

Legislative Analysis



CDARS INVESTMENTS: INCLUDE CREDIT UNIONS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 4397 and 4398

Sponsor: Rep. Jeff Mayes

Committee: Banking and Financial Services

Complete to 3-10-09

A SUMMARY OF HOUSE BILLS 4397 AND 4398 AS INTRODUCED 2-24-09

Public Acts 307 and 308 of 2008 allowed school districts, intermediate school districts, and public corporations to invest funds in certificates of deposit with financial institutions that participate in programs such as the Certificate of Deposit Account Registry Service program, also known as CDARS.

The term "public corporation" means a county, city, village, township, port district, drainage district, special assessment district, or metropolitan district, or a board, commission, or another statutorily-created authority or agency.

House Bills 4397 and 4398 would allow these entities to also invest in certificates of deposit issued by insured credit unions. [Credit unions are insured through the National Credit Union Share Insurance Fund (NCUSIF), a federal agency similar to the Federal Deposit Insurance Corporation (FDIC), which protects banks.]

House Bill 4397 would amend the Revised School Code (MCL 380.622 and 380.1223) to apply to school districts and intermediate school districts.

House Bill 4398 would amend Public Act 20 of 1943 (MCL 129.91) to address public corporations.

Public Act 307 of 2008 was House Bill 6297 of last session. Public Act 308 was Senate Bill 1517.

FISCAL IMPACT:

The bills would have no fiscal impact on state revenue or expenditures. Additionally, the bills would have no immediate fiscal impact on school districts and other local units of government, as credit unions currently are not participating members of the Certificate of Deposit Account Registry Service (CDARS) program sponsored by the Promontory Interfinancial Network. The CDARS program sponsored by Promontory is, apparently, the only such program currently operating, and membership is currently limited to FDIC-insured financial institutions (banks).

However, to the extent that, in the future, CDARS is expanded to include credit unions or a similar program involving credit unions is established, the bills could have a positive fiscal impact on school districts and other local units of government. Allowing school

districts and other local governments to invest in a CDARS-like program involving credit unions (separately from, or together with, other federally-insured financial institutions) would increase their investment flexibility and avoid the potential administrative costs of having to independently split investments among multiple institutions, while still insuring their investment through the NCUA.

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Mary Ann Cleary
Bethany Wicksall
Mark Wolf

■ 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.