



Tod Ohnstad

STATE REPRESENTATIVE

To: Assembly Committee on Labor
From: Rep. Tod Ohnstad
Date: February 12, 2014
Subject: Assembly Bill 687, relating to payment of wages by electronic fund transfer to a payroll card

Chairman Knodl and members of the Assembly Labor Committee:

Thank you for taking the time to hear testimony on Assembly Bill 687, which deals with payroll debit cards. I expect this issue is new for many of us. However payroll debit card popularity and use are growing exponentially. I applaud your attention to this important issue and truly appreciate the committee taking this time to learn more about it.

Payment of wages with a payroll debit card rather than with a paper check or direct deposit is a growing trend among employers in the United States. According to a recent NBC News report, nearly 4.5 million U.S. workers got their wages on a payroll debit card last year. That number is expected to grow in the coming years due to the fact that payroll debit cards can be enticing for both employers and employees.

Many employers like to use payroll debit cards because they cut down on administrative costs. By paying workers with these cards, employers can diminish the administrative costs associated with payroll quite significantly. No longer must paychecks be mailed or, on occasion, overnighted to employees. Instead, funds are electronically uploaded to the employees' payroll cards on payday.

On the flip side of the coin, there are a number of reasons employees might like to receive their wages via payroll debit cards. They save the time and hassle they would otherwise spend depositing their paychecks. In some cases, they can save a check cashing fee. Additionally, payroll debit cards can enable workers to avoid carrying cash around with them, providing both added security and convenience.

Given the growing popularity of payroll debit cards, now is the time to consider the way in which our laws deal with this emerging payment mechanism. There are a few federal laws regulating payroll debit cards in certain basic ways, such as the Fair Labor Standards Act which ensures payment via payroll debit cards meet minimum wage requirements, and the Electronic Funds Transfer Act which govern electronic fund transfers generally. However, Wisconsin state law really does not contemplate payroll debit cards as a wage payment mechanism, despite their increasingly popularity. Current state law can be interpreted to permit purely electronic wage payment. But, the reality is there is a lot of gray area when it comes to payroll debit cards in our state.

I authored AB 687 to bring Wisconsin's laws up-to-date on this emerging trend and provide a few common-sense standards for workers and employers in our state. AB 687 will ensure workers who receive wage payments via payroll debit cards can do so with a few basic protections and employers have certainty if they choose to offer payroll debit cards for their employees. By implementing just a few common sense standards, Wisconsin can take an important step toward ensuring employees who choose to be paid via debit cards are not inadvertently taken advantage of.

65th ASSEMBLY DISTRICT



AB 687 would implement a few basic protections for workers, such as:

- Ensuring workers are able to access their full wages in cash at least once each pay period without fees;
- Requiring employers who use payroll debit cards to inform workers of certain legal rights relating to how they are paid; and
- Prohibiting certain fees, such as fees for simply having the payroll card account, having a low balance, inactivity, closing the account, or issuing the remaining balance by check or other means.

In addition, AB 687 specifies the payroll card issuer is required to furnish certain access and/or information to the card holder at no cost:

- A monthly statement of all transactions;
- two phone calls to a live customer service representative during each pay period; and
- access to balance and account information by way of an ATM.

Finally, AB 687 would prohibit the employer or the payroll card issuing company from linking the payroll card account to other forms of credit, such as loans, cash advances on future pay and fee-based overdraft protection.

I believe the regulations proposed in AB 687 represent a very fair-minded, common-sense approach to an emerging trend in wage payment. This bill does not stop an employer from offering payroll debit cards to employees as a mechanism for paying wages. Nor does it make offering these cards so burdensome that they become an impossible option to handle. Rather, it puts a few basic protections in place to ensure that workers aren't nickel-and-dimed out of their hard-earned wages.

I hope you will join me in supporting AB 687, which I am pleased to report already has bipartisan support in our house. This is an important area in the law that needs addressing.

Thank you again for your time and attention to AB 687. I would be happy to answer any questions the committee might have.



What would AB 687 add to Wisconsin state law?

- Require employers who use such cards to inform workers of their legal rights relating to how they are paid.
 - Workers must be given a choice of receiving pay in cash, in the form of a check or by means of direct deposit or debit card.
 - The employee's consent to a payroll card method is required and must be voluntary, not given as a condition of employment.
- Limit the fees that a payroll debit card user might incur.
 - At least 2 withdrawals are allowed per pay period at an ATM in a network designated by the payroll card issuer at no cost to the employee.
 - Workers must be provided at least one method to withdraw their full pay without a fee.
- Prohibit fees for:
 - simply having the payroll card account,
 - point of sale transactions,
 - a low balance,
 - a declined transaction,
 - inactivity,
 - replacement of the card once in a calendar year, and
 - for closing the account or issuing the remaining balance by check or other means.
- Prohibit the employer or the payroll card issuing company from linking the payroll card account to other forms of credit, such as:
 - loans,
 - cash advances on future pay, and
 - fee-based overdraft protection.
- Allow the wage earner to change the method he or she receives wages at any time.
- Require that the payroll card account be insured by the FDIC.
- The payroll card issuer would be required to furnish certain access and/or information to the card holder at no cost:
 - a monthly statement of all transactions,
 - two phone calls to a live customer service representative during each pay period, and
 - access to balance and account information by way of an ATM.

