

# SENATE BILL No. 554

October 4, 1989, Introduced by Senators SHINKLE, GEAKE, CRUCE, CROPSEY, NICHOLS, EHLERS and DINGELL and referred to the Committee on Finance.

A bill to amend section 3 of Act No. 105 of the Public Acts of 1855, entitled as amended

"An act to regulate the disposition of the surplus funds in the state treasury; to provide for the deposit of surplus funds in certain financial institutions; to require certain reports by those institutions; to lend surplus funds pursuant to loan agreements secured by certain commercial, agricultural, or industrial real and personal property; to authorize the loan of surplus funds to certain municipalities; to authorize an appropriation; and to prescribe the duties of certain state agencies,"

as amended by Act No. 284 of the Public Acts of 1987, being section 21.143 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Section 3 of Act No. 105 of the Public Acts of  
2       1855, as amended by Act No. 284 of the Public Acts of 1987, being  
3       section 21.143 of the Michigan Compiled Laws, is amended to read  
4       as follows:

1       Sec. 3. (1) A financial institution shall not be made a  
2   depository of surplus funds belonging to the state unless the  
3   financial institution complies with this act and the principal  
4   office of the financial institution is located in this state.  
5   The state treasurer shall require of a financial institution,  
6   before it is made a depository of surplus funds belonging to the  
7   state, good and ample security, to be approved by the state trea-  
8   surer and the attorney general for the safekeeping and reimburse-  
9   ment of the surplus funds ~~—, when—~~ IF called for, and the payment  
10   of the rate of return as the state treasurer, in the treasurer's  
11   discretion, considers best for the interest of the state. The  
12   state treasurer also may invest surplus funds belonging to the  
13   state in the bonds, notes, and other evidences of indebtedness of  
14   the United States government and its agencies, and in prime com-  
15   mercial paper, may use surplus funds as defined in section 2 in  
16   the manner provided in section 2, may use surplus funds as  
17   defined in section 2a in the manner provided in section 2a, may  
18   use surplus funds in the manner provided in section 2b, and may  
19   use each fiscal year not more than that amount of the surplus  
20   funds necessary to make loans to municipalities pursuant to sec-  
21   tion 1.

22       (2) All earnings from loans made under section 1 in excess  
23   of the average rate of interest earned on other surplus funds  
24   during the same period shall be credited to the general fund of  
25   the state. Any loss of principal or interest sustained from  
26   loans made under section 1 shall reduce the earnings of the

1 general fund on an amortized basis over the remaining term of the  
2 loan.

3 (3) THE INVESTMENT OF SURPLUS STATE FUNDS IN BONDS, NOTES,  
4 AND OTHER EVIDENCES OF INDEBTEDNESS OF THE UNITED STATES GOVERN-  
5 MENT AND ITS AGENCIES AS PROVIDED IN SUBSECTION (1) MAY INCLUDE  
6 SECURITIES OF, OR OTHER INTERESTS IN, A NO-LOAD OPEN-END OR  
7 CLOSED-END MANAGEMENT TYPE INVESTMENT COMPANY OR INVESTMENT TRUST  
8 REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, 15  
9 U.S.C. 80a-1 TO 80a-64, IF BOTH OF THE FOLLOWING ARE TRUE:

10 (A) THE PORTFOLIO OF THE INVESTMENT COMPANY OR INVESTMENT  
11 TRUST IS LIMITED TO UNITED STATES GOVERNMENT OBLIGATIONS AND  
12 REPURCHASE AGREEMENTS FULLY COLLATERALIZED BY UNITED STATES GOV-  
13 ERNMENT OBLIGATIONS.

14 (B) THE INVESTMENT COMPANY OR INVESTMENT TRUST TAKES DELIV-  
15 ERY OF THE COLLATERAL FOR ANY REPURCHASE AGREEMENT EITHER  
16 DIRECTLY OR THROUGH AN AUTHORIZED CUSTODIAN.