

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at
Chairperson

1:00 ~~xxx~~/p.m. on March 31, 1988 in room 123-S of the Capitol.

All members were present except:
Senators Feleciano, Gaines and Gannon were excused

Committee staff present:
Research Department: Scott Rothe
Revisor's Office: Norman Furse
Committee Office: Judy Bromich, Pam Parker

Conferees appearing before the committee:
Herman Hofenstein, Director of Finance, SRS
Marlin Rein, Associate University Director for Business and Fiscal Affairs,
KUMC
Jan Allen, Commissioner of Adult Services, SRS
Kathryn Klassen, Director of the Division of Medical Programs, SRS
Marshall Crowther, Executive Secretary, KPERS
Susan Seltsam, State Treasurer's Office
Debra L. Malmos, Director of Financial Services, Mid-America Payment
Exchange

HB 3089 - Imprest funds in area offices of department of social and
rehabilitation services.

Mr. Hofenstein explained HB 3089. No one else indicated a desire to speak to the bill.

HB 2636 - Scholarships for students in schools of medicine and osteopathic
medicine; service agreements.

Mr. Rein reviewed HB 2636. He spoke specifically to a House amendment, Section 3(d). He stated that they support the concept of a physician being employed at a SRS institution on a half-time basis, however they feel that if a physician is working less than half-time it is an administrative nightmare to keep track of the hours worked per week and figure the added length of the service obligation. Additionally, working less than halftime is not considered meaningful.

Harold Riehm, Kansas Association of Osteopathic Medicine stated that this bill affects Osteopathic physicians and the Association supports HB 2636.

Senator Doyen moved, Senator Talkington seconded, to delete the last sentence in Section 2(j), beginning on line 0257 through the end of line 0261, and the last sentence in Section 3(d) beginning on line 0347 through line 0352. The motion carried on a voice vote.

No one else expressed a desire to be heard on this bill.

HB 2763 - Fees for home care services under department of social and
rehabilitation services.

Ms. Allen presented her testimony asking support of HB 2763. (Attachment 1)

HB 2843 - Medical assistance for aftercare provided outside state of Kansas.

Ms. Klassen presented testimony asking for support for HB 2843 which requires the Division to perform tasks they are already doing. (Attachment 2)

HB 2900 - Direct deposit state employees, salaries, KPERS benefits.

Mr. Crowther stated that Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections. presently there are approximately 35,000 retired

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S, Statehouse, at 1:00 ~~xxx~~/p.m. on March 31, 1988

members and beneficiaries receiving benefits. KPERS does not have a wire direct deposit available but they have about 13,000 retirants that have chosen to subscribe to the direct mail deposit that KPERS offers. He noted there is considerable interest among the retirants in having a method of deposit which does not require them receiving warrants and having to make their own deposits. He suspected that KPERS will probably have an increase in costs of a few thousand dollars through the direct deposit proposal. In answer to a question, Mr. Crowther stated he did know what the lag time might be with regard to financial institutions.

Ms. Seltsam presented her testimony. (Attachment 3)

Ms. Malmos stated she was asking the Committee's support for HB 2900 and distributed information about the benefit of the direct deposit feature along with some information illustrating some of the cost savings available through the service. (Attachments 4 through 9) She pointed out that by putting in place the programming for the direct deposit feature, it might also open the door to future electronic payment capabilities in terms of cash management, cash concentration accounting or automated bill payment. The electronic transfer system overall has shown savings to the users and the transaction volume nationwide has grown over 30 percent per year with the U.S. Government as its largest supporter. She stated that direct deposit is an individual issue. If the state of Kansas were to adopt direct deposit there would be a definite cost savings for the state. However, she felt it should allow the state the opportunity to provide a low or no cost benefit to state employees. In answer to a question, Ms. Malmos described the actual process of direct deposit.

Senator Talkington moved, Senator Doyen seconded, to report HB 3089, HB 2636, and HB 2763 favorably. The motion carried on a bulk roll call vote.

INTRODUCTION OF BILLS

Senator Talkington moved, Senator Doyen seconded, the introduction of bill draft 7 RS 2783, an act authorizing the state board of regents to sell certain real property on behalf of Kansas state university of agriculture and applied science. The motion carried on a voice vote.

The meeting was adjourned.

ATTACHMENT 1
SWAM 3/31/88
TM

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Senate Ways and Means Committee
March 31, 1988

Testimony concerning House Bill 2763

Relating to an authorization to fix, charge and collect reasonable fees for providing home care services to recipients of Medicaid-home and community based services.

Thank you, Mr. Chairperson. My name is Jan Allen, Commissioner of Adult Services for the State Department of Social and Rehabilitation Services. I am here today to ask your support of House Bill 2763 which will give the Department of Social and Rehabilitation Services the authority to collect the spenddown for Medicaid clients receiving home care services through the home and community based services program. I would like to provide background information which will assist the committee in understanding the need for passage of House Bill 2763.

SRS previously funded non-medical attendant services under the home and community based services (HCBS) and the alternate care programs. The department had viewed non-medical attendants (NMA) as individual contractors who were self-employed. A recent ruling by the Internal Revenue Service and the Social Security Administration indicated that 1) an employer-employee relationship existed between SRS and the non-medical attendants, and 2) the non-medical attendants did not meet the Social Security Administration's test for self-employment. Therefore, as of January 1987, SRS became responsible for withholding and matching FICA taxes for non-medical attendants.

ATTACHMENT 1
SWAM 3-31-88
(PM)

In an effort to correct the problems outlined, the state chose to have all non-medical attendants become state employees as of July 1, 1987. The non-medical attendant service was added to the existing homemaker program, creating what is now called the home care program.

Many recipients of medical assistance (MA) have a patient liability (spenddown) in order to become eligible for medical assistance. Prior to July 1987, the majority of HCBS clients met their monthly HCBS patient liability and thereby were eligible for Medicaid coverage based on non-medical attendant expenses paid to third-party providers. As the attendants were made state employees, the HCBS client would no longer be paying for the service or incurring an expense. If HCBS clients are no longer viewed as having incurred expenses to meet their HCBS liability, it would in turn result in ineligibility for medical assistance.

If this happened, home care services would either be discontinued or funded through the Title XX social service block grant (SSBG) program--or more likely state general funds (SGF). This would add considerable cost to the state. Over 61 percent of HCBS clients receive home care services.

