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**LOCAL GOV'T: ELECTRONIC
TRANSACTIONS OF PUBLIC FUNDS**

House Bill 6496
Sponsor: Rep. Marc Shulman
**Committee: Local Government and
Urban Policy**

Complete to 11-12-02

A SUMMARY OF HOUSE BILL 6496 AS INTRODUCED 11-7-02

House Bill 6496 would create a new act to authorize and regulate electronic transactions of public funds involving local units of government. Specifically, the bill would allow the treasurer or the electronic transactions officer (“ETO”) of a local unit to enter into an automated clearing house (“ACH”) arrangement to originate or receive an electronic payment, debit, or credit transfer processed through an ACH. (As defined in the bill, an “electronic transactions officer” would be the person designated under the act by charter or by a local unit’s governing body. An “automated clearing house” would be defined as a national governmental organization with authority to process electronic payments, including the national ACH association and the federal reserve system.)

A local unit could not be a party to an ACH arrangement unless the local unit’s governing body had adopted a resolution authorizing electronic transactions and the treasurer or the ETO of the local unit had presented a written ACH policy to the governing body. The ACH policy would have to include all of the following:

- [a statement] that an officer or employee designated by the treasurer or ETO was responsible for the local unit’s ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy;
- [a statement] that the officer or employee responsible for disbursement of funds was required to submit to the local unit documentation detailing the goods or services purchased, their cost, the date of the payment, and the department levels serviced by payment;
- a system of internal accounting controls to monitor the use of ACH transactions made by the local unit;
- the approval of ACH invoices before payment; and
- any other matters the treasurer or ETO considered necessary.

ACH arrangements would not be subject to the Revised Municipal Finance Act or to provisions of law or charter concerning the issuance of debt by a local unit of government. After notice and a hearing, the Department of Treasury could issue an order limiting or suspending the authority of a local unit to make electronic transactions under the act for failure to comply with the act’s requirements or with the requirements of the local unit’s ACH policy. The bill states

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that the act would not affect the validity of an ACH arrangement entered into by a local unit before the act's effective date. All electronic transactions made on or after the effective date of the act would be required to comply with the act.

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