30, 2016, and each fiscal year thereafter, if the revenue in the Fund exceeds the amounts distributed as required in Section 9, and the distributions prescribed above, the excess must be distributed to a qualified local governmental unit that is a metropolitan authority to be used by that qualified local governmental unit only for the retirement of outstanding bonds, obligations, or other evidences of indebtedness incurred for which distributions under Section 9 are pledged and for a qualified governmental unit that is a metropolitan authority or next for the payment of any unfunded operation deficit costs incurred during the previous fiscal year by a metropolitan authority for the operation of a qualified convention facility.

The bill specifies that the provision above would not apply to the fiscal year ending in September 30, 2020, or to the requirements proposed below. In addition, the bill specifies that the excess would have to be distributed to a qualified local governmental unit in the same manner as if the revenue in the Fund exceeded the amounts distributed under Section 9, the bill's proposed requirement that \$10.0 million of the money in the Fund be transferred and deposited to the General Fund, and the distributions proposed by the bill and described below.

The Act requires the State Treasurer, from the revenue collected in the last quarter of the State fiscal year, to make the distribution in a certain manner as prescribed by the Code. The bill would delete this provision.

Prioritization of Distribution

The bill would require the Fund as distributed above to be distributed in the following order of priority in the following amounts:

In subsection (5) for the fiscal year ending 2020, before the other distributions required under (2), transfer \$10.0 million from the Convention Facility Development Fund to the General Fund.

Under subsection (2)(a), \$7.0 million would be distributed for fiscal year ending September 30, 2020, for operational costs related to COVID-19 and related measures to protect public safety. Then, distribute \$8.0 million for fiscal years ending 2021 and 2022, \$7.0 million for fiscal year ending 2023, \$6.0 million for fiscal year ending 2024, and \$5.0 million fiscal year ending 2025 for operations of a qualified convention facility operation by the authority under this act.

Under subsection (2)(c), for fiscal years ending 2020 through 2022, up to \$5.0 million would be distributed to the operator of a street railways system for the operations of a street railways system as defined in section 507 of the Recodified Tax Increment Financing Act, Public Act 57 of 2018.

Under subsection (2)(d), for fiscal year ending 2021 only, \$4.0 million would be distributed from the Convention Facility Development Fund to the Michigan Strategic to award grants to convention centers negatively affected by COVID-19 and related measures to protect public safety. The bill would requires the Michigan Strategic Fund to develop an application process by December 1, 2020, and award grants no later than February 1, 2021. An eligible convention center under this program would have to be publicly owned and at least 10,000 square feet and would have to be generally available to members of the public for lease or rental on a short-term basis for holding conventions, meetings, exhibits, and similar events. The facility would have to have any combination of convention hall, auditorium, meeting rooms, and exhibition areas that were separate and distinct and contiguous to each other and did not receive other funding under subdivision (a). Awards could not be more than \$1.0 million to any eligible convention center under this distribution. Convention centers that received funding would have to report how grant dollars were spent by September 30, 2021, or return any unused funds.

Under subsection (2) (f), for the fiscal years ending 2021 and 2022, in the amount distributed under subdivision (e), up to \$5.0 million would have to be used for a qualified local government unit only for the retirement of the outstanding bonds, obligations, or other evidence of indebtedness incurred.

Under subsection (2)(g), for fiscal years ending on September 30, 2020, 2021, and 2022, if the revenue in the Convention Facility Development Fund exceeded the amount distributed under subsection (2), the excess would have to be distributed to a qualified local government unit to be reserved for expenditures authorized by the Regional Convention Facility Authority Act.

MCL 207.630

FISCAL IMPACT

The bill would include additional funding from distribution of the Convention Facility Development Fund from fiscal year (FY) 2019-20 through FY 2024-25. For FY 2019-20, the bill would include a \$10.0 million deposit into the State General Fund, which would increase State revenue. The bill also would include an additional distribution of \$2.0 million to the operations of the TCF Convention Center in the City of Detroit for a total of \$7.0 million and a new \$5.0 million distribution for the Q-Line in the City of Detroit. The bill also would include an additional \$5.0 million payment towards debt service (DS) for the TCF Center. Table 1 below shows the Convention Facility Development Fund distribution for FY 2019-20.

Table 1

| Convention Facility Development Distribution FY 2019-2020 | |
|--|-------------------|
| Distribution Type | Amount |
| TCF DS Payment | Unchanged |
| General Fund Deposit | \$10,000,000 |
| County Payments | Unchanged |
| TCF Operations | \$7,000,000 |
| Q-Line | \$5,000,000 |
| TCF Additional DS Payment | \$5,000,000 |
| TCF Reserve | Remaining Balance |

In FY 2020-21, the bill would include an additional \$3.0 million dollars for operation of the TCF Convention Center for a total of \$8.0 million and the \$5.0 million distribution to the Q-Line in the City of Detroit. There also would be a \$4.0 million deposit Michigan Strategic Fund for distribution to publicly-owned convention centers in the State with at least 10,000 square feet. Eligible center would receive up to \$1.0 million for operational expenses in FY 2020-21. The bill also would include an additional \$5.0 million payment towards DS for the TCF Center. Table 2 below shows the Convention Facility Development Fund distribution for FY 2020-21.

Table 2

| Convention Facility Development Distribution FY 2020-2021 | |
|--|-------------------|
| Distribution Type | Amount |
| TCF DS Payment | Unchanged |
| TCF Operations | \$8,000,000 |
| County Payments | Unchanged |
| Q-Line | \$5,000,000 |
| Other Convention Centers | \$4,000,000 |
| TCF Additional DS Payment | \$5,000,000 |
| TCF Reserve | Remaining Balance |

In FY 2021-22, the bill would include an additional \$3.0 million dollars for operation of the TCF Convention Center for a total of \$8.0 million and the \$5.0 million distribution to the Q-Line in the City of Detroit. [Table 3](#) below shows the Convention Facility Development Fund distribution for FY 2020-21.

Table 3
**Convention Facility Development
Distribution
FY 2021-2022**

| Distribution Type | Amount |
|--------------------------|-------------------|
| TCF Debt Service Payment | Unchanged |
| TCF Operations | \$8,000,000 |
| County Payments | Unchanged |
| Q-Line | \$5,000,000 |
| TCF Reserve | Remaining Balance |

Following FY 2021-22, the only additional distributions would be towards operations of the TCF center, decreasing \$1.0 million each year until the final year of distribution of \$5.0 million in FY 2024-25. [Table 4](#) below shows the schedule for Conventional Facility Fund distributions for TSC Center Operations compared to current law.

Table 4
**TSC Center Operations
Distribution Schedule**

| Fiscal Year | Current Law | Bill |
|-------------|-------------|-------------|
| 2019-20 | \$5,000,000 | \$7,000,000 |
| 2020-21 | \$5,000,000 | \$8,000,000 |
| 2021-22 | \$5,000,000 | \$8,000,000 |
| 2022-23 | \$5,000,000 | \$7,000,000 |
| 2023-24 | \$0 | \$6,000,000 |
| 2024-25 | \$0 | \$5,000,000 |
| 2025-26 | \$0 | \$0 |

Date Completed: 9-24-20

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