TECHNICAL ASSISTANCE - PAYROLL DEDUCTION AUTHORIZATION PROCESS

Prepared by the Division of Human Resources in the Department of Personnel & Administration. Revised April 2014.

General

Rule 1-79 of the State Personnel Rules went into effect on July 1, 2007, requiring state departments and institutions of higher education ("departments") to process payroll deductions "authorized by the Director through a written application and approval process (e.g., employee organization membership)." (Rule 1-79). This document explains the application and approval process.

State Payroll Systems

The central payroll office for state government covers all state agencies, except certain institutions of higher education. The central payroll system is known as the Colorado Personnel Payroll System, or CPPS. Through CPPS, approximately 36,000 pay transactions for state employees are processed each month. In addition to CPPS, the University of Colorado system, Colorado State University – Fort Collins and Pueblo separately, University of Northern Colorado, Colorado School of Mines, Fort Lewis College, Mesa State College, Metropolitan State College of Denver, Western State College, the Colorado Community College system, and the Auraria Higher Education Center each have their own payroll systems. This means there are 12 different payroll systems at this time through which state employees are paid.

All state employees are required by law to have their pay deposited directly into a financial institution. Through CPPS, pay can be divided and portions (either specific dollar amounts or percentages) deposited into more than one financial institution. The deposits are made through electronic fund transfers (EFTs). EFTs can also be used to make automatic payments to certain organizations (Colorado Combined Campaign is an example, but is not the only organization to which automatic payments can be made). For an automatic payment to be made the employee must authorize an automatic deduction and the recipient organization must be approved by the State Personnel Director ("Director"), who has statutory authority to regulate payroll deductions. Each pay period, each financial institution and recipient organization receives a single EFT along with an electronic file listing the names of the employees for whom deposits or payments are being made, the amount of the deposit or payment, and the name of the employing state agency. Other payroll systems may not function in the same way or have the same capabilities.

Payroll Deduction Applications

Organizations that want to receive payments through automatic deductions must submit a Payroll Deduction Application to the State Personnel Director. The link to the application form can be

found at https://www.colorado.gov/pacific/dhr/dhrforms#Payroll. Rule 1-79E sets forth the criteria the Director is to use in considering applications.

Criteria includes:

- the cost or administrative burden to the state;
- the legal status and purpose of the organization receiving the payroll deduction;
- the deduction is not prohibited by law; and
- the organization and the purpose of the deduction have a reasonable relationship to state employment;
- any other reasonably relevant factor.

Applicant organizations will be required to provide information pertaining to these criteria, as well as other information requested on the application form. The department's payroll officer and/or the administrator of the affected payroll system will be asked to provide information regarding programming needs and costs of implementation. That information will also be considered by the Director in making a determination. The decision to approve or deny an application will be issued, in writing, within 30 days of receipt of the application by the Director. If an application is approved, the affected payroll department must be able to begin processing deductions within 45 days of the date of the approval of the application unless, before the application is approved, the payroll officer or system administrator indicates that more time is required.

Each organization will be allowed only one deduction from each person. If the funds are to be used for more than one purpose, the organization is responsible for making the allocations.

Once an application is approved, the organization will receive instructions regarding the next steps it must take, such as providing a completed W-9 form.

Payroll Deduction Authorizations

Once an application has been approved, employees may begin to submit deduction requests to their payroll departments. A Payroll Deduction Authorization form must be submitted for each deduction requested by an employee. The link to this form can also be found at https://www.colorado.gov/pacific/dhr/dhrforms#Payroll. If an employee has insufficient income to cover all deductions (including such things as taxes and retirement contribution), the order of priority that will be used by payroll departments places voluntary deductions at the bottom of the list and they, too, are prioritized. All inquiries regarding insufficient funds by organizations slated to receive a payroll deduction must be directed to the individual employee involved, and not the payroll department.

Every attempt is made to keep this information updated. For additional information, refer to the State Personnel Board Rules and State Personnel Director Administrative Procedures (rules) or contact your department human resources office. Subsequent revisions to rule or law could cause conflicts in this information. In such a situation, the law and rule are the official source upon which to base a ruling or interpretation. This document is a guide, not a contract or legal advice.

TECHNICAL GUIDANCE

DHR APPROVAL FOR PUBLICATION

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