

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 484

(Senator King, *et al.*)

Finance

Economic Matters

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Counties and Municipal Corporations - Direct Deposit of Wages

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This bill authorizes a county or municipal corporation to pay the wages of an employee by direct deposit and allows a county or municipality to require an employee to receive wages in this manner as a condition of employment.

A county or municipal corporation may not require the payment of wages by direct deposit for an employee (1) who was hired before October 1, 2011; (2) whose employment is not conditioned on the employee receiving the payment of wages by direct deposit; or (3) who does not have a personal bank account and informs the employer of his or her intent to opt out of the direct deposit program.

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Fiscal Summary

**State Effect:** None. The bill only affects local government operations.

**Local Effect:** Local governments in the State may experience increased operational efficiencies and decreased costs due to the bill as it is likely that more local government employees are paid by direct deposit because of the bill.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** Counties or municipal corporations that pay employees by direct deposit must do so as specified by the bill. In particular, the employer must deposit the wages into a personal bank account of an employee. The employer must also provide each employee with a direct deposit statement that includes (1) the total amount of the wage;

(2) any amount deducted from the wage; and (3) the amount of the wage directly deposited into the employee's bank account.

The bill specifies that an employee who is required or elects to receive wages by direct deposit must use a personal bank account housed within a financial institution that participates in a specified electronic payment network.

**Current Law/Background:** In general, the provisions of the Maryland Wage Payment and Collection Law do not apply to units of government. The Wage Payment and Collection Law specifies that employers must inform employees of their rate of pay, the regular pay schedule, and leave benefits. For each pay period, the employer must issue a statement of the employee's gross earnings and authorized deductions. Employees must be notified at least one pay period in advance of any changes in pay schedule or wages.

The Wage Payment and Collection Law allows private-sector employers to pay employee wages via direct deposit. With an employee's authorization, the employer may credit an employee's wages to a debit card or card account from which the employee is able to access the funds through withdrawal, purchase, or transfer. A 1994 Opinion of the Attorney General held that "the Wage Payment and Collection Law authorizes an employer to offer a voluntary direct deposit program to employees and to encourage its use, but does not allow an employer to require employees to participate in a direct deposit program"; moreover, "a mandatory direct deposit program would violate Maryland law." 79 Op. Atty Gen. 340 (February 18, 1994).

No provision exists in State law enabling county and/or municipal corporations to require employees to receive their wages via direct deposit. Chapter 73 of 2000 specified that the State may pay wages to employees by direct deposit. Chapter 73 allowed the State to require an employee to receive wages via direct deposit unless the employee requests an exemption.

The Automated Clearing House is an electronic payment network used by individuals, businesses, financial institutions, and government organizations. Electronic Automated Clearing House payments offer more efficient cash management capabilities than traditional paper payments. The nationwide network exchanges funds and information throughout the 50 states as well as the U.S. territories and Canada with the participation of over 98% of the nation's financial institutions, including thousands of savings banks and credit unions.

**Local Fiscal Effect:** Paying wages through direct deposit lowers an employer's payroll processing costs and is generally more efficient than traditional methods of paying employee wages. Many local governments already use direct deposit. The bill likely

results in additional county or municipal government employees receiving their wages through direct deposit. Thus, the bill likely results in decreased expenditures and increased operational efficiencies for local governments in the State.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 233 (Delegate Barve, *et al.*) - Economic Matters.

**Information Source(s):** Maryland Association of Counties; Maryland Municipal League; Cities of Frederick and Gaithersburg; Town of Leonardtown; Baltimore, Charles, Frederick, and Montgomery counties; Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 13, 2011  
mm/mcr Revised - Senate Third Reader - March 29, 2011

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