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BILL ANALYSIS

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House Bill 4397 (Substitute S-1 as reported)
Sponsor: Representative Jeff Mayes
House Committee: Banking and Financial Services
Senate Committee: Banking and Financial Institutions

CONTENT

The bill would amend the Revised School Code to allow the treasurer of a school district or intermediate school district (ISD) to invest funds in certificates of deposit in one or more insured credit unions.

Under the Code, the treasurer of a school district or ISD, if authorized by its board, may invest certain funds of the district. Investments are restricted to particular instruments, including certificates of deposit (CDs). Investment of the funds in CDs must be made in accordance with specified conditions, including the following:

- The financial institution arranges for the investment of the funds in CDs in one or more insured depository institutions for the account of the ISD or school district, as applicable.
- The financial institution acts as custodian for the ISD or school district with respect to each CD.
- At the same time that the funds are deposited and the CD or CDs are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions equal to or greater than the amount of the funds initially invested by the ISD or school district through the financial institution.

Under the bill, a financial institution would have to arrange for the investment of the funds in CDs in one or more insured depository institutions or one or more insured credit unions for the account of the ISD or school district. At the time the funds were deposited and the CD or CDs were issued, the financial institution would have to receive an amount of deposits from customers of other insured financial institutions or insured credit unions equal to or greater than the amount initially invested by the ISD or school district through the financial institution.

The bill is tie-barred to Senate Bill 195, which would amend Public Act 20 of 1943 to allow the investment officer of a public corporation to invest funds in CDs in insured credit unions.

MCL 380.622 & 380.1223

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would have no effect on State revenue or expenditures. The bill would affect the net revenue of school districts and intermediate school districts by an unknown amount depending on how the bill influenced the rate of return on districts' investments. Presumably, use of the additional instruments would produce higher rates of return at a potentially lower cost and thus increase net revenue to the districts from such investments.

Date Completed: 4-1-09

Fiscal Analyst: Kathryn Summers-Coty