

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4384 (as passed by the House)
Sponsor: Representative Wayne Kuipers
House Committee: Education
Senate Committee: Education

Date Completed: 4-23-01

CONTENT

The bill would amend the Revised School Code to permit an intermediate school district (ISD) to invest funds of the district in mutual funds composed entirely of investment vehicles that are legal for direct investment by ISDs.

Under the Code, the treasurer of an ISD, if authorized by resolution of the intermediate school board, may invest general operating funds, special education funds, area vocational-technical education funds, building and site funds, cooperative education funds, and debt retirement funds of the district. Additional funds of the ISD may not be deposited or invested in a financial institution that is not eligible to be a depository of surplus funds of the State. These investments also are restricted to the specific investment vehicles identified in the Code (e.g., bonds, bills, or notes of the United States, obligations of this State, certificates of deposit issued by financial institutions, and securities issued by agencies of the U.S. government). The bill would add mutual funds, as described above, to these investment vehicles.

In addition, the Code requires an intermediate school board to keep a set of coded accounts to be approved by the State Board of Education. The bill would refer to the Superintendent of Public Instruction, instead of the State Board.

MCL 380.622

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State government.

There would be an indeterminable impact on the revenues of an ISD. Depending on the outcome of the stock market, ISDs choosing to invest in mutual funds could experience substantial earnings or losses. Investing in mutual funds would, however, create the potential for greater earnings than simply placing the funds in regular passbook saving accounts, as is currently done.

Fiscal Analyst: J. Carrasco

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