

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 6297

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 subject to subsection (4) and
11 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 of deposit issued by a financial institution.

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

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

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

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

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

27 (h) Mutual funds composed entirely of investment vehicles that

1 are legal for direct investment by an intermediate school district.

2 (I) CERTIFICATES OF DEPOSIT ISSUED IN ACCORDANCE WITH THE
3 FOLLOWING CONDITIONS:

4 (i) THE FUNDS ARE INITIALLY INVESTED THROUGH A FINANCIAL
5 INSTITUTION THAT IS NOT INELIGIBLE TO BE A DEPOSITORY OF SURPLUS
6 FUNDS BELONGING TO THIS STATE UNDER SECTION 6 OF 1855 PA 105, MCL
7 21.146.

8 (ii) THE FINANCIAL INSTITUTION ARRANGES FOR THE INVESTMENT OF
9 THE FUNDS IN CERTIFICATES OF DEPOSIT IN 1 OR MORE INSURED
10 DEPOSITORY INSTITUTIONS, AS DEFINED IN 12 USC 1813, FOR THE ACCOUNT
11 OF THE INTERMEDIATE SCHOOL DISTRICT.

12 (iii) THE FULL AMOUNT OF THE PRINCIPAL AND ANY ACCRUED INTEREST
13 OF EACH CERTIFICATE OF DEPOSIT IS INSURED BY AN AGENCY OF THE
14 UNITED STATES.

15 (iv) THE FINANCIAL INSTITUTION ACTS AS CUSTODIAN FOR THE
16 INTERMEDIATE SCHOOL DISTRICT WITH RESPECT TO EACH CERTIFICATE OF
17 DEPOSIT.

18 (v) AT THE SAME TIME THAT THE FUNDS OF THE INTERMEDIATE SCHOOL
19 DISTRICT ARE DEPOSITED AND THE CERTIFICATE OR CERTIFICATES OF
20 DEPOSIT ARE ISSUED, THE FINANCIAL INSTITUTION RECEIVES AN AMOUNT OF
21 DEPOSITS FROM CUSTOMERS OF OTHER INSURED DEPOSITORY INSTITUTIONS
22 EQUAL TO OR GREATER THAN THE AMOUNT OF THE FUNDS INITIALLY INVESTED
23 BY THE INTERMEDIATE SCHOOL DISTRICT THROUGH THE FINANCIAL
24 INSTITUTION.

25 (3) The earnings of an investment shall become a part of the
26 fund from which the investment was made. When money of more than 1
27 fund of a single intermediate school district or money of more than

1 1 intermediate school district are combined for an investment pool
2 authorized by subsection (2)(g), the money shall be accounted for
3 separately, and the earnings from the investment shall be
4 separately and individually computed, recorded, and credited to the
5 fund or intermediate school district, as the case may be, for which
6 the investment was acquired.

7 (4) Notwithstanding subsection (2), additional funds of an
8 intermediate school district shall not be deposited or invested in
9 a financial institution that is not eligible to be a depository of
10 surplus funds belonging to this state under section 6 of 1855 PA
11 105, MCL 21.146.

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

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

17 (b) Any of the following:

18 (i) Securities issued by the federal home loan mortgage
19 corporation.

20 (ii) Securities issued by the federal national mortgage
21 association.

22 (iii) Securities issued by the government national mortgage
23 association.

24 (c) Securities considered acceptable to the intermediate
25 school board and the financial institution.

26 (6) As used in this section, "deposit" includes purchases of
27 or investment in shares of a credit union.

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

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

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

20 (b) Certificates of deposit issued by a financial institution
21 or share certificates of a state or federal credit union that is a
22 financial institution.

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

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

27 (e) United States government or federal agency obligation

1 repurchase agreements.

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

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

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

10 (I) CERTIFICATES OF DEPOSIT ISSUED IN ACCORDANCE WITH THE
11 FOLLOWING CONDITIONS:

12 (i) THE FUNDS ARE INITIALLY INVESTED THROUGH A FINANCIAL
13 INSTITUTION THAT IS NOT INELIGIBLE TO BE A DEPOSITORY OF SURPLUS
14 FUNDS BELONGING TO THIS STATE UNDER SECTION 6 OF 1855 PA 105, MCL
15 21.146.

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

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

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

25 (v) AT THE SAME TIME THAT THE FUNDS OF THE SCHOOL DISTRICT ARE
26 DEPOSITED AND THE CERTIFICATE OR CERTIFICATES OF DEPOSIT ARE
27 ISSUED, THE FINANCIAL INSTITUTION RECEIVES AN AMOUNT OF DEPOSITS

1 FROM CUSTOMERS OF OTHER INSURED DEPOSITORY INSTITUTIONS EQUAL TO OR
2 GREATER THAN THE AMOUNT OF THE FUNDS INITIALLY INVESTED BY THE
3 SCHOOL DISTRICT THROUGH 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:

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 ~~section 1223(1)(e)~~ **SUBSECTION (1)(E)** or
14 in an investment pool that includes instruments eligible for
15 investments under ~~sections~~ **SECTION** 622(2)(e) and ~~1223(1)(e)~~ **OR**
16 **SUBSECTION (1)(E)** shall be secured by the transfer of title and
17 custody of the obligations to which the repurchase agreements
18 relate and an undivided interest in those obligations must be
19 pledged to the school district for these agreements.

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

7 Enacting section 1. This amendatory act does not take effect
8 unless Senate Bill No. 1517 of the 94th Legislature is enacted into
9 law.