

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on February 10, 2006 in Room 123-S of the Capitol.

All members were present except:  
Susan Wagle- excused

Committee staff present:  
Kathie Sparks, Kansas Legislative Research Department  
Audrey Dunkel-Kansas Legislative Research Department  
Helen Pedigo, Revisor of Statutes  
Jackie Lunn, Committee Secretary

Conferees appearing before the committee:  
Bobbie Johnson-Legal Counsel-Via Christi Health System  
Phillip Hayes-Human Resources Consultant-Arnold Group  
Bill Schmitz-YMCA -Wichita

Others attending:  
See attached list.

Chairperson Brownlee opened the hearing on **SB 518-Payment of compensation; payment methods; electronic transfer, electronic deposit, payroll card** by introducing Helen Pedigo from the Revisors office to review the bill. Ms. Pedigo gave a review of **SB 518** stating it was an electronic deposit bill and is similar to **SB 122** which was passed out of the Committee last session but defeated on the Senate floor. During Helen's review of the bill there was discussion with the Committee on the wording of the bill and also the changes made on the bill last session before it was passed out of the Committee. The discussion turned to the payroll card and how it worked. Chairperson Brownlee stated that the payroll card would probably be explained during testimony. In closing, Ms. Pedigo stated Electronic banking would be at the discretion of the employer. There would be a payroll card available upon the employee's request. This would mainly be for those that did not have a checking account.

Upon the completion of Ms. Pedigo's review of the bill, Chairperson Brownlee introduced Bobbie Johnson, Legal Counsel for Via Christi Health System to give her testimony as a proponent for **SB 518**. Ms. Johnson presented written testimony. (Attachment 1) Ms. Johnson stated that Via Christi Health System was an employer of approximately 9,000 employees located in a number of communities throughout the State of Kansas. They asked that **SB 518** be introduced to address a payroll issue that adds tens of thousands of unnecessary costs to Via Christi's operations on an annual basis. She stated that current law requires the employer to obtain written consent from an employee before the employer can pay an employee by direct deposit. While a large majority of the Via Christi Health System has chosen direct deposit, a few employees elect to be paid by paper check delivered to them by mail. Via Christi believes this bill would not put a hardship on anyone. For those who don't have or can't have a checking account, payment would be made by a payroll card. A payroll card is a plastic card issued to an employee onto which an employee's net payroll funds are loaded or prepaid each pay period, much like a gift card. Balance on the card can be obtained by inquiries at ATM's , on-line or by a telephone call to a customer service number at the financial entity that issued the card. This system of payroll would benefit both the employee and the employer. Ms. Johnson stated Via Christi would like to take advantage of technology currently available to them and to employ that technology in payroll processes and payment methodologies they need to be able to determine what best fits their needs. In closing, Ms. Johnson referred the Committee to a newspaper article from the Wichita Eagle. (Attachment 2) She asked the Committee to please support **SB 518**.

Upon the conclusion of Ms. Johnson's testimony, Chairperson Brownlee introduced Phillip Hays, Operations Manager and HR Consultant for the Arnold Group, to give his testimony as a proponent for **SB 518**. Mr. Hayes offered written testimony. (Attachment 3) Mr. Hayes stated employers throughout the state are being challenged to do more with less and must develop process improvements to provide quality services and improve their competitive position. Allowing Kansas employers to mandate and implement electronic payroll programs will provide businesses an important opportunity to deliver high quality service that their employees deserve, result in more efficient and cost effective operations, and helps employees without traditional bank

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on February 10, 2006 in Room 123-S of the Capitol.

accounts take advantage of the benefits of electronic payments. Electronic payroll processing is safe, convenient and reliable. He stated the Arnold Group transitioned from a paper payroll processing to an electronic payroll processing system and there has been numerous benefits for both the employee and the employer. Mr. Hayes ended his testimony (Attachment 4) by stating there was written testimony from Christina Morgan, Staffing Specialist with the Arnold Group. He stated that she did not have a checking account and chose the payroll card; in her written testimony she stated the payroll card was very convenient for her to have and the only drawback is the financial institution which she chose charges a fee for cash withdrawals and transactions. However, she stated the card won't allow her to overdraw her account eliminating finance charges she would incur on return checks. In closing he asked the Committee to vote yes on **SB 518**.

