

DEPOSITORIES FOR PUBLIC MONEY

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Senate Bill 455 (S-1) as reported from House committee

Sponsor: Sen. Ian Conyers

House Committee: Local Government

Senate Committee: Local Government

Complete to 12-17-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 455 would amend Public Act 40 of 1932, which governs depositories for public money. It would repeal Act 99 of 1909, which also governs depositories for public money, and seek to merge the two acts and reconcile any inconsistencies. In addition, the bill would repeal Section 5 of PA 40 of 1932 and incorporate that section's language into Section 6 of the act.

Currently, Act 99 of 1909 requires county clerks to solicit bids from financial institutions and the County Board of Commissioners to contract with one submitting a satisfactory bid for the safe keeping of public funds.

Instead, under Senate Bill 455, the treasurer of a local public entity could recommend one or more financial institutions that meet the requirements for a depository of public money, using a procurement process that is consistent with best practices for procurement of banking services by that type of public entity. The local public entity's governing body would have to consider any recommendation submitted by the treasurer. (Designation as a depository of public money would apply to a financial institution's successor institution in case of a merger or acquisition.)

The bill would require that a potential depository of public money must meet either maintain a principal office or branch office located in Michigan or must otherwise meet all of the following criteria:

- The local public entity the financial institution is serving has a geographic boundary bordering another state.
- The financial institution maintains a principal office or branch office in that bordering state.
- There is no principal office or branch office of a financial institution that maintains such an office in the local public entity.

Additionally, the bill would replace lists of local units and governing boards throughout existing statute with the broader terms *local public entity* and *governing body*, respectively. The bill would revise the language of many of the provisions of the act to refer specifically to *treasurers* and not *tax collectors*.

It would also provide that an officer of a local public entity authorized to deposit public money collected or received by the entity would have to deposit the money as soon as

practicable in one or more financial institutions designated under the act. This requirement would not prevent a county treasurer from keeping on hand a reasonable amount of money necessary to conduct the affairs of his or her office.

The bill would take effect 90 days after enactment.

MCL 129.11 et al., and MCL 129.15 and 129.31 to 129.40 (repealed)

HOUSE COMMITTEE ACTION:

The House Committee on Local Government reported the Senate-passed version of the bill without amendment.

BRIEF DISCUSSION:

Supporters of the bill argued that it would update and streamline the laws regulating county finance according to modern best practices. They said that, as currently written, PA 40 of 1932 and PA 99 of 1909 conflict with each other, ultimately creating a needlessly restrictive and cumbersome bank bidding process that county clerks need to follow. Supporters argued that, by removing county clerks from the bidding process and giving treasurers the authority to recommend banks instead, Michigan would end an obsolete practice that is no longer used in other states. In addition, supporters said that the bill would outline appropriate record-keeping and cash control measures, thus maintaining the security, integrity, and transparency of Michigan county finances.

FISCAL IMPACT:

Senate Bill 455 would have no discernible fiscal impact on state or local units of government.

POSITIONS:

A representative of the Michigan Association of County Treasurers testified in support of the bill. (10-3-18)

The Michigan Bankers Association indicated a neutral position on the bill. (10-3-18)

Legislative Analysts: Nick Kelly
Jenny McInerney
Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.