

# HOUSE BILL No. 6298

June 27, 2008, Introduced by Reps. Coulouris, Clemente, Mayes and Griffin and referred to the Committee on Banking and Financial Services.

A bill to amend 1943 PA 20, entitled

"An act relative to the investment of funds of public corporations of the state; and to validate certain investments,"

by amending section 1 (MCL 129.91), as amended by 2006 PA 400.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. (1) Except as provided in section 5, the governing  
2       body by resolution may authorize its investment officer to invest  
3       the funds of that public corporation in 1 or more of the following:

4       (a) Bonds, securities, and other obligations of the United  
5       States or an agency or instrumentality of the United States.

6       (b) Certificates of deposit, savings accounts, deposit  
7       accounts, or depository receipts of a financial institution, but  
8       only if the financial institution complies with subsection (2), OR  
9       CERTIFICATES OF DEPOSIT OBTAINED THROUGH A FINANCIAL INSTITUTION AS

1 **PROVIDED IN SUBSECTION (5) .**

2 (c) Commercial paper rated at the time of purchase within the  
3 2 highest classifications established by not less than 2 standard  
4 rating services and that matures not more than 270 days after the  
5 date of purchase.

6 (d) Repurchase agreements consisting of instruments listed in  
7 subdivision (a) .

8 (e) Bankers' acceptances of United States banks.

9 (f) Obligations of this state or any of its political  
10 subdivisions that at the time of purchase are rated as investment  
11 grade by not less than 1 standard rating service.

12 (g) Mutual funds registered under the investment company act  
13 of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-  
14 3 and 80a-4 to 80a-64, with authority to purchase only investment  
15 vehicles that are legal for direct investment by a public  
16 corporation. However, a mutual fund is not disqualified as a  
17 permissible investment solely by reason of either of the following:

18 (i) The purchase of securities on a when-issued or delayed  
19 delivery basis.

20 (ii) The ability to lend portfolio securities as long as the  
21 mutual fund receives collateral at all times equal to at least 100%  
22 of the value of the securities loaned.

23 (iii) The limited ability to borrow and pledge a like portion of  
24 the portfolio's assets for temporary or emergency purposes.

25 (h) Obligations described in subdivisions (a) through (g) if  
26 purchased through an interlocal agreement under the urban  
27 cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to

1 124.512.

2 (i) Investment pools organized under the surplus funds  
3 investment pool act, 1982 PA 367, MCL 129.111 to 129.118.

4 (j) The investment pools organized under the local government  
5 investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

6 (2) ~~A—EXCEPT AS PROVIDED IN SUBSECTION (5), A~~ public  
7 corporation that invests its funds under subsection (1) shall not  
8 deposit or invest the funds in a financial institution that is not  
9 eligible to be a depository of funds belonging to ~~the~~ **THIS** state  
10 under a law or rule of this state or the United States.

11 (3) Assets acceptable for pledging to secure deposits of  
12 public funds are limited to assets authorized for direct investment  
13 under subsection (1).

14 (4) The governing body by resolution may authorize its  
15 investment officer to enter into written agreements with other  
16 public corporations to pool or coordinate the funds to be invested  
17 under this section with the funds of other public corporations.  
18 Agreements allowed under this subsection shall include all of the  
19 following:

20 (a) The types of investments permitted to be purchased with  
21 pooled funds.

22 (b) The rights of members of the pool to withdraw funds from  
23 the pooled investments without penalty.

24 (c) The duration of the agreement and the requirement that the  
25 agreement shall not commence until at least 60 days after the  
26 public corporations entering the agreement give written notice to  
27 an existing local government investment pool which is organized

1 pursuant to the local government investment pool act, 1985 PA 121,  
2 MCL 129.141 to 129.150, in those counties where such a pool is  
3 operating and accepting deposits on or before ~~the effective date of~~  
4 ~~the amendatory act adding this subsection~~ **SEPTEMBER 29, 2006.**

5 (d) The method by which the pool will be administered.

6 (e) The manner by which the public corporations will respond  
7 to liabilities incurred in conjunction with the administration of  
8 the pool.