Chairperson Brownlee introduced Bill Schmitz with the YMCA in Wichita, Kansas to give his testimony as a proponent for **SB 518**. Mr. Schmitz presented written testimony. (Attachment 5) Mr. Schmitz stated employees that currently cash their payroll check at local stores would have more money to spend on food if they received their pay compensation on a payroll card, thus eliminating the charge for cashing their payroll check. The payroll card can help reduce time spent on fraudulent check cases by law enforcement officials enabling them to focus on more important issues for taxpayers. In closing Mr. Schmitz stated he firmly believes SB 518 would benefit the Kansas economy for all parties involved.

Chairperson Brownlee called the Committee's attention to written only testimony form: Marlee Carpenter representing the Kansas Chamber; (Attachment 6) Patrick Salmons representing the Sunflower Bank; (Attachment 7) and Judy Weigel representing Independent Living Resource Center in Wichita. (Attachment 8)

Chairperson Brownlee announced the hearing on **SB 518** was closed. She also stated the Committee would meet on Monday, February 13, 2006 at 8:30 to take action on bills previously heard that the Committee was unable to do today due to the time.

Meeting adjourned at 9:30 a.m. with the next meeting scheduled for Monday, February 13, 2006 at 8:30 a.m. in room 123S.

# Senate Commerce Committee

## Guest List

Date: Feb 10, 2006

Diane Costello	Clarke Chamber
Christ Caldwell	Temple Chamber
Kathleen Smith	KDOR
Jim Grassmeyer	advt
Mary Ellen Anlee	Via Christi Health Systems
Ken Cochran	CBBA
Whisper Jamon	City of Topeka
John Peterson	Cyrt'l Strategies
David Kerr	AT+T
Tim Pickering	"
Wooneta Browne	"
Paul Snider	PSI
Nelson Krueger	EVEREST
Bachel Reiber	EVEREST
TERRY HOLDREN	KFB
Doug Wareham	Kansas Bankers Assn.
Kim Wynn	LKM
Dick Carter	Manhattan Chamber
J. Chitt	SOS
Jesse Borjesson	SOS
Julie Heim	Heim Law Firm
Mary Faulkner	Prairie State Bank



3720 E. Bayley  
Wichita, KS 67218

Tel 316-858-4900  
Fax 316-858-4185

**Testimony for the Kansas Senate Commerce Committee**

**In Support of Senate Bill 518  
An Act Concerning Payment of Compensation, Relating to Payment Methods; Electronic  
Transfer; Electronic Deposit; Payroll Card**

**February 10, 2006  
Topeka, Kansas**

**By Roberta R. Johnson  
Via Christi Health System  
3720 E. Bayley, Wichita, KS 67218  
P-316.858.4925 / F-316.858.4189**

Good morning, my name is Roberta Johnson, Associate General Counsel of Via Christi Health System in Wichita, Kansas. As an employer of approximately 9,000 employees located in a number of communities throughout the State of Kansas, Via Christi has asked that SB 518 be introduced to address a payroll issue that adds tens of thousands of unnecessary costs to Via Christi's operations on an annual basis. The payroll issue being the inability of a Kansas employer to designate or unilaterally select direct deposit as a payment method by which all of its employees will be paid.

To address this issue and provide Via Christi and other Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods, Via Christi is asking the legislature to consider amending K.S.A. 44-314.

Currently, K.S.A. 44-314 requires that an employer obtain written consent from an employee before the employer can pay an employee by "direct deposit." While a large majority of Via Christi employees welcome the confidentiality, security and convenience that accompanies "direct deposit," a few employees remain entrenched in their ways electing to be paid by paper check, delivered to them by mail. When these employees are asked why they prefer paper checks to direct deposit, they provide a variety of reasons. Among those are that some employees simply struggle with any change in routine, preferring the familiar over something new; some employees simply don't make the effort to sign the forms necessary to establish a direct deposit account; some employees simply don't like banks or are fearful of having a bank account, and, therefore, resist this method of payment. In addition, there is a small group of employees who due to credit or other personal financial issues, are not eligible to open a checking account and, accordingly, believe direct deposit is not a viable option for them. I will address this issue later in my testimony.

Senate Commerce Committee  
February 10, 2006

For those employees, however, who qualify for a checking account and who have elected to receive their wages by direct deposit, a number of advantages have been realized in this arrangement. For instance, an employee doesn't need to be in town or even at the workplace for his or her money to be deposited, an employee needn't worry about having a check lost or stolen, there's no waiting period for a direct deposit to clear, payments directly deposited are available to the account holder on the morning of payday. Further, direct deposit eliminates the need for an employee to stand in line at the bank or to be bound by banking hours.

