Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 665 (Senator Currie)
(Joint Committee on the Management of Public Funds)
Budget and Taxation

State Personnel - Payment of Wages - Direct Deposit

This bill authorizes the State Treasurer, on warrant of the Comptroller of the Treasury, to pay a wage by direct deposit. Any direct deposit payments shall be made in accordance with regulations adopted by the Treasurer, with the concurrence of the Comptroller.

Fiscal Summary

State Effect: General fund revenues would increase by $8,800 in FY 1999; future revenue estimates reflect annualization and inflation. General fund expenditures would decrease by $3,300 in FY 1999; future expenditure estimates reflect 10% growth in bank fees.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	$8,800	$15,600	$19,000	$22,100	$24,900
GF Expenditures	(3,300)	(4,800)	(5,300)	(5,800)	(6,400)
Net Effect	$12,100	$20,400	$24,300	$27,900	$31,300

Local Effect: None.

Small Business Effect: Minimal impact on small businesses. The majority of State-chartered credit unions as well as several banks operating in the State are small businesses. These financial institutions could benefit from the decreased costs associated with a decline in the number of checks processed and employees needed to serve customers on high volume pay days.

Fiscal Analysis

State Revenues: The State Comptroller and the Treasurer plan to require all new hire employees to have direct deposit of wages as a condition of employment, with some limited exceptions, as a result of this bill. Requiring new hire employees to participate in direct deposit creates both a revenue increase and a revenue decrease for the State, with a net revenue gain of $8,800 in fiscal 1999.

The State currently receives $5 in compensation for each employee who attends a seminar on direct deposit whether or not the employee chooses direct deposit. According to the Treasurer's Office, there would be 20,000 new permanent and contractual employees attending such seminars annually. Thus, $75,000 would be generated from new employees attending direct deposit seminars based on the $5 fee collected per employee and the bill's October 1, 1998 effective date. It is assumed, however, that 50% of newly hired State employees would participate in direct deposit seminars absent the bill. Thus, the bill is estimated to generate additional revenues of $37,500 in fiscal 1999.

The bill also causes a decrease in general fund revenues of approximately $28,700 in fiscal 1999. This is a result of a reduction in float income for the general fund. In a direct deposit system the funds for new hire employees would be transferred immediately and the State would lose the opportunity to earn money on the employees' wages before the employees cashed their bank checks. This revenue loss assumes that 50% of newly hired employees would have selected direct deposit absent the bill and is adjusted for the bill's October 1, 1998 effective date.

State Expenditures: General fund expenditures would also decrease minimally as a result of the bill. The State is charged $.0450 by banking institutions for each check that the bank has to process. The bank charges a reduced fee of $.0295 for each direct deposit made. As a result, State expenditures would decline by $3,300 in fiscal 1999. The estimated expenditure decrease assumes that half of the employees of the State included in the calculation of State turnover would have chosen direct deposit during their employment regardless of the bill and reflects the bill's October 1, 1998 effective date.

Information Sources: State Treasurer, Comptroller of the Treasury (Central Payroll Bureau), Department of Legislative Services

Fiscal Note History: First Reader - February 16, 1998

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