

By: Representative McCoy

To: Education;
Appropriations

HOUSE BILL NO. 808

1 AN ACT TO AMEND SECTION 27-103-203, MISSISSIPPI CODE OF 1972,
2 TO LIMIT THE AMOUNT OF THE UNENCUMBERED ENDING CASH BALANCE WHICH
3 MAY BE TRANSFERRED AT THE END OF EACH FISCAL YEAR TO THE EDUCATION
4 ENHANCEMENT FUND TO \$50,000,000.00, AND TO REQUIRE THE BALANCE OF
5 THE UNENCUMBERED FUNDS EXCEEDING \$50,000,000.00 WHICH OTHERWISE
6 WOULD BE TRANSFERRED TO THE EDUCATION ENHANCEMENT FUND TO BE
7 TRANSFERRED FIFTY PERCENT INTO THE EDUCATION IMPROVEMENT TRUST
8 FUND AND FIFTY PERCENT INTO THE HIGHER EDUCATION IMPROVEMENT TRUST
9 FUND CREATED IN THIS ACT; TO AMEND SECTION 37-61-33, MISSISSIPPI
10 CODE OF 1972, TO LIMIT THE APPROPRIATION OF EDUCATION ENHANCEMENT
11 FUNDS THAT ARE DERIVED FROM THE UNENCUMBERED ENDING CASH BALANCE
12 TO NONRECURRING EXPENDITURES; TO CREATE IN THE STATE TREASURY A
13 TRUST FUND TO BE KNOWN AS THE HIGHER EDUCATION IMPROVEMENT TRUST
14 FUND; TO PROVIDE THAT THE PRINCIPAL OF THE TRUST FUND SHALL REMAIN
15 INVIOLE, AND THE INTEREST AND INCOME DERIVED FROM INVESTMENT OF
16 THE PRINCIPAL MAY BE APPROPRIATED BY THE LEGISLATURE EXCLUSIVELY
17 FOR THE SUPPORT OF THE INSTITUTIONS OF HIGHER LEARNING AND THE
18 COMMUNITY AND JUNIOR COLLEGES; TO PROVIDE THAT ONE-HALF OF THE
19 INTEREST AND INCOME SHALL BE RESERVED FOR THE SUPPORT OF THE
20 INSTITUTIONS OF HIGHER LEARNING, AND ONE-HALF OF THE INTEREST AND
21 INCOME SHALL BE RESERVED FOR THE SUPPORT OF THE COMMUNITY AND
22 JUNIOR COLLEGES; TO AMEND SECTIONS 7-9-101 THROUGH 7-9-107,
23 MISSISSIPPI CODE OF 1972, TO PROVIDE THE MANNER IN WHICH THE
24 PRINCIPAL OF THE HIGHER EDUCATION IMPROVEMENT TRUST FUND WILL BE
25 INVESTED; AND FOR RELATED PURPOSES.

26 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

27 SECTION 1. Section 27-103-203, Mississippi Code of 1972, is
28 amended as follows:

29 27-103-203. (1) There is created in the State Treasury a
30 special fund, separate and apart from any other fund, to be
31 designated the Working Cash-Stabilization Reserve Fund, into which
32 shall be deposited one hundred percent (100%) of the unencumbered
33 General Fund cash balance at the close of each fiscal year until
34 such time as the balance in the fund reaches Forty Million Dollars
35 (\$40,000,000.00). After the balance in the fund reaches Forty
36 Million Dollars (\$40,000,000.00), fifty percent (50%) of the
37 unencumbered General Fund cash balance at the close of each fiscal
38 year, not to exceed seven and one-half percent (7-1/2%) of the



