



American Payroll Association

Government Relations • Washington, DC

December 2, 2008

Mr. Randall Maruca, Director
Industrial Commission of Arizona
Labor Department
800 W. Washington Street
P.O. Box 19070
Phoenix, AZ 85005-9070
Via email: rmaruca@ica.state.az.us

Dear Mr. Maruca:

We are writing to ask for your support and assistance in the development of proposed legislation recognizing payroll debit cards as an authorized means of wage payment in Arizona. During your recent communication with one of our members you expressed an interest in legislation that is definitive and reflective of the times. Since your department is responsible for the enforcement of any proposed legislation we believe it is imperative to begin with your office.

The American Payroll Association is a nonprofit professional association representing nearly 24,000 payroll professionals and their companies in all 50 states and Canada. In reaction to the growing employer interest in the use of payroll debit cards in the United States, the APA's Government Affairs Task Force formed a Payroll Card Subcommittee to monitor the development and use of these cards within the employer community and to help educate policymakers and regulators about the benefits and uses of these cards before they issue regulations governing their use. This subcommittee is made up of many active and knowledgeable APA members representing large and mid-size employers, payroll service providers, and other vendors specializing in the deployment of payroll debit card programs.

In recent years Arizona has been a leader in implementing prepaid debit cards for payment of government benefits and other payments such as unemployment benefits, workers compensation and child support. Debit cards have been popular with cardholders due to elimination of check cashing fees, elimination of physical delivery problems (e.g., due to illness, travel, disaster conditions or even just weather conditions), and reduced risk of loss. The appendix to this letter outlines the principal benefits of payroll cards to workers.

As mentioned above, we would be very interested in working with you to draft language for the upcoming legislative session. Our initial suggestion would be to propose language, similar to the following, revising section 23-351(C) of the Arizona Revised Statutes:

C. Each employer shall, on each of the regular payday, pay to employees all wages due as follows:

1. Payment of wages shall be (a) in lawful money of the United States, (b) by negotiable bank check payable at face value upon demand in lawful money of the United States; (c) by direct deposit into an account in the name of the employee at a financial institution designated by the employee provided the employee is able to make at least one withdrawal from his or her net pay each pay period without cost, or (d) by credit to a prepaid debit card or card account issued by or through the employer from which the employee is able to withdraw or transfer the entire amount of his or her net pay, without cost, at least once each pay period. An employer that elects to pay wages to employees using direct deposit as authorized in (c) above must offer at least one other method of wage payment as authorized in (a), (b) or (d) of this paragraph as a default option for employees who do not designate a financial institution account for the deposit of wages.

The APA is interested in your thoughts on the above language, and on whether the Department would like additional issues or concerns addressed in the proposed legislation. For your convenience, we have enclosed background information on payroll debit cards, including excerpts of laws and regulations enacted in the various states that have addressed the issue to date.

Thank you for your interest in improving the means by which Arizona workers receive their pay and ensuring that Arizona employers offer payroll cards under appropriate, beneficial terms to those workers. Please call Cathy Beyda at (408) 973-8215; Pete Isberg at (610) 827-1591, or Bill Dunn at (202) 232-6889 if you have any questions or if we can be of assistance. We look forward to hearing from you.

Sincerely,

Cathy Beyda, Esq.
American Payroll Association
Chair, Paycard Subcommittee, Government Affairs Task Force



Pete Isberg
American Payroll Association
Paycard Legislative Subcommittee, Government Affairs Task Force



William Dunn, CPP
American Payroll Association
Manager of Government Relations

Payroll Debit Cards Benefit Workers

According to the Pelorus Group, an independent research firm, the number of paycards in circulation in 2006 was 7 million. This is more than a three-fold increase from the 2.2 million cards reportedly in circulation in 2004, and the number is expected to increase to 17.5 million in 2010. Paycards offer substantial benefits to workers, notably improved security and cost savings. Some of these benefits follow:

- Employees who are absent from work due to illness, travel, or even winter storms have immediate access to their pay, since they don't have to pick up a check or go to the bank or a check cashing facility.
- Paycards are particularly important as a transaction account for the hundreds of thousands of Americans who can not get a bank account because of prior banking problems.
 - Employees without bank accounts often have no alternative to check cashing stores, which charge 2% - 3%, on average, of the check's face value. The FRB estimates that about 13% of households do not have a bank account.
 - Once they cash their check, the employee is carrying up to two weeks' net pay in cash, which can be stolen or lost. Employees with paycards are protected from loss. Lost cards are easily replaced, with remaining funds transferred to a new card.
 - Paycard holders can avoid real difficulties and costs in paying bills. With paper paychecks, they typically have to buy money orders or pay in cash, in person, by traveling to the each store, utility company and so on.
 - Paycards provide new purchasing power for goods and services that require a debit or credit card, such as auto rentals, hotel reservations, utility bills and on-line purchases.
 - Workers are also protected from fraudulent use by their PIN, and by federal liability limitations under Federal Regulation E. Workers can also dispute transactions in accordance with Regulation E.
- Paycards include customer service to answer questions, and provide account balances, and deposit and withdrawal history.
- Workers receive periodic paper or on-line statements detailing all credits and spending, which helps them manage their money and become comfortable with the banking system.

Virtually all paycards offer one free ATM transaction each pay period, and most payroll debit card programs enable access to funds in several ways other than an ATM withdrawal or conventional cash withdrawal, including:

- Purchases at Point-of Sale terminals with cash back (no fees apply),
- The transfer of funds from the payroll card to any other financial account (no fees apply),
- Free convenience checks that can be used for bill payment or to cash out all funds,
- Free teller withdrawals at any bank that displays the card logo,
- The purchase of money orders, and
- The ability to pay bills on-line (no fees apply).