

# BILL ANALYSIS

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Department, Board, Or Commission	Author	Bill Number
Franchise Tax Board	Strickland	SB 37

## SUBJECT

State Agencies Provide Statements Of Earnings & Deductions To Employees Electronically

## SUMMARY

This bill would require electronic distribution of wage and earning statements for state employees who receive direct deposit of wages unless a paper statement was specifically requested by the employee.

## PURPOSE OF BILL

According to the author's staff, the purpose of this bill is to take advantage of technological advances to modernize the state payroll function and achieve significant savings in the elimination of paper documents.

## EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2010, and would be operative for payroll payments made on or after that date.

## ANALYSIS

### STATE LAW

Under state law, the Controller operates a uniform state payroll system for all state agencies except the California Exposition and State Fair and the University of California. Officers and employees of the state may authorize the direct deposit by electronic fund transfer of their salary or wages, after any withholding required by law and authorized deductions, into an account at the financial institution of their choice. At the time of each payment of salary or wages, each state agency is required to furnish an itemized statement to an employee showing all deductions made from his or her salary or wages. While state wages are deposited electronically as authorized by the officer or employee, the state issues itemized statements of the payroll transaction to the employee in paper format.

### THIS BILL

This bill would require state agencies when making a direct deposit electronic funds transfer for payment of salary or wages to furnish electronically to each employee an itemized statement showing all deductions made from their salary or wages, unless an employee requests in writing to receive a paper version of the statement.

The provisions of this bill are contingent upon the funding and implementation of the Controller's "21<sup>st</sup> Century Project" and is conditioned on that project enabling the Controller to provide the wage and salary statement electronically.

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## **PROGRAM BACKGROUND**

### **21<sup>ST</sup> CENTURY PROJECT**

The State Controller's Office (SCO) formally initiated the 21st Century Project (Project) in July 1999 to improve the State's human resources (HR)/payroll business process to move away from its reliance on aging technologies and provide an adaptable system fully capable of taking advantage of existing technologies and best practices. The Project's objective is to re-engineer State business practices and replace the existing HR/payroll systems with proven off-the-shelf software. The Project is currently in the design phase.

### **OTHER STATES' INFORMATION**

The states that have mandatory direct deposit for its employees are *Alabama, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, Missouri, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Washington State, and Wisconsin*. None of these states require electronic wage statements.

### **FISCAL IMPACT**

The provisions of this bill would not impact department costs.

### **ECONOMIC IMPACT**

The provisions of this bill would not impact state income tax revenues.

### **Appointments**

None.

### **Support/Opposition**

According to the Assembly Committee on Public Employees, Retirement, and Social Security analysis of July 8, 2009, the following support and opposition are noted:

#### Support

California State Controller's Office  
City of Carpinteria  
Contra Costa Taxpayers Association  
Howard Jarvis Taxpayers Association  
National Tax Limitation Committee  
Natural Resources Defense Council  
People's Advocate, Inc.  
Santa Barbara County Taxpayers Association  
Santa Barbara Technology and Industry Association  
Sierra Club California

#### Opposition

California Association of Professional Scientists

## VOTES

Assembly Floor – Ayes: 74, Noes: 0  
Senate Floor – Ayes: 36, Noes: 0  
Concurrence – Ayes: 35, Noes: 0

## LEGISLATIVE STAFF CONTACT

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