Approximately \$3.3 million is being budgeted for HCBS home care services. If 70 percent of the clients lost eligibility because home care service was not an incurred expense, an estimated \$2.2 million funded by Medicaid would have to be funded by state funds if services were to continue. The proposed legislation

Testimony - House Bill 2763
March 31, 1988
Page 3

will allow the Department of Social and Rehabilitation Services to collect the patient liability for home care services in order that HCBS clients can meet the required spenddown for medical assistance.

In closing I would like to remind the committee that these are not new costs to the client. Prior to July 1, 1987, these same costs were paid to the clients' self-employed, non-medical attendants. House Bill 2763 will allow SRS to collect these same fees; then these services will be an incurred expense for the medical assistance program.

I would be happy to respond to questions.

Winston Barton, Secretary
Office of the Secretary
Social and Rehabilitation Services
296-3271

Date: March 31, 1988

ATTACHMENT 2
SWAM 3/3
PM

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
Winston Barton, Secretary

House Bill 2843
OUT OF STATE SERVICES FOR MEDICAL ASSISTANCE CLIENTS

I am Kathryn Klassen, Director of the Division of Medical Programs, and I'm here to make a few brief comments on lines 0268 through 0277 of House Bill 2843 and to answer any questions you may have.

The Kansas Medical Assistance Program has since its inception, reimbursed for medical care including follow-up or after care when provided out-of-state. In 1977 we began requiring prior authorizations before these services were reimbursed. We did this to (1) require provision of services in Kansas when it was appropriate and; (2) to save the cost of out-of-state travel when appropriate. Providers in cities and towns within 50 miles of the Kansas border are considered in-state providers. Some of the criteria utilized in approving out-of-state services are:

1. Is the service an emergency or one that must be provided before the recipient can be released?
2. Is the physician ordering the service from out-of-state? For example many Denver physicians provide services in Western Kansas cities and towns, i.e. Colby, St. Francis and Goodland. If they requested a patient come to Denver for care this would be approved.
3. Had the out-of-state physician provided care to a person previous to their becoming eligible for Medical Assistance? If they had, the recipient must be allowed to continue with that physician.
4. Is the procedure or service needed provided in Kansas? If it is not available in Kansas, the service would be reimbursed at a site where it is available. The physician in Kansas making the request for out-of-state care would also request the specific site.

In all instances when a service is prior approved, transportation is covered.

In Fiscal Year 1987 reimbursement for out-of-state services included:

<u>Provider</u>	<u>Units</u>	<u>Total Amount Paid</u>
Hospital Inpatient	426	\$116,826.70
Hospital Outpatient	229	\$ 2,119.77
Physician	2,746	\$ 25,348.57

Submitted by
L. Kathryn Klassen
Director
Department of Social and
Rehabilitation Services
(913)296-3981

LKK:plk
3-31-88

ATTACHMENT 2
SWAM 3-31-88 (PM)

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

Mr. Chairman:

This bill requires the director of accounts and reports to develop and authorize a plan to allow salaries and wages of state officers and employees to be deposited directly in financial institutions. These direct deposits are to be made only upon the employee's direction.

The bill further strikes language pertaining to the economic feasibility of the same type payment of retirement benefits.

Since 1979, there has been statutory authority to allow electronic funds transfer (EFT) as a means of paying salaries and wages to state employees (K.S.A. 75-3733); however, it required this method to be determined as economically feasible. The House committee amended HB 2900 to repeal that section.

The State Treasurer's Office presents the following facts for your review and use in determining the cost associated with this bill:

- 1) Warrant issuance of payroll is earning the state general fund an average of \$30,000 interest income each month; \$360,000 annually;
- 2) KPERS warrants payments earn an additional \$8,000 interest per month; \$96,000 annually;
- 3) Bank charges for EFT are 10¢ to 25¢ per item as opposed to charges for warrant processing which are 1.5¢ to 4¢ per item;
- 4) Additional costs will be incurred in maintaining two systems; warrant issuance and EFT;
- 5) Warrant volume is such that any decrease due to EFT of payroll and retirement benefits would not constitute a significant percentage of reduction in the volume;
- 6) There are over 1,000 salary payments each month which require additional transactions;
- 7) The treasurer's cash accounting system is designed to utilize warrant redemption to accomplish: a) control of cash disbursements from the active bank account; b) provide investment information; c) account for the reduction in cash fund balances as payments are made; and d) provide accurate information for reconciliation purposes. EFT will require the treasurer's office to develop an additional system to accomplish a) through d) above.

Because the impact of direct deposit of payroll is uncertain, the treasurer's office suggests that a phased approach be undertaken.

Because retirement benefit warrants are written on a single fund, we suggest that the direct deposit of retirement benefit payments be implemented first and used as a test program. This approach would allow any problems which may occur to be identified and resolved before they disrupt the state payroll process.

I am not convinced that this is a benefit that state employees are clamoring for. On paydays, it will still be necessary for them to go to their financial institution to obtain spending money and transact other financial business. The expenditure necessary to implement this direct deposit system, if not widely used, could prove to be expensive. There are other benefits that have a higher priority with state employees than those included in HB 2900.



FEDERAL
RESERVE
BANK

NOV 4 REC'D

SERVICES

October 30, 1987

To the Senior Operations Officer:

Price Changes for Federal Reserve Services

The Federal Reserve Bank of Kansas City is announcing revisions to selected check collection, funds transfer, definitive safekeeping, noncash collection, automated clearing house (ACH), and cash prices and services, **effective January 1, 1988**. The appropriate Operating Letter appendices and supplements reflecting these changes are enclosed, as is a revised Operating Letters Index.

CHECK COLLECTION

The Tenth District will alter selected cash letter fees and per item fees and extend several processing deadlines. All changes will be effective **January 1, 1988**.

KANSAS CITY

The Kansas City office will lower per item fees for City unsorted premium and Other Fed unsorted items. There will be an increase in the cash letter fee, the City fine sort package fee, and selected per item fees at the Kansas City office. The 6:00 p.m. deadlines for Other Fed unsorted deposits and Mixed deposits will be extended by one hour. The changes are outlined below.

