

Legal Assistance Resource Center

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S.B. 908 -- Payroll Cards

Labor and Public Employees Committee public hearing -- February 26, 2015

Testimony of Raphael L. Podolsky

Recommended Committee action: **MODIFICATION OF THE BILL**

Payroll cards, if structured properly, can have advantages for employees without bank accounts. The three of the most important are that the cards (1) let the employee avoid expensive check-cashing services, (2) protect employee wages from execution (after any wage executions are satisfied), and (3) are usable as debit cards for retail point of service transactions, including receiving cash to the extent that the store permits cash advances on debit cards. There is the danger, however -- as with debit cards generally -- that credit card issuers can impose usage fees that have the practical effect of preventing employees from having full use of their wages. It is important that any law authorizing wage payment by payroll card minimize that risk. The sponsors of S.B. 908, to their credit, have taken into consideration a number of consumer concerns, including making acceptance of a payroll card voluntary for the employee. Nevertheless, **it is important that a number of key changes be made to the bill; and without those changes we cannot support its passage.** The principal areas that require change are:

(1) More complete limitation of fees for use of the payroll card: For example, allowing the employee to be charged for every use of an ATM machine, as S.B. 908 would do, can make use of the card as costly as a check-cashing service. Fees for dormancy or declined transactions can undercut the benefit that a payroll card is supposed to bring. The cumulative effect of multiple fees can be quite significant. A 2014 report by the Attorney General of the State of New York strongly criticized some payroll cards for their high fees.

(2) Assurance of adequate convenient locations at which the card can be used: For example, the bill provides very little in the way of assurance that the issuer of the payroll card will have a significant number of ATMs in the area where the employee lives or works, or that in-network ATMs will be available in locations that are accessible outside of normal business hours.

(3) Easy ability to get free hard copies of important documents for employees without easy access to computers. For example, obtaining hard copies of such routine items as pay stubs and monthly transaction statements should not be burdensome.

The resolution of issues around these areas goes to the heart of the adequacy of the bill. The bill should be passed only if they are adequately resolved.