

HOUSE BILL No. 5168

November 10, 2011, Introduced by Reps. Barnett, Meadows, Jackson, Brown, Segal, Liss, Hovey-Wright, Slavens, Lindberg, Townsend, Cavanagh, Switalski, Irwin and Howze and referred to the Committee on Banking and Financial Services.

A bill to authorize the investment of certain endowment funds and other state funds; to authorize certain investments and programs; and to prescribe the powers and duties of certain state officials.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "endowment funds investment act".

3 Sec. 2. As used in this act:

4 (a) "Endowment funds" means 1 or more of the following funds:

5 (i) The Michigan natural resources trust fund established in
6 section 35 of article IX of the state constitution of 1963.

7 (ii) The Michigan state parks endowment fund established in
8 section 35a of article IX of the state constitution of 1963.

1 (iii) The Michigan game and fish protection trust fund
2 established in section 41 of article IX of the state constitution
3 of 1963.

4 (b) "Financial institution" means a state or nationally
5 chartered bank, a state or federally chartered savings and loan
6 association, savings bank, or credit union, or an entity of the
7 federally chartered farm credit system.

8 (c) "Investment agreement" means an investment agreement
9 described in section 5.

10 (d) "Qualified financial institution" means a financial
11 institution that agrees to make qualified loans and enter into an
12 investment agreement under this act.

13 (e) "Qualified investment" means the purchase of stock in a
14 qualified financial institution.

15 (f) "Qualified loans" means loans made by a financial
16 institution to qualified small businesses.

17 (g) "Qualified small business" means a business located in
18 this state that is all the following:

19 (i) A stage 2 business.

20 (ii) Has recently been denied a loan from a financial
21 institution, as determined by the state treasurer.

22 (iii) Has received or is in the process of obtaining assistance
23 from the Michigan small business and technology development center.

24 (h) "Stage 2 business" means a business that meets all of the
25 following:

26 (i) Has more than 7 and fewer than 50 full-time employees, as
27 determined by the state treasurer.

1 (ii) Has more than \$1,000,000.00 and less than \$50,000,000.00
2 in annual sales.

3 Sec. 3. (1) The state treasurer shall direct the investment of
4 endowment funds. In addition to the investment authority described
5 in subsection (2), the state treasurer shall have the same
6 authority to invest assets of endowment funds as is granted to an
7 investment fiduciary under the public employee retirement system
8 investment act, 1965 PA 314, MCL 38.1132 to 38.1140m.

9 (2) The state treasurer may invest up to 3.5% of the assets of
10 an endowment fund in qualified investments.

11 Sec. 5. (1) The state treasurer shall endeavor to make
12 qualified investments under this act in qualified financial
13 institutions so that qualified loans to qualified small businesses
14 will be conveniently available in all geographic regions in this
15 state. The state treasurer may enter into an investment agreement
16 with a qualified financial institution to provide for the
17 investment under this subsection. The investment agreement shall
18 contain all of the following:

19 (a) The term of the qualified investment which shall be not
20 more than 15 years.

21 (b) A requirement that the qualified financial institution
22 shall provide good and ample security as the state treasurer
23 requires and shall identify the qualified loans to qualified small
24 businesses and the terms and conditions of those loans that are
25 made after the date of the qualified investment that are
26 attributable to that qualified investment together with other
27 information required by the state treasurer.

1 (c) A requirement that a qualified loan to a qualified small
2 business made by the qualified financial institution that is
3 attributable to the qualified investment shall be issued at a rate
4 or rates of interest that are established in the investment
5 agreement.

6 (d) A requirement that a qualified loan to a qualified small
7 business made by the qualified financial institution that is
8 attributable to the qualified investment shall be issued for a loan
9 repayment period of not more than 7 years.

10 (e) A requirement that the amount of qualified loans issued to
11 qualified small businesses made by a qualified financial
12 institution shall total not less than 8 times the state's
13 investment in that qualified financial institution.

14 (f) Other terms as prescribed by the state treasurer.

15 (2) A qualified investment made under this act is found and
16 declared to be for a valid public purpose.

17 (3) The attorney general shall approve documentation for a
18 qualified investment under this section as to legal form.

19 (4) The aggregate amount of qualified investments made under
20 this section shall not exceed 5% of the investable assets of the
21 endowment fund.

22 (5) Annually, each qualified financial institution in which
23 the state treasurer has made a qualified investment under this act
24 shall file an affidavit, signed by a senior executive officer of
25 the qualified financial institution, stating that the qualified
26 financial institution is in compliance with the terms of the
27 investment agreement.

1 (6) The state treasurer shall annually prepare and submit a
2 report to the legislature regarding the disposition of funds
3 invested for purposes of facilitating qualified loans to qualified
4 small businesses under this act. The report shall include all of
5 the following information:

6 (a) The total number of qualified small businesses that have
7 received a qualified loan under this act.

8 (b) By county, the total number and amounts of qualified loans
9 to qualified small businesses that were issued.

10 (c) The name of each qualified financial institution and the
11 amount invested in each qualified financial institution under this
12 act.