



American Payroll Association

Government Relations • Washington, DC

September 19, 2008

Gary K. Pechie, Director
Connecticut Department of Labor
Wage and Workplace Standards Division
200 Folly Brook Boulevard
Wethersfield, CT 06109

Via email: gary.pechie@ct.gov

Dear Mr. Pechie:

We are writing to ask for your support and input on Connecticut legislation to recognize and permit payroll debit cards as an alternative means of wage payment. As you know, earlier this year HB5114, An Act Concerning Payment of Wages to Employees by Pay Card, was amended and passed by the House, and scheduled for action in the Senate. It was not enacted and would need to be reintroduced in January.

The American Payroll Association is a nonprofit professional association representing more than 24,000 companies and individuals in all 50 states and Canada. In reaction to the growing employer interest in the use of payroll debit cards in the United States, the APA's Government Affairs Task Force formed a Payroll Card Subcommittee to monitor the development and use of these cards within the employer community and to help educate policymakers and regulators about the benefits and uses of these cards before they issue regulations governing their use. This subcommittee is made up of many active and knowledgeable APA members representing large and mid-size employers, payroll service providers, and other vendors specializing in the deployment of payroll debit card programs.

This committee wrote to members of the Labor and Public Employees Committee when they were considering an earlier version of the bill. We made specific recommendations for changes and were very pleased with the bill as it was ultimately amended, and disappointed that it was not enacted as amended.

In recent years, state Departments of Labor have been leaders in implementing prepaid debit cards for payment of government benefits and other payments such as unemployment benefits and workers compensation. In many states, recipients of child support also often receive payments through a state-administered debit card program. Debit cards have been popular with cardholders due to elimination of check cashing fees, elimination of physical delivery problems (e.g., due to illness, travel, disaster conditions or even just weather conditions), and reduced risk of loss. The appendix to this letter outlines the principal benefits of payroll cards to workers.

We are writing to ask for your assistance in developing appropriate legislation that would clarify that Connecticut employees have the option to elect to receive their wages via payroll debit card. Would the Department support (and optimally sponsor) reintroduction of HB 5114, as amended? We would be very interested in working with you to develop draft language for the 2009 session.

We have enclosed background information on payroll debit cards, including excerpts of laws and regulations enacted in the various states that have addressed the issue to date.

Thank you for your interest in improving the means by which Connecticut workers receive their pay. 2008 HB5114, as amended, would encourage Connecticut employers to offer payroll cards under appropriate, beneficial terms to workers. Please call Cathy Beyda at (408) 795-3448; Pete Isberg at (610) 827-1591, or Bill Dunn at (202) 232-6889 if you have any questions.

Sincerely,

Cathy Beyda, Esq.
American Payroll Association
Chair, Paycard Subcommittee, Government Affairs Task Force



Pete Isberg
American Payroll Association
Paycard Legislative Subcommittee, Government Affairs Task Force



William Dunn, CPP
American Payroll Association
Manager of Government Relations

House of Representatives

File No. 730

General Assembly
February Session, 2008

(Reprint of File No. 32)

House Bill No. 5114

As Amended by House Amendment Schedule "A"

April 25, 2008

AN ACT CONCERNING PAYMENT OF WAGES TO EMPLOYEES BY PAY CARD

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2008*) (a) As used in this section, (1) "pay card" means a card issued by an employer or its payroll service provider to its employee that is linked to a payroll card account and credited with the employee's wages at the close of a pay period; and (2) "pay card system" means an electronic pay arrangement where an employee's wages are credited on a recurring basis to a payroll card account directly or indirectly established by the employer on behalf the employee that is subject to withdrawal charges and fees and where withdrawals may be made using a pay card at automated teller machines or point of sale terminals.

(b) (1) Except as provided in subdivision (2) of this subsection, no employer shall require its employees to receive payment of wages through direct deposit or through a pay card system in lieu of a negotiable check.

(2) An employer may use a pay card system, if the employee can make at least one withdrawal per pay period from the payroll card account without incurring a fee for that withdrawal and the employee can choose another means of accessing funds that involves no additional cost to the employee for such access. Such employer shall not be responsible for any other account penalties or charges incurred by an employee.

Payroll Debit Cards Benefit Workers

According to the Pelorus Group, an independent research firm, the number of paycards in circulation in 2006 was 7 million. This is more than a three-fold increase from the 2.2 million cards reportedly in circulation in 2004, and the number is expected to increase to 17.5 million in 2010. 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).