In addition to employee advantages to mandatory direct deposit, there are clearly employer advantages as well, generally resulting from reduced labor costs and expenses associated with preparing, mailing and addressing problems inherent in a manually managed paper check payroll system. Data gathered by Via Christi indicates that approximately 15 percent of Via Christi employees statewide currently receive a paper check by mail. This results in additional costs to Via Christi in a variety of ways:

1. Costs to purchase check forms;
2. labor costs for check printing and form sealing;
3. ever increasing postage costs to mail paper checks,
4. stop payment fees of \$29.00 per lost check (generally 75-100 lost checks per year),
5. labor costs to reissue lost or stolen checks,
6. bank processing fees for paper checks,
7. labor costs for the performance of monthly check reconciliation functions, and
8. overnight express delivery fees, in some instances, to assure timely delivery of checks to the southeast area of the state.

These manually performed functions add approximately \$30,000 to \$35,000 of unnecessary costs to Via Christi's payroll budget, annually. In addition to actual cash losses, the employee/employer relationship can be damaged when an employee fails to receive his or her paper paycheck due to actual loss or theft. In such instances an employee in need of his or her paycheck may be required to wait several days for Via Christi to verify the loss before issuing a new check. Tension can and does develop between the employee and the payroll department under such circumstances.

While Via Christi is sensitive to the concerns of its employees in this matter and has accommodated these concerns for the last ten plus years, it believes that in order to improve efficiencies and move its payroll practices into the 21<sup>st</sup> Century, the time has come for Via Christi, and other Kansas employers, to be given the right to **mandate the method** by which they pay their respective employees.

Moreover, Via Christi, is becoming more and more concerned that some of its most vulnerable employees, financially, are being victimized and preyed upon by check-cashing businesses who charge outrageously high fees for the simple "privilege" of cashing the employee's paycheck. Frequently, it is this very group of employees who refuse direct deposit because they are ineligible to open a bank account, distrust the banking system or fear they would overspend if they had a checking account. Via Christi desires to provide an alternative to these employees

that will address their concerns and place their full net pay in their pocket, if they desire, thereby eliminating any need to “pay” a middleman for the privilege of having their pay check cashed.

To do so, Via Christi proposes that K.S.A. 44-314 be amended in two ways, first to give Kansas employers the right to **designate** the payment methodologies they believe make the most sense for their company, and, secondly, to add an additional payment method to those currently offered – that of allowing payment by payroll card.

While I believe my previous comments address the need for giving employers the right to designate payment methodologies, thereby allowing “direct deposit” to be mandated at the sole election of the employer, let me spend a few moments discussing the request for amending the statute to allow payment by payroll card.

For those of you who are not familiar with a payroll card, let me briefly explain what this is and how it operates. A payroll card is, essentially, a plastic card issued to an employee onto which an employee’s net payroll funds are “loaded” or “prepaid” each pay period, much like a “gift” card or a “phone” card onto which a finite, but renewable, dollar amount is “loaded.” An individual cannot “overspend” or incur any “overdrafts” on a pay card, as once the cash on the card is depleted, cash can no longer be withdrawn and purchases can no longer be made. Balance inquiries can usually be made at ATMs, on-line or by telephone call to a customer service number at the financial entity that issued the card.

Although payroll card programs may vary, each essentially allows an employee to use the payroll card to withdraw cash at ATM machines within the program’s network (usually allowing for at least a one-time per pay period withdrawal-in-full free of charge) or allows an employee to make direct purchases for goods and services from numerous merchants at points of sale (frequently with a small transaction fee for each POS purchase). While the language of SB 518 currently requires employers who select “direct deposit” and/or provide a payroll card option to do so “at no cost to employees,” and Via Christi agrees these options should be offered at no “initial” cost to an employee; the “no cost to employees” should be limited to the “initial” electronic deposit or “loading” of a payroll card, and that such language would not extend to any fee which might be arise in conjunction with POS transactions. Similar to employees who have checking accounts with no fees assessed provided fewer than 10 checks or so per month are written, an employee who selects the payroll card option should bear his or her own costs associated with the manner in which he or she elects to utilize the payroll card. For those who desire to withdraw all their cash at one time – a one time no cost option would allow such a transaction to be free of charge. However, for those who desire to make multiple withdrawals or utilize the payroll card multiple times through POS merchants, any costs associated with this manner of usage would, rightfully, be borne by the employee.

