House Legislative Analysis Section
House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

STATE PAYROLL: DIRECT DEPOSIT IN MULTIPLE ACCOUNTS

House Bill 5778 as enrolled
Public Act 495 of 2000
Third Analysis (1-4-01)

Sponsor: Rep. Jim Howell
House Committee: Insurance and Financial Services
Senate Committee: Banking and Financial Institutions

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 <u>one or more accounts at one or more financial institutions</u>. 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 <u>one or more accounts maintained by the recipient with one or more financial institutions</u> 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.

The act also currently allows the Department of Management and Budget to charge a fee to a participating financial institution or a participating employee, university, or retirement recipient, or to both the financial institution and the individual, not greater than the actual costs of administering the direct deposit program or a fee of 25 cents, whichever is less, for each transaction and prenotification. The bill would amend that provision to prohibit the department from charging or imposing a fee on a participating state employee, state college or university, or state retirement recipient.

MCL 487.2102 et al.

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.

Analyst: C. Couch

#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.