

**THE REVISED SCHOOL CODE (EXCERPT)**  
**Act 451 of 1976**

**380.1223 Investment of funds; authorization; restrictions; deposit of obligations; commingling prohibited; exceptions; earnings; deposit of funds accumulated under deferred compensation program; security; limitation on deposit or investment of additional funds; “deposit” and “financial institution” defined.**

Sec. 1223.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Deposit accounts that meet all of the following conditions:

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

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

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

(iv) The financial institution acts as custodian for the school district with respect to each deposit account.

(v) On the same date that the funds of the school district are deposited under subparagraph (ii), the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially deposited by the school district in the financial institution.

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

(3) Money in the several funds of a school district shall not be commingled for the purpose of making an investment authorized by this section except as follows:

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

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

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

(5) The treasurer of a school district, if authorized by resolution of the board, may deposit upon approval of the employee, funds accumulated under a deferred compensation program in a federally insured financial institution authorized by law to do business in this state. If authorized by a resolution of the board, the treasurer of a school district, with the prior consent of the employee, may use funds accumulated under a deferred compensation plan to purchase from a life insurance company authorized to do business in this state an annuity contract or life insurance policy in the manner and for the purposes described in section 457 of the 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 in an investment pool that includes instruments eligible for investments under subsection (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 funds of a school district shall not be deposited or invested in a financial institution 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) As used in this section, "deposit" includes purchase of or investment in shares of a credit union.

(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 office located in this state under the laws of this state or the United States.

**History:** 1976, Act 451, Imd. Eff. Jan. 13, 1977 ;-- Am. 1977, Act 281, Imd. Eff. Dec. 23, 1977 ;-- Am. 1979, Act 87, Imd. Eff. Aug. 1, 1979 ;-- Am. 1980, Act 273, Imd. Eff. Oct. 8, 1980 ;-- Am. 1981, Act 85, Imd. Eff. July 2, 1981 ;-- Am. 1986, Act 132, Imd. Eff. June 16, 1986 ;-- Am. 1997, Act 47, Imd. Eff. June 30, 1997 ;-- Am. 2008, Act 307, Imd. Eff. Dec. 18, 2008 ;-- Am. 2009, Act 22, Imd. Eff. May 5, 2009 ;-- Am. 2012, Act 232, Imd. Eff. June 29, 2012

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