

# SENATE BILL No. 853

November 1, 2005, Introduced by Senator KUIPERS and referred to the Committee on Education.

A bill to amend 1976 PA 451, entitled  
"The revised school code,"  
by amending sections 622 and 1223 (MCL 380.622 and 380.1223),  
section 622 as amended by 2001 PA 127 and section 1223 as amended  
by 1997 PA 47.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 622. (1) The intermediate school board shall select  
2       financial institutions for the deposit of school funds. The  
3       intermediate school board shall keep a set of coded accounts to be  
4       approved by the superintendent of public instruction and shall have  
5       its books audited at least annually by a certified public  
6       accountant. General operating funds, building and site funds,  
7       cooperative education funds, special education funds, vocational-  
8       technical education funds, and debt retirement funds shall be

1 maintained separately and shall not be commingled, except that the  
2 intermediate school board, by resolution, may authorize the  
3 treasurer to combine money from more than 1 fund for the purpose of  
4 making an investment authorized by subsection (2)(g).

5 (2) The treasurer of an intermediate school district, if  
6 authorized by resolution of the intermediate school board, may  
7 invest general operating funds, special education funds, area  
8 vocational-technical education funds, building and site funds,  
9 cooperative education funds, and debt retirement funds of the  
10 district. Investments ~~shall be made~~ **ARE** subject to subsection (4)  
11 and shall be restricted to any of the following:

12 (a) Bonds, bills, or notes of the United States or obligations  
13 of this state.

14 (b) ~~Certificates~~ **SUBJECT TO SUBSECTION (6), CERTIFICATES** of  
15 deposit issued by a financial institution.

16 (c) Commercial paper rated prime at the time of purchase and  
17 maturing not more than 270 days after the date of purchase.

18 (d) Securities issued or guaranteed by agencies or  
19 instrumentalities of the United States government.

20 (e) United States government or federal agency obligation  
21 repurchase agreements.

22 (f) Bankers' acceptances issued by a bank that is a member of  
23 the federal deposit insurance corporation.

24 (g) Investment pools, as authorized by the surplus funds  
25 investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed  
26 entirely of instruments that are legal for direct investment by an  
27 intermediate school district.

1 (h) Mutual funds composed entirely of investment vehicles that  
2 are legal for direct investment by an intermediate school district.

3 (3) The earnings of an investment shall become a part of the  
4 fund from which the investment was made. When money of more than 1  
5 fund of a single intermediate school district or money of more than  
6 1 intermediate school district are combined for an investment pool  
7 authorized by subsection (2)(g), the money shall be accounted for  
8 separately, and the earnings from the investment shall be  
9 separately and individually computed, recorded, and credited to the  
10 fund or intermediate school district, as the case may be, for which  
11 the investment was acquired.

12 (4) ~~Notwithstanding subsection (2), additional~~ **ADDITIONAL**  
13 funds of an intermediate school district shall not be deposited or  
14 invested in a financial institution that is not eligible to be a  
15 depository of surplus funds belonging to this state under section 6  
16 of 1855 PA 105, MCL 21.146.

17 (5) Assets acceptable for pledging to secure deposits of funds  
18 under this act are limited to any of the following:

19 (a) Assets considered acceptable to the state treasurer under  
20 section 3 of 1855 PA 105, MCL 21.143, to secure deposits of state  
21 surplus funds.

22 (b) Any of the following:

23 (i) Securities issued by the federal home loan mortgage  
24 corporation.

25 (ii) Securities issued by the federal national mortgage  
26 association.

27 (iii) Securities issued by the government national mortgage

1 association.

2 (c) Securities considered acceptable to the intermediate  
3 school board and the financial institution.

4 (6) IF A FINANCIAL INSTITUTION DOES NOT MAINTAIN A PRINCIPAL  
5 OFFICE OR BRANCH OFFICE LOCATED IN THIS STATE, AN INTERMEDIATE  
6 SCHOOL BOARD SHALL NOT DEPOSIT FUNDS IN EXCESS OF \$100,000.00 IN  
7 THE FINANCIAL INSTITUTION OR MAKE AN INVESTMENT IN EXCESS OF  
8 \$100,000.00 WITH THE FINANCIAL INSTITUTION.

9 (7) ~~—(6)—~~ As used in this section, "deposit" includes  
10 purchases of or investment in shares of a credit union.

