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BILL ANALYSIS



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Senate Bills 585 through 588 (as introduced 5-19-09)

Sponsor: Senator Jud Gilbert, II (S.B. 585)
Senator Tony Stamas (S.B. 586)
Senator Jason E. Allen (S.B. 587)
Senator Mark C. Jansen (S.B. 588)

Committee: Commerce and Tourism

Date Completed: 5-19-09

CONTENT

Senate Bills 585, 586, 587, and 588 would amend the Regional Convention Facility Authority Act, the Health and Safety Fund Act, the State Convention Facility Development Act, and the Michigan Trust Fund Act, respectively, to do all of the following:

- Allow the legislative body of a qualified city (Detroit) to disapprove the transfer of a qualified convention facility (Cobo Hall) to a regional convention facility authority after May 1, 2009, and before July 1, 2009.**
- Dissolve the regional convention facility authority if the Detroit City Council disapproved the transfer.**
- Appropriate funds and provide other funding for the qualified convention facility, if it were transferred to a regional convention authority.**
- Appropriate funds and provide other funding for a building authority for a county with a population of 1 million to 1.5 million (Oakland County) for developing a convention center, if the Detroit City Council disapproved the transfer of Cobo Hall to a regional convention authority.**
- Revise the definition of a "convention hotel" for purposes of an accommodations tax.**
- Establish a bond limit of \$135.0 million for a building authority in Oakland County, if the Detroit City Council disapproved the transfer of Cobo Hall to a regional convention authority.**
- Require \$9.0 million of tobacco settlement revenue to be used to develop a convention facility.**

The bills are described below.

Senate Bill 585

The Regional Convention Facility Authority Act was enacted in 2008 to provide for the creation of a regional convention facility authority in the Detroit metropolitan area and to transfer a qualified convention facility (Cobo Hall in Detroit) to the regional authority. The Act allowed the legislative body of a qualified city in which a qualified convention facility is located (Detroit) to disapprove the transfer of the facility to the authority by adopting a resolution disapproving the transfer, within 45 days of the Act's effective date.

Under the bill, the qualified city's legislative body could adopt a resolution disapproving the transfer of the regional convention facility to the regional convention facility authority after May 1, 2009, and before July 1, 2009. If the transfer were disapproved during that time, the authority created under the Act would be dissolved.

The Act specifies that, from and after the "transfer date", a local government from which a qualified convention facility has been transferred is relieved of all further costs, responsibility, and liability arising from, or associated with, control operation, development, and maintenance of the qualified convention facility. The local government continues to be responsible for all costs associated with local municipal services including police, fire, and emergency medical services, without any additional compensation from the regional authority. The authority must provide for the payment of compensation not exceeding \$20.0 million to the qualified city for any revenue otherwise payable to the city from parking facilities operated by the city at the convention facility and for other costs incurred by the city associated with the transfer of the qualified convention facility to the regional authority. Under the bill, this payment would have to be made within 90 days after the transfer date.

The Act defines "transfer date" as the date 90 days after the creation of an authority under the Act on which the right, title, interest, ownership, and control of a qualified convention facility are conveyed and transferred from a qualified city to an authority, if the transfer is not disapproved by the qualified city's legislative body. Under the bill, "transfer date" would mean July 1, 2009, the date on which ownership, control, etc. would be transferred from the city to the authority.

Senate Bill 586

The Health and Safety Fund Act requires the State Treasurer to distribute certain amounts from the Health and Safety Fund for specific purposes. Public Act 586 of 2008 amended the Act to require that, in fiscal year (FY) 2008-09 through FY 2014-15, \$16.0 million be transferred to and deposited in the Convention Facility Development Fund created under the State Convention Facility Development Act for distribution and use only in the manner and for the purposes stated in that Act. In FY 2015-16 through FY 2038-39, \$15.0 million is to be transferred to and deposited in the Convention Facility Development Fund for distribution and use in the manner and for the purposes stated in that Act.

Under the bill, the FY 2015-16 through FY 2038-39 distributions would have to be made only if the transfer of a qualified convention facility to a regional convention authority took place as provided in the Regional Convention Facility Authority Act. If the transfer were disapproved by the qualified city's legislative body, then in FY 2015-16 through FY 2029-30, \$15.0 million would have to be transferred to and deposited in the Convention Facility Development Fund for use only in the manner and for the purposes stated in the State Convention Facility Development Act.

Senate Bill 587

Convention Hotel Tax Proceeds

The State Convention Facility Development Act imposes an excise tax on any person engaged in the business of providing accommodations to transient guests in a "convention hotel". "Convention hotel" means a facility used in the business of providing accommodations that has more than 80 rooms for providing accommodations to transient guests and that is located within a county having a population of at least 700,000 according to the most recent decennial census and is located within a county that has one or both of the following:

- A convention facility with at least 350,000 square feet of total exhibit space.
- 2,000 or more rooms to provide accommodations for transient guests.