There are numerous advantages the payroll card offers employees. As with direct deposit, the funds are immediately available the morning of payday, an employee can be out of town or ill on payday and the funds are available without the need for an employee to go to the bank, and the risk of loss or theft is virtually eliminated. There are additional employee advantages to the payroll card, however, that surpass even those of direct deposit. First of all, there’s no need for

an employee to establish a separate bank account, so for those employees I previously noted who may have difficulty qualifying for a bank account as is required for direct deposit, this problem is eliminated. In addition, for employees who currently receive a paper check and cash it, in full, at a check-cashing service in exchange for a high fee, these check-cashing costs are eliminated as the employee may withdraw all of his or her paycheck with one swipe of the card, if he or she so desires, resulting in an option that not only provides additional convenience and safety to an employee, but results in cost-savings to the employee as well.

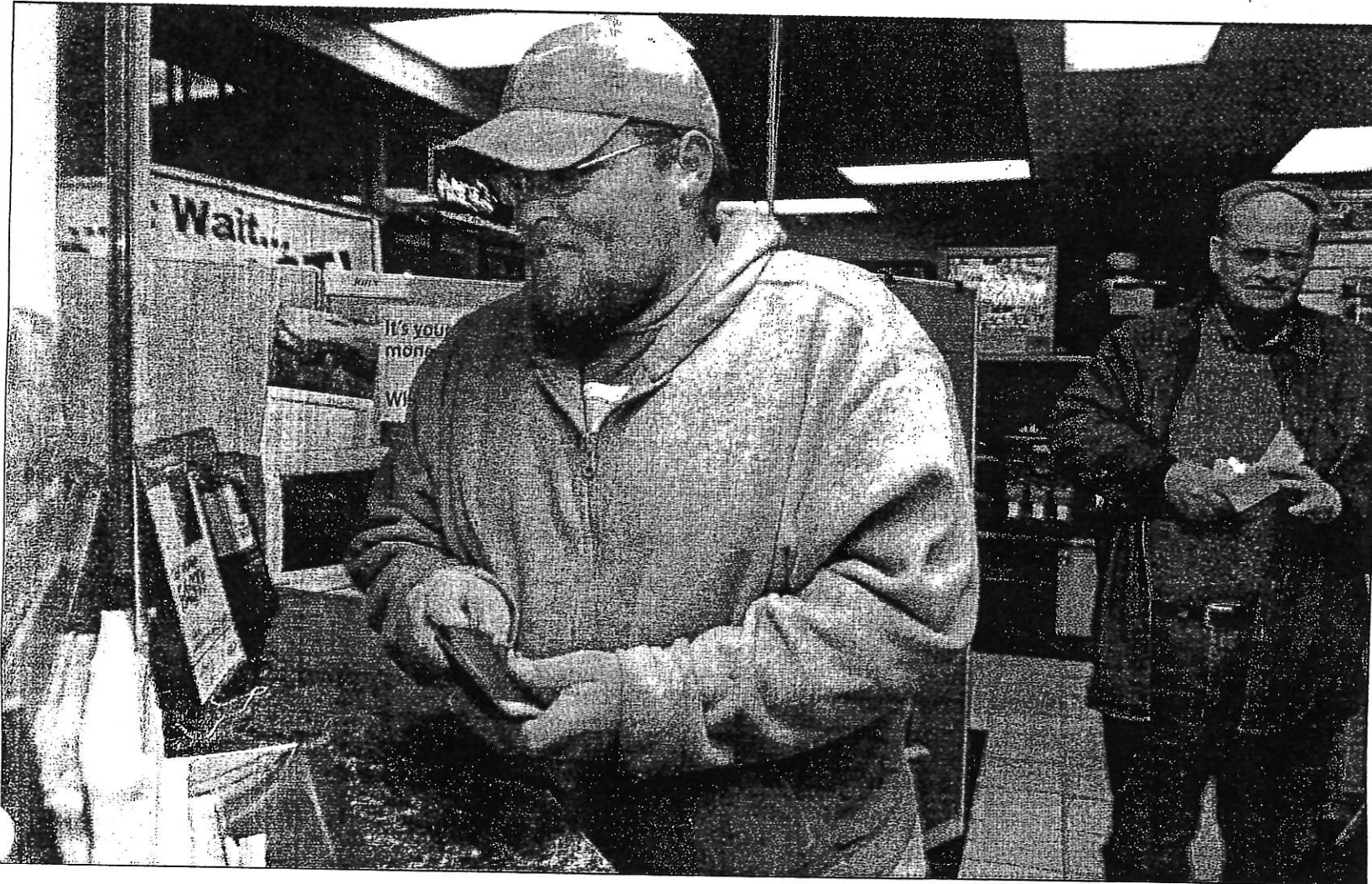
Paying employee wages by payroll card has advantages for employers, as well, generally in the nature of a reduction in costs and expenses similar to those associated with direct deposit.

