

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 476
Economic Matters

(Frederick County Delegation)

Finance

Frederick County - Payment of Wages

This bill authorizes Frederick County to pay the wages of a county employee by debit card and to require a county employee, as a condition of employment, to elect to receive the payment of wages by debit card or by direct deposit. If a county employee elects to receive the payment of wages by debit card, the county must provide the employee a statement that includes (1) the total amount of the employee's wages; (2) any amount deducted from the wages; and (3) the amount of wages credited to the debit card.

Fiscal Summary

State Effect: None.

Local Effect: Frederick County expenditures may decrease by approximately \$14,000 annually beginning in FY 2015. Revenues are not affected.

Small Business Effect: None.

Analysis

Current Law: In general, the provisions of the Maryland Wage Payment and Collection Law do not apply to units of government. The Wage Payment and Collection Law specifies that employers must inform employees of their rate of pay, the regular pay schedule, and leave benefits. For each pay period, the employer must issue a statement of the employee's gross earnings and authorized deductions. Employees must be notified at least one pay period in advance of any changes in pay schedule or wages.

The Wage Payment and Collection Law allows private-sector employers to pay employee wages via direct deposit. With an employee's authorization, the employer may credit an employee's wages to a debit card or card account from which the employee is able to access the funds through withdrawal, purchase, or transfer. A 1994 Opinion of the Attorney General held that "the Wage Payment and Collection Law authorizes an employer to offer a voluntary direct deposit program to employees and to encourage its use, but does not allow an employer to require employees to participate in a direct deposit program"; moreover, "a mandatory direct deposit program would violate Maryland law." 79 Op. Atty Gen. 340 (February 18, 1994).

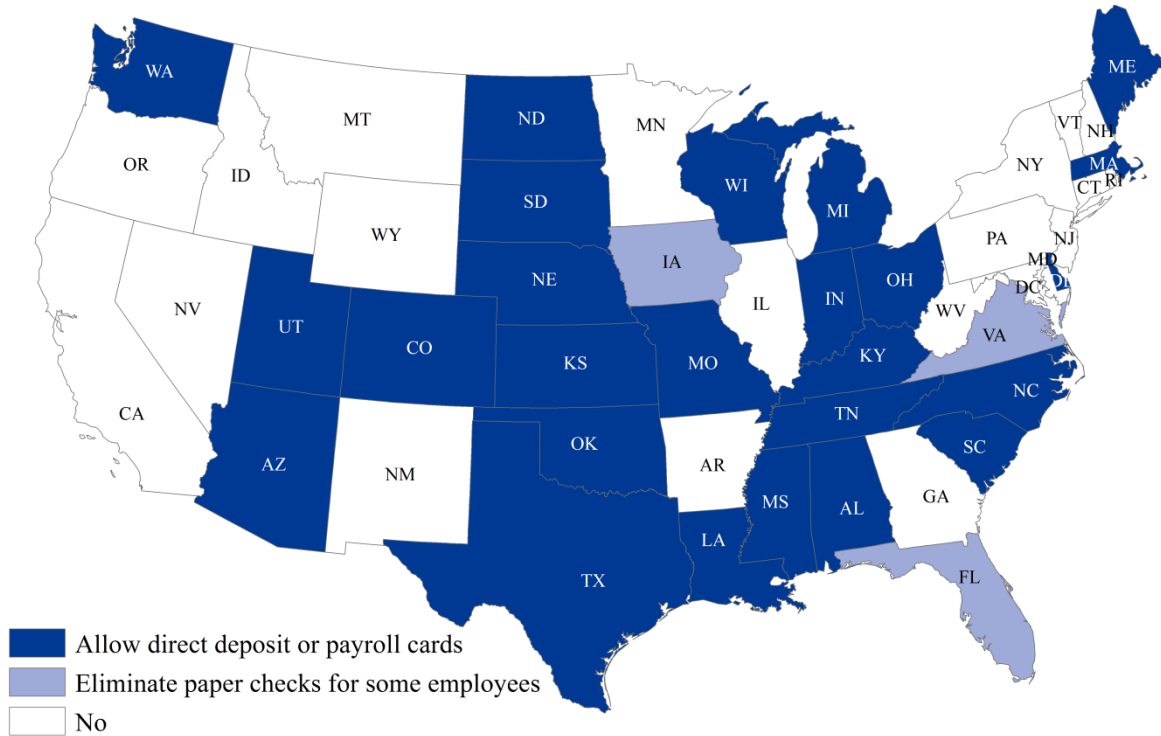
Chapter 324 of 2011 authorized counties and municipalities to pay the wages of an employee by direct deposit and allowed a county or municipality to require an employee to receive wages in this manner as a condition of employment.

Background: Proponents of using debit cards to pay employees point to convenience and lower payroll and administrative costs. Opponents report that in some instances the bank or financial institution that issues the debit card imposes certain usage fees which reduce the amount of pay an employee actually receives.

According to the American Payroll Association, 25 states permit employers to eliminate paper checks by giving employees the choice of receiving wages by direct deposit or on a payroll card, as shown in **Exhibit 1**. An additional three states permit employers to eliminate paper checks for some, but not all, employees.

In addition, the federal government has switched to a mandatory electronic payment system for beneficiaries of Social Security and other federal programs. The Maryland Child Support Enforcement Administration eliminated the distribution of paper checks for most recipients beginning in January 2013. A survey by the Maryland Association of Counties indicates that no counties currently use debit cards to pay employees.

Exhibit 1
States Giving Employees the Choice of Receiving Wages by
Direct Deposit or on a Payroll Card



Note: Alaska and Hawaii do not provide a choice of direct deposit or payroll cards.

Source: Department of Legislative Services

Local Fiscal Effect: Frederick County indicates that its payroll processing expenditures may decrease by approximately \$14,000 annually beginning in fiscal 2015 as a result of paying employees by debit card.

In addition, the county advises that mandatory electronic payments, either through direct deposit or prepaid debit cards, will be required for county employees when unforeseen emergency-related circumstances exist. In these situations, the printing and distribution of paper paychecks may be impossible which could prevent county employees from getting to work and receiving paychecks. A similar situation occurred during a winter storm in 2010 when a “State of Emergency” prevented county employees from coming into the City of Frederick to receive paychecks.

Additional Information

Prior Introductions: None.

Cross File: SB 614 (Senators Brinkley and Young) – Education, Health, and Environmental Affairs.

Information Source(s): Frederick County, Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2014
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