

HOUSE BILL No. 5287

January 26, 2012, Introduced by Reps. McBroom, Womack and Knollenberg and referred to the Committee on Banking and Financial Services.

A bill to amend 1976 PA 451, entitled
"The revised school code,"
by amending sections 622 and 1223 (MCL 380.622 and 380.1223), as
amended by 2009 PA 22.

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
9 maintained separately and shall not be commingled, except that the
10 intermediate school board, by resolution, may authorize the

1 treasurer to combine money from more than 1 fund for the purpose of
2 making an investment authorized by subsection (2)(g).

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

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

12 (b) Certificates of deposit issued by a financial institution.

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

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

17 (e) United States government or federal agency obligation
18 repurchase agreements.

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

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

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

27 (i) Certificates of deposit issued in accordance with the

1 following conditions:

2 (i) The funds are initially invested through a financial
3 institution that is not ineligible to be a depository of surplus
4 funds belonging to this state under section 6 of 1855 PA 105, MCL
5 21.146.

6 (ii) The financial institution arranges for the investment of
7 the funds in certificates of deposit in 1 or more insured
8 depository institutions, as defined in 12 USC 1813, or 1 or more
9 insured credit unions, as defined in 12 USC 1752, for the account
10 of the intermediate school district.

11 (iii) The full amount of the principal and any accrued interest
12 of each certificate of deposit is insured by an agency of the
13 United States.

14 (iv) The financial institution acts as custodian for the
15 intermediate school district with respect to each certificate of
16 deposit.

17 (v) At the same time that the funds of the intermediate school
18 district are deposited and the certificate or certificates of
19 deposit are issued, the financial institution receives an amount of
20 deposits from customers of other insured depository institutions or
21 insured credit unions equal to or greater than the amount of the
22 funds initially invested by the intermediate school district
23 through the financial institution.

24 **(J) DEPOSIT ACCOUNTS THAT MEET ALL OF THE FOLLOWING**
25 **CONDITIONS:**

26 **(i) THE FUNDS ARE INITIALLY DEPOSITED IN A FINANCIAL**
27 **INSTITUTION THAT IS NOT INELIGIBLE TO BE A DEPOSITORY OF SURPLUS**

1 FUNDS BELONGING TO THIS STATE UNDER SECTION 6 OF 1855 PA 105, MCL
2 21.146.

3 (ii) THE FINANCIAL INSTITUTION ARRANGES FOR THE DEPOSIT OF THE
4 FUNDS IN DEPOSIT ACCOUNTS IN 1 OR MORE INSURED DEPOSITORY
5 INSTITUTIONS, AS DEFINED IN 12 USC 1813, OR 1 OR MORE INSURED
6 CREDIT UNIONS, AS DEFINED IN 12 USC 1752, FOR THE ACCOUNT OF THE
7 INTERMEDIATE SCHOOL DISTRICT.

8 (iii) THE FULL AMOUNT OF THE PRINCIPAL AND ANY ACCRUED INTEREST
9 OF EACH DEPOSIT ACCOUNT IS INSURED BY AN AGENCY OF THE UNITED
10 STATES.

11 (iv) THE FINANCIAL INSTITUTION ACTS AS CUSTODIAN FOR THE
12 INTERMEDIATE SCHOOL DISTRICT WITH RESPECT TO EACH DEPOSIT ACCOUNT.

13 (v) ON THE SAME DATE THAT THE FUNDS OF THE INTERMEDIATE SCHOOL
14 DISTRICT ARE DEPOSITED UNDER SUBPARAGRAPH (ii), THE FINANCIAL
15 INSTITUTION RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER
16 INSURED DEPOSITORY INSTITUTIONS OR INSURED CREDIT UNIONS EQUAL TO
17 OR GREATER THAN THE AMOUNT OF THE FUNDS INITIALLY DEPOSITED BY THE
18 INTERMEDIATE SCHOOL DISTRICT IN THE FINANCIAL INSTITUTION.

19 (3) The earnings of an investment shall become a part of the
20 fund from which the investment was made. When money of more than 1
21 fund of a single intermediate school district or money of more than
22 1 intermediate school district are combined for an investment pool
23 authorized by subsection (2)(g), the money shall be accounted for
24 separately, and the earnings from the investment shall be
25 separately and individually computed, recorded, and credited to the
26 fund or intermediate school district, as the case may be, for which
27 the investment was acquired.