Via Christi and other Kansas employers deserve the right to take advantage of the wide range of technology currently available to them and to employ that technology in payroll processes and payment methodologies each employer determines best fits the needs of his or her company. Moreover, Kansas employees deserve the right to the convenience, added security and, in some instances, cost-savings that can be provided by allowing them to receive their net pay electronically. Via Christi asks for your support of SB 518.

Thank you for giving me this opportunity to present Via Christi's position. I would be happy to answer questions.

BANKS REJECT SOME; SOME REJECT BANKS

# No checks, balances



Jason Buchkoski cashes his paycheck at Daddy's Money Pawn Shop last week. Many people who cash paychecks at pawn shops and payday loan stores do so because they — like about 10 percent of people in the U.S. — don't have checking or savings accounts.

Fernando Salazar/The Wichita Eagle

1-17-06  
Wichita  
Eagle

Senate Commerce Committee  
February 10, 2006  
Attachment 2-1



# Check-cashing businesses help 'unbanked' to lead cash-only lives

BY DEB GRUVER  
The Wichita Eagle

**A**fter getting off work Friday, Wichita resident Mike Bode drove to Daddy's Money Pawn Shop to cash his paycheck.

Bode doesn't keep a bank account, so he lives a cash-only life, getting his money from places such as Daddy's Money and paying bills by money order.

This works best for him, he says. "I can't overspend," the 30-year-old

explained. "I live within my means."

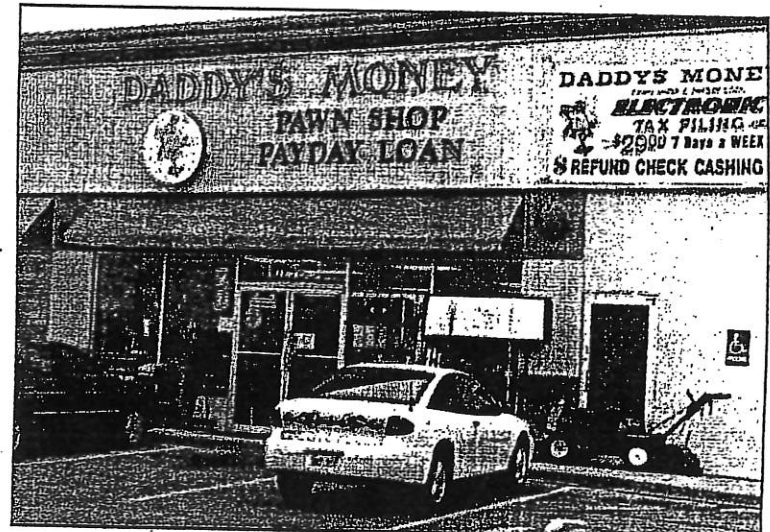
When he had a bank account, it was too easy to buy things he couldn't afford. Now he's fearful of having an account, admitting he's just not good at managing money.

Bode, who said he makes about \$20 an hour, is among the estimated 10 percent to 12 percent of the population called "the unbanked."

So is Jason Buchkoski, who says he doesn't have a bank account because it's "too much of a hassle."

For many in this group, however,

Please see **BANKS**, Page 5A



Jaime Oppenheimer/The Wichita Eagle  
Daddy's Money Pawn Shop cashes checks, as do many of Wichita's 60 other places that handle payday loans.

## WHY SOME PEOPLE SKIP BANKS

Source: 2001 survey by the Federal Reserve

28.6

percent do not write enough checks to make it worthwhile

22.6

percent do not like dealing with banks

14

percent don't have enough money to open an account

10.2

percent find service charges too high

6.6

percent can't manage or balance a checking account

6.5

percent find minimum balance too high

11.5

percent gave other reasons

Tim Thomas, owner of Daddy's Money Pawn Shop, says that about 25 percent of the business is cashing checks.

Fernando Salazar/  
The Wichita Eagle



## BANKS

From Page 1A

it's not a matter of not wanting a bank account — it's a matter of not being able to get one.

### Extending a lifeline

Rep. Nile Dillmore, D-Wichita, said he's concerned about people who can't get access to basic banking services.

Some people can't get accounts because they misused them in the past. Others can't come up with the money required for a minimum deposit. Others can't get them because they're here illegally.

"Our economy is relying more and more on service jobs and retail sales jobs, jobs that don't pay very much money," he said. "As a result, people in those jobs are not attractive customers to large and established banking systems. They don't have big accounts. Their borrowing needs are small.

