

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

SFA



BILL ANALYSIS

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

House Bills 4587 through 4605 (Substitutes H-1 as passed by the House)
House Bill 4610 (Substitute H-3 as passed by the House)

Sponsor: Representative George Mans (House Bills 4587 & 4588)
Representative Gloria Schermesser (House Bills 4589 & 4590)
Representative Samuel Thomas III (House Bills 4591 & 4592)
Representative William Callahan (House Bills 4593 & 4594)
Representative Ilona Varga (House Bills 4595 & 4596)
Representative David Jaye (House Bill 4597)
Representative Alvin Kukuk (House Bill 4598)
Representative John Gernaat (House Bills 4599 & 4605)
Representative Andrew Richner (House Bills 4600)
Representative Timothy Walberg (House Bill 4601)
Representative Kim Rhead (House Bill 4602)
Representative Greg Kaza (House Bill 4603)
Representative Michael Griffin (House Bill 4604)
Representative Michael Nye (House Bill 4610)

House Committee: Commerce
Senate Committee: Financial Services

Date Completed: 5-21-97

CONTENT

The bills would amend various acts to provide for the deposit of public funds in any of various types of financial institutions, rather than specific types of financial institutions; allow financial institutions to pledge assets as security for the deposit of funds of political subdivisions of the State; specify the types of assets that financial institutions could pledge as security; and provide for certain out-of-state financial institutions to organize a branch in Michigan. In addition, House Bill 4610 (H-3) would allow certain public bodies to deposit public funds in a financial institution that did not have a principal office or branch office in Michigan, under certain circumstances.

House Bills 4587 (H-1)-4602 (H-1)

House Bills 4587 (H-1) through 4602 (H-1) would amend various acts to require that money collected under those acts be deposited in a "financial institution" and provide a consistent definition of that term. (Currently, the acts provide for the deposit of funds in various types of financial or depository institutions or have different definitions of "financial institution".) Under all the bills, "financial institution" would mean a state- or nationally chartered bank or a state- or Federally chartered savings and loan association, savings bank, or credit union whose deposits were insured by an agency of the United States government and that maintained a principal office or branch office in this State under Michigan or U.S. laws.

In addition, some of the bills specify assets that would be acceptable for pledging to secure deposits of public funds. Those would include assets considered acceptable to the State Treasurer, under Public Act 105 of 1855, to secure deposits of State surplus funds; securities issued by the Federal

Home Loan Mortgage Corporation; securities issued by the Federal National Mortgage Association; securities issued by the Government National Mortgage Association; and other securities considered acceptable to the depositing entity and the financial institution. These bills include House Bills 4589 (H-1), 4590 (H-1), 4591 (H-1), 4595 (H-1) to 4600 (H-1), and 4602 (H-1).

House Bill 4587 (H-1) would amend the Statutory Joint Account Act. House Bill 4588 (H-1) would amend Public Act 114 of 1965, which created the Bean Commission. House Bill 4589 (H-1) would amend Public Act 59 of 1915, which provides for the levying and collecting of taxes and special assessments for the construction, improvement, and maintenance of highways.

House Bill 4590 (H-1) would amend Public Act 381 of 1925, which authorizes certain counties to combine for the purpose of planning highway systems. House Bill 4591 (H-1) would amend the Code of Criminal Procedure. House Bill 4592 (H-1) would amend the Lottery Act. House Bill 4593 (H-1) would amend Public Act 70 of 1954, which deals with agreements to provide for the final disposition of a dead human body. House Bill 4594 (H-1) would amend Public Act 314 of 1965, which authorizes the investment of assets of public employee retirement systems created by the State or any political subdivision.

House Bill 4595 (H-1) would amend Public Act 99 of 1909, which authorizes county boards of commissioners to designate depositories of public funds received by the county treasurer. House Bill 4596 (H-1) would amend Public Act 40 of the First Extra Session of 1932, which provides for the designation of depositories for public money. The bill also would repeal a section of the Act specifying that a security, in the form of collateral, surety bond, or in another form may not be taken for the deposit of public money (MCL 129.13). House Bill 4597 (H-1) would amend Public Act 20 of 1943, which regulates the investment of surplus funds of political subdivisions of the State. House Bill 4598 (H-1) would amend Public Act 321 of 1909, which provides for the depositing and safeguarding of public money belonging to Michigan villages. House Bill 4599 (H-1) would amend Public Act 23 of the First Extra Session of 1934, which authorizes the investment in bonds of certain public entities by the State and its departments and political subdivisions.

