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## STATE PAYROLL: DIRECT DEPOSIT IN MULTIPLE ACCOUNTS

### House Bill 5778 as introduced First Analysis (9-27-00)

**Sponsor: Rep. Jim Howell**  
**Committee: Insurance and Financial  
Services**

#### ***THE APPARENT PROBLEM:***

Under Public Act 190 of 1991, state employees and retirees can directly deposit their checks from the state. However, the act says the direct deposit must be made into not more than one account at a financial institution. This means, for example, that a state employee cannot direct money from his or her paycheck into several different accounts (e.g., savings and checking, or a special savings account), which might be advantageous or more convenient. Legislation has been introduced, with the support of the Department of Treasury, that would allow direct deposits to be made into more than one account at more than one financial institution for the convenience of state employees and retirees.

#### ***THE CONTENT OF THE BILL:***

The bill would amend Public Act 190 of 1991 to alter provisions regarding the direct deposit of the payrolls of active state employees and the retirement benefits of retirees. (Public Act 190 provided for an electronic distribution system for payrolls and retirement benefits to replace paper warrants; made all state and federally chartered financial institutions eligible to participate rather than only the State Employees Credit Union; and allowed the direct deposit of the entire amount of a payroll rather than only a portion of a payroll.)

The bill would require the Department of Management and Budget to enroll active state employees, if they so chose, in a distribution system that directly deposits their net payroll into one or more accounts at one or more financial institutions. Currently, the act requires the deposit of the "biweekly payroll" into not more than one account at a financial institution.

The bill would also amend the act so that the monthly retirement benefit of a person receiving a state retirement benefit could be deposited in one or more accounts at a financial institution rather than with not more than one account. (As now, this is to be carried

out by the Bureau of Retirement Systems in the Department of Management and Budget).

Currently, the act contains language requiring the Bureau of Retirement Systems to enroll active state employees and recipients of state retirement benefits (who elect enrollment) in a distribution system that directs "the entire net amount of the biweekly payroll or monthly retirement benefit to be directly deposited . . . into not more than one account maintained by the employee or recipient of a state retirement benefit with a financial institution." The bill would put the enrollment provisions of active employees and retired employees in separate paragraphs (as described above) rather than combining them in one paragraph.

MCL 487.2102 and 487.2103

#### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bill could affect state costs to the extent that the new requirements imposed greater administrative burdens on the Department of Management and Budget. (HFA fiscal note dated 9-26-00)

#### ***ARGUMENTS:***

##### ***For:***

Allowing state employees and retirees to make direct deposits of their checks into more than one account will be an added convenience. Most people maintain more than one account, sometimes at more than one bank or credit union. This would allow them to split their checks as they desire among the accounts. It could also encourage more people to engage in direct depositing, increasing electronic transfers and reducing paper transactions.

***POSITIONS:***

The Department of Treasury has indicated support for the bill. (9-27-00)

Analyst: C. Couch

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#This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.