	<u>Current</u>	<u>Revised</u>
City		
Unsorted Premium	3.8¢	3.6¢
Country		
Unsorted (Blended Price)	3.0¢	3.1¢
Fine Sort (Blended Price)	1.2¢	1.3¢
Other Fed		
Unsorted - Price	6.0¢	5.5¢
Unsorted - Deadline	(Monday-Thursday) 6:00 p.m.	7:00 p.m.
Mixed - Deadline	(Monday-Thursday) 6:00 p.m.	7:00 p.m.
Nonmachineable		
Other Fed	26.5¢	28.5¢
Mixed	19.3¢	20.3¢
Cash Letter Fees		
Unsorted and Group Deposits		
In-zone	\$0.75	\$1.00
Out-of-zone	\$1.75	\$2.00
Fine Sort Package Fee		
City	\$2.20	\$2.25

ATTACHMENT 4
SWAM
3-31-88(PM)

FEDERAL RESERVE BANK OF KANSAS CITY

Kansas City • Denver • Oklahoma City • Omaha

AUTOMATED CLEARING HOUSE (ACH)

The following ACH price changes will be effective **January 1, 1988**.

	<u>Current</u>	<u>Revised</u>
	Interregional Unsorted Deposit	
Debits or Credits Originated	1.8¢	1.7¢
Debits or Credits Received	1.8¢	1.7¢
Night Cycle Deposit Surcharges:		
Debits Originated (value items)	6.0¢	4.5¢
Debits Originated (nonvalue items)	3.0¢	2.0¢
Credits Originated (value and nonvalue items-next day settlement)	3.0¢	2.0¢
Receiver Handling Fees:		
Fed Courier or U.S. Mail	\$3.50	\$3.75
Messenger	\$2.50	\$2.75

FUNDS TRANSFER

Effective **January 1, 1988**, the Federal Reserve will decrease the basic transaction fee for on-line transfers sent and transfers received. This fee will be changed from 50¢ to 47¢.

CASH SERVICES

Beginning **January 1, 1988**, the surcharge placed on each cash order shipped by registered mail from any Tenth District office will increase from \$9.00 to \$12.00.

For further information, please contact the Business Development Department representative from your zone.

Kansas City	Marla Borowski	Local	881-2938
		Toll-free	800-333-1010, ext. 2938
Denver	Janis Tedrow	Local	572-2365
		Toll-free	800-333-1020, ext. 2365
Oklahoma City	Suzanne Baxter	Local	270-8480
		Toll-free	800-333-1030, ext. 8480
Omaha	Harry Blusys	Local	221-5586
		Toll-free	800-333-1040, ext. 5586

REVISED MARCH 31, 1988

ABA Number	Fin. Inst. Name
1-9	Commerce Bank of Kansas City
3-5	Boatmen's First National Bank
7-7	Commercial National Bank
9-3	Centerre Bank of Kansas City, N A
12-9	The Bank of Kansas City - Now Merchants
15-8	Missouri Bank and Trust Company
18-7	Mercantile Bank of Kansas City
34-9	Merchants Bank
45-9	University Bank - Merchants
48-8	Laurel American Bank of Kansas City-Now American BK & TR
55-6	Westport Bank
61-1	Park National Bank
65-3	Stadium Bank-Now Union Bank-Merged w/Union Nat'l
69-5	United Missouri Bank of Kansas City, N A
72-1	American Bank and Trust Company
73-4	Mark Twain Kansas City Bank
74-7	Union National Bank - Now Union Bank
75-0	Metropolitan Bank - Merchants
78-9	Chrisman-Sawyer Bank-Now First City Bank
79-2	Centerre Bank of Independence, N A- Now Centerre-KC
80-2	Charter Bank of Independence-Now Boatmen's
85-7	Home State Bank of Kansas City
91-2	Federal Home Loan Bank of Des Moines
92-5	Security Bank of Kansas City
93-8	Fidelity State Bank - Now Industrial
95-4	Arrowhead State Bank - Now Security
96-7	Industrial State Bank
99-6	Guaranty State Bank and Trust Company
100-5	First State Bank
101-8	First Bank of Gladstone
102-1	Kaw Valley State Bank and Trust
104-7	Brotherhood Bank and Trust
108-9	Douglass Bank
109-2	Wyandotte Bank
117-3	First Continental Bank and Trust Company
118-6	American Bank of Platte County
124-1	Plaza Bank and Trust Company - Commerce
174-6	Mercantile Regional Bank (Peoples Mercantile Bank 126-7)Now Mercantile Bank of Kansas City
127-0	United Missouri City Bank
128-3	Central Bank of Kansas City
129-6	Commerce Bank of Blue Hills-Now Commerce-KC
130-6	Country Club Bank
131-9	Boatmen's North Hills Bank
132-2	Boatmen's Livestock Nat'l. Bank, Now Boatmen's FNB
133-5	United Missouri Bank South
134-8	Goppert Bank and Trust Company - Now Centerre Bk., South K.C.
135-1	Valley View State Bank
136-4	Blue Ridge Bank and Trust Company
137-7	Jackson County State Bank
138-0	Boatmen's Ward Parkway

