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SFA BILL ANALYSIS

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Senate Bill 469 (as introduced 4-30-97)
Sponsor: Senator Robert Geake
Committee: Human Resources, Labor and Veterans Affairs

Date Completed: 9-8-97

CONTENT

The bill would amend Public Act 190 of 1991, which provides for the direct deposit of State employee payrolls, university payments, and retirement benefits, to require the Family Independence Agency to participate in an electronic funds transfer (EFT) program. The bill also would remove the 25-cent limit on the transaction fee that the Department of Treasury may charge, and would allow the Department to charge a fee to financial institutions only.

Currently, the Department of Treasury and the Bureau of Retirement Systems are required to enroll active State employees and recipients of a State retirement benefit in a distribution system that provides for the direct deposit of their net payroll or monthly retirement benefit with a financial institution. The bill provides, instead, that the Department of Treasury, the Bureau of Retirement Systems, and the Family Independence Agency would have to enroll active State employees, retirement benefit recipients, and recipients of welfare assistance in a distribution system that provided for the electronic funds transfer of their net payroll, retirement benefit, or assistance payment.

The EFT procedure would consist of the following:

-- Each recipient of a payment would have to designate a financial institution to receive the EFT and would have to provide the appropriate State agency with the information and authorization necessary for the designated financial institution to receive the transfer.
-- The State agency required to make the payment by EFT would have to waive requirements under the Act if the recipient of the payment provided a written request for waiver or a written certification that the recipient did not have an account with a financial institution.
-- If a waiver were granted, the payment would be made by the method requested by the recipient if the method were considered appropriate by the State agency required to make the payment.

Currently, the Department of Treasury may charge a participating financial institution or a participating employee, university, or retirement recipient a reasonable fee that may not exceed the actual costs of administering the direct deposit program, or a fee of 25 cents, whichever is less, for each transaction and prenotification. Under the bill, the Department could charge a fee to financial institutions only, and the fee could not exceed the actual costs of administering the EFT program.

Under the bill, "electronic funds transfer" would mean any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account. It also would include automated clearing house transfers, fed wire transfers, and point-of-sale terminals.

MCL 487.2101 et al. Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would result in administrative savings for the State. According to the Department of Treasury, the current cost for EFT transactions is approximately $0.10. If the pay stubs for EFT transactions are mailed, the total cost of the transaction is $0.36. (Postage is only $0.26 per item since the State pre-sorts the mail for the Postal Service.) The cost of issuing a warrant is roughly $0.22. If the warrant is mailed, the total cost of the transaction is $0.48. Savings to the State on a per transaction basis would amount to $0.12 per transaction. Annually, the State would see savings of roughly $171,000, excluding cash assistance recipients. If cash assistance recipients were included, savings would be $380,000.

Under the bill, the Department could charge a fee to financial institutions not to exceed the costs of administering the program. The fiscal impact of this provision would depend on the amount of the fee to be charged by the Department. Therefore, the impact of this provision is indeterminate.

Fiscal Analyst: E. Limbs