Under the bill, the definition would apply to a county that has a publicly owned or leased convention facility with at least 200,000 square feet of total exhibit space; and a county that has 1,000 or more rooms to provide accommodations for transient guests.

Appropriation for Developing a Convention Facility

Public Act 553 of 2008 amended the State Convention Facility Development Act to appropriate \$9.0 million from the 21st Century Jobs Trust Fund to a regional convention facility authority created under the Regional Convention Facility Authority Act for the purpose of developing a qualified convention facility. Under the bill, if the transfer of a qualified convention facility to a regional convention authority were disapproved by a qualified city's legislative body under the Regional Convention Facility Authority Act, that \$9.0 million would be appropriated to a building authority for a county having a population of not less than 1 million and not more than 1.5 million on the bill's effective date for the purpose of developing a convention facility. (Oakland County is the only county in Michigan that meets that population criteria.)

In addition, if the transfer were disapproved, a distribution from the Convention Facility Development Fund of proceeds received under the Health and Safety Fund Act (as described above, under Senate Bill 586) would have to be made to a building authority for Oakland County for the purpose of developing, leasing, or operating a convention facility and no other qualified local governmental unit would be entitled to any distribution of those proceeds.

Bond Limit

The bill would include a building authority in the definition of "local governmental unit", which currently means a county, township, city, village, or a metropolitan authority formed under the Regional Convention Facility Authority Act.

Under the State Convention Facility Development Act, a local governmental unit that becomes a qualified local governmental unit after December 1, 2008, may not issue bonds, obligations, or other evidences of indebtedness to which distributions under the Act are pledged in order to finance a total cost for all projects undertaken by the qualified local governmental unit that exceeds \$299.0 million. The bill would refer to a regional authority that becomes a qualified local governmental unit after December 1, 2008.

Also, under the bill, a building authority that became a qualified local governmental unit after May 1, 2009, could not issue bonds, obligations, or other evidences of indebtedness to which distributions under the Act were pledged in order to finance a total cost of all projects undertaken by the qualified local governmental unit that exceeded \$135.0 million.

"Qualified local governmental unit" means a city, village, township, county, or authority that is located in, or includes within its territory or jurisdiction, a county in which convention hotels are located and that meets other criteria regarding convention facility exhibit space. Under the bill, if the transfer of a qualified convention facility to a regional convention authority were disapproved by a qualified city's legislative body under the Regional Convention Facility Authority Act, then for purposes of any distribution from the Convention Facility Development Fund of proceeds of the Health and Safety Fund Act, "qualified local governmental unit" would mean a building authority for a county having a population of not less than 1 million and not more than 1.5 million on the bill's effective date. If a building

authority became a qualified local governmental unit under this provision, the State Treasurer would have to pay collections from those distributions by the 30th day of each month to that qualified local governmental unit.

Senate Bill 588

The bill would amend the Michigan Trust Fund Act to require that, for FY 2008-09, \$9.0 million of the tobacco settlement revenue received by the State that is not considered a "TSR" as that term is defined under the Michigan Tobacco Settlement Finance Authority Act, be used to develop a convention facility under the Regional Convention Facility Authority Act. (Under the Michigan Tobacco Settlement Finance Authority Act, "TSR" means the portion, which may include any or all, of the State's tobacco receipts sold to the Michigan tobacco settlement finance authority under that Act and any sale agreement.)

MCL 141.1355 & 141.1369 (S.B. 585)
141.475 (S.B. 586)
207.623 et al. (S.B. 587)
12.257 (S.B. 588)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Under these bills, there would be no change in the financial transfers or bond limit that are specified under current law if the City of Detroit approves the transfer of Cobo Hall to the Regional Convention Facility Authority before July 1, 2009. If the City of Detroit does not approve the transfer of Cobo Hall to the Regional Convention Facility Authority by July 1, 2009, then under these bills the transfer of funds from the 21st Century Jobs Fund, Health and Safety Fund, and Convention Facility Fund would be directed instead to a building authority created by Oakland County to finance the expansion of the Rock Financial Showplace with two major differences: 1) The amount of bonds that could be issued under the Cobo Hall project would be limited to the amount needed to finance not more than \$299.0 million in total project costs, but under the Oakland County building authority project, the limit on bonds would equal the amount needed to finance not more than a \$135.0 million in total project costs; and 2) the transfer of \$15.0 million per year beginning in FY 2015-16 from the Health and Safety Fund would continue through FY 2038-39 to the Regional Convention Facility Authority if the transfer of Cobo Hall to the Authority is approved by the City of Detroit, but if the Cobo Hall transfer is not approved, then under these bills this annual transfer would go to the Oakland County building authority but only through FY 2029-30.

Fiscal Analyst: Jay Wortley

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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.