39 General Fund appropriations for such fiscal year, shall be
40 deposited into the fund. The remainder of the year-end
41 unencumbered cash after transfer to the Working Cash-Stabilization
42 Reserve Fund shall remain in the General Fund; * * * however, if
43 the balance of the Working Cash-Stabilization Reserve Fund reaches
44 seven and one-half percent (7-1/2%) of the General Fund
45 appropriations for the fiscal year, fifty percent (50%) of the
46 unencumbered cash balance shall be allocated as follows: (a) that
47 portion of the fifty percent (50%) of the unencumbered cash
48 balance which does not exceed Fifty Million Dollars
49 (\$50,000,000.00) shall be transferred into the Education
50 Enhancement Fund created in Section 37-61-33; and (b) one-half
51 (1/2) of any amount that exceeds Fifty Million Dollars
52 (\$50,000,000.00) shall be transferred into the Education
53 Improvement Trust Fund created in Section 206A of the Mississippi
54 Constitution of 1890 and the other one-half (1/2) shall be
55 transferred into the Higher Education Improvement Trust Fund
56 created in Section 3 of this act. Unencumbered cash in the
57 General Fund may be used for new year cash flow needs and may also
58 be used for deficit appropriations or regular appropriations.

59 (2) The Working Cash-Stabilization Reserve Fund shall not be
60 considered as a surplus or available funds when adopting a
61 balanced budget as required by law. The State Treasurer shall
62 invest all sums in the Working Cash-Stabilization Reserve Fund not
63 needed for the purposes provided for in this section in
64 certificates of deposit, repurchase agreements and other
65 securities as authorized in Sections 27-105-33(d) or 7-9-103, as
66 the State Treasurer may determine to yield the highest market rate
67 available. The interest earned on such sums shall be deposited in
68 the fund until the balance of principal and interest in the fund
69 reaches seven and one-half percent (7-1/2%) of the total General
70 Fund appropriations for the current fiscal year, and all interest
71 earned in excess of amounts necessary to maintain the seven and



72 one-half percent (7-1/2%) fund balance requirement shall be
73 deposited by the State Treasurer into the State General Fund.

74 (3) The Working Cash-Stabilization Reserve Fund, except for
75 Nineteen Million Dollars (\$19,000,000.00) and the amount of the
76 interest and income earned on the principal of the Ayers Endowment
77 Trust created by Section 37-101-27, shall be used by the State
78 Treasurer for cash flow needs throughout the year when the
79 Executive Director of the Department of Finance and Administration
80 certifies that in his opinion there will be cash flow deficiencies
81 in the State General Fund. No borrowing of monies from other
82 special funds for such purposes as authorized by Section 31-17-101
83 et seq. shall be made as long as an unencumbered balance in excess
84 of Nineteen Million Dollars (\$19,000,000.00) and the interest and
85 income earned on the principal of the Ayers Endowment Trust
86 created by Section 37-101-27 remains in the fund. The State
87 Treasurer shall reimburse the fund for all sums borrowed for such
88 purposes from General Fund revenues collected during the fiscal
89 year in which such funds are used. The State Treasurer shall
90 immediately notify the Legislative Budget Office and the State
91 Department of Finance and Administration of each transfer into and
92 out of such fund. Four Million Dollars (\$4,000,000.00) in the
93 Working Cash-Stabilization Reserve Fund shall remain available for
94 use pursuant to Section 27-103-81. Fifteen Million Dollars
95 (\$15,000,000.00) in the Working Cash-Stabilization Reserve Fund
96 shall remain available for exclusive use of the Ayers Endowment
97 Trust created by Section 37-101-27.

98 (4) The Working Cash-Stabilization Reserve Fund, except for
99 Forty Million Dollars (\$40,000,000.00), shall also be used for the
100 purpose of covering any projected deficits that may occur in the
101 General Fund at the end of a fiscal year as a result of revenue
102 shortfalls. In the event the Governor determines that a deficit
103 in revenues from all sources may occur, it shall be the duty of
104 the Executive Director of the Department of Finance and



105 Administration to transfer such funds as necessary to the General
106 Fund to alleviate the deficit in accordance with Sections
107 27-104-13 and 31-17-123; however, not more than Fifty Million
108 Dollars (\$50,000,000.00) may be transferred from the fund for such
109 purpose in any one (1) fiscal year. In the event it becomes
110 necessary to apply a part of the fund to this purpose, the amount
111 so applied shall be restored to the Working Cash-Stabilization
112 Reserve Fund out of future annual surpluses, as provided in
113 subsection (1) of this section, until the seven and one-half
114 percent (7-1/2%) maximum is again attained.

