

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

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**FISCAL IMPACT STATEMENT**

**LS 7386**

**BILL NUMBER: HB 1611**

**NOTE PREPARED: Apr 29, 2005**

**BILL AMENDED: Mar 31, 2005**

**SUBJECT:** Direct Deposit of State Payments.

**FIRST AUTHOR:** Rep. Noe

**FIRST SPONSOR:** Sen. Merritt

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires direct deposit by electronic funds transfer 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.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** *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.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Auditor of State.

**Local Agencies Affected:**

**Information Sources:** Jeff Heinzmann, 317-233-1712, Auditor's Office.

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