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BILL ANALYSIS

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Senate Bill 195 (as reported without amendment)
Sponsor: Senator Tony Stamas
Committee: Banking and Financial Institutions

CONTENT

The bill would amend Public Act 20 of 1943, which regulates the investment of funds of public corporations, to allow the investment officer of a public corporation to invest funds in certificates of deposit in one or more insured credit unions.

Under the Act, the governing body of a public corporation may authorize its investment officer to invest the funds of that public corporation in particular types of instruments, including certificates of deposit (CDs). Funds invested in CDs must be invested 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 public corporation.
-- The financial institution acts as custodian for the public corporation 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 public corporation through the financial institution.

Under the bill, the 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 (credit unions whose member accounts are insured by the National Credit Union Administration), for the account of the public corporation. At the time the public corporation's 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 credit unions equal to or greater than the amount initially invested by the public corporation through the financial institution.

MCL 129.91 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 public corporations by an unknown amount depending on how the bill influenced the rate of return on investments of public corporations. 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 corporation from such investments.

Date Completed: 2-12-09 Fiscal Analyst: David Zin