



American Payroll Association

Government Relations • Washington, DC

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STATEMENT IN SUPPORT OF HOUSE BILL 947

(Before the Senate Insurance and Labor Committee)

The American Payroll Association (APA) appreciates the opportunity to express our support for House Bill 947, relating to “the payment of wages by credit to a prepaid debit card.” If enacted, Georgia would join a growing majority of states that allow employers to offer their employees a choice between beneficial electronic wage payment methods (i.e., direct deposit and payroll cards).¹

The American Payroll Association

The APA is a nonprofit professional association representing more than 20,000 payroll professionals and their companies in the United States. 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 branches of government to find ways to help employers satisfy their legal obligations, while minimizing the administrative burden on government, employers, and individual workers.

The Benefits of Electronic Wage Payment Are Undeniable

Electronic wage payment provides numerous benefits to employees and employers alike. These benefits include increased security² and convenience, as well as prompt access to full wages regardless of employee location. Unfortunately, however, a surprisingly large number of employees are unable to participate in direct deposit because they do not have bank accounts or have limited access to traditional banking services.³ These workers often are forced to rely on expensive alternative financial services, such as check cashers, to access their wages.

Many consumer advocates and government regulators agree that payroll cards can be a very beneficial option for these underserved workers. For example, Javier Palomarez, President and CEO of the United States Hispanic Chamber of Commerce, recently published an Op-Ed emphasizing that “Payroll cards offer those with no banking access a dependable option for

¹ Of course, employers would still have the option of offering traditional paper paychecks if they so choose.

² Payroll cards are subject to Federal Reserve Regulation E, which includes many important consumer protections. For example, Regulation E limits cardholder liability when a lost or stolen card is used fraudulently. It also requires the adoption of dispute resolution procedures and that all terms, conditions and fees be clearly disclosed. In addition, all of the benefits offered on debit products by the major payment brands also are available on the brand's payroll cards and are free of charge. These include purchase protection, dispute resolution procedures and zero liability fraud programs.

³ A 2011 study by the FDIC revealed that 11.5% of Georgia households are unbanked and another 26.8% are underbanked (meaning that they have a bank account but still rely on alternative financial services).

protecting their finances. Empowering our citizens with this much needed access, security, and convenience of prepaid payroll cards allows the unbanked to save more of what they earn and helps them build a solid financial foundation.”⁴

The ability to pay *all* employees electronically benefits employers as well. Direct deposit and payroll cards allow employers to deliver wages in a timely manner even when an employee is away from the work place, and even when faced with unexpected contingencies such as severe weather conditions and natural disasters. **This became abundantly clear during Hurricane Sandy and this year’s severe weather conditions when many APA members had difficulty delivering paper paychecks to employees due to disruptions in mail. In contrast, APA members were able to deliver wages to employees who were enrolled in direct deposit or payroll cards without major incident.**

Like employees, employers can enjoy significant cost savings from electronic wage payment. The cost of issuing and distributing paper paychecks can be enormous, particularly for employers who rely on overnight carriers to deliver payroll. Electronic payment methods reduce check processing costs and eliminate expenses associated with lost or stolen paychecks.

Conclusion

The APA appreciates the opportunity to voice its firm support for H.B. 947. Please feel free to contact Bill Dunn, Director, Government Relations, American Payroll Association (202-232-6889) or Cathy Beyda, Chair of the GAFT Payroll Card Subcommittee, American Payroll Association (650-320-1824) with any questions.

⁴ See, http://www.huffingtonpost.com/javier-palomarez/payroll-cards-a-valuable-_b_4555801.html#; For another excellent discussion of payroll cards from an organization committed to protecting low wage earners, see Benjamin Mangan, *Stop Blacklisting Payroll Cards for Worker*, <http://www.linkedin.com/today/post/article/20130710205603-132220-stop-blackballing-payroll-cards-for-workers>.