

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2554 Session of
1998

INTRODUCED BY VEON, GEORGE, LUCYK, DeLUCA, BELARDI, TRAVAGLIO,
ROBINSON, SURRA, DALEY, WALKO, OLASZ, SATHER, KIRKLAND,
LAUGHLIN, MELIO, LESCOVITZ, ROONEY, STABACK, RAMOS, HARHAI,
VAN HORNE, YOUNGBLOOD, TRELLO, BELFANTI, STEELMAN AND
SERAFINI, APRIL 29, 1998

REFERRED TO COMMITTEE ON EDUCATION, APRIL 29, 1998

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," further providing for investment of
6 school district funds.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Section 440.1(b) and (c) of the act of March 10,
10 1949 (P.L.30, No.14), known as the Public School Code of 1949,
11 amended July 1, 1981 (P.L.200, No.62) and June 30, 1995
12 (P.L.220, No.26), are amended and the section is amended by
13 adding subsections to read:

14 Section 440.1. Investment of School District Funds.--* * *

15 (b) The board of school directors shall provide for an
16 investment program subject to restrictions contained in this act
17 and in any other applicable statute and any rules and
18 regulations adopted by the board. The district's investment

program shall be set forth in, and carried out through, written policies and procedures which the district shall review, and if appropriate revise, annually in light of its actual investment needs and activities. The district shall also obtain and keep current documentation regarding the background and financial position of any advisor, individual or entity handling its investments, including annual audit reports and filings with the Pennsylvania Securities Commission and the Securities and Exchange Commission.

(c) Authorized [types of] investments for school district funds shall be limited to those which mature within one (1) year and may include the following:

(i) United States Treasury bills.

(ii) Short-term obligations of the United States Government or its agencies or instrumentalities.

(iii) Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

(iv) Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith

1 and credit of the political subdivision.

2 (v) Shares of an investment company registered under the
3 Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. § 80a-1
4 et seq.), whose shares are registered under the Securities Act
5 of 1933 (48 Stat. 74, 15 U.S.C. § 77a et seq.): Provided, That
6 the following are met:

7 (A) Only investments of that company are in the authorized
8 investments for school district funds listed in clauses (i)
9 through (iv) and repurchase agreements fully collateralized by
10 such investments.

11 (B) The investment company is managed so as to maintain its
12 shares at a constant net asset value in accordance with 17 CFR
13 270 2a-7 (relating to money market funds).

14 (C) The investment company is rated in the highest category
15 by a nationally recognized rating agency.

16 * * *

17 (f) The investment of all school district funds, including,
18 but not limited to, bond proceeds, tax anticipation note
19 proceeds, capital reserve funds and general funds, shall be
20 subject to audit, annually, by the Auditor General. To
21 facilitate performance of the audits, the Auditor General shall
22 have access to all records and documents related to the
23 financial affairs and operations of school districts.

24 (g) All audits made by the Auditor General shall be provided
25 to the school districts that are audited and to the Department
26 of Education. Where the Auditor General's audits include
27 findings that a school district's investment practices are not
28 in conformance with law, the Secretary of Education shall direct
29 the district to take appropriate corrective actions, including,
30 but not limited to, divesting any investments that are not

1 permissible under applicable statutes or regulations. The
2 Secretary of Education may refuse to authorize the payment of
3 any amount payable to the school district until such time as the
4 school district complies with the secretary's directive.

5 Section 2. This act shall apply to investments made on or
6 after the effective date of this act.

7 Section 3. This act shall take effect in 60 days.