

**ECONOMIC DEVELOPMENT
AND TOBACCO
SECURITIZATION
PACKAGE**

**Description of Key Components
As Enacted**



**Prepared by the
Senate Fiscal Agency**

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\$1.0 BILLION ECONOMIC DEVELOPMENT AND TOBACCO SECURITIZATION PACKAGE

During November 2005, Governor Jennifer Granholm signed into law a package of legislation approved by the Legislature that provides for a significant level of State-financed economic development funding. The economic development and tobacco securitization package consists of Public Acts 212, 213, 214, 215, 223, 224, 225, 226, and 232 of 2005.

Content of Economic Development Component

1. The legislation appropriates \$394.0 million in fiscal year (FY) 2005-06 for economic development projects. This appropriation is financed by securitizing \$400.0 million of future tobacco settlement payments.
2. The \$394.0 million FY 2005-06 appropriation will be distributed in the following manner:
 - a. \$26.0 million as a grant to the Forest Finance Authority.
 - b. \$10.0 million for grants and loans to establish a Defense Contract Coordination Center.
 - c. \$3.0 million as a grant to the Van Andel Institute to complete a good manufacturing facility and continue funding marketing initiatives of the core technology alliance.
 - d. \$6.0 million for an automotive technology business accelerator.
 - e. \$2.0 million to promote the filming of motion pictures in Michigan.
 - f. \$2.0 million for technology transfer programs at universities.
 - g. \$15.0 million for additional tourism advertising.
 - h. \$5.0 million for the agricultural development fund.
 - i. \$3.5 million for the implementation of a capital access program.
 - j. \$90.0 million for life science technology. This appropriation is \$40.0 million in FY 2005-06 and \$50.0 million in FY 2006-07.
 - k. Up to \$16.0 million to the Michigan Economic Development Corporation for the administrative cost of running the overall program.

approximately \$40.0 million per year for the next 20 years. This is a projected total cost of \$800.0 million. These debt service payments will be made out of future tobacco settlement revenue beginning in FY 2006-07.

2. The \$75.0 million per year for eight fiscal years beginning in FY 2007-08 for economic development projects is funded by earmarking a portion of tobacco settlement revenue. This is a total cost of \$600.0 million.
3. The total cost of the \$1.0 billion economic development proposal over the next 20 years will be \$800.0 million of debt service for the cost of securitization and \$600.0 million for the eight years of funding for economic development projects.
4. The State budget impact of the economic development component of the package is outlined in Table 1.

Table 1

Fiscal Impact of \$1 Billion Economic Development Component (millions of dollars)			
Fiscal Year	Securitization Debt Service	Tobacco Settlement Earmarking	Total Revenue Impact
2005-06	\$ 0.0	\$ 0.0	\$ 0.0
2006-07	40.0	0.0	40.0
2007-08	40.0	75.0	115.0
2008-09	40.0	75.0	115.0
2009-10	40.0	75.0	115.0
2010-11	40.0	75.0	115.0
2011-12	40.0	75.0	115.0
2012-13	40.0	75.0	115.0
2013-14	40.0	75.0	115.0
2014-15	40.0	75.0	115.0
2015-16	40.0	0.0	40.0
2016-17 through FY 2026-27	400.0	0.0	400.0
Total Tobacco Settlement Revenue Impact	\$800.0	\$600.0	\$1,400.0