1 (4) Notwithstanding subsection (2), additional funds of an
2 intermediate school district shall not be deposited or invested in
3 a financial institution that is not eligible to be a depository of
4 surplus funds belonging to this state under section 6 of 1855 PA
5 105, MCL 21.146.

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

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

11 (b) Any of the following:

12 (i) Securities issued by the federal home loan mortgage
13 corporation.

14 (ii) Securities issued by the federal national mortgage
15 association.

16 (iii) Securities issued by the government national mortgage
17 association.

18 (c) Securities considered acceptable to the intermediate
19 school board and the financial institution.

20 **(6) SECURITY IN THE FORM OF COLLATERAL, SURETY BOND, OR**
21 **ANOTHER FORM MAY BE TAKEN FOR THE DEPOSITS OR INVESTMENTS OF AN**
22 **INTERMEDIATE SCHOOL DISTRICT IN A FINANCIAL INSTITUTION. HOWEVER,**
23 **AN INVESTMENT UNDER SUBSECTION (2) (E) OR IN AN INVESTMENT POOL THAT**
24 **INCLUDES INSTRUMENTS ELIGIBLE FOR INVESTMENTS UNDER SUBSECTION**
25 **(2) (E) SHALL BE SECURED BY THE TRANSFER OF TITLE AND CUSTODY OF THE**
26 **OBLIGATIONS TO WHICH THE REPURCHASE AGREEMENTS RELATE AND AN**
27 **UNDIVIDED INTEREST IN THOSE OBLIGATIONS MUST BE PLEDGED TO THE**

1 **INTERMEDIATE SCHOOL DISTRICT FOR THESE AGREEMENTS.**

2 (7) ~~(6)~~—As used in this section, "deposit" includes purchases
3 of or investment in shares of a credit union.

4 (8) ~~(7)~~—As used in this section, "financial institution" means
5 a state or nationally chartered bank or a state or federally
6 chartered savings and loan association, savings bank, or credit
7 union whose deposits are insured by an agency of the United States
8 government and that maintains a principal office or branch office
9 located in this state under the laws of this state or the United
10 States.

11 Sec. 1223. (1) If authorized by resolution of the board of a
12 school district, the treasurer may invest debt retirement funds,
13 building and site funds, building and site sinking funds, or
14 general funds of the district. The investment shall be made ~~under~~
15 **SUBJECT TO** subsection (7) and shall be restricted to the following:

16 (a) Bonds, bills, or notes of the United States; obligations,
17 the principal and interest of which are fully guaranteed by the
18 United States; or obligations of the state. In a primary or fourth
19 class school district, the bonds, bills, or notes shall be payable,
20 at the option of the holder, upon not more than 90 days' notice, or
21 if not so payable, shall have maturity dates not more than 5 years
22 after the purchase dates.

23 (b) Certificates of deposit issued by a financial institution
24 or share certificates of a state or federal credit union that is a
25 financial institution.

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

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

3 (e) United States government or federal agency obligation
4 repurchase agreements.

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

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

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

13 (i) Certificates of deposit issued in accordance with the
14 following conditions:

15 (i) The funds are initially invested through a financial
16 institution that is not ineligible to be a depository of surplus
17 funds belonging to this state under section 6 of 1855 PA 105, MCL
18 21.146.

19 (ii) The financial institution arranges for the investment of
20 the funds in certificates of deposit in 1 or more insured
21 depository institutions, as defined in 12 USC 1813, or 1 or more
22 insured credit unions, as defined in 12 USC 1752, for the account
23 of the school district.

24 (iii) The full amount of the principal and any accrued interest
25 of each certificate of deposit is insured by an agency of the
26 United States.

27 (iv) The financial institution acts as custodian for the school

1 district with respect to each certificate of deposit.

2 (v) At the same time that the funds of the school district are
3 deposited and the certificate or certificates of deposit are
4 issued, the financial institution receives an amount of deposits
5 from customers of other insured depository institutions or insured
6 credit unions equal to or greater than the amount of the funds
7 initially invested by the school district through the financial
8 institution.

