Legislative Analysis

STATE PAYROLL AND PAYMENT BY EFT

Senate Bill 850 as passed by the Senate
Sponsor: Sen. Jason E. Allen

Senate Committee: Local, Urban and State Affairs
House Committee: Government Operations

Complete to 8-3-04

A SUMMARY OF SENATE BILL 850 AS PASSED BY THE SENATE 6-30-04

The bill would amend the Management and Budget Act to require that all payroll and payments to nonclassified state government employees and elected and appointed state officials be paid by electronic funds transfer (EFT). The bill also provides that all contracts that the state entered into for the purchase of goods or services would have to require payment by EFT.

The above requirements would begin on October 1, 2005, except for the Department of Community Health and the Family Independence Agency, which would have to comply with the EFT requirements by October 1, 2006.

The bill also encourages the Department of Management and Budget to implement the EFT requirement prior to October 1, 2005, and "strongly encourages" the Civil Service Commission to require that payroll and payments for all state classified employees also be paid by EFT.

MCL 18.283a

FISCAL INFORMATION:

There would be an indeterminate amount of savings to the state if payroll and payments to employees and elected and appointed officials were required to be made by electronic funds transfer. The cost to the state for each warrant (production and mailing cost) is $0.59. The cost for each EFT transaction is $0.12. The net savings would be $0.47 per transaction. The amount of savings would be less if wage statements were still delivered to employees, i.e. employees who do not have Internet access to self-service accounts.

There would be an indeterminate amount of savings to the state if payments for all contracts for the purchase of goods and services were required to be made by electronic funds transfer. However, there also would be costs to the state for system modifications. Currently, not all vendors are on the state's vendor file. Interfaces with other

departmental data systems are used to make payments. Cost estimates for system changes are not available at this time.

<div align="right">

Legislative Analyst: Mark Wolf
Fiscal Analyst: Robin Risko

</div>