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BILL ANALYSIS

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Senate Bill 853 (as introduced 11-1-05)
Sponsor: Senator Wayne Kuipers
Committee: Education

Date Completed: 11-9-05

CONTENT

The bill would amend the Revised School Code to allow an intermediate school board or the board of a school district to deposit or invest a maximum of \$100,000 of certain school funds in a financial institution located outside of Michigan.

Specifically, the bill provides that if a financial institution did not maintain a principal office or branch office located in this State, an intermediate school board or the board of a school district could not deposit funds or make an investment in excess of \$100,000 with the financial institution.

The Code authorizes the treasurer of an intermediate school district to invest general operating funds and other specified funds of the district in certain restricted investment vehicles, including certificates of deposit issued by a financial institution.

The Code also provides that the treasurer of the board of a school district, if authorized by resolution of the board, may invest debt retirement funds, building and site funds, or general funds of the district in certain restricted investment vehicles, including certificates of deposit.

Under the bill, those provisions would be subject to the \$100,000 limit on investments in the financial institution that did not maintain a principal or a branch office in Michigan.

The Code requires the treasurer of a school district to deposit an obligation with the financial institution holding the money of the fund from which the obligation was purchased. Under the bill, that requirement would be subject to the restriction specified above.

The Code defines "financial institution" as a State- or nationally-chartered bank or savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office in this State under the laws of this State or the United States. The bill would remove the requirement for a financial institution to maintain a principal office or branch office in this State.

MCL 380.622 & 380.1223

Legislative Analyst: Curtis Walker

FISCAL IMPACT

Currently, districts are allowed to deposit funds only with institutions that have a principal office or branch within the State. The proposed change would allow school districts to

deposit a maximum of \$100,000 with an institution that does not have a principal office or branch within the State. This could enable districts to take advantage of possible higher returns offered by out-of-State institutions.

Fiscal Analyst: Joe Carrasco

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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.