



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bills 5287, 5288, and 5289 (as passed by the House)

Sponsor: Representative Ed McBroom (H.B. 5287)  
Representative Jimmy Womack (H.B. 5288)  
Representative Mark Ouimet (H.B. 5289)

House Committee: Banking and Financial Services  
Senate Committee: Banking and Financing Institutions

Date Completed: 5-3-12

### **CONTENT**

The bills would amend several statutes to allow school districts, intermediate school districts (ISDs), community colleges, and public corporations to invest their funds in deposit accounts if all of the following conditions were met:

- The funds would have to be initially deposited in a financial institution that is not ineligible to be a depository of surplus State funds under Section 6 of Public Act 105 of 1855 (described below).
- The financial institution would have to arrange for the deposit of the funds in deposit accounts in one or more insured depository institutions or insured credit unions, as defined in 12 USC 1813 or 12 USC 1752, respectively, for the account of the school district, ISD, community college, or public corporation.
- The full amount of the principal and any accrued interest of each deposit account would have to be insured by an agency of the United States.
- The financial institution would have to act as custodian for the school district, ISD, community college, or public corporation, with respect to each deposit account.
- On the same date that funds of the school district, ISD, community college, or public corporation were deposited, the financial institution would have to receive an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of funds initially deposited by the school district, ISD, community college, or public corporation.

(Public Act 105 of 1855 governs the disposition of surplus funds in the State Treasury. Section 6 pertains to a financial institution that engaged in an illegal discriminatory lending practice related to a mortgage loan or home improvement loan application.)

Under 12 USC 1813, "insured depository institution" means any bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation. An "insured credit union" under 12 USC 1752 is a credit union whose member accounts are insured by the National Credit Union Administration.)

House Bill 5287 would amend the Revised School Code, which allows the treasurer of an ISD or school district, if authorized by its board, to invest general funds, building and site funds, and debt retirement funds. An ISD treasurer also may invest special education funds, area vocational-technical education funds, and cooperative education funds.

House Bill 5288 would amend the Community College Act, which allows the treasurer of a community college district, if authorized by the board of trustees, to invest debt retirement funds, building and site funds, building and site sinking funds, and general funds.

House Bill 5289 would amend Public Act 20 of 1943, which allows the governing body a public corporation to authorize its investment officer to invest funds of the public corporation. (The Act defines "public corporation" as a county, city, village, township, port district, drainage district, special assessment district, or metropolitan district of this State, or a board, commission, or other authority or agency created by or under an act of the State Legislature.)

Each of the statutes allows investments in specified types of financial instruments (including certificates of deposit of financial institutions), obligations, mutual funds, and investment pools. The investments allowed for community colleges and public corporations also include saving accounts and other deposit accounts of financial institutions.

MCL 380.622 & 380.1223 (H.B. 5287)  
389.142 (H.B. 5288)  
129.91 (H.B. 5289)

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bills would have an indeterminate, and likely minimal, impact on school districts, ISDs, community college districts, and public corporations. The bills would expand the number and types of financial institutions in which such an entity may invest its funds. Any impact would depend on the relative costs and returns associated with institutions selected as a result of the bills compared to those that would be selected absent the bills.

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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.