

**COMMISSION ON ENHANCING AGENCY OUTCOMES
SUMMARY SHEET**

Direct Deposit/Electronic Pay/Advice Statements

Background

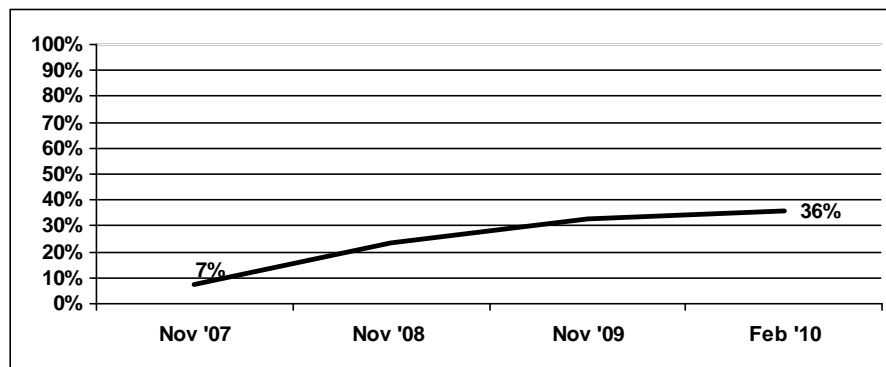
Connecticut state government issues payments to state of Connecticut employees and retirees. The Commission on Enhancing Agency Outcomes is considering a change to all electronic/direct deposit for current state employees, with the choice to “Opt Out” and request a paper check/paper advice. The Commission is also considering a change to all electronic/direct deposit for retirees, with a similar choice given to “Opt Out” and request a paper check/paper advice.

As reported in the April 7, 2010 CEAO Meeting Handout on Direct Deposit, Massachusetts gives state employees the option of direct deposit

- Approximately 95 percent of Massachusetts state employees receive their pay through direct deposit

Also, Massachusetts gives state employees the option of suppressing the printing of payroll advices

- Approximately 36 percent of Massachusetts state employees have opted to suppress the printing of advice statements, a figure which has been increasing since the option was initially introduced at several state agencies (see graph below)



Costs Associated With Direct Deposit/Electronic Advice Statements

Table 1 shows the estimated costs associated with the different forms of payment (paper or direct deposit) and advice statements (paper or electronic).

The figures apply cost estimates from the Connecticut Department of Labor for the distribution of Unemployment Insurance (UI) payments to the payments provided to current employees and retirees. [Note that within the next few months, the current UI paper check processing system will be converted to an electronic payment system.]

Activity/Expense	Estimated Cost Per Type of Payment		
	Paper Check/ Paper Advice	Direct Deposit/ Paper Advice	Direct Deposit/ Electronic Advice
Bank Cost Per:			
Check	9¢	9¢	
Direct Deposit	3.3¢	3.3¢	3.3¢
Postage	37.5¢	37.5¢	37.5¢
Printing/inserting costs	4.3¢	4.3¢	4.3¢
Check/envelope stock costs	3.9¢	3.9¢	3.9¢
Total Cost If Mailed		54.7¢	49¢
Total Cost If NOT Mailed		17.2¢	11.5¢
Source of Data: CT DOL			

The Office of the State Comptroller did not have a figure on the additional expense to change to an all-electronic pay/advice system. However, there are anticipated initial costs to implement the relevant CORE-CT module, e-Pay, make system modifications, and provide accessibility and training for all employees.

Possible Scenarios

According to the Office of the State Comptroller, there are approximately 76,699 state employees (82 percent of them are on direct deposit) and 36,000 state retirees (80 percent of them are on direct deposit). No employees or retirees receive advice statements electronically.

Based on the costs described in Table 1 and the participation levels experienced by Massachusetts, possible savings associated with a greater participation level in direct deposit and introduction of electronic advice statements are shown in Table 2.

	Scenario	Annual Cost	Annual Savings from Current
A. Possible Scenarios for Employee Payment/Advice (N=76,699)			
Currently:	18% Paper Check/100% Paper Advice	\$249,790	
Potentially:	5% Paper Check/100% Paper Advice	\$235,013	\$14,777
Potentially:	5% Paper Check/80% Paper Advice	\$110,737	\$139,053
B. Possible Scenarios for Retiree Payment/Advice (N=36,000)			
Currently:	20% Paper Check/100% Paper Advice	\$216,605	
Potentially:	5% Paper Check/100% Paper Advice	\$212,911	\$3,694
Potentially:	5% Paper Check/80% Paper Advice	\$175,401	\$41,204
^a Per Office of the State Comptroller 3/12/2010. Note: Assumes 26 bi-weekly payments for employees and 12 monthly payments for retirees.			

Note that the Office of the State Comptroller is looking to put together a project team to implement mandatory direct deposit for retirees, including the elimination of advice (or sending advice only when there is a change).