

## CEMETERY PERPETUAL CARE FUND INVESTMENT

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**Senate Bill 303 (reported from House committee)**

**Sponsor: Sen. Marty Knollenberg**

**House Committee: Local Government**

**Senate Committee: Regulatory Reform**

**Complete to 12-14-15**

Analysis available at  
<http://www.legislature.mi.gov>

**BRIEF SUMMARY:** Senate Bill 303 would amend Public Act 215 of 1937, which allows municipalities to own and maintain cemeteries, by expanding how the funds apportioned to that maintenance may be held and invested.

**FISCAL IMPACT:** The bill is permissive; its impact would depend on decisions made by local units of government.

### ***THE APPARENT PROBLEM:***

Cemeteries gain their revenue by selling plots, and when those plots have all been sold, they will cease to receive new revenue. This bill anticipates a time when a municipal cemetery has sold all of its plots and has to maintain that cemetery indefinitely with only the money in its savings.

### ***THE CONTENT OF THE BILL:***

The bill would allow a municipality to invest the funds set aside for the perpetual care and maintenance of a municipally-owned cemetery in mutual funds consisting of fixed income securities, equity securities, or both, as long as the following requirements are met:

- No more than 60% of the fund may be invested in equity funds, and
- Each mutual fund must be rated in the top two of five or more tiers by Morningstar, Inc., or another nationally recognized mutual fund rating agency.

Allowing the municipality to invest this fund in mutual funds does not prohibit any other investments that are authorized by law.

This bill would take effect 90 days after it is enacted.

MCL 128.1

### ***HOUSE COMMITTEE ACTION:***

The House Committee reported out the Senate-passed bill without amendment

***ARGUMENTS:***

***For:***

Because mutual funds appreciate more over time, the bill would allow a municipality to see a greater return on its investments. This is vital, since the funds are intended for the perpetual care and maintenance of the cemetery, even when there is no longer money coming in from sales of plots. This bill matches the long-term cash needs for the perpetual care fund with long-term investment options.

***Response:***

No one spoke against this bill, and it was referred out of committee unanimously, but there were questions raised about whether mutual funds are too volatile for investment. Referencing the 50% plunge in the market in 2008, some raised concerns that a municipality's cemetery funds would be more susceptible to market downturns, leaving the municipality to cover any shortfall out of its general fund. In response, supporters stressed that small amounts would be required from the cemetery fund over a long period of time, so temporary downturns would more than be made up for by long term gains. They also reiterated that the bill requires that investments be made in highly rated mutual funds, thus ideally limiting volatility.

***POSITIONS:***

A representative of the city of Rochester Hills testified in support of this bill. (12-2-15)

The Michigan Municipal League supports this bill. (12-2-15)

The Michigan Cemetery Association supports this bill. (12-2-15)

The Michigan Township Association supports this bill. (12-2-15)

Legislative Analyst: Jennifer McInerney

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.