Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 368 (Substitute S-1 as reported) *(as enrolled)*
Sponsor: Senator Tony Stamas
Committee: Local, Urban and State Affairs

Date Completed: 11-6-07

RATIONALE

A county treasurer is responsible for various duties including the management of county funds, tax collection, investment oversight, and general bookkeeping for the county. Because of his or her access to county funds, a treasurer may be able to embezzle or otherwise lose the county's money through negligence or malfeasance, leaving the county unable to pay its employees and other necessary expenses. Alcona County, for example, lost over $1.2 million after its treasurer invested in a banking scam in 2006. The county could not recover the lost money and was forced to lay off employees. Evidently, even though every county in the State is required to cover its treasurer with a bond, the amount of the bond purchased by a county often would not be enough to protect county funds should something similar happen.

Some people have suggested that, in order to protect county funds, a county should be required to cover its treasurer with a bond of at least $1.0 million.

CONTENT

The bill would amend Chapter 14 of the Revised Statutes of 1846, "Of county officers", to require a county to cover the county treasurer with a surety bond or blanket bond of at least $1.0 million.

Currently, under Section 35 of the Act, as determined by the county board of commissioners, the county treasurer either must be covered by a blanket bond or must give a bond of a surety company authorized to do business in this State for the faithful and proper discharge of the duties of the county treasurer's office and the duties required by virtue of the office of county treasurer. The cost of the individual bond must be paid from the general fund of the county.

The bill would create a new section that would contain the same requirements but also require the bond to be in an amount of at least $1.0 million. This would apply beginning December 31, 2007.

In addition, under the bill, before January 1 of each year, the county treasurer would have to give the county board of commissioners a written report indicating that the bond was valid for the upcoming year and that its amount met or exceeded the statutory threshold. A copy of the bond would have to be attached to the report.

Proposed MCL 48.40a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Although the Act already requires counties to purchase bonds for their treasurers, it does not require the bonds to be of a specific amount. By requiring the bonds to cover at least $1.0 million, the bill would provide a better safeguard for county funds that may be lost because of negligence or malfeasance by a county treasurer. Had Alcona County covered its treasurer with a bond in that amount, the county would have been able to recover some of its losses and avoid layoffs of county employees after its treasurer lost over $1.2 million in an online banking scheme.

Opposing Argument
Counties in the State have different amounts of money. For counties like Oakland County, a $1.0 million bond would not be enough to cover all county funds. For other counties, a $1.0 million bond could be unnecessarily expensive. Because of these differences, the amount of a required bond should be related to the amount of money an individual county has. The amount also should account for future inflation.

Response: The $1.0 million amount would be a minimum requirement that each county would evaluate and that the State could reevaluate in the future. A $1.0 million bond should not be too expensive for any county in the State, and a county that needed more coverage could choose to purchase a bond in a greater amount.

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would have no effect on State revenue or expenditures. The bill would have no impact on local unit revenue but could increase local unit expenditures by an unknown amount depending on the costs of the bonds and the amount counties currently spend.

Fiscal Analyst: David Zin

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