"And so check cashers, payday lenders, title lenders — they become the primary source of financial services for that group of wage earners."

Some states, such as Illinois, Massachusetts, Minnesota, New Jersey, New York, Rhode Island and Vermont, require banks and other financial institutions to offer "lifeline" checking accounts to consumers, according to Bankrate.com, a banking industry Web site. Such accounts generally require low minimum deposits and give the consumer a certain number of checks per month.

Lifeline checking accounts are not required in Kansas.

A proposal is circulating in

Topeka that would allow out-of-state banks to accept deposits from public funds such as city and county governments and school boards. Currently, public money must be deposited with a bank based in Kansas.

As part of that proposal, Dillmore wants to see if those financial institutions would help people who don't have bank accounts.

"If the state wants to extend that privilege to them, maybe they would look at the issue of the unbanked," Dillmore said.

### Risky business

Tim Thomas, owner of Daddy's Money, has been in the business for 15 years and has had his own shop for six years.

About 25 percent of the business is check cashing, he said. On a typical day, Daddy's Money cashes 40 to 50 checks. That number increases during tax season, he said.

Daddy's Money typically charges a 2 percent fee to cash a payroll check. The business also cashes other types of checks, including government and personal two-party checks. The greater the risk, the greater the fee.

"We do take a great deal of risk by being in this business, quite honestly," Thomas said.

Clerks require two forms of identification to cash a check.

Wichita has 61 places to get a payday loan. Most of those businesses also offer check-cashing services, as do some grocery stores.

Consumers who use check-cashing services typically pay a 2 percent to 10 percent fee to do so, depending on the type of check. Dillons charges \$1.50 per \$100, said spokeswoman Su-Ella McKinzie.

Most banks will cash payroll checks for non-customers for no fee if the check is drawn on that bank.

Tom Linafelt, communications director for Quik Cash, which has six stores in Wichita, said about 90 percent of the checks Quik Cash cashes are payroll checks.

The fee there to cash a payroll check also is 2 percent.

Linafelt said the check-cashing side of Quik Cash — the company also makes payday loans — has been decreasing.

"We think that's the result of a couple of factors, including increasing e-commerce and direct deposit. We're becoming a paperless financial society," he

said.

### Industry safeguards

At Fidelity Bank, customers can open a checking account with as little as \$25, said spokesman Al Sanchez.

"If you can establish who you are, and you clear an industry clearinghouse system, and you've got \$25, you can open up an account at Fidelity Bank," Sanchez said.

The U.S. Patriot Act requires banks to verify a potential customer's name, current address, date of birth and Social Security number, Sanchez said.

The system Fidelity and other banks use to investigate consumers flags those who have used their accounts fraudulently or outside account guidelines.

"It shows whether you have had a checking account before, and if you used it the way it was intended to be used," Sanchez said.

If the consumer has cost a bank a loss — either through unpaid insufficient funds checks, fraud or something similar — that will show up and likely make it difficult to get an account.

### Payroll option

One alternative to bank accounts is payroll cards.

Intrust Bank offers the cards to some of its business customers.

Instead of issuing a paper check to employees, businesses that use payroll cards give staffers a card on payday that acts like a debit card.

Each payday, the employer reloads the card, putting the proceeds of the employee's paycheck onto the card. The employee then can make with-

drawals at an ATM or use the card for purchases.

Intrust wouldn't say how many business customers it has using payroll cards. The advantage to employers is that it cuts down on payroll costs.

"Payroll cards are great for people who are unbanked," Iseman said. "Some people just don't want to have an account."



**Testimony for the Kansas Senate Commerce Committee**

**In Support of Senate Bill 518  
An Act Concerning Payment of Compensation, Relating to Payment Methods; Electronic Transfer;  
Electronic Deposit; Payroll Card**

**February 10, 2006  
Topeka, Kansas**

**By Phillip M. Hayes, Operations Manager & HR Consultant  
THE ARNOLD GROUP  
530 S. Topeka, Wichita, KS 67202  
P-316.263.9283 / F-316.262.8790**

Dear Members of the Committee:

My name is Phillip Hayes. I would like to thank you for the opportunity to submit the following testimony as you consider Senate Bill 518, a bill that would allow Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods. As a human resources professional, small business manager, and a member of the Society for Human Resource Management (SHRM) I respectfully urge the legislature to consider the proposed amendments to K.S.A. 44-314 as drafted in Senate Bill 518.