ABA Number	Fin. Inst. Name
139-0	Broadway National Bank - Now Merchants-KC
150-0	Bannister Bank and Trust
154-2	United Kansas Bank and Trust
159-7	Noland Road Mercantile Bank - Now Mercantile-KC
168-1	Midland Bank
170-4	Mark Twain Plaza Bank-Now Mark Twain-KC
172-0	First National Bank of Olathe
174-6	Red Bridge Mercantile Bank - Now Mercantile-KC
185-6	Tower State Bank
188-5	Rosedale State Bank & Trust Co. - Now Citizens Bk & Tr of K.C.
230-5	Kansas American Bank - Now MidAmerican - Overland Park
247-3	Commercial Bank of Liberty, N A
248-6	Centerre Bank of Liberty, N A - Now Centerre-KC
260-6	First National Bank of Shawnee Mission
271-6	Olathe State Bank
280-0	Mark Twain Bank of Independence - Now Mark Twain-KC
285-5	Clayco State Bank
294-9	Oak Park Bank
297-8	Metro North State Bank
304-5	Country Hill State Bank
311-3	Commerce Bank of Independence - Now Commerce-KC
312-6	Corporate Woods State Bank
313-9	Heritage Bank
317-1	Mercantile National Bank of Clay Co. - Now Mercantile-KC
324-9	Charterbank Raytown - Now Boatmen's - Merged W/ Boatmen's #1181
331-7	College Boulevard National Bank
343-0	Commerce Bank of Grandview - Now Commerce-KC
362-1	Investors Fiduciary Trust Company
366-3	Commerce Bank of Clay County
387-0	Lenexa National
394-8	First National Bank of Bonner Springs
403-1	Mission Hills Bank
414-1	First National Bank of Overland Park
428-0	Bank of Lee's Summit
429-3	Boatmen's Bank of Lee's Summit
462-0	Commerce Bank of Lee's Summit
464-6	United Missouri Bank Northland
466-2	The Galleria Bank
609-9	First Business Bank of Kansas City, N.A.
536-0	Bank of Belton
537-3	Charterbank Belton - Now Boatmen's
540-9	First National Bank of Shawnee
548-3	First National Bank of Lee's Summit
553-5	Liberty National Bank
561-6	First National Bank of Platte County
564-5	Northland National Bank
569-0	Hillcrest Bank
817-6	Edwardsville State Bank
912-0	Bank IV - Lenexa
978-0	Overland Park State Bank and Trust Company

ABA Number	Fin. Inst. Name
1011-9	Grandview Bank and Trust Company
1038-4	Shawnee State Bank
1067-2	Sterling National Bank
1124-4	North Kansas City State Bank - Now Norbank
1128-6	Turner State Bank
1181-7	Boatmen's Raytown Bank
1199-8	Mission Bank
1272-2	Commercial State Bank - Bonner Springs
1293-9	Farmers Exchange Bank
1358-5	Twin City State Bank
1407-6	Centerre Bank of North K. C., N A - Now Centerre-KC
1451-3	Johnson County National Bank and Trust Co.
1463-6	MidAmerican Bank and Trust Company
1467-8	Southgate Bank and Trust Company
1468-1	Westgate State Bank
1470-4	Centennial Bank and Trust - Merged with Mission Bank
1473-3	Metcalf State Bank
1474-6	Kansas National Bank and Trust Company
1703-1	Standard State Bank
1705-7	United Missouri Bank of Hickman Mills
1844-1	Bank of Riverside
1854-8	American Bank of Raytown - Now American Bank & Trust-KC

SAVINGS AND LOANS

7006-9	Farmers and Home Savings
7084-9	Anchor Savings Association
7085-2	Argentine Savings & Loan
7088-1	Sun Savings Association
7089-4	Inter-State Federal Savings and Loan Assoc.
7114-9	Overland Park Savings and Loan Association
7120-4	Century Savings Association
7125-9	Colonial Savings and Loan Association
7155-0	First Savings Bank & Trust, FSB - formerly Indep. S & L Assoc.
7158-9	Blue Valley Federal Savings and Loan Assoc.
7159-2	First Federal Savings and Loan of K. C.
7161-5	Home Savings Association
7162-8	Metropolitan Savings Association
7163-1	North American Savings Association
7165-7	Rockhill Federal Savings and Loan Assoc.
7166-0	Safety Federal Savings
7167-3	Sentinel Federal Savings and Loan Assoc.
7170-9	Clay County Savings and Loan Association
7171-2	Liberty Savings Association
7176-7	Raytown Federal Savings and Loan Assoc.
6001-9	Bankline MidAmerica (Service Bureau)



STATE OF NEBRASKA

DEPARTMENT OF ADMINISTRATIVE SERVICES

KAY A. ORR
GOVERNOR

LARRY BARE
DIRECTOR

November 13, 1987

Mr. Tom Hartnett
Mid-America Payment Exchange
330 North 4th Street
Suite 308
St. Louis, Missouri 63102

Dear Tom:

As you requested, I have attached a copy of the analysis we prepared approximately two years ago when we were considering implementing direct deposit. As you know, certain of the assumptions needed to perform such an analysis are subjective in nature. However, I feel the process is worthwhile since it provides an overall picture of the cost/savings of direct deposit.

I have also attached various other planning memorandum and promotional material. If I can be of any further assistance, please let me know.

Sincerely,

Robert D. Luth
State Accounting Administrator

RDL/aew

Enclosures

ATTACHMENT 5
SWAM 3-31-88 (PM)

ACCOUNTING DIVISION

ACCOUNTING DIVISION
Box 94664
Lincoln, Nebraska 68509-4664
(402) 471-7581

SOCIAL SECURITY BUREAU
Box 94639
Lincoln, Nebraska 68509-4639
(402) 471-0623

Automated Direct Deposit of Payroll Cost/Benefit Analysis Form

	\$ Per Payroll Check
Costs	
1. Modifications to payroll system (5 yr. amortization)	<u>.0273</u>
2. Obtaining employee signed authorization forms	<u>.0005</u>
3. Originating financial institution transaction charge	<u>.0400</u>
4. Float profit loss (net pay \times $\frac{\text{int. rate} \times \text{float days}}{365}$)	<u>.2453</u>
Total cost per direct deposit	<u>.3131</u>
Savings	
1. Check paper vs. plain paper	<u>.0010</u>
2. Printing check vs. printing pay notification	<u>.0000</u>
3. Sorting check	<u>.0000</u>
4. Data processing charge for paper check vs. direct deposit (if payroll function contracted out)	<u>.0000</u>
5. Distributing check	<u>.0000</u>
6. Providing blank and valid check security and confidentiality	<u>.0000</u>
7. Mailing check expeditiously vs. mailing pay notification	<u>.0000</u>
8. Bank check processing charge	<u>.1500</u>
9. Bank or in-house cancelled check reconciliation cost	<u>.0010</u>
10. Storing blank and cancelled checks	<u>.0003</u>
11. Resolving lost, stolen, altered or forged checks	<u>.0025</u>
12. Auditing cancelled check	<u>.0092</u>
13. Destroying cancelled check	<u>.0000</u>
14. Employee lost time to cash check	<u>.3142</u>
Total savings per direct deposit	<u>.4782</u>
Cost vs. savings for each direct deposit	<u><u>.1651</u></u>

NOTE: The above analysis is presented as a guide only. Each corporation/organization should analyze paper check and direct deposit costs in the manner most appropriate for their method of operation.

