

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 6496 (Substitute H-1 as passed by the House)
Sponsor: Representative Marc Shulman
House Committee: Local Government and Urban Policy

CONTENT

The bill would create a new act to allow the treasurer or "electronic transactions officer" of a local unit to enter into an automated clearing house (ACH) arrangement, which would be an agreement between the originator and receiver of an "ACH transaction" (an electronic payment, debt, or credit transfer processed through an automated clearing house). All electronic transactions made on or after the bill's effective date would have to comply with the proposed act.

A local unit could not be a party to an ACH arrangement unless its governing body had adopted a resolution to authorize electronic transactions and the local unit's treasurer or electronic transactions officer (ETO) had presented a written ACH policy to the governing body. An ACH policy would have to contain provisions set forth in the bill, including particular responsibilities of an officer or employee designated by the treasurer or ETO, a system of internal accounting controls to monitor the use of ACH transactions made by the local unit, and the approval of ACH invoices before payment.

After notice and hearing as provided under the Administrative Procedures Act, the Department of Treasury could issue an order limiting or suspending a local unit's authority to make electronic transactions, for failure to comply with the proposed act or the local unit's ACH policy.

"Local unit" would mean a village, city, township, county, county road commission, local school district, intermediate school district, community college district, community mental health authority, or an authority or organization of government established under the Revised Municipal Finance Act. An ETO would be a person designated by charter or the governing body of a local unit other than a township or county.

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would likely minimally increase expenditures for local units when the electronic transactions process was initiated. In the long term, electronic transactions are generally less expensive, which results in a minimal reduction in local unit expenditures. The bill would not affect local unit revenues, and would have no impact on State revenues or expenditures.

Date Completed: 12-11-02

Fiscal Analyst: David Zin