



American Payroll Association

Government Relations • Washington, DC

February 26, 2007

The Honorable Representative Mike Schaufler
Chair, Business and Labor Committee
State Capitol
900 Court St. NE., H-474
Salem, OR 97301
Via Email: rep.mikeschaufler@state.or.us

Re: Support of HB2256, with suggested changes

Dear Chairman Schaufler:

We are writing *in support of House Bill 2256*, concerning payment of wages, with suggested changes. The American Payroll Association is a nonprofit professional association representing more than 22,000 individuals and their companies in the United States and Canada. The APA works with legislative and executive branches of all levels of government to find ways for employers to meet their requirements under law and support government objectives, while minimizing administrative burden for government, employers, and individual workers/taxpayers. To address members' interest in the use of payroll debit cards ("paycards") in the United States, the APA monitors their development and use with an aim toward helping educate policymakers and regulators about the benefits and uses of these cards.

The APA believes that HB2256 would be a "win-win" for Oregon workers and employers. It would clarify that workers whose employers wish to offer only electronic payment of wages have the option to elect to receive their wages via paycard.

According to a report issued by the Federal Reserve Board, more than 8.4 million workers nationwide have already chosen to receive their pay via paycard as of May 2005; up from 2.2 million in 2003. Paycards offer substantial benefits to workers, notably improved security and cost savings. Some of these benefits follow:

- Employees who are absent from work due to illness, travel, or even winter storms have immediate access to their pay, since they don't have to pick up a check or go to the bank or a check cashing facility.
- Paycards are particularly important as a transaction account for the hundreds of thousands of Americans who can not get a bank account because of prior banking problems.
 - Employees without bank accounts often have no alternative to check cashing stores, which charge 2% - 3%, on average, of the check's face value. The FRB estimates that about 13% of households do not have a bank account.
 - Once they cash their check, the employee is carrying up to two weeks' net pay in cash, which can be stolen or lost. Employees with paycards are protected from loss. Lost cards are easily replaced, with remaining funds transferred to a new card.

- Paycard holders can avoid real difficulties and costs in paying bills. With paper paychecks, they typically have to buy money orders or pay in cash, in person, by traveling to the each store, utility company and so on.
- Paycards provide new purchasing power for goods and services that require a debit or credit card, such as auto rentals, hotel reservations, utility bills and on-line purchases.
- Workers are also protected from fraudulent use by their PIN, and by federal liability limitations under Federal Regulation E. Workers can also dispute transactions in accordance with Regulation E.
- Paycards include customer service to answer questions, and provide account balances, and deposit and withdrawal history.
- Workers receive periodic paper or on-line statements detailing all credits and spending, which helps them manage their money and become comfortable with the banking system.

Virtually all paycards offer one free ATM transaction each pay period, and most payroll debit card programs enable access to funds in several ways other than an ATM withdrawal or conventional cash withdrawal, including:

- Purchases at Point-of Sale terminals with cash back (no fees apply),
- The transfer of funds from the payroll card to any other financial account (no fees apply),
- Free convenience checks that can be used for bill payment or to cash out all funds,
- Free teller withdrawals at any bank that displays the card logo,
- The purchase of money orders, and
- The ability to pay bills on-line (no fees apply).

The APA Paycard committee has one major recommendation for the bill. The term “in the county where the device is issued” may introduce unnecessary ambiguities, since debit cards can be issued (printed and mailed) from anywhere in the nation. Employees often authorize them to be issued at the workplace, but the actual card issuance is often mailed to their home address. Since the intent is to ensure that Oregon workers can obtain funds at a place convenient to them, it would be clearer to specify “reasonably convenient to the employee” instead of in the county where the device is issued”.

652.110. (4)(a) An employer and an employee may agree to authorize the employer to issue, or cause a financial institution or other person to issue, to the employee an electronic payment device for the payment of wages if:

(A) The employee can use the device without discount at a financial institution or other established place of business in the county where the device is issued to the employee reasonably convenient to the employee; and

(b) Nothing in this subsection prohibits:

(A) The assessment of a fee on the employer for the issuance of a device to an employee; or

(B) The employer from limiting the number of free transactions on the device as long as the employee is able to withdraw the full amount of wages, without the employer imposing a fee or discount on the employee, at a financial institution or other established place of business in the county where the device is issued to the employee reasonably convenient to the employee.

Most payroll debit cards reference a website and/or toll-free phone number on the card, to provide cardholders with the nearest locations, and employees are also provided with written materials explaining the various locations and methods for using the card. Payroll debit cards can typically be used at hundreds of locations in a given area, and are designed to be convenient and easy to use anywhere.

We have enclosed background information on payroll debit cards, including excerpts of laws and regulations enacted in the various states that have explicitly addressed the issue to date, which we hope will be useful to you.

Again, we thank the committee for your efforts to improve the means by which Oregon workers receive their pay. We believe that many workers would like the option to receive their pay via a paycard, and HB 2256 appropriately clarifies that Oregon employers may offer this alternative. Please let us know if you have any questions.

Sincerely,

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