



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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Senate Bill 659 (as enacted)  
Sponsor: Senator Peter MacGregor  
Senate Committee: Families, Seniors and Human Services  
House Committee: Financial Services

**PUBLIC ACT 139 of 2016**

Date Completed: 3-2-17

**RATIONALE**

The Fostering Futures Scholarship Trust Fund Act creates the Fostering Futures Scholarship Trust Fund. Fostering Futures Scholarships provide eligible foster care students with funds for tuition, fees, room and board, books, and supplies or equipment for enrollment at an institution of higher education. The Act requires the State Treasurer to direct the investment of the Fund, but did not indicate how the money was to be invested. Apparently, this lack of specification limited the Treasurer's investment opportunities. Some suggested expanding the investment options by allowing the same as those permitted under the Public Employee Retirement System Investment Act.

**CONTENT**

**The bill amended the Fostering Futures Scholarship Trust Fund Act to give the State Treasurer the same authority to invest the assets of the Trust Fund as is granted to an investment fiduciary under the Public Employee Retirement System Investment Act, while requiring the State Treasurer to comply with the Divestment From Terror Act when making those investments.**

The Fostering Futures Scholarship Trust Fund Act creates the Fostering Futures Scholarship Trust Fund as a charitable and educational endowment fund in the Department of Treasury. The Department is the administrator of the Trust Fund for auditing purposes and all powers, purposes, and duties of the Fund must be exercised by the Department.

The State Treasurer has the authority to direct the investment of the Trust Fund. The bill specifies that the State Treasurer has the same authority to invest the assets of the Trust Fund as granted to an investment fiduciary under the Public Employee Retirement System Investment Act. In making investments of the Trust Fund, the State Treasurer must comply with the Divestment From Terror Act.

The bill took effect on August 24, 2016.

(The Public Employee Retirement System Investment Act codifies the investment authority of State and local public employee retirement systems, and defines and limits the amount and type of investments that may be made by those acting as an investment fiduciary on behalf of a retirement system.)

The Divestment From Terror Act prohibits the investment of State money or other assets in companies with certain types of business operations in countries designated as state sponsors of terror and requires the divestment of public funds from such companies.)

MCL 722.1023

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

According to the Department of Treasury, the Fostering Futures Scholarship Trust Fund Act was interpreted as allowing the State Treasurer to invest only under the Surplus Funds Investment Pool Act, due to the lack of specificity regarding investment authority. That statute allows investments under Public Act 20 of 1943, which provides for the investment of surplus funds of political subdivisions. Those investment opportunities are low risk but low return. The bill expands the State Treasurer's ability to invest money in the Fostering Futures Scholarship Trust Fund, by allowing investments under the Public Employee Retirement System Investment Act. This gives the Treasurer more flexibility to maximize investment returns, thereby increasing revenue for scholarships to eligible foster care students. This amendment is nearly identical to language in the Children's Trust Fund Act.

Legislative Analyst: Drew Krogulecki

## **FISCAL IMPACT**

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: Cory Savino

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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.