



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

BILL



ANALYSIS

**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

Senate Bill 455 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Ian Conyers  
Committee: Local Government

Date Completed: 8-15-18

### **RATIONALE**

Public Act 40 of 1932 provides for the designation of depositories for money collected or received by a local unit of government. Public Act 99 of 1909 also authorizes certain county officials to designate a depository or depositories for public money received by a county treasurer. Some contend that certain provisions of these Acts are outdated, and that the two Acts conflict. It has been suggested that the two Acts be merged and streamlined by incorporating modern industry practices.

### **CONTENT**

**The bill would amend Public Act 40 of 1932 to do the following:**

- **Require an officer of a local public entity authorized to deposit public money collected by the entity to deposit the money in a financial institution as soon as practicable.**
- **Allow a county treasurer to keep on hand a reasonable amount of money necessary to conduct the affairs of his or her office.**
- **Revise the process for a governing body to designate by resolution a financial institution as a depository for public money.**
- **Allow a local public entity's treasurer to recommend to the entity's governing body one or more financial institutions that met the requirements for deposit under the Act.**
- **Create financial record-keeping requirements for an officer of a local public entity responsible for depositing its money.**
- **Revise various provisions throughout the Act to refer to a "treasurer", instead of a "tax collector".**

The bill would define "local public entity" as a county, city, village, township, school district, district, authority, municipal corporation, or any other political subdivision organized under Michigan law. "Governing body" would mean a council, commission, board, or other official body that has legislative powers over a local public entity.

The bill would repeal Section 5 of the Act, and Public Act 99 of 1909. (Section 5 states that "deposit" includes the purchase of or investment in shares with a credit union. The bill would re-enact this statement. As described above, Public Act 99 of 1909 authorizes certain county officials to designate a depository or depositories for public money received by a county treasurer.)

The bill would take effect 90 days after its enactment.

### **Deposit Revisions**

Under the Act, all money that comes into the possession of any officer of any county, township, school district, city, or village, or of any other municipal or public corporation within the State,

under any provisions of law authorizing the officer to collect or receive the money, must be denominated public money within the meaning of the Act. The bill states instead that money collected or received by an officer of a local public entity in Michigan, under any provisions of law authorizing the officer to collect or receive the money, would be public money for the purposes of the Act, except as otherwise provided by law.

The bill also provides 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. These provisions 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.

#### Depository Designation Resolution

The Act requires the county board of commissioners, board of county auditors, township board, district board, board of education, or legislative body of a city or village to provide by resolution for the designation and deposit of public money, including tax money, coming into the possession of the county treasurer, township treasurer, school district treasurer, city treasurer or tax collector, or village treasurer, in one or more financial institutions in the proportion and manner as provided in the resolution.

The bill instead would require the governing body of a local public entity to adopt a resolution designating one or more financial institutions or types of financial institutions that met the Act's requirements as depositories of public money of the local public entity, including tax money, in the proportion and manner as provided in the resolution. Before adopting a resolution, the governing body would have to consider any recommendation submitted by the treasurer of the local public entity. The designation of a financial institution as a depository of public money would apply to a successor of the financial institution under any merger or acquisition.

#### Treasurer & Public Entity Officer Responsibilities

The bill would allow a treasurer of a local public entity to recommend to its governing body one or more financial institutions that met the Act's requirements for designation as a depository of public money, using a procurement process that was consistent with best practices for procurement of banking services by that type of local public entity, including the practices established by the Government Finance Officers Association or the Association of Public Treasurers of the United States and Canada.

An officer of a local public entity responsible for depositing money belonging to the local public entity would have to keep all accounts at a financial institution designated under the Act upon the regular books or records of the officer so that each item of all accounts appeared on the books or records, and would have to maintain a cash control ledger recording deposit and investment activity affecting the money, including a record of the cash and investment equity of each fund of the local public entity. Money deposited with a treasurer, including any surplus money, would have to be deposited in a financial institution designated by the local public entity under the Act or be invested by the treasurer as investment officer for the local public entity in a manner that complied with Public Act 20 of 1943 (which governs the investment of public corporation funds in Michigan).

MCL 129.11 et al.

#### **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**

Public Act 40 of 1932 and Public Act 99 of 1909 are outdated, inefficient, and conflict with each other. Moreover, some current requirements are burdensome. For example, the requirement under Public Act 99 of 1909 for a county clerk to solicit bids from each financial institution in the county

for the deposit of public funds received by the county treasurer is costly, unnecessary, and inconsistent with current industry standards. By incorporating the industry's best practices into Michigan statute and merging the two Acts, the bill would modernize and streamline procedures for county clerks and treasurers.

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Ryan Bergan

SAS/A1718/s455a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.