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Senate Bill 1517 (Substitute S-3 as reported)  
House Bill 6297 (Substitute S-1 as reported)  
Sponsor: Senator Tony Stamas (S.B. 1517)  
Representative Ed Clemente (H.B. 6297)  
Senate Committee: Banking and Financial Institutions  
House Committee: Banking and Financial Services

## **CONTENT**

Senate Bill 1517 (S-3) would amend Public Act 20 of 1943, which regulates the investment of funds of public corporations, to allow the governing body of a public corporation, by resolution, to authorize its investment officer to invest the funds of the public corporation in certificates of deposit (CDs) in insured depository institutions in accordance with all of the conditions described below. House Bill 6297 (S-1) would amend the Revised School Code to allow the treasurer of a school district or intermediate school district (ISD), if authorized by the school board or intermediate school board, to invest funds in CDs in insured depository institutions in accordance with specified conditions. The bills are tie-barred to each other.

The conditions that would have to be met are as follows:

- The funds were initially invested through a financial institution that was not ineligible to be a depository of surplus funds belonging to this State under Public Act 105 of 1855.
- The financial institution arranged for the investment of the funds in CDs in one or more insured depository institutions as defined in Section 1813 of the Federal Deposit Insurance Act, 12 USC 1813, for the account of the public corporation or district.
- The full amount of the principal and any accrued interest of each CD was insured by an agency of the United States.
- The financial institution acted as custodian for the public corporation, school district, or ISD, as applicable, with respect to each CD.
- At the same time that the funds were deposited and the CD or CDs were issued, the financial institution received 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 public corporation or district through the financial institution.

(Under 12 USC 1813, "insured depository institution" means any bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation.)

MCL 129.91 (S.B. 1517)  
380.622 & 380.1223 (H.B. 6297)

Legislative Analyst: Craig Laurie

## **FISCAL IMPACT**

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

Date Completed: 10-1-08  
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Fiscal Analyst: David Zin

Analysis available @ <http://www.michiganlegislature.org>

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.