



American Payroll Association

Government Relations • Washington, DC

Testimony of Cathy Beyda
Chair, American Payroll Association Government Affairs Task Force,
Subcommittee on Payroll Cards

February 28, 2012
State of Connecticut Joint Committee on Labor and Public Employees

On behalf of the American Payroll Association (APA), I strongly urge members of the Joint Committee on Labor and Public Employees to **support S.B. 155**, An Act Allowing Employers to Pay Wages Using Payroll Cards. In my role as Chair of the APA's Government Affairs Task Force on Payroll Cards, I have worked with numerous states to update their wage payment statutes to allow for the use of payroll cards, which are becoming more prevalent in the U.S. and provide important benefits to employees and employers alike.

Connecticut remains one of just a handful of states that does not clearly recognize the use of payroll cards for wage payment. S.B. 155 would enable employers to offer this beneficial payment method to their employees as a complement to their direct deposit programs. Although many employers currently offer direct deposit to their employees, a large number of employees are unable to participate in direct deposit because they have little or no access to mainstream financial services.¹ Payroll cards allow employers to provide the benefits of electronic wage payment, including access to full wages each pay period without cost, to all employees because no bank account or credit check is required.

A great deal of effort was expended last year by labor, consumer representatives and industry to craft a payroll card bill that all parties could accept. S.B. 155 represents a true compromise. We commend the parties for their hard work, and hope that committee members will do so as well.

The American Payroll Association

The American Payroll Association is a nonprofit professional association representing more than 20,000 individuals and their companies in the United States and Canada. The APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers while complying with applicable federal, state, and local laws. In addition, the APA's Government Affairs Task Force works with the legislative and executive

¹ A 2009 study by the Federal Deposit Insurance Corporation found that 19.1% of all Connecticut households are either unbanked (having no checking or savings account) or underbanked (having a checking or savings account, but still reliant on alternative financial services such as check cashing). FDIC National Survey of Unbanked and Underbanked Households (Dec. 2009), available at http://www.fdic.gov/householdsurvey/Full_Report.pdf.

branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers.

Employee Benefits

Payroll cards provider numerous benefits to employees including increased security and convenience, as well as prompt access to full wages regardless of employee location. Employees without bank accounts, who are likely to be the principal users of payroll cards, generally incur fees when cashing their payroll checks and then incur additional costs when paying bills using money orders or traveling to a payment location to pay in cash.² These fees can be eliminated when employees are paid using a payroll card. Electronic payment methods, including payroll cards, also reduce the risks associated with lost or stolen paychecks.

The State of Connecticut already uses electronic payment methods to deliver a variety of benefits to recipients including child support, food stamps, Temporary Assistance to Needy Families and unemployment benefit payments. Indeed, Connecticut was one of the first states to use Electronic Benefit Transfer (EBT) cards to distribute state public assistance and federal food stamps. Among other benefits, the Connecticut Department of Social Services has observed that using prepaid cards moves recipients one step closer to mainstream banking services. Payroll cards provide a similar benefit, plus they are subject to the protections provided by Connecticut wage and hour laws.

Employer Benefits

Electronic wage payment also benefits employers. The cost of issuing and distributing paper paychecks, and the costs associated with lost and stolen checks, can be enormous. Electronic wage payment, whether in the form of direct deposit or a payroll card, eliminates these costs thereby decreasing the cost of doing business in the state. Moreover, convenience to employees and prompt access to wages translate into increased morale and a more productive workforce, as employees spend less time during the work day handling personal banking and finances.

Electronic wage payment methods also eases compliance with the state wage payment laws by facilitating the full and timely payment of wages to all employees, even those who are away from the workplace due to vacation, business travel or illness, and even when faced with unexpected contingencies such as natural disasters and severe weather conditions. Electronic payment methods allow employers to make off-cycle wage payments and corrections in real time, as well as to pay final wages at the time of termination.

Finally, electronic wage payment enables employers to decrease their carbon footprint. By switching to electronic wage payment, a business that employs 300 people and issues paychecks every two weeks, would in one year save 121 pounds of paper, avoid the release of 1,159 gallons of wastewater into the environment, save 45 gallons of gas, and avoid the release of 346 pounds of greenhouse gases into the atmosphere.³

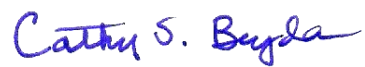
² Check cashing services in Connecticut may lawfully charge up to 2% of the face amount of the check or \$1, whichever is greater. Conn. Gen. Stat. §36a-585; Regs. Conn. State Agencies § 36a-585-1.

³ NACHA, *New Study Reveals Less than Three-Quarters of Employees Receive Pay via Direct Deposit* (June 2010), available at <https://www.nacha.org/node/921>.

Conclusion

In light of the many benefits provided by payroll cards to both employees and employers, the APA urges Committee members to approve S.B. 155 and modernize Connecticut's wage payment statutes. Please do not hesitate to contact me with any questions or for additional information. I can be reached at (650) 320-1824 or cathybeyda@paulhastings.com. Alternatively, please feel free to contact Bill Dunn, Senior Manager of Government Relations for the APA, at 202-232-6889.

Thank you for considering this important issue.



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