115 (5) The Working Cash-Stabilization Reserve Fund also shall
116 be used to provide funds for the Disaster Assistance Trust Fund
117 when such funds are immediately needed to provide for disaster
118 assistance under Sections 33-15-301 through 33-15-317. Any
119 transfer of funds from the Working Cash-Stabilization Reserve Fund
120 to the Disaster Assistance Trust Fund shall be made in accordance
121 with the provisions of subsection (5) of Section 33-15-307.

122 (6) The Department of Finance and Administration shall
123 immediately send notice of any transfers made, or other action
124 taken under authority of this section, to the Legislative Budget
125 Office.

126 (7) Funds deposited in the Working Cash-Stabilization
127 Reserve Fund shall be used only for the purposes specified in this
128 section and as long as the provisions of this section remain in
129 effect, no other expenditure, appropriation or transfer of funds
130 in the Working Cash-Stabilization Reserve Fund shall be made
131 except by act of the Legislature making specific reference to the
132 Working Cash-Stabilization Reserve Fund as the source of such
133 funds.

134 SECTION 2. Section 37-61-33, Mississippi Code of 1972, is
135 amended as follows:

136 **[Until July 1, 2002, this section reads as follows:]**



137 37-61-33. (1) There is * * * created within the State
138 Treasury a special fund to be designated the "Education
139 Enhancement Fund" into which shall be deposited all the revenues
140 collected pursuant to Sections 27-65-75(7) and (8), 27-67-31(a)
141 and (b) and 27-103-203(1) (a).

142 (2) Of the amount deposited into the Education Enhancement
143 Fund, excluding revenues deposited pursuant to Section
144 27-103-203(1) (a), Sixteen Million Dollars (\$16,000,000.00) shall
145 be appropriated each fiscal year to the State Department of
146 Education to be distributed to all school districts. Such money
147 shall be distributed to all school districts in the proportion
148 that the average daily attendance of each school district bears to
149 the average daily attendance of all school districts within the
150 state for the following purposes:

151 (a) Purchasing, erecting, repairing, equipping,
152 remodeling and enlarging school buildings and related facilities,
153 including gymnasiums, auditoriums, lunchrooms, vocational training
154 buildings, libraries, teachers' homes, school barns,
155 transportation vehicles (which shall include new and used
156 transportation vehicles) and garages for transportation vehicles,
157 and purchasing land therefor.

158 (b) Establishing and equipping school athletic fields
159 and necessary facilities connected therewith, and purchasing land
160 therefor.

161 (c) Providing necessary water, light, heating, air
162 conditioning and sewerage facilities for school buildings, and
163 purchasing land therefor.

164 (d) As a pledge to pay all or a portion of the debt
165 service on debt issued by the school district under Sections
166 37-59-1 through 37-59-45, 37-59-101 through 37-59-115, 37-7-351
167 through 37-7-359, 37-41-89 through 37-41-99, 37-7-301, 37-7-302
168 and 37-41-81, or debt issued by boards of supervisors for
169 agricultural high schools pursuant to Section 37-27-65, if such



170 pledge is accomplished pursuant to a written contract or
171 resolution approved and spread upon the minutes of an official
172 meeting of the district's school board or board of supervisors.
173 The annual grant to such district in any subsequent year during
174 the term of the resolution or contract shall not be reduced below
175 an amount equal to the district's grant amount for the year in
176 which the contract or resolution was adopted. The intent of this
177 provision is to allow school districts to irrevocably pledge a
178 certain, constant stream of revenue as security for long-term
179 obligations issued under the code sections enumerated in this
180 paragraph or as otherwise allowed by law. It is the intent of the
181 Legislature that the provisions of this paragraph shall be
182 cumulative and supplemental to any existing funding programs or
183 other authority conferred upon school districts or school boards.
184 Debt of a district secured by a pledge of sales tax revenue
185 pursuant to this paragraph shall not be subject to any debt
186 limitation contained in the foregoing enumerated code sections.

