

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6793
BILL NUMBER: SB 214

NOTE PREPARED: Feb 13, 2003
BILL AMENDED: Feb 11, 2003

SUBJECT: Procurement of Banking Services.

FIRST AUTHOR: Sen. Wyss
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the Office of the Treasurer of State is the purchasing agency for banking services for the state. It requires the Treasurer of State to use the purchasing power of the state to limit the amount of fees the state pays for banking services. The bill provides that the statute covering purchasing of services applies to the purchasing of banking services for the state.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) State agencies can receive an advance of state funds that can be placed in a checking account in local banks to make certain types of expenditures. The state of Indiana has about 505 special disbursing officer accounts, "SDO", established in local banks totaling \$8 M. The size of the accounts varies.

Size of SDO	#	Size of SDO	#	Size of SDO	#
Under \$500	6	\$3,000-4,000	28	\$20,000-50,000	42
\$500-1,000	20	\$4,000-5,000	8	\$50,000-\$100,000	9
\$1,000-2,000	118	\$5,000-10,000	100	Over \$100,000	10
\$2,000-3,000	77	\$10,000-20,000	87		

The impact depends on the fees the bank charge. Some banks provide free checking to state agencies. The

Treasurer's office would probably incur some additional expense in purchasing banking services. Some additional interest revenue might be earned if the accounts could be swept into an interest-bearing account at night and redistributed the following day.

Some state agencies also maintain accounts separate from the state Treasurer. A study in May 2002 was done of the bank fees paid by selected agencies. The agencies selected for the study included:

Department of State Revenue	Department of Insurance
Secretary of State	Health Professions Bureau
State Police	Family and Social Services
State Auditor	Bureau of Motor Vehicles
Treasurer	Department of Natural Resources
Department of Health	Professional Licensing Agency
Department of Administration	Department of Workforce Development

During a six month period, these agencies had 29,265,050 transactions and paid \$1.3M in bank fees.

The study found that the fees charged varied. One state agency was paying \$.20 for each transaction involving the processing a deposit ticket and another agency was paying \$.35 for the same type of transaction. The annualized savings for the agencies included in the study was estimated to be \$121,000 to \$149,000 annually. The inclusion of all agencies would result in larger potential savings.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Treasurer, State Agencies.

Local Agencies Affected:

Information Sources: Budget Agency Auditors Expenditure Database , Indiana Treasurer of State Banking Services Fee Analysis prepared by FPT&W, Ltd.

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