



American Payroll Association

Government Relations • Washington, DC

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

February 24, 2011
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 H.B. 6407, 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 both employees and employers.

Connecticut is one of just a handful of states that does not allow for wage payment using payroll cards. H.B. 6407 would enable employers to offer this beneficial payment method to their employees as a compliment to their direct deposit programs. Currently, many employers use direct deposit to deliver wages to their employees. A large number of employees are unable to participate in direct deposit, however, because they have little or no access to mainstream financial services. Payroll cards allow employers to bring 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.

The benefits of payroll cards to employees include increased security and convenience, as well as prompt access to 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. These fees can be eliminated when employees are paid on 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.

In addition to the employee benefits, providing an additional electronic wage payment method that enfranchises the unbanked and under-banked workforce is pro-business. Not only does it

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ease compliance with State wage payment laws, but it decreases the cost of doing business in Connecticut, which is attractive to both existing and prospective employers in the State.

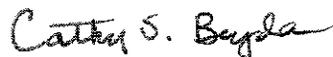
The cost of issuing and distributing paper paychecks, and the costs associated with lost and stolen checks, can be enormous. Electronic wage payment, be it direct deposit or through payroll cards, eliminates these costs. Moreover, convenience to employees and prompt access to wages translate into increased morale and a more productive workforce, as employees spend less time during the work day handling personal banking and finances.

Electronic wage payment methods allow employers to deliver wages on payday to employees who work at home, are away from the workplace due to vacation, business travel or illness, and even during unexpected emergencies. Employers can even make off-cycle wage payments and corrections in real time, as well as pay final wages at the time of termination.

Finally, electronic wage payment also 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.

In light of the many benefits provided by payroll cards to both employees and employers, I urge Committee members to approve this bill 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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