



# American Payroll Association

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## STATEMENT IN SUPPORT OF HOUSE BILL 2683

**(Before the House Business and Labor Committee)**

The American Payroll Association (APA) appreciates the opportunity to express our support for House Bill 2683, an Act relating to methods of wage payment. If enacted, Oregon 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) without also offering a paper paycheck.<sup>1</sup>

### ***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 security<sup>2</sup> 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.<sup>3</sup>

Payroll cards bring the benefits of direct deposit to these underserved workers. Without payroll cards, underserved workers often rely on expensive check cashing services to access their wages, and then incur additional expense when purchasing money orders to pay their bills. Studies have repeatedly shown that payroll cards are one of the least expensive ways for employees to receive their wages.<sup>4</sup> Most recently, the Payment Cards Center of the Federal

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<sup>1</sup> Of course, employers would still have the option of offering traditional paper paychecks if they so choose.

<sup>2</sup> 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 purchase 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.

<sup>3</sup> A 2011 study by the FDIC revealed that 4.3% of Oregon households are unbanked and another 14.4% are underbanked (meaning that they have a bank account but still rely on alternative financial services).

<sup>4</sup> M. Flores, Analysis of Network Branded Pay Cards: Comparative Analysis of Pay Cards to other Payment Options (Bretton Woods, Inc., August 2011); T. Sloane and P. Hewitt, Payroll Cards: 100% Electronic Payments 80% of the Time, Crossing the Market Finish Line (Mercator Advisory Group

Reserve Bank of Philadelphia published a study confirming that many employees use payroll cards without ever incurring a fee, and those who do incur fees could have avoided them.<sup>5</sup> Studies also have shown that payroll cards help employees manage their finances and provide underserved workers with a pathway into the financial mainstream.<sup>6</sup>

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 when many APA members had difficulty delivering paper paychecks to employees due to disruptions in mail delivery and the inability to locate employees who were displaced by the Hurricane. 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.

### ***The Growing Trend Among the States Is to Permit Purely Electronic Wage Payment***

The laws and/or administrative enforcement positions in more than half of the states allow employers to use electronic wage payment methods as the exclusive means of compensating all or some of their employees.<sup>7</sup> This growing acceptance of electronic payments is further reflected in the fact that most states now use prepaid debit cards (similar to payroll cards) for the delivery of government benefits. Oregon itself disburses unemployment benefits by giving recipients the choice between direct deposit and payment on a prepaid debit card. Oregon also delivers child support and food stamps electronically, and the state is seeking the right to pay its own employees using electronic means only (see H.B. 2207).

### ***Conclusion***

The APA appreciates the opportunity to voice its firm support for H.B. 5821. For your convenience, we have attached a partial list of APA members with a presence in Oregon who support H.B. 2683.

Please feel free to contact Bill Dunn, Senior Manager, 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.

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January 2009); J. McGrath, Federal Reserve Bank of Philadelphia Payment Card Center, Discussion Paper, The Cost Effectiveness of Stored-Value Products for Unbanked Consumers (May 2005).

<sup>5</sup> S. Wilshusen, R. Hunt, J. van Opstal, and R. Schneider, Consumers' Use of Prepaid Cards: A Transaction-Based Analysis (FRB of Philadelphia Payment Cards Center, August 2012).

<sup>6</sup> E. Fitzgerald and L. Phillips, Financial empowerment through Employer Engagement: Migrating a City to a Paperless Payday (CFED and the San Francisco Office of Financial Empowerment, March 2011),.

<sup>7</sup> The laws and/or administrative enforcement positions in the following states expressly permit, or can be interpreted as permitting, purely electronic wage payment: Alabama, Arizona, Colorado, Delaware, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maine, Michigan, Missouri, Mississippi, Nebraska, North Dakota, North Carolina, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington and Wisconsin. In addition, employers may implement such programs for some, but not all employees, in Florida, Iowa and Virginia.

## **Partial List of Employers with a Presence in Oregon Who Support HB 2683**

The following is a partial list of employers with a presence in Oregon who support H.B. 2683.

Dick's Sporting Goods  
Dollar Tree  
Fair Way Stations, Inc.  
Foster Farms  
GEO Transport, Inc.  
HD Supply  
Kelley Services  
Lipman-Portland, LLC.  
Perfect Look  
PVH Corp.  
Sally Beauty Holdings  
Shari's Management Corporation  
Subs PDX  
The Old Spaghetti Factory  
Truax 2, Inc.  
True Blue, Inc.