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## LOCAL UNITS: CREDIT CARD USE

House Bill 5019  
Sponsor: Rep. Robert Brackenridge  
Committee: Local Government

Complete to 9-13-95

### A SUMMARY OF HOUSE BILL 5019 AS INTRODUCED 9-12-95

The bill would create a new act to authorize and regulate credit card transactions involving local units of government. Under the bill, the total combined authorized credit limit of all credit cards issued by a local unit could not exceed five percent of the unit's budget in the current fiscal year. A credit card could only be used by an officer or employee of the local unit for the purchase of supplies or services for official business.

Also, unless prohibited by law or charter, a local unit could accept a credit card, instead of cash or a check, for payment of a tax or fee. Before a local unit could accept credit card payments, the governing body would have to adopt a resolution designating the officer or employee responsible for determining the type of payment for which credit cards could be accepted and the major credit cards to be accepted.

The term "local unit" refers to a village, a city, a township, a county, a county road commission, a local school district, an intermediate school district, a community college district, and an authority or organization of government that can issue obligations under the Municipal Finance Act and that can spend funds of the authority or organization.

Under the bill, the governing body of a local unit could enter into "a credit card arrangement." The arrangement would have to require that the balance, including interest due, be paid within 60 days of the initial statement date, and the local unit would have to comply with this requirement. A credit card arrangement would not be subject to the Municipal Finance Act or to provisions of law or charter concerning the issuance of debt.

A credit card arrangement would require the adoption of a written policy by resolution of the local governing body. The policy would have to provide, among other things, for a system of internal accounting controls, for the approval of credit card invoices before payment, and for disciplinary measures for the unauthorized use of a card by an officer or employee. The policy would also designate an officer as responsible for the unit's credit card issuance, accounting, monitoring, and retrieval, and generally for overseeing compliance. (The bill specifies that it would not limit the applicability of other laws, including criminal laws, regarding the use of a credit card issued by a local unit for other than official business.) At its discretion, the local unit could limit the specific official business for which cards could be used.

The policy also would require an officer or employee using credit cards issued by the local unit to submit documentation as described in the policy detailing purchases, their cost, and the official business involved. An officer or employee would be responsible for the

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protection and custody of his or her card and would have to notify the local unit immediately if it was lost or stolen. The policy also would require that the card be returned when the officer or employee left employment or service with the local unit.

The Department of Treasury could issue an order, following a public hearing, limiting or suspending the authority of a local unit to issue and use credit cards for failure to comply with the requirements of the new act or with the local credit card policy.

A credit card arrangement entered into by a local unit before the effective date of the new act would be valid but could not be used after the act took effect unless it complied with the act.

The act would take effect six months after its enactment.