

21st Century Trust Fund Background

- The 21st Century Trust Fund was created in 2005 to support a variety of economic development, community revitalization, entrepreneurial, and tourism promotion purposes under the authority of the MSF.
- Under current statute (MCL 12.257), the fund can receive revenue from any source, but it is comprised almost exclusively of general fund and tobacco settlement revenues.
- Each year, \$75 million in tobacco settlement revenues are deposited into the 21st Century Trust Fund to support eligible programs.
- These revenues will continue to be deposited annually through the end of FY2019 due to a sunset in the statute.

Tobacco Settlement Revenues – High Level Overview (Reference Only)

- The State received approximately \$280 million annually in tobacco settlement revenues.
- Those funds are currently dedicated in the following manner:
 - \$60-70 million in debt service annually for the securitization of tobacco settlement revenues in 2005 and 2007;
 - \$75 million in funding annually for the 21st Century Trust Fund;
 - \$17.5 million in funding annually for the Budget Stabilization Fund to repay funding used for the City of Detroit bankruptcy settlement;
 - \$72 million for Community District Education Trust Fund (Detroit Public Schools restructure);
 - The remaining funding reverts to the Merit Award Trust Fund, used to support Medicaid, aging programs, and various operational needs in general government.

21st Century Jobs Fund Program Applications

\$35,000,000 (FY19) Pure Michigan

In 2011, the Michigan House of Representatives on a bipartisan basis identified the 21st Century Jobs Fund (CJF) as the source to provide stable funding for Pure Michigan tourism marketing. HB 4160 (W. Schmidt), which passed the House 95 to 13, made the 21st CJF the funding source for the Pure Michigan campaign. Funding is used to provide this tourism marketing program the resources it needs to promote Michigan nationally and internationally and to partner with local communities and businesses to promote Michigan tourist destinations to regional, national and international markets.

\$23,600,000 (FY19) Business Development and Community Revitalization

In 2011, the Business Attraction and Community Revitalization cash incentive programs were adopted to replace the MEGA and Brownfield tax credits. Businesses and local communities have strongly supported moving from tax credits to these appropriations-based programs. Additionally, the Legislature has been able to determine how to budget for economic development instead of maintaining open-ended tax credits. SB 556 (Proos) eliminated the MEGA program and replaced it with the Business Development Program. SB 566 (Pappageorge), SB 567 (Kowall) and SB 568 (Hansen) created the Community Revitalization Program which replaced the Brownfield tax credit and Historic tax credit programs.

\$16,400,000 (FY19) Entrepreneurship Eco-System

In 2011, the Legislature approved a budget that moved the 21st CJF to an “entrepreneurship” model. This category of grants provides capital access for small businesses and entrepreneurial services for all Michigan businesses. Grants are made to various organizations including the Michigan Manufacturing Technology Centers (MMTC), Small Business Development Centers (SBDC) and Procurement Technical Assistance Centers (PTAC), and for various programs, such as the Capital Access Program (CAP), to assist businesses.

Impact without the extension:

- MEDC will lose out on a guaranteed revenue stream for the Pure Michigan Travel Campaign, as well as a significant portion of its Business Attraction and Community Revitalization appropriations.
- MEDC will have to compete with all other programs and departments to secure the \$75 million in funding. This will be exceptionally hard in 2020, when the State budget will face serious budget constraints.
- MEDC has already experienced significant cuts, and this would further negatively impact MEDC’s ability to move forward with strategic priorities such as increased support for Rural and Small Community projects, a site development program, early stage capital efforts, and the award-winning Pure Michigan tourism campaign.
- Long-term balance sheets have assumed a sunset of the 21st Century Trust Fund’s use of tobacco settlement revenues in FY2020, leading to an additional \$75 million being available for other purposes.

Please note that the source of funding for 21st CJF programs is 100% tobacco settlement dollars.