



American Payroll Association

Government Relations • Washington, DC

March 17, 2014

STATEMENT IN RESPONSE TO PROPOSED AMENDMENTS TO HOUSE BILL 947

(Before the Senate Insurance and Labor Committee)

The American Payroll Association (APA)¹ appreciates the opportunity to submit the following statement in response to amendments that we understand will be introduced during the March 18, 2014, hearing on House Bill 947. This statement supplements our previous statement on HB 947, submitted on March 10, 2014. In that statement, we emphasize the benefits of purely electronic wage payment programs (i.e., programs giving employees the choice between direct deposit and payroll cards). A copy is attached for your convenience.

Amendment 1: The Ability to Change Payment Method

HB 947 would allow employers to offer their employees the choice between two electronic payment methods: direct deposit and a "prepaid debit card." If an employee does not designate an account for direct deposit within seven days of receiving notice of his or her payment options, the employer could pay the employee using a prepaid debit card. The APA supports legislative initiatives that allow employers to implement purely electronic wage payment programs as discussed in our March 10, 2014, statement.

We understand that a request has been made to add the following provision to the bill:

Provided, further, than an employee's failure to designate and authorize such an account in a timely manner shall not waive such employee's ability to exercise the option of being paid by electronic credit transfer in lieu of credit to a prepaid debit card after providing the proper designation and authorization.

The APA supports this amendment, but feels that it should be limited to payroll cards. The term "prepaid debit card" covers many different types of cards, some of which are not reloadable. In contrast, payroll cards are governed by federal Regulation E, which includes many consumer protections, and defines "payroll card account" as:

an account that is directly or indirectly established through an employer and to which electronic fund transfers of the consumer's wages, salary, or other employee compensation (such as commissions), are made on a recurring basis ...

¹ 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.

12 C.F.R. § 1005.2(b)(2). We believe employers should be able to implement purely electronic payroll programs giving employees the choice between direct deposit and payroll cards. We further believe that once an employee makes a selection, he or she should be able to change that selection on reasonable notice to the employer.

Amendment 2: Cash Access to Wages

The APA understands that the following additional revision to HB 947 will be proposed at the March 18, 2014, hearing:

Any prepaid debit card used to make wage and salary payments shall not charge the employee a monthly fee for any month in which wage or salary payments are credited to such card. Any prepaid debit card used to make wage and salary payments shall allow the employee to elect to make at least one withdrawal by check, cash, withdrawal, or electronic credit transfer of the full card balance each pay period without incurring any fee or service charge.

The APA agrees with the intent of this amendment, but opposes the amendment as currently drafted, particularly to the extent that it would apply to all prepaid cards and not just payroll cards. We recommend that the amendment be redrafted as follows:

An employee who receives wages on a payroll card shall not be charged a monthly fee for any month in which wage or salary payments are credited to the card and must be able to make at least one withdrawal of his or her full net wages each pay period without incurring any fee or service charge.

The above revisions are important for several reasons. First, while we agree that payroll cards should not carry monthly maintenance fees, the employer should not be held responsible when an employee purchases a prepaid card from a retail location and signs up for direct deposit using that card. In this situation, the employer has no way of knowing that the account listed on the enrollment form by the employee is not a traditional bank account. Clearly, the employer had no say in the fee structure associated with the prepaid card that was selected by the employee without the employer's knowledge.

In contrast, when an employer offers a payroll card, the employer should make sure that no monthly maintenance fee is charged and that the employee has full and free access to his or her wages each pay period. However, we oppose the following language:

"Any prepaid debit card ... shall allow the employee to elect to make at least *one withdrawal by check, cash, withdrawal, or electronic credit transfer* of the full card balance each pay period without incurring any fee or service charge."

We recommend the statement be stricken, for clarity and intent. To begin, the phrase "one withdrawal... by withdrawal" does not make sense. Further, the provision would appear to give employees the right to demand cash access using a check – an expensive, manual process that is not offered on many payroll cards. As indicated in our proposed language, the APA believes that when an employee is paid using a payroll card, the employee must be able to treat the prepaid card like a plastic paycheck and use it to access their full net wages in cash each pay period without cost.

Conclusion

Please feel free to contact Bill Dunn, Director, Government Relations, American Payroll Association (202-232-6889) or Cathy Beyda, Chair of the GATF Payroll Card Subcommittee, American Payroll Association (650-320-1824) with any questions.

Attachment

**March 10, 2014 Statement of the American Payroll Association
In Support of HB 947**



American Payroll Association

Government Relations • Washington, DC

March 10, 2014

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>.