187 (3) The remainder of the money deposited into the Education
188 Enhancement Fund, excluding funds deposited pursuant to Section
189 27-103-203(1) (a), shall be appropriated as follows:

190 (a) To the State Department of Education as follows:

191 (i) Eight and thirty-five one-hundredths percent
192 (8.35%) to be distributed to public school districts for the
193 funding of textbooks and other educational materials and to be
194 used by the State Department of Education for the purchase of
195 textbooks to be loaned under Sections 37-43-1 through 37-43-59 to
196 approved nonpublic schools, as described under Section 37-43-1.
197 The amount of funds under this item to be used by the department
198 for purchasing textbooks to loan to approved nonpublic schools
199 shall be in the proportion that the average daily attendance of
200 the nonpublic schools that are loaned textbooks by the state bears
201 to the average daily attendance of all school districts in the
202 state. The funds distributed to the school districts under this



203 item shall be in the proportion that the average daily attendance
204 of each school district bears to the average daily attendance of
205 all school districts within the state and shall be used to assist
206 in the funding of textbooks and other educational materials, to
207 include not more than Two Million Dollars (\$2,000,000.00) each
208 year for technology enhancement projects for elementary and
209 secondary education programs;

210 (ii) Seven and ninety-seven one-hundredths percent
211 (7.97%) to assist the funding of transportation operations and
212 maintenance pursuant to Section 37-19-23;

213 (iii) Eight and twenty-six one-hundredths percent
214 (8.26%) to assist the funding of the Uniform Millage Assistance
215 Grant Program pursuant to Section 37-22-1; and

216 (iv) Nine and sixty-one one-hundredths percent
217 (9.61%) for classroom supplies, instructional materials and
218 equipment, including computers and computer software, to be
219 distributed to all school districts in the proportion that the
220 average daily attendance of each school district bears to the
221 average daily attendance of all school districts within the state.
222 Such funds shall not be expended for administrative purposes.
223 Local school districts shall allocate classroom supply funds
224 equally among all classroom teachers in the school district. For
225 purposes of this subparagraph, "teacher" shall mean any employee
226 of the school board of a school district who is required by law to
227 obtain a teacher's license from the State Board of Education and
228 who is assigned to an instructional area of work as defined by the
229 State Department of Education, but shall not include a federally
230 funded teacher. Two (2) or more teachers may agree to pool their
231 classroom supply funds for the benefit of a school within the
232 district pursuant to the development of a spending plan that
233 supports the overall goals of the school which includes the type,
234 quantity and quality of such supplies, instructional materials,
235 equipment, computers or computer software. This plan shall be



236 submitted, in writing, to the school principal for approval.
237 Classroom supply funds allocated under this subparagraph shall
238 supplement, not replace, other local and state funds available for
239 the same purposes. School districts need not fully expend the
240 funds received under this subparagraph in the year in which they
241 are received, but such funds may be carried forward for
242 expenditure in any succeeding school year. The State Board of
243 Education shall develop and promulgate rules and regulations for
244 the administration of this subparagraph consistent with the above
245 criteria, with particular emphasis on allowing the individual
246 teachers to expend funds as they deem appropriate, with minimum
247 input from school principals;

248 (b) Twenty-two and nine one-hundredths percent (22.09%)
249 to the Board of Trustees of State Institutions of Higher Learning
250 for the purpose of supporting institutions of higher learning; and

251 (c) Fourteen and forty-one one-hundredths percent
252 (14.41%) to the State Board for Community and Junior Colleges for
253 the purpose of providing support to community and junior colleges.

254 (4) The amount remaining in the Education Enhancement Fund
255 after funds are distributed as provided in subsections (2) and (3)
256 of this section, excluding funds deposited pursuant to Section
257 27-103-203(1)(a), shall be disbursed as follows:

258 (a) Twenty-five Million Dollars (\$25,000,000.00) shall
259 be deposited into the Working Cash-Stabilization Reserve Fund
260 created pursuant to Section 27-103-203(1), until the balance in
261 such fund reaches the maximum balance of seven and one-half
262 percent (7-1/2%) of the General Fund appropriations in the
263 appropriate fiscal year. After the maximum balance in the Working
264 Cash-Stabilization Reserve Fund is reached, such money shall
265 remain in the Education Enhancement Fund to be appropriated in the
266 manner provided for in paragraph (b) of this section.

267 (b) The remainder shall be appropriated for other
268 educational needs.