House Bill 4600 (H-1) would amend the Revised School Code. House Bill 4601 (H-1) would amend Public Act 105 of 1855, which regulates the disposition of surplus funds in the State Treasury. The bill also would repeal a section of the Act that prohibits the State Treasurer from depositing any surplus funds belonging to the State in a financial institution with total assets of more than \$10 million unless the financial institution files an affidavit stating whether it is subject to the Federal Home Mortgage Disclosure Act, and if subject to that Federal Act, that the institution has complied with the Act and any regulations promulgated under it (MCL 21.145). House Bill 4602 (H-1) would amend the Surplus Funds Investment Pool Act.

House Bills 4603 (H-1)-4605 (H-1)

House Bills 4603 (H-1), 4604 (H-1), and 4605 (H-1) would amend, respectively, the Banking Code, the Savings Bank Act, and the Savings and Loan Act to allow out-of-state banks, savings banks, and savings and loan associations to organize a branch in Michigan. In addition, the bills would allow those institutions to pledge assets to secure funds of political subdivisions of the State.

The bills would allow an out-of-state bank, an out-of-state savings bank, or a foreign savings and loan association to apply to organize a branch in Michigan by providing to the Commissioner of the Financial Institutions Bureau (FIB) proof that its deposits were insured by an agency of the United States government. If the Commissioner determined, after receiving the proof of deposit insurance, that the bank, savings bank, or savings and loan association was subject to regulation and that there existed an agreement for exchange of supervisory information between the FIB and the out-of-state entity's regulator, the FIB Commissioner would have to provide the bank, savings bank, or savings and loan association with a certificate of organization and eligibility to accept deposits and investments of public funds of the State and local units of government.

The Banking Code, Savings Bank Act, and Savings and Loan Act allow a bank, savings bank, and savings and loan association, with the written consent of the FIB Commissioner, to pledge its assets in an amount that does not exceed 10% of the bank's, savings bank's, or savings and loan association's total deposits, for the purpose of securing certain public funds, including the funds of some entities considered to be political subdivisions (i.e., the Mackinac Bridge Authority and the International Bridge Authority). The Banking Code and the Savings Bank Act specifically prohibit banks and savings banks from pledging their assets, however, for the purpose of securing funds belonging to any other political subdivision of the State. Under the bills, a bank, savings bank, or savings and loan association could pledge its assets of up to 10% of total deposits for the purpose of securing funds belonging to any political subdivision of the State.

House Bill 4610 (H-3)

The bill would amend Public Act 40 of the First Extra Session of 1932, which provides for the designation of depositories for public money, to allow a county board of commissioners, a county board of auditors, a township board, a district board, a board of education, or the legislative body of a city or village to provide by resolution for the designation and deposit of public money, including tax money, into one or more "financial institutions". Currently, the Act allows the boards to provide by resolution for the deposit of public money, including tax money, into one or more banks, savings and loan associations, or credit unions having their principal office in Michigan.

Under the bill, "financial institution" would mean a state- or nationally chartered bank or a state- or Federally chartered savings and loan association, savings bank, or credit union whose deposits were insured by an agency of the United States government and, except as provided below, that maintained a principal office or branch office in this State under Michigan or U.S. laws. The bill specifies that a governmental unit covered by the Act could designate and deposit public money, including tax money, in one or more financial institutions that did not maintain a principal office or branch office in Michigan if all of the following applied:

- The governmental unit bordered another state.
- The financial institution maintained a principal office or branch office in the border state under Michigan or U.S. laws.
- There was no principal office or branch office of a state- or nationally chartered bank or a state- or Federally chartered savings and loan association, savings bank, or credit union whose deposits were insured by an agency of the U.S. government that maintained a principal office or a branch office in the governmental unit.

The bill also specifies the assets that would be acceptable for pledging to secure deposits of public funds. Those would include assets considered acceptable to the State Treasurer, under Public Act 105 of 1855, to secure deposits of State surplus funds; securities issued by the Federal Home Loan Mortgage Corporation; securities issued by the Federal National Mortgage Association; securities issued by the Government National Mortgage Association; and other securities considered acceptable to the county and the financial institution.

MCL 487.714 (H.B. 4587)
290.557 (H.B. 4588)
247.425 (H.B. 4589)
252.6 (H.B. 4590)
774.26c (H.B. 4591)
432.35 (H.B. 4592)
328.201 (H.B. 4593)
38.1140c (H.B. 4594)
129.31 et al. (H.B. 4595)
129.12 et al. (H.B. 4596)
129.91 (H.B. 4597)

Legislative Analyst: P. Affholter

129.41 et al. (H.B. 4598)
129.81 et al. (H.B. 4599)
380.622 et al. (H.B. 4600)
21.143 & 21.147 (H.B. 4601)
129.112 (H.B. 4602)
487.471 & 487.531 (H.B. 4603)
487.3508 et al. (H.B. 4604)
491.606 et al. (H.B. 4605)
129.12 et al. (H.B. 4610)

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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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.