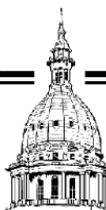




Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5019 (Substitute H-4)
Sponsor: Representative Robert Brackenridge
House Committee: Local Government
Senate Committee: Local, Urban and State Affairs

Date Completed: 11-29-95

SUMMARY OF HOUSE BILL 5019 (Substitute H-4) as passed by the House:

The bill would create a new act to authorize and regulate the use of credit cards by local units of government and their officers and employees; and prohibit a local unit from entering into a credit card arrangement unless its governing body adopted a written policy including those provisions prescribed in the bill. The total credit limit of all credit cards issued by a local unit could not exceed 5% of the local unit's total budget for the fiscal year, excluding special assessment funds, public improvement or building and site funds, enterprise funds, intragovernmental service funds, and funds for which the local unit acted as a trustee or agent. A local unit could include in its budget the balance due on any credit card, annual fees, and interest.

Under the bill, a local unit could enter into a "credit card arrangement", that is, "an unsecured extension of credit for purchasing goods or services from the credit card issuer or any other person that is made to the holder of a credit card and that is accessed with a credit card". The arrangement, or the use of credit cards under the bill, would not be subject to the provisions of the Municipal Finance Act or to provisions of law or charter concerning the issuance of debt by a local unit. The bill would prohibit a local unit from being a party to a credit card arrangement unless its governing body adopted by resolution a written policy that provided all the following:

- That an officer or employee designated by the credit card policy would be responsible for the local unit's credit card issuance, accounting, monitoring, and retrieval, and generally for overseeing compliance with the credit card policy.
- That a credit card could be used only by an officer or employee of the local unit for the purchase of goods or services for the official business of the local unit. In addition, the credit card policy could limit the specific official business for which credit cards could be used. These provisions would not limit the applicability of certain sections of the Michigan Penal Code that deal with the illegal use of credit cards, or any other law or ordinance applicable to use of a credit card issued by a local unit, for other than official business of the local unit.
- That an officer or employee using credit cards issued by the local unit would have to submit to the local unit documentation described in the credit card policy detailing the goods or services purchased, the cost of the goods or services, the date of the purchase, and the official business for which purchased.
- That an officer or employee issued a credit card would be responsible for its protection and custody and immediately would have to notify the local unit if the credit card were lost or stolen.

- That an officer or employee issued a credit card would have to return the credit card upon the termination of his or her employment or service in office with the local unit.
- For a system of internal accounting controls to monitor the use of credit cards issued by the local unit.
- For the approval of credit card invoices before payment.
- That the balance, including interest due on an extension of credit under the credit card arrangement, would have to be paid for within 60 days of the initial statement date. (The local unit would have to comply with this provision of the credit card policy.)
- For disciplinary measures consistent with law for the unauthorized use of a credit card by an officer or employee of the local unit.
- Any other matters the governing body considered advisable.

The bill provides that the Department of Treasury, after a hearing conducted under the Administrative Procedures Act, could issue an order limiting or suspending the authority of a local unit to issue and use credit cards under the bill, for failure to comply with the requirements of the bill or with the requirements of the local unit's credit card policy.

A credit card arrangement entered into by a local unit before the effective date of the bill would be valid but could not be used for credit card transactions on or after the bill's effective date unless the requirements of the bill were complied with. The bill would take effect six months after the date of its enactment.

Under the bill, "local unit" would mean a village, city, township, county, county road commission, local school district, intermediate school district, community college district, or an authority or organization established to issue obligations under the Municipal Finance Act.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.