BASIS FOR COSTS ON ANALYSIS FORM

COSTS:

1.	a.	Modification Cost Estimate per Data Processing Manager	\$20,000
	b.	Total Biweekly Employees (State and University)	18.775
	c.	Est. No. of Employees that will select DD (b x .30)	5,633
	d.	Est. No. of DD Transactions over 5 years (c x 26 x 5)	732,290
	e.	Cost per Tran. amortized over 5 years (a/d)	\$.0273
			=====
2.	a.	Est. Cost for Pad of 50 Forms per Purchasing Dept.	\$ 1.00
	b.	Cost of one form (a/50)	\$.02
	c.	Est. Time to Complete, Process, and review one form	5 min
	d.	Median Hourly Salary—Accounting Clerk II	\$ 7.828
	e.	Est. Cost for Form Preparation & Handling (c/60 x d)	\$.6523
	f.	Total Form & Handling Cost (b + c)	\$.6723
	g.	Cost per Employee Amortized Over 5 Years (5x26/f)	\$.0005
			=====
3.	a.	Est. Based on Information Received Form Other DD Users	\$.0400
			=====
4.	a.	Total B/W Net Pay - State	\$3,593,420.79
	b.	Total B/W Net Pay - University	\$2,010,622.75
	c.	Total B/W Net Pay	\$5,604,043.54
	d.	Total B/W Employees (See 1b above)	18.775
	e.	Average Net Pay per Employee (d/e)	\$ 298.48
	f.	Est. 50% Clear in About 3 Days	3.0
	g.	Est. Float Loss 10% int. rate (.10 x e x f/365)	\$.2453
			=====

SAVINGS:

1.	a. Cost per Thousand for Warrant stock	\$ 5.92
	b. Est. Cost per Thousand for DD Advice Form per Supplier	\$ 4.92
	c. Est. Savings per Thousand	\$ 1.00
	d. Savings per Unit	\$.0010
		=====
2.	No Est. Gain on Printing DD Advice vs Warrant per DP Analyst	\$.0000
		=====
3.	No Est. Gain. Assuming DD Advices Would Require Same Basic Sorting as Prenumbered Warrants	\$.0000
		=====
4.	No Significant Difference in Processing Costs Anticipated Since ALL Processing Remains Basically the Same.	\$.0000
		=====
5.	No Significant Difference in Distribution Costs Anticipated Since DD Advices Will Be Distributed Like Warrants	\$.0000
		=====
6.	No Variance in Cost is Anticipated between Secure and Non-Secure Storage per DP Manager as Billing Rate is the Same	\$.0000
		=====
7.	Not Applicable - Warrants Not Mailed	\$.0000
		=====
8.	Bank Processing Charge per State Treasurer's Office	\$.1500
		=====
9.	a. No. of People Needed to Reconcile Each Day per Treasurer's Office	1
	b. Median Salary - Accounting Clerk II	\$ 7.828
	c. Warrants Processed per Year	2,400,000
	d. No. of Working Days per Year	260
	e. No. of Warrants Reconciled Each Day (c/d)	9,231
	f. Est. Cost per Warrant (b/e)	\$.0010
		=====
10.	a. No. of Paid Warrants Stored per Year per Treasurer	2,400,000
	b. Total Storage & Microfilm Costs per Year	\$ 6.000
	c. Est. Cost per Warrant	\$.0000
		=====

11.	a.	No. Processed per Day per Treasurer	10
	b.	Treasurer's Cost - Accounting Clerk II -1hr.	\$ 7.828
	c.	DAS Cost - Accounting Clerk II -1hr.	\$ 7.828
		- Accounting Clerk I -.33 hr.	\$ 2.260
		- Accountant II -.5hr.	\$ 5.285
	d.	Total Cost for (a)	\$ 23.201
	e.	Cost for One	\$ 2.320
	f.	Estimated Quantity per year (260 x a)	2,600
	g.	Total Warrants Issued per Year	2,400,000
	h.	Percent of Warrants that are Duplicates (f/g)	.00108
	i.	Est. Cost for i (c) Prorated Over Total (g) (c/h)	\$.0025
			=====
12.	a.	Total Warrants Issued per Year	2,400,000
	b.	Estimated Quantity that Auditor Checks per Year	5%
	c.	Estimated Quantity Reviewed	120,000
	d.	Estimated Quantity Reviewed per Hour	1,000
	e.	Rate per Hour - Median	\$ 9.165
	f.	Cost per Unit	\$.0092
			=====
13.		No Anticipated Charge. Included in #10 above	\$.0000
			=====
14.	a.	No. of Employees on Biweekly Payroll	18,775
	b.	Est. per cent Employees Use State Time to Deposit Warrant	20%
	c.	No. of Employees Based on Above Per Cent	3,775
	d.	Estimated Average Hourly Pay	\$ 6.250
	e.	Est. Time Each Employee Takes (15 min.)	.25 hr
	f.	Est. Cost per Employee	\$ 1.562
	g.	Est Cost for All Employees (c x f)	\$45,898.43
	h.	Est. Avg. Cost per Employee (h/a)	\$.3142
			=====

DIRECT DEPOSIT OF PAYROLL IS CONTINUING TO GROW

The Department of Administrative Services-Accounting Division reports that the Direct Deposit program is continuing to grow since it was introduced a year ago. According to Bob Luth, State Accounting Administrator, approximately 40% of eligible employees have elected to automatically deposit their pay into personal accounts. The number of participants continues to increase. He attributes the success of the Direct Deposit program to a number of benefits and conveniences to employees, such as:

- ⇒ Employees receive their pay on pay day even if they are out of the office, such as working out of town or on vacation leave, sick leave, etc.;
- ⇒ The employee's pay is automatically deposited on pay day, even if their account is in another city;
- ⇒ Interest begins accruing immediately when automatically deposited into an interest bearing account;
- ⇒ The possibility of lost or stolen payroll warrants is eliminated;
- ⇒ Waiting in line in lobbies and drive-in facilities is avoided;
- ⇒ The need to go out to deposit the pay in inclement weather is eliminated;
- ⇒ Postage cost is saved for those employees banking by mail;
- ⇒ Employees continue to receive payroll stub identical to the warrant stub;
- ⇒ There is no cost to enroll in the program

Employees wanting to know more about Direct Deposit should contact their agency's payroll office. "We encourage employees to let the convenience of the Direct Deposit program work for them," Luth said.

