



**House
Legislative
Analysis
Section**

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**REPORTING OF NONPENSION
INVESTMENTS**

House Bill 5223

Sponsor: Rep. Roland Jersevic

Committee: Urban Policy

Complete to 2-19-96

A SUMMARY OF HOUSE BILL 5223 INTRODUCED 10-10-95

The Uniform Budgeting and Accounting Act establishes reporting requirements for local units of government. Among other provisions, the act requires that each local unit of government file an annual financial report with the state treasurer. House Bill 5223 would amend the act to require that each annual financial report be filed by the fiscal officer of a local unit; that it contain information on investments in derivatives in a local unit of government's nonpension investment portfolio; and that penalties be imposed on a fiscal officer and a local unit for violations of these provisions.

Derivatives. Under the bill, the fiscal officer of each local unit of government would be required to include in the unit's annual financial report the value, gain, loss, and return for each individual investment in derivatives in its nonpension investment portfolio, and, cumulatively, all investments in derivatives in its nonpension investment portfolio. "Derivative" would be defined 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. The Department of Treasury would have to review this definition periodically, and report to the legislature on recommendations for amendments to the definition in response to changing conditions in the financial markets.

Penalties. The bill would provide civil sanctions for violations of the annual financial reporting requirements of the act. Under the bill, a fiscal officer of a local unit who violated the annual financial reporting provisions required under the act would be guilty of a misdemeanor, punishable by a fine of not more than \$500, or imprisonment for up to 90 days, or both. In addition, a local unit would be liable for a civil fine of \$10,000 if a fiscal officer violated these provisions, and the amount would be set off against revenue sharing or other payments that the local unit might receive from the state.

MCL 141.422b et al.

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