269 (5) None of the funds appropriated pursuant to subsection
270 (3) (a) of this section shall be used to reduce the state's general
271 fund appropriation for the categories listed in an amount below
272 the following amounts:

273 (a) For subsection (3) (a) (i) of this section, Six
274 Million Three Hundred Thirty Thousand Nine Hundred Twenty Dollars
275 (\$6,330,920.00);

276 (b) For subsection (3) (a) (ii) of this section
277 Thirty-six Million Seven Hundred Thousand Dollars
278 (\$36,700,000.00);

279 (c) For subsection (3) (a) (iii) of this section,
280 Twenty-one Million Four Hundred Thousand Dollars (\$21,400,000.00);
281 and

282 (d) For the aggregate of minimum program allotments
283 provided for in Chapter 19, Title 37, Mississippi Code of 1972, as
284 amended, excluding those funds for transportation as provided for
285 in subsection (5) (b) of this section.

286 (6) At the end of a fiscal year such amounts as required by
287 Section 27-103-203(1) (a) to be transferred to the Education
288 Enhancement Fund shall be deposited into the Education Enhancement
289 Fund and shall be kept separate from other monies in the fund by
290 the State Treasurer. * * * The monies in the separate fund within
291 the Education Enhancement Fund which are deposited pursuant
292 to * * * Section 27-103-203(1) (a) shall be subject to
293 appropriation by the Legislature only for nonrecurring
294 expenditures, as determined by the Legislative Budget Office, in
295 the following manner: (a) fifty percent (50%) to support public
296 education, including but not limited to, Grades K through 12,
297 Mississippi Educational Television and/or the Mississippi Library
298 Commission; (b) twenty-five percent (25%) to support institutions
299 of higher learning; and (c) twenty-five percent (25%) to support
300 the junior or community colleges. Any amount of such monies
301 transferred into the separate fund pursuant to Section



302 27-103-203(1) (a) which are not appropriated by the Legislature
303 shall not lapse but shall carry over and be subject to
304 appropriation by the Legislature in the succeeding fiscal year in
305 the same manner provided in this subsection (6). The interest
306 earned on the investment of such monies transferred pursuant to
307 Section 27-103-203(1) (a) shall be paid into the separate fund
308 within the Education Enhancement Fund.

309 **[From and after July 1, 2002, this section reads as follows:]**

310 37-61-33. (1) There is hereby created within the State
311 Treasury a special fund to be designated the "Education
312 Enhancement Fund" into which shall be deposited all the revenues
313 collected pursuant to Sections 27-65-75(7) and (8), 27-67-31(a)
314 and (b) and 27-103-203(1) (a).

315 (2) Of the amount deposited into the Education Enhancement
316 Fund, excluding revenues deposited pursuant to Section
317 27-103-203(1) (a), Sixteen Million Dollars (\$16,000,000.00) shall
318 be appropriated each fiscal year to the State Department of
319 Education to be distributed to all school districts. Such money
320 shall be distributed to all school districts in the proportion
321 that the average daily attendance of each school district bears to
322 the average daily attendance of all school districts within the
323 state for the following purposes:

324 (a) Purchasing, erecting, repairing, equipping,
325 remodeling and enlarging school buildings and related facilities,
326 including gymnasiums, auditoriums, lunchrooms, vocational training
327 buildings, libraries, teachers' homes, school barns,
328 transportation vehicles (which shall include new and used
329 transportation vehicles) and garages for transportation vehicles,
330 and purchasing land therefor.

331 (b) Establishing and equipping school athletic fields
332 and necessary facilities connected therewith, and purchasing land
333 therefor.



334 (c) Providing necessary water, light, heating, air
335 conditioning and sewerage facilities for school buildings, and
336 purchasing land therefor.

