Senate Fiscal Agency
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SFA BILL ANALYSIS

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House Bill 5778 (Substitute S-1 as reported)
Sponsor: Representative Jim Howell
House Committee: Insurance and Financial Services
Senate Committee: Banking and Financial Institutions

Date Completed: 12-13-00

RATIONALE

Public Act 190 of 1991 provides for the direct deposit of State employee payroll, State university payments, and State retirement benefits into financial institutions. Under the Act, State employees and recipients of State retirement benefits may elect to be enrolled in a system that directly deposits their payroll or retirement benefits into not more than one account at one financial institution. It has been pointed out that State employees and recipients of State retirement benefits may have more than one account, or have accounts at more than one financial institution, to which they may wish to designate the direct deposit of their money. It has been suggested that the Act be amended to allow the direct deposit of these funds into one or more accounts at one or more financial institutions.

CONTENT

The bill would amend Public Act 190 of 1991 to require the Department of Treasury and the Bureau of Retirement Systems to enroll active State employees, and recipients of State retirement benefits, respectively, who elected enrollment in a distribution system that directly deposited their net payroll amount or retirement benefits into one or more accounts at one or more financial institutions.

The Act allows the Department of Treasury to charge a participating financial institution or a participating employee, university, or retirement recipient a fee not greater than the actual costs of administering the direct deposit program or 25 cents (whichever is less) for each transaction and prenotification. The bill would prohibit the Department from charging or imposing any fee on a participating State employee, State college or university, or State retirement recipient. The Department still could charge the fee to a participating financial institution.

MCL 487.2102 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Currently, State employees and those receiving retirement benefits can have their checks deposited directly by electronic funds transfer to one account, at one financial institution. This means that people receiving these checks cannot direct their money into more than one account, even though they may have multiple accounts, such as a saving, checking, or loan account. The bill would allow individuals to direct payments into one or more accounts, at one or more institutions, making it more convenient to put their money where they want it. This flexibility could encourage more people to use direct deposit, rather than receiving a check, thus increasing electronic transactions and reducing paper transactions.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: J. Runnels

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