

MEMORANDUM



DATE: March 2, 2020
TO: House Appropriations Subcommittee on Agriculture and Rural Development
FROM: William E. Hamilton
RE: State Support for County Fairs

Premiums – Premiums represent cash prizes paid to persons winning or placing in certain designated competitions at qualified fairs and expositions. Contests include judged exhibitions of livestock, horses, companion animals, agricultural products, culinary arts, education projects, demonstrations of proficiency at agricultural skills, artwork, antiques, and tractor pulling.

Contestants were frequently members of farm youth groups. (You may recall the 1945 movie *State Fair* which tells the story of the Frake family at the Iowa State fair. Father Frake hopes to win a blue ribbon for his pig, Blue Boy. Mother Frake has entrees in the pickle and mincemeat contests.)

For a number of years, county and state fair premium programs were supported, in part, through state appropriations. And for a number of years, those appropriations were funded from horse racing wagering taxes. Public Act 199 of 1933, which authorized pari-mutuel horse racing in Michigan, and which established a horse racing license tax, also provided for the disposition of license tax revenue. The act directed license tax revenue for credit to a separate “state fair, county fair, 4-H clubs and agriculture fund” to be used for the benefit of the fund designees. In addition, the act made a separate \$20,000 annual earmark to be used each year “to enhance the interests of agriculture at the Upper Peninsula state fair.”

From 1933 through 1994 horse racing wagering tax revenue contributed in varying degrees to state the General Fund. However, revenue from the wagering tax was also largely earmarked – for horse racing purse supplements and breeders awards, for horse racing regulatory costs of the Office of Racing Commissioner, for cities and townships with racetracks, for the support of the Michigan Department of Agriculture, and for general agricultural programs, including premiums at county and state fairs.

The use of horse racing wagering tax revenue for the premium program was first specifically authorized through a 1972 amendment to the Horse Racing Law of 1959. The program was also one of the uses of Agriculture Equine Development Industry Fund (AEIDF) revenue authorized in Section 20 of the 1995 Horse Racing Law. The program was governed by state Administrative Rules (R285.811 et seq.) From FY 1995-96 through FY 2000-01, approximately \$1.6 million in AEIDF revenue was appropriated each year for the premium program. However, wagering on horse races, and related wagering tax revenue, began a steady decline starting in 1998. (Total wagering on horse racing declined from \$474.6 million in 1997 to \$103.3 million in 2016; wagering tax revenue fell from \$12.6 million to \$3.5 million over the same period.)

Starting in FY 2001-02 and through FY 2008-09, the premium program remained in the Agriculture budget, supported by revenue from the State Services Fee Fund – a fund that was established to support the state’s regulatory program related to the three Detroit casinos and which is funded from regulatory fees assessed on those casinos.

State appropriations for fair premiums were eliminated in the FY 2009-10 Agriculture budget.

Grants to County Fairs – In prior fiscal years, state appropriations provided funds for county fairs through the appropriation line item *County fairs, shows, and exhibitions grants*.

The line item was funded at \$649,300 (GF/GP) in FY 2017-18 and at \$1,325,000 (GF/GP) in FY 2018-19. The FY 2018-19 funding was included as both ongoing (\$400,000), and one-time (\$925,000).

Enrolled House Bill 4229, the bill making MDARD appropriations for FY 2019-20, included a \$1.0 million GF/GP appropriation for *County fairs, shows, and expositions*. However, the Governor vetoed the appropriation line item and the related boilerplate section. As a result, there is currently no direct state support for county fairs in the FY 2019-20 budget.

The Governor's proposed **FY 2020-21** MDARD budget does not include direct funding for county fairs.

The line item had supported a competitive grant program to promote and encourage investment in building and other capital improvements at county fairgrounds in Michigan. The line item had been governed by appropriation boilerplate.

The line item was used almost exclusively to provide matching funds for capital grants to county fairs – improvements to grandstands, sheds and barns, drives.