337 (d) As a pledge to pay all or a portion of the debt
338 service on debt issued by the school district under Sections
339 37-59-1 through 37-59-45, 37-59-101 through 37-59-115, 37-7-351
340 through 37-7-359, 37-41-89 through 37-41-99, 37-7-301, 37-7-302
341 and 37-41-81, or debt issued by boards of supervisors for
342 agricultural high schools pursuant to Section 37-27-65, if such
343 pledge is accomplished pursuant to a written contract or
344 resolution approved and spread upon the minutes of an official
345 meeting of the district's school board or board of supervisors.
346 The annual grant to such district in any subsequent year during
347 the term of the resolution or contract shall not be reduced below
348 an amount equal to the district's grant amount for the year in
349 which the contract or resolution was adopted. The intent of this
350 provision is to allow school districts to irrevocably pledge a
351 certain, constant stream of revenue as security for long-term
352 obligations issued under the code sections enumerated in this
353 paragraph or as otherwise allowed by law. It is the intent of the
354 Legislature that the provisions of this paragraph shall be
355 cumulative and supplemental to any existing funding programs or
356 other authority conferred upon school districts or school boards.
357 Debt of a district secured by a pledge of sales tax revenue
358 pursuant to this paragraph shall not be subject to any debt
359 limitation contained in the foregoing enumerated code sections.

360 (3) The remainder of the money deposited into the Education
361 Enhancement Fund, excluding funds deposited pursuant to Section
362 27-103-203(1) (a), shall be appropriated as follows:

363 (a) To the State Department of Education as follows:

364 (i) Sixteen and sixty-one one-hundredths percent
365 (16.61%) to the cost of the adequate education program determined
366 under Section 37-151-7;



367 (ii) Seven and ninety-seven one-hundredths percent
368 (7.97%) to assist the funding of transportation operations and
369 maintenance pursuant to Section 37-19-23; and

370 (iii) Nine and sixty-one one-hundredths percent
371 (9.61%) for classroom supplies, instructional materials and
372 equipment, including computers and computer software, to be
373 distributed to all school districts in the proportion that the
374 average daily attendance of each school district bears to the
375 average daily attendance of all school districts within the state.
376 It is the intent of the Legislature that all classroom teachers
377 shall be involved in the development of a spending plan that
378 addresses individual classroom needs and supports the overall
379 goals of the school regarding supplies, instructional materials,
380 equipment, computers or computer software under the provisions of
381 this subparagraph, including the type, quantity and quality of
382 such supplies, materials and equipment. This plan shall be
383 submitted to the school principal for approval. School districts
384 need not fully expend the funds received under this subparagraph
385 in the year in which they are received, but such funds may be
386 carried forward for expenditure in any succeeding school year.

387 (b) Twenty-two and nine one-hundredths percent (22.09%)
388 to the Board of Trustees of State Institutions of Higher Learning
389 for the purpose of supporting institutions of higher learning; and

390 (c) Fourteen and forty-one one-hundredths percent
391 (14.41%) to the State Board for Community and Junior Colleges for
392 the purpose of providing support to community and junior colleges.

393 (4) The amount remaining in the Education Enhancement Fund
394 after funds are distributed as provided in subsections (2) and (3)
395 of this section, excluding funds deposited pursuant to Section
396 27-103-203(1) (a), shall be disbursed as follows:

397 (a) Twenty-five Million Dollars (\$25,000,000.00) shall
398 be deposited into the Working Cash-Stabilization Reserve Fund
399 created pursuant to Section 27-103-203(1), until the balance in



400 such fund reaches the maximum balance of seven and one-half
401 percent (7-1/2%) of the General Fund appropriations in the
402 appropriate fiscal year. After the maximum balance in the Working
403 Cash-Stabilization Reserve Fund is reached, such money shall
404 remain in the Education Enhancement Fund to be appropriated in the
405 manner provided for in paragraph (b) of this section.

406 (b) The remainder shall be appropriated for other
407 educational needs.

408 (5) None of the funds appropriated pursuant to subsection
409 (3) (a) of this section shall be used to reduce the state's general
410 fund appropriation for the categories listed in an amount below
411 the following amounts:

412 (a) For subsection (3) (a) (ii) of this section
413 Thirty-six Million Seven Hundred Thousand Dollars
414 (\$36,700,000.00);

415 (b) For the aggregate of minimum program allotments in
416 the 1997 fiscal year, formerly provided for in Chapter 19, Title
417 37, Mississippi Code of 1972, as amended, excluding those funds
418 for transportation as provided for in subsection (5) (a) in this
419 section.

