

Legislative Analysis



INVESTMENTS IN DEPOSIT ACCOUNTS

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House Bill 5287

Sponsor: Rep. Ed McBroom

House Bill 5288

Sponsor: Rep. Jimmy Womack

House Bill 5289

Sponsor: Rep. Mark Ouimet

Committee: Banking and Financial Services

Complete to 2-7-12

A SUMMARY OF HOUSE BILLS 5287-5289 AS INTRODUCED 1-26-12

House Bills 5287-5289 would allow school districts, intermediate school districts, community colleges, and local government entities to invest funds in deposit accounts, in addition to the investment options currently available in statute. Investments could be made in deposit accounts that met all of the following conditions:

- The funds are initially deposited in a financial institution that was not ineligible to be a depository of surplus funds belonging to the state under Section 6 of Public Act 105 of 1855.
- The financial institution arranges for the deposit of the funds in deposit accounts in one or more insured depository institutions or one or more insured credit unions.
- The full amount of the principal and any accrued interest of each deposit account are insured by an agency of the United States.
- The financial institution acts as custodian for the school district, community college district, or local unit with respect to each deposit account.
- On the same date that the funds of the public entity are deposited, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially deposited by the public entity through the financial institution.

These conditions are similar to those in statute that apply when these public bodies invest in certificates of deposit. The CD provisions were added in 2008 (by Public Acts 307 and 308) and 2009 (Public Act 179).

Current law permits funds to be invested in U.S. bonds and securities, certificates of deposits, commercial paper, bankers acceptances, and certain mutual funds, among other things.

House Bill 5287 would amend the Revised School Code (MCL 380.622 and 380.1223) to apply to intermediate school districts and school districts. The bill also adds language to a section dealing with intermediate school districts that already applies to local school districts allowing security in the form of collateral, surety bonds, or in another form to be taken for deposits or investments in a financial institution.

House Bill 5288 would amend the Community College Act (MCL 389.142) to apply to community college districts.

House Bill 5289 would amend Public Act 20 of 1943 (MCL 129.91), which pertains to the investment of surplus funds of public corporations, defined as counties, cities, villages, townships, port districts, drainage districts, special assessment districts, and metropolitan districts. This act already allows investments of public corporations in deposit accounts, but specifically says a public corporation cannot deposit or invest funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the U.S. This language would be struck and the new provision would apply instead.

FISCAL IMPACT:

The bills would have no immediate fiscal impact on the affected schools and public corporations. To the extent that the provisions of the bills increase the insurance on deposited surplus funds of a public corporation, they would have a positive, but indeterminable, fiscal impact. The bills would increase investment flexibility and could reduce the administrative costs of splitting deposit accounts among multiple institutions.

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