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AOI Testimony on House Bill 2683-A Senate General Government Committee

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Oregon employers have responsibilities to pay in a timely manner. Passing HB 2683 and allowing direct deposit at the employer's discretion better equips employers to meet those deadlines.

Current law allows an employer to use direct deposit ONLY where there is employee consent. That means that an employer may have a direct deposit process for some employees but also has to maintain a parallel payroll system for another segment of employees for whom they have to prepare paper checks and a delivery process to ensure employees get those checks. This is a substantial administrative burden that can be eliminated with HB 2683.

HB 2683 also better equips employers to comply with final paycheck rules. There is a separate law that says an employer is allowed to mail a final paycheck only upon employee request. That rule has created some problems that direct deposit might fix. For example, it would not be good to have a threatening and abusive employee back on the premises to receive a final paycheck. But under current law, an employer would have to have a bad employee back on site to provide a final paycheck. Direct deposit allows employers the ability to comply with final paycheck rules in these instances.

Paper checks get lost. The Federal government acknowledges this, which is why federal benefits, such as social security, are deposited electronically due to the safety and security of electronic deposits.

Lost paper checks can even lead to litigation over final paycheck claims. AOI is aware of cases in which an employer had actually built in additional pay, but due to a lost check, still lost a contested case over late payment of final wages due to a lost paycheck. When employers mail a final paycheck they don't know if it was received on time unless it is sent registered – and then the employee has to drive to a post office to pick it up if they're not home when the mail arrives – and post offices aren't open at convenient times. Direct deposit solves all of this.

Finally, HB 2683 is a cost saver for employers. A NFIB study concludes that it costs \$3 to issue a paper paycheck versus \$1 for direct deposit. Also, the Electronic Payments Association has determined that it costs a business up to \$2 to issue and process a hard-copy check, vs. 35 cents or less for direct deposits.

In recognition of all of this, there is also a companion bill – HB 2207 – which authorizes the State of Oregon to deposit its payroll checks electronically as well.

HB 2683 passed the House unanimously. AOI asks for your support of this legislation.