420 (6) At the end of a fiscal year such amounts as required by
421 Section 27-103-203(1) (a) to be transferred to the Education
422 Enhancement Fund shall be deposited into the Education Enhancement
423 Fund and shall be kept separate from other monies in the fund by
424 the State Treasurer. * * * The monies in the separate fund within
425 the Education Enhancement Fund which are deposited pursuant to
426 * * * Section 27-103-203(1) (a) shall be subject to appropriation
427 by the Legislature only for nonrecurring expenditures, as
428 determined by the Legislative Budget Office, in the following
429 manner: (a) fifty percent (50%) to support public education,
430 including but not limited to, Grades K through 12, Mississippi
431 Educational Television and/or the Mississippi Library Commission;
432 (b) twenty-five percent (25%) to support institutions of higher



433 learning; and (c) twenty-five percent (25%) to support the junior
434 or community colleges. Any amount of such monies transferred into
435 the separate fund pursuant to Section 27-103-203(1) (a) which are
436 not appropriated by the Legislature shall not lapse but shall
437 carry over and be subject to appropriation by the Legislature in
438 the succeeding fiscal year in the same manner provided in this
439 subsection (6). The interest earned on the investment of such
440 monies transferred pursuant to Section 27-103-203(1) (a) shall be
441 paid into the separate fund within the Education Enhancement Fund.

442 SECTION 3. (1) There is created and established in the
443 State Treasury a trust fund to be known as the Higher Education
444 Improvement Trust Fund, which shall be used for the improvement of
445 higher education within the State of Mississippi. There shall be
446 deposited in the trust fund:

447 (a) Such amounts as required by Section
448 27-103-203(1) (b) to be deposited into the Higher Education
449 Improvement Trust Fund;

450 (b) Any gift, donation, bequest, trust, grant,
451 endowment or transfer of money or securities designated for the
452 trust fund; and

453 (c) Any monies from any other source that the
454 Legislature appropriates to the trust fund or directs to be
455 deposited to the trust fund.

456 (2) The principal of the trust fund shall remain inviolate
457 and shall be invested as provided under Sections 7-9-101 through
458 7-9-107. Interest and income derived from investment of the
459 principal of the trust fund may be appropriated by the Legislature
460 by a majority vote of the elected membership of each house of the
461 Legislature and expended exclusively for the support of the
462 institutions of higher learning and the community and junior
463 colleges. One-half (1/2) of the interest and income shall be
464 reserved exclusively for the support of the institutions of higher
465 learning, and one-half (1/2) of the interest and income shall be



466 reserved exclusively for the support of the community and junior
467 colleges. The amount of interest and income that is reserved for
468 the support of the institutions of higher learning and the amount
469 of the interest and income that is reserved for the support for
470 the community and junior colleges shall be accounted for
471 separately, and the amount reserved for one may not be
472 appropriated or expended for the other.

473 SECTION 4. Section 7-9-101, Mississippi Code of 1972, is
474 amended as follows:

475 7-9-101. The State Treasurer may employ or enter into a
476 contract for the services of investment advisors, security
477 custodians and/or bank trust departments for the management and
478 investment of the Education Improvement Trust Fund created in
479 Section 206A of the Mississippi Constitution of 1890 and the
480 Higher Education Improvement Trust Fund created in Section 3 of
481 this act. Compensation or fees for those services shall be paid
482 from the income derived from investment of the principal of the
483 respective trust funds, subject to appropriation by the
484 Legislature.

485 SECTION 5. Section 7-9-103, Mississippi Code of 1972, is
486 amended as follows:

487 7-9-103. The principal of the Education Improvement Trust
488 Fund and the principal of the Higher Education Improvement Trust
489 Fund shall be invested by the investment entity so selected by the
490 State Treasurer, and all purchases shall be made from competitive
491 offerings. Those funds may be invested only as follows:

492 (a) Bonds, notes, certificates and other valid general
493 obligations of the State of Mississippi, or of any county, or of
494 any city, or of any supervisors district of any county of the
495 State of Mississippi, or of any school district bonds of the State
496 of Mississippi; notes or certificates of indebtedness issued by
497 the Veterans' Home Purchase Board of Mississippi, provided those
498 notes or certificates of indebtedness are secured by the pledge of



