

BOARD OF REGENTS
BRIEFING PAPER

Agenda Item Title: Handbook Amendment – Electronic Payment of Employee Payroll

Meeting Date: September 5/6, 2013

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

Mandatory electronic payment (such as direct deposit or debit cards) of employee payroll has been identified as an area where NSHE can make its business processes more efficient. This was identified in both the Efficiency and Effectiveness Board report of 2011 as well as the recent Huron/ Integrate II business process evaluation, however prior NRS language prohibited the System from enacting a mandatory participation program. While voluntary compliance with direct deposit is already very high, the System still writes approximately 67,000 paper checks per year.

SB 21 of the 2013 Session contained enabling legislation to allow the Board of Regents to now approve a policy mandating electronic payments of payroll.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Staff recommends approval of the attached Handbook amendment to allow mandatory electronic payment of employee payroll for most payroll transactions.

4. IMPETUS (WHY NOW?):

- With the passage of SB 21 in the 2013 Session, statutory restrictions prohibiting this action have been removed.
- Using a recent banking industry study, NSHE estimates that annual savings by moving to mandatory electronic payment will be approximately \$150,000/ year in direct costs, with an additional similar amount of savings in staff efficiency by eliminating the need to distribute paper checks, streamlining the reconciliation process, and other similar activities.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- This change will make NSHE consistent with many private employees as well as the State of Nevada, which is currently in the process of enacting a similar mandatory requirement.
- Cost savings and efficiencies from implementing this change will help mitigate the effects of budget cuts that have occurred over the past several years.
- The proposed Handbook amendment includes an exception procedure if mandatory electronic payment is found to cause an employee undue hardship.

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

- Some employees have indicated a preference for paper checks.

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

- Do not approve this Handbook amendment and continue with a voluntary only plan.

8. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- X Amends Current Board Policy: Title #_4__ Chapter #_10__ Section #_31 (new)____
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other:_____
- X Fiscal Impact: Yes_X__ No____
Explain: ___This change will save an estimated \$150,000/ year in direct costs and a similar amount in staff time and efficiency. _____

POLICY PROPOSAL
TITLE 4, CHAPTER 10, *new* SECTION 31
Electronic Payment of Employee Payroll

Effective January 1, 2014

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

Section 31. Electronic Payment of Employee Payroll

- 1. Routine payroll transactions for all permanent and temporary NSHE employees, and NSHE student employees paid from sources other than federal work study funds, will be made by electronic payment. Upon authorization from the student, payroll transactions for NSHE student employees paid from federal work study funds will be made by electronic payment.*
- 2. Electronic payment may include direct deposit, debit cards, or other electronic means to one or more accounts maintained at a United States financial institution in the name of the employee.*
- 3. Initial paychecks, terminal paychecks, corrections, and other special circumstances may be paid by check.*
- 4. The direct deposit/ electronic payroll deposit transaction will not have an associated fee charged to the employee.*
- 5. It is the employee's responsibility to ensure that their bank or financial institution information is current.*
- 6. The appointing authority, or designee, of an institution may approve an exception to subsection 1 in the following circumstances:
 - a. Participation in the electronic payment system by the employee would cause undue hardship or extreme inconvenience; or*
 - b. The employee does not have an account at a financial institution that accepts direct deposit.**

In the case of an exception to subsection 1, a paper paycheck will be generated. Distribution and the associated costs with preparing the paper paycheck will be the responsibility of the institution and not the employee.