

House Finance Committee - SB 79

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Representative Neal Foster, Chair

House Finance Committee

State Capitol Room 519

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Testimony in Support of SB 79

Chair Foster and members of the House Committee on Finance – thank you for offering me an opportunity to testify in support of SB 79. My name is Amy Miller and I am a Senior Director of Government Relations at ADP. ADP is the nation’s largest provider of human capital management solutions supporting, among other things, HR, payroll, and benefits administration and we pay 1 in every 6 US employees. ADP is uniquely positioned to understand the importance of supporting and transitioning from paper to electronic forms of pay.

SB 79, which ADP strongly supports, would eliminate the requirement that Alaska employers offer paper paychecks as a form of wage payment. Under the bill, employers would have the right to offer employees payment options by direct deposit or payroll cards. We think this will benefit employers from a payroll management and expense perspective while also providing significant benefits to employees. To be clear, nothing in the bill prevents employees from continuing to receive pay by direct deposit and employers could offer paper checks if they so choose. Further, the bill protects the right to collective bargaining arrangements and does not impact regulations for payment of wages to state employees.

There are much better alternatives to paper paychecks. Advances in technology have improved how employees can be paid more timely, consistently and securely.

Electronic pay protects employers. Under certain circumstances, it can be effectively impossible for employers to comply with wage payment laws governing the timely payment of wages if they must offer paper checks. Too often, employees who receive paper checks can’t get paid on payday if there are events preventing the timely issuance of paper pay – such as the all-too-common weather events in Alaska. Electronic payments eliminate this concern.

This bill would make payment of wages better for employees. Paper checks can interfere with workers’ financial security decisions because they do not allow for easy and timely access to wages. Employees often take extra steps to travel to the workplace to receive paper checks, travel to a bank to deposit the checks and wait for the checks to clear – even with new capabilities for depositing checks via mobile phone app, there is still several business days’ delay for checks to clear. If mail is slow, employees may not receive their pay on schedule. Some employees use costly check-cashing stores and then carry their entire paycheck in cash, which is subject to loss or

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theft. Further, even employees who don't qualify for a bank account can receive a payroll card from their employer.

Payroll cards also offer employees better consumer protections and convenience. Employees can use payroll cards anywhere they would use a check including free online bill payments and online shopping. In addition, payroll cards can be used for travel arrangements that *require* electronic payments (such as flights, hotels, rental cars, etc.). But unlike paper checks, payroll cards provide protections from fraud or unauthorized use and also provide free associated savings features and financial wellness tools. Finally, workers cannot overdraw their payroll card accounts, so there are no insufficient fund or NSF fees.

Passing SB 79 will enable Alaska to align with the fact that most payments are already electronic. Virtually all government payments are electronic (for example: tax refunds, social security payments, etc.). According to the National Automated Clearing House Association 93% of American workers are already paid via direct deposit.

In addition, most states already allow for electronic pay as the only option for employees. This has been an effective means of pay in the more than 30 states that permit electronic wage payments (direct deposit or payroll card). From our experience employees quickly adapt and are often thankful for the change.

I am hopeful that this information and testimony in favor of SB 79 is helpful as the Committee evaluates how to proceed. Once again, I thank you for granting me time to speak to you today and I welcome any questions you may have.