"THANK YOU STATE EMPLOYEES"

From Chad and Community Services Fund Staff and Volunteers

Once again this year, State employees have been generous in their contributions to the fund drive conducted by the Combined Health Agencies Drive and the Community Services Fund. The work done by the organizations that are a part of these umbrella groups will benefit greatly from the this year's state employee campaign.

We would like to thank everyone who contributed to these fine organizations. In addition, many thanks go to Cynthia H. Milligan, Director of the Department of Banking, who also served as State Campaign Chairperson and Lucy Winter from the Department of Personnel, who coordinated the administrative efforts of the campaign.

This issue of the Statehouse Observer is published by the Department of Personnel, with assistance by the University of Nebraska. Writing and most editing was done by: Barb Kaufman--Department of Social Services; David Paulsen-- University of Nebraska; Dick Norris--NSE Credit Union; Bob Luth--DAS-Accounting Division; Steve Torrence, Bill Oberg, Lucy Winter, Karen Staberg--Department of Personnel.

NEBRASKA STATE EMPLOYEES CREDIT UNION OFFERS "LOOK US OVER" INCENTIVES

Nebraska State Employees (NSE) Credit Union is making two services available to non-members as a means to introduce them to NSE's full services.

Non-members can use their VISA credit cards, no matter where issued, to obtain cash advances at the three NSE offices throughout the year, according to NSE President, Richard Norris.

Also, throughout the month of August all employees of the State of Nebraska can obtain VISA travelers checks at no fee from NSE Credit Union offices.

Norris said the purpose of the offers is to attract non-members to the offices, where he is confident they will be impressed by the services available and the professional staff and facilities. The central office is located at 330 South 16th Street, in Lincoln. Branch offices are at the State Developmental Center in Beatrice and at 301 East 6th Street in Fremont. In addition to state employees, NSE is open to employees of the University of Nebraska, four state colleges and the community colleges; National Guard personnel; government and public employees in Dodge County, and all relatives by blood or marriage of NSE members. The offers apply to all potential members, Norris said.

AUTOMATED DEPOSIT OF PAYROLL

COMPANY EVALUATION

I. INITIAL INVESTMENT

1. Modifications to payroll system \$ _____

II. ANNUAL COSTS

2. Collection of authorization forms and file maintenance \$ _____

3. Bank service charges @ _____ per item \$ _____

4. Lost float (use float loss or float/earnings factor table) \$ _____

5. 20% of investment (item 1) (5 year amortization) \$ _____

TOTAL \$ _____

III. ANNUAL SAVINGS

6. Bank check processing charges @ _____ per item x number of items \$ _____

7. Bank reconciliation maintenance @ \$ _____ per month \$ _____

8. Bank reconciliation charges @ _____ per item x number of items \$ _____

9. In-house reconciliation costs \$ _____

10. Bank stop-payment charges @ \$ _____ per stop x number of stops \$ _____

11. Check reissue costs _____ (cost per reissue x number of reissues) \$ _____

12. Check printing costs (estimated @ \$3 per 1000) \$ _____

13. Blank and canceled check storage costs \$ _____

14. Check cashing service charges \$ _____

15. Employee lost time to cash checks (____ hours per employee x average pay per hour x number of employees) \$ _____

TOTAL \$ _____

IV. NET ADDITION TO PROFITS (annual savings - annual costs) \$ _____

SURE-PAY DIRECT DEPOSIT ADVANTAGE CHECKLIST

_____ Company Name _____ Calling Officer & Financial Inst. _____ Date

Indicate by a X those advantages of Payroll Deposit which are applicable to this firm.

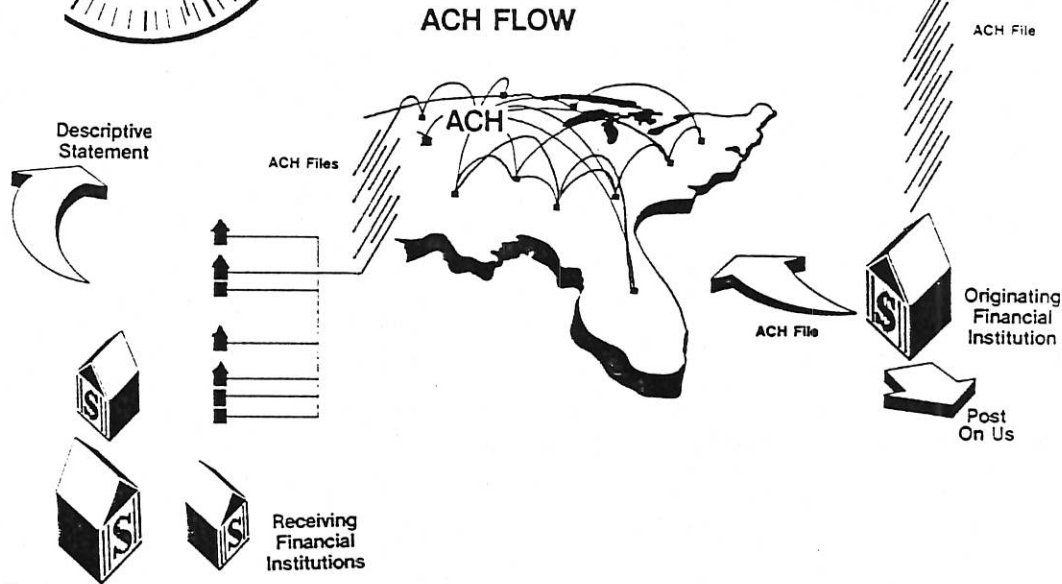
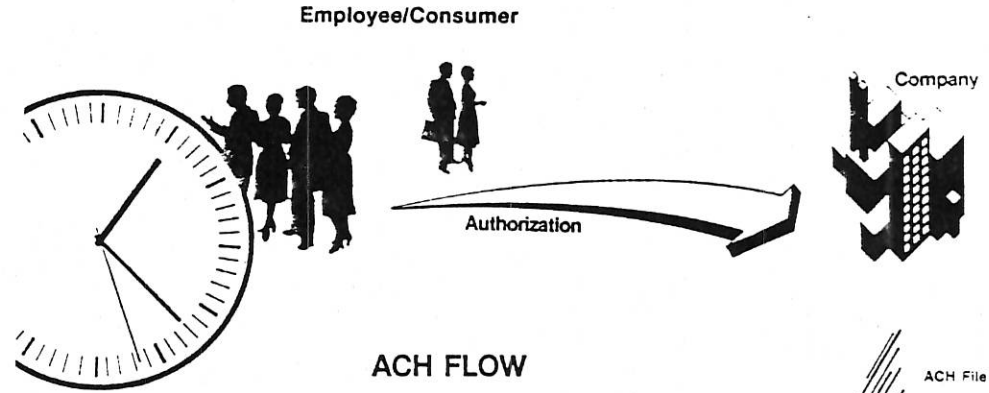
- _____ 1. Service can be offered as an additional employee benefit.
- _____ 2. Eliminates storage and security of blank checks.
- _____ 3. Eliminates storage and security of canceled checks.
- _____ 4. Fosters image to customers and employees as a modern, innovative company.
- _____ 5. Already has automated payroll and modification required would be minimal or non-existent.
- _____ 6. Already receiving "free" payroll services and so would receive this one "free"
- _____ 7. Reduces hazards associated with large amounts of cash on the premises on paydays.
- _____ 8. Eliminates requirements to provide check cashing service to employees.
- _____ 9. Reduces employee lost time for cashing checks on payday.
- _____ 10. Lower Payroll Department costs for salaries and fringe benefits.
- _____ 11. Improves relations with surrounding merchants who can reduce cash on hand for cashing employees' paychecks.
- _____ 12. Eliminates special arrangements for handling checks of absent employees.
- _____ 13. Eliminates lost/stolen paychecks with resultant stop payments and reissues.
- _____ 14. Reduces time to process payroll -- print/write checks.
- _____ 15. Eliminates reconciliation costs and time.
- _____ 16. Lower per item costs for printing and handling payroll information notices.
- _____ 17. Becomes basis for additional data for internal use.
- _____ 18. Happier employees who are pleased with the more convenient pay procedures
- _____ 19. More financially stable employees by encouraging money management and saving
- _____ 20. Economically profitable (use evaluation form)
- _____ 21. More convenient than current direct deposit program (deal with only one financial institution and available to all employees)

