



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [H.B. 389 of the 128th G.A.](#)

**Date:** February 16, 2010

**Status:** As Introduced

**Sponsor:** Rep. Huffman

**Local Impact Statement Procedure Required:** No — Permissive

**Contents:** Authorizes counties to adopt a direct deposit payroll policy and to increase the amount of money credited to "rainy day" accounts

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

- The bill would allow counties to reduce payroll administration costs by allowing them to institute mandatory direct deposit policies for employee payroll. The bill would also give counties additional flexibility in managing their budgets by increasing the amount permitted to be deposited into their rainy day funds.

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## Detailed Fiscal Analysis

### Direct deposit policies

The bill permits a board of county commissioners to adopt a payroll policy that requires all county employees to be paid their compensation by direct deposit. Under the program, county employees would provide their employers a written authorization designating a financial institution and an account number to which their paycheck should be credited. An informal County Auditors Association of Ohio survey sent out on behalf of LSC in January 2010 found that, of the 61 counties which responded, 55 use direct deposit currently.

Processing employee paychecks by direct deposit using electronic funds transfer (EFT) is cheaper than issuing paper checks. This means that counties which adopt a mandatory direct deposit for payroll would derive some savings in payroll administration expenses. The extent of savings would vary from county to county and depend on the arrangements that counties make with various banks for setting up direct deposit programs. However, as an example of the potential savings, the state of Ohio switched to direct deposit of employee payroll in calendar year 2002. At that time, the issuance cost of a paper check was ten cents and the cost for an EFT was four cents per transaction, yielding a six-cent savings per transaction. Assuming a county has 5,000 employees, multiplying the issuance savings amount by 5,000 warrants results in a net savings of \$300 per pay period, or \$7,800 per fiscal year (\$300 X 26 pay periods).

### Rainy day fund balances

The bill authorizes a county to reserve in a rainy day reserve balance account *the greater of 5%* of the revenue credited in the preceding fiscal year to the fund in which the account is established *or* one-sixth of the expenditures during the preceding fiscal year from the fund in which the account is established. Of the 46 counties that responded to a County Auditors Association of Ohio survey on this question in February 2010, only seven counties reported that they maintain a reserve balance account for their general fund. Three of those seven counties had a balance of 5% in those accounts.