
A BILL FOR AN ACT

RELATING TO PAYROLL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 40-53, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) All employees [~~hired on or after July 1, 1998,~~] shall
4 designate a financial institution account into which the State
5 is authorized to deposit the employee's pay. The State is
6 authorized to deposit the employee's pay. The comptroller may
7 waive the requirements of this section for any state employee
8 upon request by the head of the employing department under
9 policies prescribed by the comptroller. The implementation of
10 this section shall not be subject to negotiation under chapter
11 89."

12 SECTION 2. Statutory material to be repealed is bracketed
13 and stricken.

14 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

Colin H. Au

BY REQUEST
JAN 25 2010

Report Title:

Department of Accounting and General Services; Payroll Deposit

Description:

Requires all State employees to automatically deposit their paychecks into a financial institution.

JUSTIFICATION SHEET

DEPARTMENT: Accounting and General Services

TITLE: A BILL FOR AN ACT RELATING TO PAYROLL.

PURPOSE: To require all state employees to automatically deposit their paychecks into a financial institution.

MEANS: Amend section 40-53(b), Hawaii Revised Statutes.

JUSTIFICATION: Currently, only employees hired on or after July 1, 1998, are required to automatically deposit their paychecks into a financial institution. At this time, approximately 8,713 employees do not deposit their paychecks into a financial institution and, instead, receive a check. This represents approximately 15.6 percent of employees for which DAGS processes paychecks.

By requiring all employees to deposit their paychecks into an account at any financial institution, the State will reduce the number of paychecks issued, which will result in fewer checks having to be reissued due to non-received, lost, or damaged paychecks. Direct deposit also minimizes the effort of delivering the paychecks to the employees by payday. Reduced budgets and staffing combined with furlough days have significantly increased the effort it takes to deliver checks to the State's employees.

Departments currently have been priority mailing checks to the neighbor islands so that employees will receive their checks on payday. When a furlough day falls on a payday, the delivery process needs to be further expedited because the checks must be given to the employees the day before payday. Although employees have received notices not to cash their checks before

payday, not all employees have refrained from cashing their checks before payday.

Impact on the public: There will be no public impact.

Impact on the department and other agencies: DAGS will not have to process and re-issue lost, damaged, or non-received paychecks and will not have to change processes to have paychecks ready early on furlough Friday paydays. Departments/agencies will not have to process paperwork for lost, damaged, or non-received paychecks. Additionally, departments that have neighbor island employees will save money by not having to pay for the additional priority mailing of paychecks.

GENERAL FUND: Approximately \$20,000 in savings.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: AGS 102

OTHER AFFECTED
AGENCIES: All State entities that DAGS processes salary checks for.

EFFECTIVE DATE: Upon approval.