Indicate the additional applicable advantages for other deposit applications.

- _____ 22. Eliminates postage, stationery, and printing costs.
- _____ 23. Eliminates addressing and envelope "stuffing" charges.

THE ACH...

Better, more secure, and faster than mail.



40,000 Corporations Can't Be Wrong!

Why are more than 40,000 corporations using the nationwide Automated Clearing House (ACH) network for their financial transactions—everything from direct deposit of paychecks to automatic bill paying and collections to business-to-business debit/credit transactions? The answer is simple: transactions through the ACH are extremely cost effective, fast and secure.

The ACH is the electronic link between 17,500 banks, savings and loans, and credit unions throughout the United States. It allows all of those computers out there to talk to each other. The ACH is the same network used to deliver Social Security direct deposits to some 20,000,000 recipients every month. It is the same network that collects automatically millions of insurance premiums, utility payments, and speeds countless point-of-sale (POS) transactions.

The ACH network is supported by the National Automated Clearing House Association (NACHA) and regional associations throughout the country. How can you use this system to cut costs and become more efficient? Just ask your banker, your regional association representative listed below, or ask NACHA.

A Balance Sheet of Benefits for Corporate Customers, Employees, Consumers

Credit Transactions

- Delivery cost is lower than use of U.S. Postal Service.
- More timely delivery reduces customer complaints for non-receipt of payments or late posting to accounts.
- Eliminates lost checks, the costs of stop payment orders, and the issuing of replacement checks.
- Eliminates check reconciliation costs.
- Can eliminate the need for customer notification of payments.
- Customers receive descriptions of payments on their account statement.
- The ACH network provides a transaction audit trail not available through mail deposits.

Debit Transactions

- Lower delivery costs compared to the draft system because the ACH eliminates paper drafts.
- Supplies customers with descriptions on their account statements identifying payments and companies issuing them.
- Can lower transaction fees to consumers compared to cost of paper draft service charge.
- Provides more effective payment audit trail with ACH payments than paper draft system.
- Provides more accurate timing of payment posting to customers' account.



MID-AMERICA PAYMENT EXCHANGE

921 Walnut Street
Kansas City, Missouri 64106
(816) 474-5630

Debra L. Malmos
Director of Financial Services

ATTACHMENT 6
SWAM 3-31-88
(PM)



FOR IMMEDIATE RELEASE
March 11, 1988

CONTACT:
Ann-Marie Bartels
314-421-0415

BUSINESSES BENEFIT THROUGH USE OF
AUTOMATED FUNDS TRANSFER

Businesses throughout the United States are experiencing the benefits of better cash management through the use of automated funds transfer, and at the same time are offering enhanced employee benefits and customer service.

Mid-America Payment Exchange (MPX), a non-profit association which encourages and facilitates the effective use of automated funds transfer in middle America, has been assisting businesses in implementing automated transactions since 1978. Within the MPX region, which includes Arkansas, Southern Illinois, Southwestern Iowa, Kansas, Missouri, Nebraska and Oklahoma, 2,735 companies generated 67 million automated transactions in 1987. Currently the volume of automated transactions in the MPX region is increasing at a rate of 35% per year, exceeding the national average by 7%.

Business applications of automated funds transfer include direct deposit of payroll checks, pre-authorized bill payment, cash concentration and point-of-sale.

Direct deposit, the most common application for businesses of all sizes, is a benefit to both the employer and the employee. Payroll disbursed by automated transaction reduces costs in all of the following areas: check printing, preparation, distribution, reconciliation, and replacement of lost or stolen checks. Employees benefit by having immediate access to their net pay whether or not they are at work to pickup their check. Interest and annuities are also payable by direct deposit.

ATTACHMENT 7
SWAM 3-31-88 (PM)
more...

