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FISCAL IMPACT REPORT

SPONSOR Smith DATE TYPED 2/19/05 HB _____

SHORT TITLE Automatic Direct Deposit for State Employees SB 639

ANALYST Hadwiger

APPROPRIATION (in \$000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			(\$65.8)	Recurring	Multiple funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Human Services Department (HSD)
 Division of Vocational Rehabilitation (DVR)
 Department of Health (DOH)
 Department of Corrections (DOC)
 Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 639 would allow the Department of Finance and Administration (DFA) to require the automatic direct deposit of a state employee's salary or wages into the employee's account, or into an account established by the department on behalf of the employee in a financial institution authorized by the United States. The DFA would be required to adopt rules governing automatic direct deposit of salary or wages, including providing the circumstances under which an employee may, with DFA approval, withdraw from or elect not to participate in automatic direct deposit.

Significant Issues

Governor Bill Richardson's performance review, *Moving New Mexico Forward*, recommended

that the state require the use of direct deposit “to reduce the costs of producing and distributing payroll checks... Mandated direct deposit would reduce the costs of paper, courier services, and postage. Moreover, state employees could depend on receiving their checks on time.” The performance review estimated annual General Fund savings of \$65.8 thousand.

DFA noted that the cost to process a check is 14.5 cents per issue versus five cents per direct deposit transfer. Currently 85% of state employees use direct deposit.

FISCAL IMPLICATIONS

If all employees had direct deposit, the state would save about \$65,800 per year General Fund and about \$10,000 per year in other funds.

ADMINISTRATIVE IMPLICATIONS

DFA indicates that SB639 would improve the efficiency of the DFA payroll system.

DOC noted that SB639 would have a minimal positive impact on that agency by reducing the administrative burden placed on staff to stop payment on and reissue lost checks.

OTHER SUBSTANTIVE ISSUES

HSD noted direct deposit of wages reduces many of the administrative costs associated with issuing standard payroll checks. It reduces the time spent by employees to run to the bank to deposit their paychecks and the time spent waiting in bank lines. Employees and the state would benefit as direct deposit eliminates the possibility of lost or stolen checks and permits greater confidentiality of an individual’s pay and related information. HSD already requires direct deposit of pay.

DVR indicated direct deposit of pay is advantageous because it is less expensive and more reliable, allows for control of payroll bank deposit, is secure, and is not dependent upon the employee’s presence at work to deliver funds.

DOH found SB639 beneficial, because, when checks do not arrive on a timely basis, a crisis arises both for the employee but also for the department. Significant time is spent tracking down courier information and tracking down checks to ensure that they arrive at the destination. At times, employees have been required to come in on the weekend in order to have checks delivered. If all employees were required to have direct deposit, this crisis situation would not occur.

DOH noted that, of the 27% of DOH employees who do not already use direct deposit, 68% earn less than \$25,000. Lower income employees may be less likely to have current accounts in financial institutions. DOH wondered if an employee’s credit problems could this preclude them from opening an account and if this could be accommodated as an exception in the DFA rule.

The State Board of Finance supports SB639.

DH/yr