Employers throughout the state are being challenged to do more with less and must develop process improvements to provide quality services and improve their competitive position. Allowing Kansas employers to mandate and implement electronic payroll programs will provide businesses an important opportunity to deliver high quality service that their employees deserve, result in more efficient and cost-effective operations, and helps employees without traditional bank accounts take advantage of the benefits of electronic payments. Kansas employers should be provided the option to mandate the method by which they pay their respective employees that best fits their business model. Electronic payroll processing is safe, convenient and reliable.

Direct deposit and payroll cards are electronic payment products that provides numerous benefits to both employees and employers.

Employers benefit from electronic payroll processing through cost savings and by providing a popular benefit to their employees. Since check volume is substantially decreased, the number of forged, altered, and counterfeit checks would also decrease resulting in an immediate savings. Direct deposit and payroll cards also significantly improve payment delivery services. There is an electronic audit trail to ensure that the payment can always be located. Payments can be traced through the banking system and beneficiaries have a permanent record of their payment through their financial records.

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[www.the-arnold-group.com](http://www.the-arnold-group.com)

Senate Commerce Committee

February 10, 2006

Attachment 3-1

There are economic advantages of electronic payroll processing for beneficiaries as well. Employees that use electronic payroll options benefit by getting their pay on time, every time, even when they are away from work or home. Employees also get faster access to their money than with a paper check. Benefits are credited to accounts at the opening of business on the scheduled payment date. Electronic payment is also more convenient than traditional paper payroll processing. Beneficiaries can write checks payable to themselves or use an automated teller machine (ATM) to obtain cash immediately and thus are in no different a position than if they are paid by check. Direct deposit beneficiaries can also write checks to pay bills. Electronic payroll processing avoids check cashing fees and fees for money orders and similar charges for employees.

Governments at all levels have been using electronic fund transfers for some time to pay their employees, make vendor payments and provide tax refunds with high levels of participation and satisfaction. Providing Kansas employers the same option to implement paperless payroll methodologies allows private business to realize the same efficiency and cost-saving benefits governmental agencies have benefited from for more than three decades.

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At this time, I would like to share a few of my personal experiences regarding the current statute.

The Arnold Group is a human resource company that provides HR solutions ranging from temporary and professional staffing to human resource consultation. As an HR consultant, I consult with a variety of businesses throughout the State of Kansas. Over the past several years, many employers have and continue to inquire about the ability to mandate electronic payroll processing methodologies as their only method. Currently K.S.A. 44-314 governs the provisions regarding such actions. In my opinion, the current statute has and continues to be interpreted several different ways, by private employers and by state employees employed by the Kansas Department of Labor. I have worked with small to mid-sized organizations that require all employees enroll for electronic payroll or present their position as a requirement for employment and/or continued employment. Moreover, I have personally had several conversations with the KS DOL in the past regarding employer rights to require direct deposit enrollment as a condition of employment, resulting in conflicting responses each time I have inquired. One conversation led to the belief that a private employer can mandate this action and if the potential employee denies the option, the employment offer could be rescinded. As a human resource company, we encourage our clients to abide with the current statute and recommend these employment practices be avoided.

In addition to my client experiences, The Arnold Group transitioned from a paper payroll processing to an electronic payroll processing system. Following are the some of the immediate benefits we have experienced and observed as a result of this transition:

*Employer Benefits:*

- Eliminated the possibility of lost, stolen, or forged checks. Checks mailed through the USPS did not always arrive on time so employees had experienced occasional delays. If checks were lost, we incurred costs for stop payments and reissued paychecks, thus employees experienced even longer delays.
- Eliminated delays resulting from vacations and unexpected absences that overlap payday. Electronic payment avoids this issue because the net wages are automatically deposited in to employee accounts on payday.

- Cost savings – Electronic processing is less expensive for The Arnold Group to process because we save on the expense of checks as well as on bank fees. We also have less time reconciling accounts because electronic transactions clear on a specified date compared to checks which can clear sporadically.

*Employee Benefits:*

- Saves time – Saves trips to their financial institution. Employees do not have to wait in line to deposit their paycheck.
- Quicker deposits – reducing the possibility of overdrafts.
- Deposit of wages, even when on vacation, sick, or away on business.

I have visited with several HR professionals throughout the state regarding their interest in having the proposed amendments adopted. As a member of SHRM, Kansas SHRM, and Wichita SHRM, I am confident many of my colleagues around the state support SB 518 and will be contacting their respective legislators to express their support, share their stories as they relate to this bill, and respectfully request a “yes” vote.

This completes my prepared statement. I will be pleased to answer any questions the Committee might have.

