

SEP 17 1999



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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

September 15, 1999

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SUBJECT: PROPOSED LEGISLATION: SCHOOL DISTRICT INVESTMENT PRACTICES

TO: MEMBERS OF THE HOUSE OF REPRESENTATIVES

FROM: REPRESENTATIVE PETER J. ZUG

Handwritten notes:

9/22/99
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When the General Assembly reconvenes this month, I plan to introduce a bill to amend the School Code to provide greater accountability for the school boards to invest school district funds. In the aftermath of the Devon Capital bankruptcy, we must take steps to amend the practices used by local school directors and act to prevent a recurrence of that financial devastation. In the process, school board members can have a better understanding of their fiduciary roles and the public will receive assurances that tax-derived resources are not going in to risky investments.

Under the legislation, all school boards will need to have written policies and procedures governing investments consistent with sound business practice. School board investments shall be limited to instruments which minimize risk of loss, which fall into one of the permitted classes of investment, and which can be easily understood by any board member and accountants. Also, the board shall include a report of its investments at each board meeting. As an incentive, the Department of Education may withhold 10% of the school district's basic education subsidy until a board complies with these provisions.

If you wish to be a co-sponsor of this legislation, please contact my office at 787-2686.