11 (8) ~~—(7)—~~ As used in this section, "financial institution"  
12 means a state or nationally chartered bank or a state or federally  
13 chartered savings and loan association, savings bank, or credit  
14 union whose deposits are insured by an agency of the United States  
15 government. ~~—and that maintains a principal office or branch office~~  
16 ~~located in this state under the laws of this state or the United~~  
17 ~~States—~~

18 Sec. 1223. (1) If authorized by resolution of the board of a  
19 school district, the treasurer may invest debt retirement funds,  
20 building and site funds, building and site sinking funds, or  
21 general funds of the district. The investment ~~—shall be made under~~  
22 **IS SUBJECT TO** subsection (7) and shall be restricted to the  
23 following:

24 (a) Bonds, bills, or notes of the United States; obligations,  
25 the principal and interest of which are fully guaranteed by the  
26 United States; or obligations of the state. In a primary or fourth  
27 class school district, the bonds, bills, or notes shall be payable,

1 at the option of the holder, upon not more than 90 days' notice, or  
2 if not so payable, shall have maturity dates not more than 5 years  
3 after the purchase dates.

4 (b) ~~Certificates~~ **SUBJECT TO SUBSECTION (8), CERTIFICATES** of  
5 deposit issued by a financial institution or share certificates of  
6 a state or federal credit union that is a financial institution.

7 (c) Commercial paper rated prime at the time of purchase and  
8 maturing not more than 270 days after the date of purchase.

9 (d) Securities issued or guaranteed by agencies or  
10 instrumentalities of the United States government.

11 (e) United States government or federal agency obligation  
12 repurchase agreements.

13 (f) Bankers' acceptances issued by a bank that is a member of  
14 the federal deposit insurance corporation.

15 (g) Mutual funds composed entirely of investment vehicles that  
16 are legal for direct investment by a school district.

17 (h) Investment pools, as authorized by the surplus funds  
18 investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed  
19 entirely of instruments that are legal for direct investment by a  
20 school district.

21 (2) ~~An~~ **SUBJECT TO SUBSECTION (8), AN** obligation purchased  
22 under this section, when received by the treasurer, shall be  
23 deposited with the financial institution having the deposit of the  
24 money of the particular fund from which the obligation was  
25 purchased.

26 (3) Money in the several funds of a school district shall not  
27 be commingled for the purpose of making an investment authorized by

1 this section except that:

2 (a) The board of a school district may establish and maintain  
3 1 common debt retirement fund for issues of bonds of similar  
4 character.

5 (b) The board of a school district, by resolution, may  
6 authorize the treasurer to combine money from more than 1 fund for  
7 the purpose of making an investment authorized by subsection  
8 (1) (h) .

9 (4) Earnings of an investment shall become a part of the fund  
10 for which the investment was made. When money of more than 1 fund  
11 of a single district or money of more than 1 district are combined  
12 for an investment pool authorized by subsection (1) (h) , the money  
13 shall be accounted for separately, and the earnings from the  
14 investment shall be separately and individually computed, recorded,  
15 and credited to the fund or district, as the case may be, for which  
16 the investment was acquired.

17 (5) The treasurer of a school district, if authorized by  
18 resolution of the board, may deposit upon approval of the employee,  
19 funds accumulated under a deferred compensation program in a  
20 federally insured financial institution authorized by law to do  
21 business in this state. If authorized by a resolution of the board,  
22 the treasurer of a school district, with the prior consent of the  
23 employee, may use funds accumulated under a deferred compensation  
24 plan to purchase from a life insurance company authorized to do  
25 business in this state an annuity contract or life insurance policy  
26 in the manner and for the purposes described in section 457 of the  
27 internal revenue code.

(6) Security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a financial institution. However, an investment under **SUBSECTION (1)(E) OR** section 622(2)(e) ~~or section 1223(1)(e)~~ or in an investment pool that includes instruments eligible for investments under ~~sections~~ **SUBSECTION (1)(E) AND SECTION** 622(2)(e) ~~and 1223(1)(e)~~ shall be secured by the transfer of title and custody of the obligations to which the repurchase agreements relate and an undivided interest in those obligations must be pledged to the school district for these agreements.

(7) ~~Notwithstanding subsection (1), additional~~ **ADDITIONAL** funds of a school district shall not be deposited or invested in a financial institution ~~which~~ **THAT** is not eligible to be a depository of surplus funds belonging to this state under section 6 of 1855 PA 105, MCL 21.146.

**(8) IF A FINANCIAL INSTITUTION DOES NOT MAINTAIN A PRINCIPAL OFFICE OR BRANCH OFFICE LOCATED IN THIS STATE, THE BOARD OF A SCHOOL DISTRICT SHALL NOT DEPOSIT FUNDS IN EXCESS OF \$100,000.00 IN THE FINANCIAL INSTITUTION OR MAKE AN INVESTMENT IN EXCESS OF \$100,000.00 WITH THE FINANCIAL INSTITUTION.**

(9) ~~—(8)—~~ As used in this section, "deposit" includes purchase of or investment in shares of a credit union.

(10) ~~—(9)—~~ As used in this section, "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 which maintains a principal office or branch~~

- 1 ~~office located in this state under the laws of this state or the~~
- 2 ~~United States.~~