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Senate Joint Resolution T (as reported without amendment)
Sponsor: Senator Mat J. Dunaskiss
Committee: Appropriations

CONTENT

The joint resolution proposes amendments to Article IX of the State Constitution to provide additional exceptions to the ban on State investment in stocks; to increase the cap on the Michigan Natural Resources Trust Fund; and to change the limit on appropriations from the Michigan State Parks Endowment Fund.

Currently, Article IX prohibits the State from subscribing to, or holding an interest in the stock of any company, association, or corporation except when allowed by law in the case of public employee retirement or pension benefit funds, and certain endowment funds created for charitable or educational purposes. The joint resolution would extend the exception to permanent funds or endowment funds, when permitted by law. The joint resolution further provides that the Michigan Natural Resources Trust Fund (MNRTF), the Michigan State Parks Endowment Fund (MSPEF), and the Michigan Veterans' Trust Fund (MVTF) would have to be invested as provided by law.

Under Article IX, when the accumulated principal of the MNRTF reaches \$400 million, all revenue from rentals, bonuses, and royalties from oil and gas leases on State-owned land, must be diverted to the MSPEF. The joint resolution would increase that level to \$500 million. Article IX also provides that, until the accumulated principal of the MNRTF reaches the designated level, \$10 million or 50% of the total revenues from rentals, royalties, and bonuses, whichever is less, must be deposited to the MSPEF. Until the accumulated principal of the MNRTF reaches \$200 million, up to one third of the revenue from rentals, bonuses, and royalties, in addition to the interest and earnings of the MNRTF, is available for expenditure each year. The joint resolution would increase that figure to \$500 million, thus allowing the annual expenditure of one third of the revenue from rentals, bonuses, and royalties, plus interest and earnings, until the principal reached \$500 million.

The joint resolution also would increase the amount the Legislature is permitted to appropriate from the MSPEF from \$5 million, annually adjusted for inflation, to the greater of \$6 million, annually adjusted for inflation, or 10% of the accumulated principal.

The joint resolution would have to be submitted to the voters at the next general election, if two-thirds of the members elected and serving in each house of the Legislature approved the resolution.

FISCAL IMPACT

The fiscal impact of the proposed constitutional changes would depend to some extent on legislation that would be adopted to change the current investment strategies of the MNRTF, the MSPEF, and the MVTF. Proposed legislation would allow the State Treasurer to invest these Funds in the same manner as the State Employees' Retirement Fund (SERF) is invested.

If it is assumed that this legislation is enacted, that the Funds are invested in the same manner as the SERF, and that the earnings rate of the SERF is similar to the earnings rate of the last 15 years, then the Funds would earn approximately 6.5% more per year than they currently earn.

The joint resolution also would affect the allowable level of spending from the MNRTF and the MSPEF. If the accumulated balance of the MNRTF exceeded \$200 million in FY 1999-2000, spending would have been limited to the interest and earnings of the Fund, approximately \$14 million. If the level of the accumulated principal below which one third of the revenue to the Fund might be spent had been increased to \$500 million, allowable spending in FY 1999-2000 would have been approximately \$27 million.

Under the joint resolution, the level of allowable spending from the MSPEF would be increased as well. In FY 1999-2000, allowable spending would have been up to approximately \$9 million, compared with approximately \$6 million as currently allowed.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.