



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 659 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Peter MacGregor
Committee: Families, Seniors and Human Services

Date Completed: 3-14-16

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 does not indicate how the money is to be invested. Apparently, this lack of specification limits the Treasurer's investment opportunities. Some have suggested expanding the investment options by allowing the same as those permitted under the Public Employee Retirement System Investment Act.

CONTENT

The bill would amend 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 of Treasury 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 would have 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 would have to comply with the Divestment From Terror Act.

The bill would take effect 90 days after its enactment.

(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 is 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 would expand 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 would give the Treasurer more flexibility to maximize investment returns, thereby increasing revenue for scholarships to eligible foster care students. The proposed amendment is nearly identical to existing language in the Children's Trust Fund Act.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would 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.