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**SFA****BILL ANALYSIS**

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Senate Bill 664 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Senator Bill Bullard, Jr.

Committee: Finance

## **CONTENT**

The bill would rewrite Public Act 20 of 1943, which authorizes and regulates the investment of surplus funds by local units of government. Among other things, the bill would require the governing body of a local unit to adopt an "investment policy"; would prescribe the content of an investment policy; and would add certain investment options to those currently allowed in the Act.

Currently, under the Act, the legislative or governing body of a county, city, village, or township, an agency, board, or commission of one of those local units, or a special assessment district, may authorize its treasurer or other chief fiscal officer to invest surplus funds. The bill provides instead that, within 180 days after the bill's effective date, a governing body, by resolution, would have to adopt an investment policy. The investment policy would have to include, at a minimum, a statement of the purpose, scope, and objectives of the policy, including safety, diversification, liquidity, and return on investment; a delegation of authority to make investments; a list of authorized investment instruments; and a statement concerning safekeeping, custody, and prudence. A governing body that did not adopt an investment policy could invest funds of the public corporation only in bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

"Governing body" would mean the legislative body, council, commission, board, or other body having legislative powers of a public corporation. A county, city, village, township, port district, or metropolitan district, or another authority created by an act of the Legislature would be a "public corporation". "Funds" would mean the money of a public corporation, except those funds whose investment was otherwise subject to a State statute, bond authorizing ordinance, or resolution of the public corporation, that permitted investments in fewer than all of the investment options listed in the Act or that imposed conditions on those investments.

Before executing an order to purchase or trade the funds of a public corporation, a financial intermediary, broker, or dealer would have to be provided with a copy of the public corporation's investment policy, as well as acknowledge receipt of the policy and agree to comply with its terms regarding the buying or selling of securities. A public corporation would be subject to this requirement beginning on the date that its investment policy took effect or 180 days after the bill's effective date, whichever was earlier.

MCL 129.91 & 129.93

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

The bill would have no fiscal impact on State and no measurable fiscal impact on local governments.

Date Completed: 10-16-97

Fiscal Analyst: R. Ross

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