



HOUSE BILL No. 5019

September 12, 1995, Introduced by Rep. Brackenridge and referred to the Committee on Local Government.

A bill to authorize and regulate credit card transactions involving local units of government, including the use of credit cards by officers and employees of local units and the acceptance of credit card payments by local units; and to provide for powers and duties of certain state and local agencies, officers, and employees.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Budget" means a plan of financial operation for a given
3 period of time, including an estimate of all proposed expendi-
4 tures from the funds of a local unit and the proposed means of
5 financing the expenditures. Budget does not include any of the
6 following:

7 (i) A fund for which the local unit acts as a trustee or
8 agent.

1 (ii) An intragovernmental service fund.

2 (iii) An enterprise fund.

3 (iv) A public improvement or building and site fund.

4 (v) A special assessment fund.

5 (b) "Credit card" means a card or device issued by a person
6 licensed under Act No. 379 of the Public Acts of 1984, being sec-
7 tions 493.101 to 493.114 of the Michigan Compiled Laws, or under
8 the consumer financial services act, Act No. 161 of the Public
9 Acts of 1988, being sections 487.2051 to 487.2072 of the Michigan
10 Compiled Laws, under a credit card arrangement.

11 (c) "Credit card arrangement" means an unsecured extension
12 of credit for purchasing property or services from the credit
13 card issuer or any other person that is made to the holder of a
14 credit card and that is accessed with a credit card.

15 (d) "Credit card policy" means a policy adopted by resolu-
16 tion of a local unit under section 3(1).

17 (e) "Executive officer" means the individual designated
18 under section 3(2)(a).

19 (f) "Governing body" means any of the following:

20 (i) The council, commission, or other entity vested with the
21 legislative power of a village.

22 (ii) The council or other entity vested with the legislative
23 power of a city.

24 (iii) The township board of a township.

25 (iv) The county board of commissioners of a county.

26 (v) The board of county road commissioners of a county.

1 (vi) The board of education of a local school district.

2 (vii) The board of education of an intermediate school
3 district.

4 (viii) The board of trustees of a community college
5 district.

6 (ix) The official body to which is granted general governing
7 powers over an authority or organization of government estab-
8 lished by law which may issue obligations pursuant to Act No. 202
9 of the Public Acts of 1943, and which may expend funds of the
10 authority or organization.

11 (g) "Local school district" means a school district orga-
12 nized under the school code of 1976, Act No. 451 of the Public
13 Acts of 1976, being sections 380.1 to 380.1852 of the Michigan
14 Compiled Laws, or a district governed by a special or local act.

15 (h) "Local unit" means any of the following:

16 (i) A village.

17 (ii) A city.

18 (iii) A township.

19 (iv) A county.

20 (v) A county road commission.

21 (vi) A local school district.

22 (vii) An intermediate school district.

23 (viii) A community college district.

24 (ix) An authority or organization of government established
25 by law which may issue obligations pursuant to Act No. 202 of the
26 Public Acts of 1943, and which may expend funds of the authority
27 or organization.

1 Sec. 2. (1) Subject to sections 3 and 5, the governing body
2 of a local unit may enter into a credit card arrangement.

3 (2) The credit card arrangement shall require that the bal-
4 ance including interest due on an extension of credit under the
5 credit card arrangement shall be paid for within not more than 60
6 days of the initial statement date, and the local unit shall
7 comply with this requirement.

8 (3) A credit card arrangement or the use of credit cards
9 under this act is not subject to the municipal finance act, Act
10 No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3
11 of the Michigan Compiled Laws, or to provisions of law or charter
12 concerning the issuance of debt by a local unit.

13 Sec. 3. A local unit shall not be a party to a credit card
14 arrangement unless the governing body of the local unit has
15 adopted by resolution a written policy that provides all of the
16 following:

17 (a) That an officer or employee designated by the credit
18 card policy is responsible for the local unit's credit card issu-
19 ance, accounting, monitoring, and retrieval and generally for
20 overseeing compliance with the credit card policy.

21 (b) That a credit card may be used only by an officer or
22 employee of the local unit for the purchase of supplies or serv-
23 ices for the official business of the local unit. In addition,
24 the credit card policy may limit the specific official business
25 for which cards may be used. This subdivision does not limit the
26 applicability of chapter XXIVA or section 174, 175, 219a, or 490a
27 of the Michigan penal code, Act No. 328 of the Public Acts of

1 1931, being sections 750.157m to 750.157w, 750.174, 750.175,
2 750.219a, and 750.490a of the Michigan Compiled Laws; section 1a
3 of the code of criminal procedure, Act No. 175 of the Public Acts
4 of 1927, being section 769.1a of the Michigan Compiled Laws; or
5 any other law, or ordinance, applicable to use of a credit card,
6 issued by a local unit, for other than official business of the
7 local unit.

8 (c) That an officer or employee using credit cards issued by
9 the local unit shall submit to the local unit documentation
10 described in the credit card policy detailing the supplies or
11 services purchased, the cost of the supplies or services, the
12 date of the purchase, and the official business for which
13 purchased.

14 (d) That an officer or employee issued a credit card is
15 responsible for its protection and custody and shall immediately
16 notify the local unit if the credit card is lost or stolen.

17 (e) That an officer or employee issued a credit card shall
18 return the credit card upon the termination of his or her employ-
19 ment or service in office with the local unit.

20 (f) For a system of internal accounting controls to monitor
21 the use of credit cards issued by the local unit.

22 (g) For the approval of credit card invoices before
23 payment.

24 (h) For disciplinary measures consistent with law for the
25 unauthorized use of a credit card by an officer or employee of
26 the local unit.

1 (i) Any other matters the governing body considers
2 advisable.

3 Sec. 4. (1) The total combined authorized credit limit of
4 all credit cards issued by a local unit shall not exceed 5% of
5 the total budget of the local unit for the current fiscal year.

6 (2) The governing body of a local unit may include in its
7 budget and pay the balance due on any credit cards, including the
8 annual fee and interest.

9 Sec. 5. After a hearing conducted under the administrative
10 procedures act of 1969, Act No. 306 of the Public Acts of 1969,
11 being sections 24.201 to 24.328 of the Michigan Compiled Laws,
12 the department of treasury may issue an order limiting or sus-
13 pending the authority of a local unit to issue and use credit
14 cards under this act for failure to comply with the requirements
15 of this act or of the local unit's credit card policy.

16 Sec. 6. A credit card arrangement entered into by a local
17 unit before the effective date of this act is valid but may not
18 be used for credit card transactions on or after the effective
19 date of this act unless the requirements of sections 2(2), 3, and
20 4 have been met.

21 Sec. 7. Unless prohibited by law or charter, a local unit
22 may accept a credit card, instead of cash or a check, for payment
23 of a tax or fee. Before a local unit accepts a credit card pay-
24 ment, the governing body of the local unit shall adopt a resolu-
25 tion designating the officer or employee of the local unit
26 responsible for determining both of the following:

1 (a) The types of payments for which credit cards may be
2 accepted.

3 (b) The major credit cards that may be accepted.

4 Sec. 8. This act shall take effect 6 months after the date
5 of its enactment.