

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3179-02
Bill No.: SB 938
Subject: Administration, Office of; Banks and Financial Institutions; State Employees;
Salaries; Treasurer, State
Type: Original
Date: January 28, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$10,800	\$10,800	\$10,800
Total Estimated Net Effect on General Revenue Fund	\$10,800	\$10,800	\$10,800

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED) - Division of Credit Unions, DED - Division of Finance** and **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration (COA) - Division of Accounting (DA)** note that 1 CSR 10-8.010, effective 7-1-98, requires all new state employees to participate in the State Direct Deposit Program. Program participation requirements and employee hardship waivers are provided in the rule.

The current proposal would require direct deposit of all state employees' pay unless one or more of eight listed exceptions apply. The proposal would require agencies to set up all temporary or seasonal workers as well as permanent employees.

COA-DA officials state currently the State direct deposits 86% of all employees paid (per January 15, 2004 payroll: 52,995 direct deposits out of 61,491 payments). The additional administrative costs to set up temporary, seasonal, and short-term workers will offset any savings electronic payment vs paper check stock and bank clearance costs would have resulted in. However, the proposal will have no fiscal impact on the COA-DA.

ASSUMPTION (continued)

Officials from the **Office of State Treasurer (STO)** state if all employees go to direct deposit, there would be a net savings to the state in banking fees of approximately \$10,800 annually, based on calendar year 2003 payroll check figures (this will result in increased interest earnings to the funds, not a decrease in expenditures). This number is dependent upon full implementation of direct deposit. Any manual checks issued will decrease cost savings - currently, supplemental pay cycles generate only checks, not automatic payments.

Officials from the **Office of the Secretary of State (SOS)** state this proposal changes policies and procedures regulating employee direct deposit of paychecks. The proposal states that the Office of Administration and the State Treasurer are to promulgate rules to carry out these functions. These rules could require as many as 16 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$984 [(16 pp x \$27) + (24 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Savings - Office of State Treasurer</u>			
Increased Interest Earnings	<u>\$10,800</u>	<u>\$10,800</u>	<u>\$10,800</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$10,800</u>	<u>\$10,800</u>	<u>\$10,800</u>

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

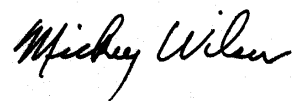
This proposal provides that, after January 1, 2005, the state shall utilize an electronic funds transfer system to directly deposit the wages and salaries of all state employees into bank accounts designated by the employees. Exceptions are created in the act for those persons who are unable to obtain a bank account.

This legislation is not federally mandated but appears duplicate the requirements of 1 CSR 10-8.010, effective 7-1-98.

The legislation would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Department of Economic Development -
 Division of Finance
 Division of Credit Unions
Office of Secretary of State
Office of State Treasurer



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