

Department of Planning and Budget 2013 Fiscal Impact Statement

1. **Bill Number:** HB1489

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Rush

3. **Committee:** General Laws

4. **Title:** Department of Accounts; payroll of state

5. **Summary:** This bill directs the State Comptroller to pay state employees on a weekly basis.

6. **Budget Amendment Necessary:** Yes. Items 258 and 469 (personnel costs), Item 276 (printing and banking costs), Items 256 and 469 (IT costs).

7. **Fiscal Impact Estimates:** Preliminary; see Item 8, below.

8. **Fiscal Implications:** Currently most state employees are paid on a semi-monthly basis with some groups of hourly employees being paid biweekly. This bill would result in a fiscal impact to the Department of Accounts and state agencies generally, including additional personnel costs, printing costs, and additional payments to the Virginia Information Technologies Agency (VITA). A breakdown of the known costs is below.

Personnel Costs: While payroll processing includes some auxiliary tasks that may not be duplicated with a weekly payroll (e.g., reconciliations for health care and retirement), the amount of time available to complete the vast majority of payroll processing tasks is cut in half under a weekly payroll. Additionally, while many others are involved in reviewing and approving payrolls prior to payday, this staffing impact analysis focuses solely on the level of effort of payroll technicians. Most payroll technicians are classified as Financial Service Specialists I or II, with average salaries/benefits of \$69,000 per year. There are approximately 600 payroll technicians currently dedicated to central payroll processing with annual salary/benefit costs totaling approximately \$44 million. Although the percent of total effort each agency payroll technician devotes to payroll processing is not precisely known, for purposes of this analysis 90 percent is assumed.

An increase from 24 to 52 pay cycles per year compresses the amount of time available to process transactions. In order to meet the deadlines associated with the proposed weekly payroll, agencies may need to increase staffing resources. An informal survey of several large payroll processing agencies indicates that weekly payrolls would require an increase in staffing by approximately 40 percent or 216 employees. *This results in an annual salary/benefits increase of nearly \$15 million.*

Printing Payments and Banking Fees: Printing checks and earnings notices has a cost composed of operational costs, stock (paper, ink), and banking fees. With current electronic mandates relatively few checks or earnings notices are printed. However, ***an additional 28 payroll cycles will increase banking fees paid by the Department of the Treasury by approximately \$72,000/annually.***

VITA/Northrop Grumman (NG): Agencies are billed by VITA/NG for computer processing unit time, lines of print (regardless of whether the print is only in the form of an electronic copy), transactions entered online (mainframe), and database storage. ***With the calculation of payroll cycles increasing from 24 times per year to 52 times per year there will be an estimated increase in VITA expenses for the Department of Accounts alone of \$48,000/annually.***

Additionally, many line agencies also maintain historical information on agency specific databases. Their costs would also increase by an indeterminate amount for storage and job executions to obtain and use that information.

The analysis provided only reflects estimated impacts on the agencies using and supporting the centralized payroll system and does not include institutions such as higher education which maintain individualized payroll systems (which represents approximately 30 percent of the state workforce). There would be additional costs to these entities associated with this bill.

Finally, the fiscal impact would have a general fund and nongeneral fund split as it would have an impact statewide; however, this breakout is indeterminate at this point.

9. Specific Agency or Political Subdivisions Affected: Department of Accounts, VITA, other state agencies and higher education institutions.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 01/15/2013

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