9 (J) DEPOSIT ACCOUNTS THAT MEET ALL OF THE FOLLOWING
10 CONDITIONS:

11 (i) THE FUNDS ARE INITIALLY DEPOSITED IN A FINANCIAL
12 INSTITUTION THAT IS NOT INELIGIBLE TO BE A DEPOSITORY OF SURPLUS
13 FUNDS BELONGING TO THIS STATE UNDER SECTION 6 OF 1855 PA 105, MCL
14 21.146.

15 (ii) THE FINANCIAL INSTITUTION ARRANGES FOR THE DEPOSIT OF THE
16 FUNDS IN DEPOSIT ACCOUNTS IN 1 OR MORE INSURED DEPOSITORY
17 INSTITUTIONS, AS DEFINED IN 12 USC 1813, OR 1 OR MORE INSURED
18 CREDIT UNIONS, AS DEFINED IN 12 USC 1752, FOR THE ACCOUNT OF THE
19 SCHOOL DISTRICT.

20 (iii) THE FULL AMOUNT OF THE PRINCIPAL AND ANY ACCRUED INTEREST
21 OF EACH DEPOSIT ACCOUNT IS INSURED BY AN AGENCY OF THE UNITED
22 STATES.

23 (iv) THE FINANCIAL INSTITUTION ACTS AS CUSTODIAN FOR THE SCHOOL
24 DISTRICT WITH RESPECT TO EACH DEPOSIT ACCOUNT.

25 (v) ON THE SAME DATE THAT THE FUNDS OF THE SCHOOL DISTRICT ARE
26 DEPOSITED UNDER SUBPARAGRAPH (ii), THE FINANCIAL INSTITUTION
27 RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER INSURED

1 DEPOSITORY INSTITUTIONS OR INSURED CREDIT UNIONS EQUAL TO OR
2 GREATER THAN THE AMOUNT OF THE FUNDS INITIALLY DEPOSITED BY THE
3 SCHOOL DISTRICT IN THE FINANCIAL INSTITUTION.

4 (2) An obligation purchased under this section, when received
5 by the treasurer, shall be deposited with the financial institution
6 having the deposit of the money of the particular fund from which
7 the obligation was purchased.

8 (3) Money in the several funds of a school district shall not
9 be commingled for the purpose of making an investment authorized by
10 this section except ~~that~~ **AS FOLLOWS:**

11 (a) The board of a school district may establish and maintain
12 1 common debt retirement fund for issues of bonds of similar
13 character.

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

18 (4) Earnings of an investment shall become a part of the fund
19 for which the investment was made. When money of more than 1 fund
20 of a single district or money of more than 1 district are combined
21 for an investment pool authorized by subsection (1) (h), the money
22 shall be accounted for separately, and the earnings from the
23 investment shall be separately and individually computed, recorded,
24 and credited to the fund or district, as the case may be, for which
25 the investment was acquired.

26 (5) The treasurer of a school district, if authorized by
27 resolution of the board, may deposit upon approval of the employee,

1 funds accumulated under a deferred compensation program in a
2 federally insured financial institution authorized by law to do
3 business in this state. If authorized by a resolution of the board,
4 the treasurer of a school district, with the prior consent of the
5 employee, may use funds accumulated under a deferred compensation
6 plan to purchase from a life insurance company authorized to do
7 business in this state an annuity contract or life insurance policy
8 in the manner and for the purposes described in section 457 of the
9 internal revenue code.

10 (6) Security in the form of collateral, surety bond, or
11 another form may be taken for the deposits or investments of a
12 school district in a financial institution. However, an investment
13 under ~~section 622(2)(e) or~~ subsection (1)(e) or in an investment
14 pool that includes instruments eligible for investments under
15 ~~section 622(2)(e) or~~ subsection (1)(e) shall be secured by the
16 transfer of title and custody of the obligations to which the
17 repurchase agreements relate and an undivided interest in those
18 obligations must be pledged to the school district for these
19 agreements.

20 (7) Notwithstanding subsection (1), additional funds of a
21 school district shall not be deposited or invested in a financial
22 institution that is not eligible to be a depository of surplus
23 funds belonging to this state under section 6 of 1855 PA 105, MCL
24 21.146.

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

27 (9) As used in this section, "financial institution" means a

1 state or nationally chartered bank or a state or federally
2 chartered savings and loan association, savings bank, or credit
3 union whose deposits are insured by an agency of the United States
4 government and which maintains a principal office or branch office
5 located in this state under the laws of this state or the United
6 States.