

## INVESTMENT OF SCHOOL FUNDS

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5036 as introduced**  
**Sponsor: Rep. Michael D. McCready**  
**Committee: Education**  
**Complete to 1-27-16**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5036 would amend two sections of the Revised School Code to remove a requirement that intermediate school districts and school districts invest funds in Michigan financial institutions.

Specifically, the current language states that, as used in Sections 622 and 1223,

*"Financial institution" means a state or nationally chartered bank or a state or federally chartered 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 located in this state under the laws of this state or the United States.*

House Bill 5036 would retain the requirements that "financial institution" apply to a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government. However, it would remove the requirement that the institution maintain a principal office or branch office in the state.<sup>1</sup>

Section 622 of the Revised School Code lays out other requirements for investing the funds of an **intermediate school district**, and Section 1223 lays out requirements for investing the funds of a **school district**.

Both list the types of funds which may be invested, which include general operating funds, building and site funds, cooperative education funds, special education funds, area vocational-technical education funds, and debt retirement funds and, for school districts, building and site sinking funds.

They also specify the instruments which may be used for investment, which are restricted to a finite list including bonds, certificates of deposit, and mutual funds, among others.

### FISCAL IMPACT:

House Bill 5036 would have no fiscal impact on the State and an indeterminate fiscal impact on school districts and intermediate school districts. By allowing school districts

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<sup>1</sup>There are 142 banks with a principal office or a branch office in Michigan.  
<http://www.usbanklocations.com/michigan-bank-list.htm>

and intermediate school districts to invest funds in financial institutions that do not have principal or branch offices in the State of Michigan, the bill could reduce district costs and/or increase district revenues by expanding the market for banking services and allowing the potential to access reduced banking fees and/or higher interest rates on investments.

Legislative Analyst: Jennifer McInerney  
Fiscal Analyst: Bethany Wicksall  
Samuel Christensen

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.