
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 797 (as passed by the Senate)
Sponsor: Senator Valde Garcia
Committee: Appropriations

CONTENT

The bill would amend the Michigan Veterans' Trust Fund Act to transfer the authority for investment of the Fund from the State Administrative Board to the State Treasurer; to allow a change in the investment of the Fund; and to require a report.

Currently, the investment of the Michigan Veterans' Trust Fund (MVTF) is directed by the State Administrative Board. Investments are limited to various government debt instruments. The bill would transfer the authority to invest the MVTF to the State Treasurer, would eliminate the limitations on investments, and would give the State Treasurer the authority to invest the MVTF in the same manner as the State Employees' Retirement Fund (SERF) is invested. (Up to 70% of the assets of the SERF may be invested in stocks within certain limitations.)

The bill would require the State Treasurer to report annually to the Appropriations Committees of the Legislature on the revenues and expenditures of the MVTF. The report would have to describe specifically describe the impact of the expanded investment options on the revenues and expenditures of the MVTF.

The bill is tie barred to Senate Joint Resolution T, which would amend the State Constitution to exempt certain funds from the prohibition on investment in stocks.

MCL 35.605

FISCAL IMPACT

If the MVTF were invested in the same manner as the SERF is invested, and if it is assumed that the earnings rate of the SERF is similar to the earnings rate of the last 15 years, then the MVTF would earn approximately 6.5% more per year than currently earned. In FY 2000-01, if the MVTF earned at the annual average rate of the SERF, then the earnings of the Fund would be approximately \$3.4 million greater than under current investment restrictions.

Date Completed: 11-2-01

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