499 collateral equal to two hundred percent (200%) of the amount of
500 the loan, which collateral is also guaranteed at least for fifty
501 percent (50%) of the face value by the United States government,
502 and provided that not more than five percent (5%) of the total
503 investment holdings of the system shall be in Veterans' Home
504 Purchase Board notes or certificates at any time; real estate
505 mortgage loans one hundred percent (100%) insured by the Federal
506 Housing Administration on single family homes located in the State
507 of Mississippi, where monthly collections and all servicing
508 matters are handled by the Federal Housing Administration approved
509 mortgagees authorized to make those loans in the State of
510 Mississippi;

511 (b) State of Mississippi highway bonds;

512 (c) Funds may be deposited in federally insured
513 institutions domiciled in the State of Mississippi;

514 (d) Corporate bonds of Grade A or better as rated by
515 Standard and Poor or by Moody's Investment Service; or corporate
516 short-term obligations of corporations, or of wholly-owned
517 subsidiaries of corporations, whose short term obligations are
518 rated S-3 or better by Standard and Poor or rated P-3 or better by
519 Moody's Investment Service;

520 (e) Bonds of the Tennessee Valley Authority;

521 (f) Bonds, notes, certificates and other valid
522 obligations of the United States, and other valid obligations of
523 any federal instrumentality that issues securities under authority
524 of an act of Congress and are exempt from registration with the
525 Securities and Exchange Commission;

526 (g) Bonds, notes, debentures and other securities
527 issued by any federal instrumentality and fully guaranteed by the
528 United States;

529 (h) Interest-bearing bonds or notes which are general
530 obligations of any other state in the United States or of any city
531 or county therein, provided the city or county had a population as



532 shown by the federal census next preceding the investment of not
533 less than twenty-five thousand (25,000) inhabitants, and provided
534 that the state, city or county has not defaulted for a period
535 longer than thirty (30) days in the payment of principal or
536 interest on any of its general obligation indebtedness during a
537 period of ten (10) calendar years immediately preceding the
538 investment;

539 (i) Certificates of deposit and repurchase agreements.
540 All investments shall be acquired by the investment entity at the
541 highest market rate available for those securities; and

542 (j) Securities of, or other interests in, any open-end
543 or closed-end management type investment company or investment
544 trust registered under the provisions of 15 USCS, Section 80(a)-1
545 et seq., provided that the portfolio of the investment company or
546 investment trust is limited to direct obligations issued by the
547 United States of America, United States government agencies,
548 United States government instrumentalities or United States
549 government sponsored enterprises, and to repurchase agreements
550 fully collateralized by direct obligations of the United States of
551 America, United States government agencies, United States
552 government instrumentalities or United States government sponsored
553 enterprises, and the investment company or investment trust takes
554 delivery of the collateral for the repurchase agreement, either
555 directly or through an authorized custodian. The State Treasurer
556 and the Executive Director of the Department of Finance and
557 Administration shall review and approve the investment companies
558 and investment trusts in which funds invested under this paragraph
559 (j) may be invested. However, at no time shall the funds invested
560 in investment companies and investment trusts under this paragraph
561 (j) exceed twenty percent (20%) of all investments of the
562 Education Improvement Trust Fund under this section.



563 Any limitations * * * set forth in this section shall be
564 applicable only at the time of purchase and shall not require the
565 liquidation of any investment at any time.

566 Subject to the above terms, conditions, limitations and
567 restrictions, the investment entity shall have power to sell,
568 assign, transfer and dispose of any of the securities and
569 investments of the respective trust funds.

570 SECTION 6. Section 7-9-105, Mississippi Code of 1972, is
571 amended as follows:

572 7-9-105. The State Treasurer may adopt necessary rules and
573 regulations consistent with this legislation to facilitate the
574 management of the respective education trust funds.

575 SECTION 7. Section 7-9-107, Mississippi Code of 1972, is
576 amended as follows:

577 7-9-107. Upon request of the investment entity, signed by
578 the proper person, officer or officers, the State Fiscal Officer
579 shall issue his warrants to authorize the transfer from the
580 Education Improvement Trust Fund or the Higher Education
581 Improvement Trust Fund such funds as are selected for investment
582 under Sections 7-9-101 through 7-9-107, and upon receipt of those
583 warrants, the State Treasurer shall immediately transfer those
584 sums to the proper funds or accounts.

585 SECTION 8. This act shall take effect and be in force from
586 and after July 1, 2001.

