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## LOCAL GOVERNMENT DISCLOSURE

House Bill 5187  
Sponsor: Rep. Michael Hanley

House Bill 5188  
Sponsor: Rep. Greg Kaza

Committee: Urban Policy

Complete to 10-4-95

### A SUMMARY OF HOUSE BILLS 5187 AND 5188 AS INTRODUCED 10-3-95

House Bills 5187 and 5188 would amend the Uniform Budgeting and Accounting Act and create the Good Government Financial Report Disclosure Act, respectively, to require that local units of government disclose certain information in the financial reports that they must file annually with the state treasurer, including amounts invested in derivatives, which would be defined under the bills to mean a financial instrument whose value was derived from, or based on, an underlying security, asset, or index. Derivatives would include, but not be limited to, financial instruments known as collateralized mortgage obligations, certificates of accrual on treasuries, easy growth treasury receipts, call options, put options, futures, and inverse floaters. Under the bills, the Department of Treasury would be required to review this definition periodically, and report to the legislature on its recommendations for amendments, in response to changing conditions in the financial markets. House Bill 5188 is tie-barred to House Bill 5187, and also to three bills which have not yet been introduced.

House Bill 5188 would create the Good Government Financial Report Disclosure Act, which would specify that the financial report prepared, owned, used, in the possession of, or retained by a public body (the state and local units of government) must be made available to the public under the Freedom of Information Act (FOIA). Under the bill, a "financial report" would include a report showing the governmental unit's investments in each pension investment portfolio, and a report showing investments in derivatives in its nonpension investment portfolio.

House Bill 5187 (MCL 141.422b et al) would amend the Uniform Budgeting and Accounting Act to provide sanctions for a fiscal officer of a local unit of government who violated the reporting requirements of the act. The bill would specify that a violation of the reporting requirements of the act by fiscal officer of a local unit would be a misdemeanor, punishable by a fine of not more than \$500 or imprisonment for not more than 90 days, or both. If a fiscal officer violated the requirements, the local unit would be liable for a civil fine of \$10,000, and the amount of the fine would be set off against revenue sharing or other payments to be made by the state to the local unit.

House Bills 5187 and 5188 (10-4-95)

House Bill 5187 would also require that a fiscal officer include in the annual financial reports that are filed with the state treasurer the following information relating to the value, gain, loss, and return for each individual investment:

- Each individual investment in the pension investment portfolio.
- Each category of investments, including, but not limited to, short-term investments, government securities, mortgages, corporate bonds and preferred stock, convertible bonds, common stock, real estate, international investments, and derivatives.
- Cumulatively, the entire pension investment portfolio.