BUSINESSES BENEFIT

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Pre-authorized bill payment assures prompt receipt of payments from customers, eliminating the need for multiple handling of statements and checks, reconciliation of payments and reduces the need for past due reminders. Insurance companies and utilities are leaders in implementing electronic bill payments. Seventy insurance companies in the MPX region encourage customers to pay premiums electronically. Currently, all utility bills in Omaha and Little Rock can be payed by automatic payment. Tulsa utilities will begin a bill payment program in May, and Kansas City and St. Louis utilities are exploring automatic payment options.

Cash concentration allows businesses to rapidly move funds from outlying locations to a central account, optimizing the use of working capital. Retail stores, hotel and restaurant chains, state lotteries and the US Post Office are predominant users of cash concentration. Walmart Stores, Inc. of Bentonville, Arkansas uses cash concentration to move funds from over 600 stores in 19 states to a central corporate account. Walmart has found that cash concentration is the fastest, most accurate, lowest cost method of overnight funds accumulation available.

Point-of-sale is a relatively new automated transfer application, which allows retailers to collect payments for goods and services immediately. Although not widely used in middle America, point-of-sale has been successfully implemented on the West Coast and companies throughout the United States are considering this alternative payment method.

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FOR IMMEDIATE RELEASE
MARCH 11, 1988

CONTACT:
Ann-Marie Bartels
314-421-0415

AUTOMATED FUNDS TRANSFER
A CASH MANAGEMENT SOLUTION FOR INDIVIDUALS

A few years ago the ominous concept of "a paperless society" was touted as the way of the future in the United States.

No longer foreboding, this concept has taken form in the financial world and is rapidly becoming a reality in the business and personal lives of every US citizen.

A truly paperless society is not likely. However, automated funds transfer, a desirable alternative to paper checks, is having a positive impact on more and more individuals each year. In 1987 over 1.5 billion automated transactions were completed.

Automated funds transfer is a proven method of automatically and electronically paying and receiving funds, easily, accurately, at less cost and with more confidentiality than by using paper checks. Direct deposit of payroll checks, pre-authorized payment of utility bills and insurance premiums, and automatic payment of mortgages and installment loans are some of the current uses of automated transactions.

The cash management benefits of automated payments are innumerable. An employee participating in a direct deposit program is paid whether or not they are at work to pickup their check. Access to their net pay is immediate, no standing in line to deposit or cash a check.

As interest bearing checking accounts become more popular, many individuals find that they benefit by using pre-authorized bill payment. Bills are paid on the date specified, allowing account holders to earn interest on their money until the actual payment date. When mailing checks, if the check clears earlier than the payment date, interest on that money is lost.

ATTACHMENT 8
SWAM 3-31-88 (PM)
more...

AUTOMATED FUNDS TRANSFER

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Other benefits of pre-authorized payments include money saved on check printing, service charges, and postage; and time saved on writing, signing and mailing checks. Electronic payments cannot be forged, do not get lost in the mail or arrive late subjecting the individual to late charges.

In today's society it is often believed that the elderly are most reluctant to accept technological advances. This is definitely a myth with regard to automatic payments. Over 17 million social security recipients receive their monthly benefits by direct deposit...and not one of these payments has ever been lost.

The security, confidentiality and dependability of automated transactions are making this an appealing alternative to paper checks. All automated transactions must be authorized by the individual receiving or making payments, no one can deposit or withdraw money from an individual's account without prior authorization. Each automated transaction has a trace code, so even if it is improperly directed it can be rapidly retrieved and redirected.

A network of automated clearing house associations provide rules, regulations and operating procedures to financial institutions regarding the electronic transfer of funds. Mid-America Payment Exchange (MPX), the largest of these associations, facilitates the use of automated funds transfer in Arkansas, Southern Illinois, Southwestern Iowa, Kansas, Missouri, Nebraska and Oklahoma. There are also government regulations pertaining to electronic funds transfer which protect consumers rights.

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FOR IMMEDIATE RELEASE
March 11, 1988

CONTACT:
Ann-Marie Bartels
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US TREASURY & FEDERAL RESERVE BOARD
ENCOURAGE USE OF AUTOMATED FUNDS TRANSFER

Since the early 1600s paper checks have been our best payment instrument. Currently over 45 billion checks are processed annually, a number that is growing 4% a year. If this growth rate is maintained, in the year 2,000 nearly 100 billion checks will be processed. The ability to effectively handle such volume, the cost of processing and the need to store these checks has necessitated the development of a more efficient system to make payments.

Automated funds transfer is a proven alternative to paper checks. An electronic method of cash collection and disbursement, automated transactions provide a more dependable, expedient and cost effective means of paying bills and receiving payments than paper checks.

In an effort to take advantage of the cost efficiencies and dependability of electronic payments and relieve the strain on the check based payment system, the US Treasury and the Federal Reserve Board have recently taken aggressive action to encourage the use of automated transactions.

The US Treasury Department has introduced the Vendor Express program, which will convert over 77 million government payments to automated transactions in the next two years. Ultimately, the Vendor Express program will impact all businesses and individuals who conduct business with and receive payments from the US Government.

more...

ATTACHMENT 9
SWAM 3-31-88 (PM)

US TREASURY & FEDERAL RESERVE BOARD

Page 2

In a phased implementation the Department of Education, Housing and Urban Development, Health Care Financing Administration, Department of Labor, and the Tennessee Valley Authority are already making automated payments to contractors and vendors. Within the next two months the Government Printing Office and the Department of Agriculture will begin utilizing electronic payments. In pilot states, the IRS is encouraging individuals to electronically file and receive income tax returns.

The US Treasury's initial effort to convert checks to electronic transactions began in 1976 with the payment of Social Security benefits. Currently over 17 million Social Security recipients receive their benefits by direct deposit.

The Federal Reserve Board is actively promoting the use of automated funds transfer to financial institutions and businesses. Federal Reserve Banks are encouraging all financial institutions to establish an electronic link with the FED in their district to allow faster, more dependable communications and accelerated automated clearing house (ACH) transactions. For smaller financial institutions this can be accomplished via a personal computer.

By amending Regulation E, the consumer protection regulation pertaining to customer rights, the Federal Reserve Board has paved the way for retailers to utilize point-of-sale transactions. The Regulation E amendment requires financial institutions to include transaction details on account holder's monthly statements.

These efforts by the US Treasury and Federal Reserve Bank, coupled with private sector business uses of various automated transaction applications are making automated funds transfer a viable alternative to paper checks.

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