

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 7
 Bill Version: CSHB 494(FIN)
 (H) Publish Date: 3/24/04

Revision Date/Time (Note if correction): _____ Dept. Affected: All
 Title A bill relating to disbursement of RDU All
money by the state Component All
 Sponsor Rep. Kott and Hawker
 Requester _____ Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual		(46.0)	(92.0)	(92.0)	(92.0)	(92.0)
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	(46.0)	(92.0)	(92.0)	(92.0)	(92.0)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Various in all state agencies		(46.0)	(92.0)	(92.0)	(92.0)	(92.0)
TOTAL	0.0	(46.0)	(92.0)	(92.0)	(92.0)	(92.0)

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This analysis assumes all state payroll would be made with electronic funds transfer, except for the first and last paycheck for each employee and a limited number of hardship exceptions for payroll. All savings from payroll direct deposit is predicated on replacing printed, mailed paper advices with online presentment information.

The cost of making vendor payments using EDI is calculated for all general warrants at effectively a wash because the cost of bank services is estimated at 32.5 cents each, which is essentially the cost of printing and mailing warrants. The set up effort for state agencies and vendors can be absorbed as long as the process is not mandatory for reluctant vendors or other situations not suited for electronic payments. Quickly increasing the number of EDI-capable vendors from the current 500 to over 50,000 would require substantial staff resources in each agency, as well as the central Finance and Treasury divisions.

Prepared by: Kim J. Garnero, Director Phone 465-3435/465-5615
 Division Finance Date/Time 3/16/04 7:08 AM
 Approved by: Mike Miller, Commissioner Date 3/16/2004
 Agency Department of Administration

Analysis for general warrants under CSHB 494(FIN)

FY 2003 general warrants statistics

Warrants	414,496
EDI	<u>10,793</u>
Total	<u><u>425,289</u></u>

Analysis excludes all program specific warrant types such as PFDs, retirement, welfare payments, court warrants. Also excludes handwrite and field warrants.

Potential savings to mailroom chargeback for reduced costs of:

Paper used in paying warrants:

Warrants	415,000	0.01825	\$ 7,574	
Envelopes	415,000	0.02063	\$ 8,561	
			<u>\$ 16,135</u>	annual usage ==> <u>\$ 16,135</u>

Postage: (first class pre-sort with bar code 27.8 cents per item) (1.5% @ 35.2 for non bar code)

Bar coded	408,775	0.278	\$ 113,639	
Not bar coded	6,225	0.352	<u>2,191</u>	
			<u>\$ 115,831</u>	annual usage ==> <u>\$ 115,831</u>

Total projected mailroom chargeback savings \$ 131,966

Potential increased cost for ACH origination:

425,000 transactions at \$.325 each (estimated 2 addenda totaling 500 chars) \$ 138,125

Net potential cost on statewide basis: \$ 6,159

Analysis for payroll warrants under CSHB 494(FIN)

Average payroll statistics (based on average of August and December payrolls)

	Mailed	Delivered	Total	Annualized		Mailed	Delivered	Total
Warrants	1,439	390	1,829	44,000	Warrants	9%	2%	11%
Advices	12,279	1,809	14,088	340,000	Advices	77%	11%	89%
Total	13,718	2,199	15,917	384,000	Total	86%	14%	100%

Assumptions:

All new employees (about 5,000 per year) get their first payroll via warrant when the prenote test is done.

500 employees continue to receive warrants under the hardship exemption.

Total warrants still needed = $(500 * 24) + 5,000 = \underline{\underline{17,000}}$

Potential savings to mailroom chargeback for reduced costs of:

Paper used in paying payroll:

Warrants	27,000	0.01825	\$ 493	(40,000 for \$730)
Advices	340,000	0.01683	5,722	(300,000 for \$5,049)
Envelopes	367,000	0.02063	7,571	(500,000 for \$10,315)
			<u>\$ 13,786</u>	annual usage ==> <u>\$ 13,786</u>

Postage: (first class pre-sort with bar code 27.8 cents per item) (200 @ 35.2 for non bar code)

Bar coded	13,500	0.278	\$ 3,753
Not bar coded	200	0.352	70
			<u>\$ 3,823</u> for 24 pay periods = \$ 91,762

Less postage on 17,000 warrants annually = (4,760)
\$ 87,002

Total projected mailroom chargeback savings \$100,788

Potential increased cost to Division of Finance:

Direct deposit costs: (November invoice was \$2,570 for 31,705 ACH txns)

New direct deposit costs:

1,329 @ 8.1 cents each = \$ 108 for 24 pay periods = \$ 2,584

Net potential savings on statewide basis: \$ 98,204