

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB2114

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

2. Patron: Nichols

3. Committee: Commerce and Labor

4. Title: Payroll processing services

5. Summary: The bill requires providers of payroll processing services to register annually with the Commissioner of Agriculture and Consumer Services or, if they are regulated financial institutions or subsidiaries thereof, with the Commissioner of Financial Institutions, and to post surety bonds in amounts equal to the withholdings of income taxes and unemployment compensation taxes that the payroll processors expect to process during the ensuing year. A payroll processor that does not have the authority to access, control, direct, transfer, or disburse a client's funds is not subject to the surety bond requirement. Payroll processors with such authority will be required to provide clients with reports, no less frequently than quarterly, that account for funds received and disbursed. The measure also addresses procedures, including the appointment of a receiver, in the event a payroll processor ceases to conduct business, either voluntarily or involuntarily. These requirements become effective on July 1, 2013, for any person that is providing payroll processing services on July 1, 2009. For any person that commences providing payroll processing services after July 1, 2009, the requirements become effective on the fourth anniversary of the date that the person commenced providing such services.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact: Department of Agriculture and Consumer Services

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2013	\$74,846	general fund
2014	\$284,382	general/nongeneral fund
2015	\$284,382	general/nongeneral fund

6b. Revenue Impact: See item 8.

7. Budget Amendment Necessary: No. The requirements do not become effective until July 1, 2013.

8. Fiscal Implications:

Department of Agriculture and Consumer Services

The Department of Agriculture and Consumer Services estimates that an additional 3.5 full-time employees will be needed to administer the regulation of payroll services providers program. At this time, the number of service providers and the amount of fees payable can

not be estimated. The nongeneral fund revenue will not be realized until FY 2014, so general fund support will be needed during program development and start-up.

State Corporation Commission

The Bureau of Financial Institutions is working to determine the number of financial institutions that conduct payroll services, but the number is unknown at this time. There may be some operational and computer system costs related to the bill, but the cost cannot be quantified until the number of service providers is known.

9. Specific Agency or Political Subdivisions Affected: Department of Agriculture and Consumer Services, State Corporation Commission.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/26/2009 dpbkbs

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cc: Secretary of Agriculture and Consumer Services
State Corporation Commission