

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7386
BILL NUMBER: HB 1611

NOTE PREPARED: Feb 15, 2005
BILL AMENDED: Feb 14, 2005

SUBJECT: Direct Deposit of State Payments.

FIRST AUTHOR: Rep. Noe
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires direct deposit by electronic funds transfer (EFT) of all payments to a person who has a contract with the state or submits invoices for payment from the state. The bill also provides a procedure for the Auditor of State to grant a waiver of this requirement. It provides that a person who entered into a contract with the state before July 1, 2005, must authorize direct deposit of payments to the person or request a waiver of the requirement not later than June 30, 2006. The bill also requires direct deposit by electronic funds transfer of a state employee's earnings. The bill provides a procedure for the Auditor of State to grant a waiver of this requirement. It provides that a state employee hired before July 1, 2005, must authorize direct deposit of the employee's earnings or request a waiver of the requirement not later than June 30, 2006.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) *Summary:* This bill will have an indeterminable administrative cost impact on the Auditor of State's Office. It is estimated that requiring more EFTs will decrease administrative costs of the Auditor. The administrative efficiency realized from EFT payments is expected to outweigh the cost of accepting the EFT authorization forms and determining waiver eligibility. The Auditor's Office estimates that if 90% of both state payroll payments and accounts payable payments were made by EFT, the annual savings to the state would be approximately \$900,000. Currently, about 71% of payroll payments and 50% of accounts payable payments are made by EFT.

Additional Details -

Persons Contracting with the State: This bill requires any person contracting with the state to authorize EFT

payments to and from the state. If the state reached a 90% direct deposit participation rate on accounts payable warrants, the savings could exceed \$630,000. Currently, about 50% of accounts payable payments are made through EFT. The bill does allow for a person contracting with the state to request a waiver. Any person who contracted with the state before July 1, 2005, has until June 30, 2006, to submit the authorization or request a waiver. The Auditor may grant the waiver for any of the following reasons:

- (1) The person does not currently have a savings or checking account and is unable to establish such an account within the geographic area of the person's primary business location without payment of a service fee. The person must submit with the waiver request a written statement by the person's financial institution of the person's inability to establish an account without the payment of a fee.
- (2) The person's primary business location is too remote to have access to a financial institution where a direct deposit can be made.
- (3) The person's financial institution is unable to accept an electronic deposit or withdrawal. The person must submit with the waiver request a written statement by the person's financial institution that the financial institution is unable to accept an electronic deposit or withdrawal.
- (4) The Auditor of State determines that the facts of the particular case warrant a waiver of the requirement.

Currently, persons contracting with the state can make and accept EFT payments to the state upon approval by the Auditor that this method is advantageous to the state. The bill also provides that if a contractor receives an EFT payment, that payment does not constitute a settlement, reduction, release, or compromise of the state's obligation to the contractor.

State Employees: This bill also requires state employees to authorize EFT payments of their earnings. If the state reached a 90% direct deposit participation rate on employee payroll warrants the savings could exceed \$270,000. Currently, about 71% of payroll payments are made by direct deposit. The bill would allow persons employed by the state to request a waiver. Any state employee hired before July 1, 2005, has until June 30, 2006, to submit the authorization or request a waiver. The bill provides that the Auditor shall grant the waiver for any of the following reasons:

- (1) The state employee does not currently have a savings or checking account and is unable to establish such an account within the geographic area of the employee's primary residence without payment of a service fee. The employee must submit with the waiver request a written statement by the employee's financial institution of the employee's inability to establish an account without the payment of a fee.
- (2) The state employee's primary residence or place of work is too remote to have access to a financial institution where a direct deposit can be made.
- (3) The state employee's financial institution is unable to accept an electronic deposit or withdrawal. The employee must submit with the waiver request a written statement by the employee's financial institution stating that the financial institution is unable to accept an electronic deposit or withdrawal.
- (4) The state employee suffers from a disability:
 - (A) that would impede the employee from gaining access to electronically deposited funds; and
 - (B) that is documented by a health care provider (as defined in IC 34-18-2-14).

The Auditor may also grant a waiver for a reason not listed in (1) through (4) above if the Auditor determines that the facts of the particular case warrant a waiver.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Auditor of State.

Local Agencies Affected:

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