9 (f) The manner in which strict accountability for all funds  
10 will be provided for, including an annual statement of all receipts  
11 and disbursements.

12 (g) The manner by which the public corporations will adhere to  
13 the requirements of section 5.

14 **(5) IN ADDITION TO THE INVESTMENTS AUTHORIZED UNDER SUBSECTION**  
15 **(1), THE GOVERNING BODY BY RESOLUTION MAY AUTHORIZE ITS INVESTMENT**  
16 **OFFICER TO INVEST THE FUNDS OF THE PUBLIC CORPORATION IN**  
17 **CERTIFICATES OF DEPOSIT IN ACCORDANCE WITH ALL OF THE FOLLOWING**  
18 **CONDITIONS:**

19 **(A) THE FUNDS ARE INITIALLY INVESTED THROUGH A FINANCIAL**  
20 **INSTITUTION THAT IS NOT INELIGIBLE TO BE A DEPOSITORY OF SURPLUS**  
21 **FUNDS BELONGING TO THIS STATE UNDER SECTION 6 OF 1855 PA 105, MCL**  
22 **21.146.**

23 **(B) THE FINANCIAL INSTITUTION ARRANGES FOR THE INVESTMENT OF**  
24 **THE FUNDS IN CERTIFICATES OF DEPOSIT IN 1 OR MORE INSURED**  
25 **DEPOSITORY INSTITUTIONS AS DEFINED IN SECTION 1813 OF THE FEDERAL**  
26 **DEPOSIT INSURANCE ACT, 12 USC 1813, FOR THE ACCOUNT OF THE PUBLIC**  
27 **CORPORATION.**

1           (C) THE FULL AMOUNT OF THE PRINCIPAL AND ANY ACCRUED INTEREST  
2 OF EACH CERTIFICATE OF DEPOSIT IS INSURED BY AN AGENCY OF THE  
3 UNITED STATES.

4           (D) THE FINANCIAL INSTITUTION ACTS AS CUSTODIAN FOR THE PUBLIC  
5 CORPORATION WITH RESPECT TO EACH CERTIFICATE OF DEPOSIT.

6           (E) AT THE SAME TIME THAT THE FUNDS OF THE PUBLIC CORPORATION  
7 ARE DEPOSITED AND THE CERTIFICATE OR CERTIFICATES OF DEPOSIT ARE  
8 ISSUED, THE FINANCIAL INSTITUTION RECEIVES AN AMOUNT OF DEPOSITS  
9 FROM CUSTOMERS OF OTHER INSURED DEPOSITORY INSTITUTIONS EQUAL TO OR  
10 GREATER THAN THE AMOUNT OF THE FUNDS INITIALLY INVESTED BY THE  
11 PUBLIC CORPORATION THROUGH THE FINANCIAL INSTITUTION.

12           (6) ~~(5)~~—As used in this section, "financial institution" means  
13 a state or nationally chartered bank or a state or federally  
14 chartered savings and loan association, savings bank, or credit  
15 union whose deposits are insured by an agency of the United States  
16 government and that maintains a principal office or branch office  
17 located in this state under the laws of this state or the United  
18 States.

19           (7) ~~(6)~~—As used in this act:

20           (a) "Governing body" means the legislative body, council,  
21 commission, board, or other body having legislative powers of a  
22 public corporation.

23           (b) "Funds" means the money of a public corporation, the  
24 investment of which is not otherwise subject to a public act of  
25 this state or bond authorizing ordinance or resolution of a public  
26 corporation that permits investment in fewer than all of the  
27 investment options listed in subsection (1) or imposes 1 or more

1 conditions upon an investment in an option listed in subsection  
2 (1) .

3 (c) "Investment officer" means the treasurer or other person  
4 designated by statute or charter of a public corporation to act as  
5 the investment officer. In the absence of a statutory or charter  
6 designation, the governing body of a public corporation shall  
7 designate the investment officer.

8 (d) "Public corporation" means a county, city, village,  
9 township, port district, drainage district, special assessment  
10 district, or metropolitan district of this state, or a board,  
11 commission, or another authority or agency created by or under an  
12 act of the legislature of this state.