

# ANALYSIS OF ORIGINAL BILL

Author: Stone Analyst: Janet Jennings Bill Number: SB 280  
 See Legislative  
 Related Bills: History Telephone: 845-3495 Introduced Date: February 19, 2015  
 Attorney: Bruce Langston Sponsor \_\_\_\_\_

<b>SUBJECT:</b>	State Agencies Provide Secure Electronic Method for Officers & Employees Enrolled in Direct Deposit to Receive Statement of Earnings & Deductions
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## SUMMARY

This bill would require the electronic distribution of the statement of earnings and deductions to certain state officers and employees.

This analysis only addresses the bill’s impact to the Franchise Tax Board’s (FTB) programs and operations.

## RECOMMENDATION

No position.

## REASON FOR THE BILL

The reason for the bill is to utilize technological advances to achieve significant savings by replacing paper statements of earnings and deductions for direct depositors with an electronic statement.

## EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2016, and would be operative for payroll payments made on or after that date.

## 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. The direct deposit discharges the obligation of the Controller with respect to the drawing and issuance of warrants for the salaries or wages of the state officers and employees authorizing the direct deposit.

Additionally, state law requires that, if an employer discharges an employee, the wages earned and unpaid at the time of discharge are due and payable immediately.

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Although current state law provides for electronic distribution of statement of earnings and deductions for state employees who receive direct deposit of wages unless a paper statement is specifically requested by the employee, this provision is contingent upon the funding and implementation of the Controller's "21st Century Project". That project would enable the State Controller's Office (SCO) to provide the wage and salary statement electronically to state employees. Effective February 8, 2013, the SCO terminated its contract with the vendor for "21st Century Project".<sup>1</sup> Therefore, that provision is not currently applicable to statements of earnings and wages for state employees using direct deposit.

## **THIS BILL**

This bill would require the employing agency to provide a secure electronic method for officers and employees enrolled in direct deposit to receive a statement of earnings and deductions and eliminate the distribution of paper copies. "Secure electronic method" would mean either delivery of the statement by email or access to an Internet Web site portal.

## **IMPLEMENTATION CONSIDERATIONS**

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

The development of a system to allow state officers and employees to access their statement of earnings and deductions is contingent on the SCO's data submission format. Until the SCO requirements are available, the department is unable to identify implementation considerations.

The bill does not indicate if the FTB would be required to provide storage or retention of the statement of earnings and deductions. The author may want to amend the bill if data retention and storage requirements are a concern.

Currently, not all FTB employees have computer access. This bill would require all FTB officers and employees to have computer access for secure email or to access a secure Internet Web site portal, if this contrary to the author's intent the bill should be amended.

## **LEGISLATIVE HISTORY**

SB 37 (Strickland, Chapter 329, Statutes of 2009) requires electronic distribution of statement of earnings and deductions for state employees who receive direct deposit of wages unless a paper statement was specifically requested by the employee, contingent upon the funding and implementation of the Controller's "21<sup>st</sup> Century Project".

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<sup>1</sup> <http://www.sco.ca.gov/21century.html> as of February 23, 2015.

## **OTHER STATES' INFORMATION**

Since this bill affects statement of earnings and deductions of for state officers and employees enrolled in direct deposit, a review of other state tax laws is not relevant.

## **FISCAL IMPACT**

Department staff is unable to determine the costs to administer this bill until the implementation concerns have been resolved, but anticipate the costs to be significant.

As the bill moves through the legislative process and the implementation concerns are resolved, costs will be identified and an appropriation will be requested, if necessary.

## **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

## **SUPPORT/OPPOSITION**

Support: None on file.

Opposition: None on file.

## **ARGUMENTS**

Proponents: Some could argue that replacing paper wage and earning statements with electronic statements would reduce state expenses.

Opponents: Some could argue a single statewide system would be a more efficient use of state agencies' limited resources.

## **POLICY CONCERNS**

The bill lacks an option for an individual enrolled in direct deposit to receive a paper statement of earnings and deductions. Therefore, the bill may incentivize employees to opt out of the cost-saving direct deposit program to continue receiving paper statements of earnings and deductions.

## **LEGISLATIVE STAFF CONTACT**

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