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LOCAL GOVERNMENT DISCLOSURE

House Bill 5611 (Substitute H-1)
Sponsor: Rep. Alvin Kukuk
Committee: Urban Policy

Complete to 3-15-96

A SUMMARY OF HOUSE BILL 5611 AS INTRODUCED 2-20-95

Currently, under the Uniform System of Accounting Act (MCL 21.44 et. al.), each department, institution, and office of state government, and each county office, must file an annual financial report with the auditor general for the fiscal year ending June 30th. House Bill 5611 would amend the act to exclude county offices from the reporting requirements; delete provisions concerning charges collected against counties for the services of examiners; and require the reporting of information concerning the nature and amount of state governments' investments in derivative instruments or products. The bill would describe a derivative instrument or product as either: a) a contract or convertible security that changes value in concert with a related or underlying security, future, or other instrument or index, or obtains much of its value through price movements in a related or underlying security, future, or other instrument or index, or both; or b) a contract or security, such as an option, forward, swap, warrant, or a debt instrument with one or more options, forwards, swaps, or warrants embedded in it or attached to it, whose value is determined in whole or in part by the price of one or more underlying instruments or markets.

Reporting Requirements. In addition to the information currently required in year end fiscal reports, the bill would specify that the following information would also have to be included: the cost and fiscal year end market value of derivative instruments or products, itemized by issuer and type, in the department's, institution's, or office's nonpension investment portfolio at fiscal year end. The information required under the bill would have to be reported on both an itemized and aggregate basis.

(Note: House Bill 5611 is part of a package of bills that would require the reporting of information concerning the nature and amount of governmental units' investments in derivative instruments or products, and which includes House Bill 5256. House Bill 5256 and House Bill 5611 are similar, in that House Bill 5256 would also amend the Uniform System of Accounting Act to remove the requirement for county offices to make annual financial reports to the auditor general. However, House Bill 5256 would require additional information in the year end fiscal reports for each state pension system, and would permit the auditor general's office to charge for the expenses incurred when it assumed a state governmental entity's role in completing an investment report.)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.