

LOCAL OIL AND GAS TRUST FUND INVESTMENT

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Senate Bill 658 as passed the Senate

Sponsor: Sen. Michelle McManus

House Committee: Intergovernmental, Urban, and Regional Affairs

Senate Committee: Local, Urban, and State Affairs

Complete to 4-22-08

A SUMMARY OF SENATE BILL 658 AS PASSED BY THE SENATE 10-30-07

The bill would amend Public Act 20 of 1943 to authorize the governing body of a public corporation to invest assets of an oil and gas trust fund in the same manner as an investment fiduciary can invest assets under the Public Employee Retirement System Investment Act.

Specifically, this applies to a public corporation that has a long-term or perpetual trust fund consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the public corporation. A governing body would provide its investment officer with this authority by adopting a resolution. The bill would apply despite any law or charter provision to the contrary.

[Under Public Act 20 of 1943, "Public corporation" means a county, city, village, township, port district, drainage district, special assessment district, or metropolitan district of this state, or a board, commission, or another authority or agency created by or under an act of the legislature.]

BACKGROUND INFORMATION:

Under the Public Employee Retirement System Investment Act, an investment fiduciary may invest, reinvest, hold in nominee form, and manage the assets of a public employee retirement system, subject to the terms, conditions, and limitations of the act. An investment fiduciary may invest in any of the following under certain conditions:

- Stock.
- Investment companies registered under the Federal Investment Company Act.
- Annuity investment contracts or participations in separate real estate, mortgage, bond, stock, or other special investment accounts of a life insurance company authorized to do business in the state.
- Obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, that are not in default as to principal or interest.
- Obligations secured by a security interest in real or personal property and a lease obligation given by a solvent entity whose obligations would be qualified investments under Public Act 20.

- Real estate or mortgages on real property leased or to be leased to the United States government, or to a state, territory, agency, authority, or public instrumentality of the United States.
- Publicly or privately issued real estate investment trusts or real or personal property.
- Loans secured by first liens upon improved or income bearing rental property, first mortgages or deeds of trust on leasehold estates, and first mortgages of real property.
- Foreign securities.

FISCAL IMPACT:

The bill appears to have no significant fiscal impact on state or local government.

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