Thank you for your time and consideration. If I can be of further assistance please contact me at the numbers listed above.

Sincerely,

A handwritten signature in blue ink, appearing to read "Phillip M. Hayes", with a long horizontal flourish extending to the right.

Phillip M. Hayes, SPHR



**Testimony for the Kansas Senate Commerce Committee**

**In Support of Senate Bill 518  
An Act Concerning Payment of Compensation, Relating to Payment Methods; Electronic Transfer;  
Electronic Deposit; Payroll Card**

**February 10, 2006  
Topeka, Kansas**

**By Christina Morgan, Staffing Specialist  
The Arnold Group  
530 S. Topeka, Wichita, KS 67202  
P-316.263.9283 / F-316.262.8790**

Dear Members of the Committee:

Following is my experience with my MasterCard cash card:

The reason that I got this card was because of my poor credit due to past doctor bills. I have difficulty opening an account with a bank due to this. Therefore, I am unable to do the simple things that offer convenience like, filling up at the gas pump without going into the store, making purchases online, paying bills online, and having direct deposit with my employer. Because I didn't have these conveniences it took a lot of time out of my day to cash my paycheck and then pay for it to be broken up into money orders in order to pay bills. I save approximately \$100.00 per month because I have the luxury of paying my bills and making my purchases through my MasterCard.

I obtained the card through Ace Cash Express. This card offers to me a checking account number that allows me to have direct deposit of my check from my employer. This is a huge advantage for me and I have appreciated the extra time and money. I am currently pregnant with my first child and can't imagine having to run to the cash advance store and run by Wal-mart for my money orders to make all of purchases.

The only thing that I could say is a disadvantage to this card is that there is a service fee for all cash withdrawals and transactions. However, the card won't ever allow you to overdraw your account, therefore you don't have to worry about finance charges or bounced checks, like you would with a regular bank account.

Thank you for your time and consideration. If I can be of further assistance please contact me at the numbers listed above.

Sincerely,

*Christina Morgan*

Christina Morgan

530 SOUTH TOPEKA, WICHITA, KS 67202

316.263.9283 • FAX: 316.262.8790

[www.the-arnold-group.com](http://www.the-arnold-group.com)

Senate Commerce Committee

February 10, 2006

Attachment

4-1

February 9, 2006

Kansas Senate Commerce Committee  
Senator Karin Brownlee  
Senator Nick Jordan

Dear Senator Brownlee and Senator Jordan,

I'm requesting your support in getting Senate Bill Number 518 approved.

Employees that currently cash their payroll checks at local stores would have more money to spend on food if they received their compensation on a "payroll card". Currently it costs approximately \$3.00 to cash each payroll check at a local store.

Employees with a "payroll card" would not have to wait for mail delivery of a payroll check or spend time and transportation costs associated with driving to one of our locations and picking up their payroll check in person.

The "payroll card" can help reduce time spent on fraudulent check cases by law enforcement officials enabling them to focus on more important issues for the tax payers.

The use of "payroll cards" can help banks, merchants, and employers reduce their losses caused by fraudulent checks.

Employers that offer the electronic transfer and "payroll card" compensation options will benefit by eliminating the need to print, handle, and stuff paper checks in envelopes. Employers will also save associated postage costs and time spent on reconciling checks that have cleared. I have estimated annual savings of \$6,500 for our association which would be better spent on providing financial assistance for our program participants.

I firmly believe Senate Bill Number 518 would benefit the Kansas economy for all parties involved. Thank you for your attention in this matter.

Sincerely,

William J. Schmitz, CPA  
Business Manager

=mailto:bill@wichitaymca.org"MACROBUTTONHtmlResAnchorbill@wichitaymca.org

Senate Commerce Committee

February 10, 2006

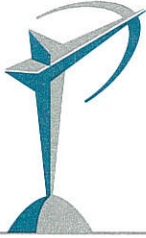
Attachment 5-1

# Legislative Testimony

**SB 518**

**February 10, 2006**

**Testimony before the Kansas Senate Committee on Commerce  
By Marlee Carpenter, Vice President of Government Affairs**



**THE KANSAS  
CHAMBER**

The Force for Business

835 SW Topeka Blvd.

Topeka, KS 66612-1671

785-357-6321

Fax: 785-357-4732

E-mail: [info@kansaschamber.org](mailto:info@kansaschamber.org)

[www.kansaschamber.org](http://www.kansaschamber.org)

Chairman Brownlee and members of the committee;

The Kansas Chamber and its over 10,000 members support the proposed changes set out in SB 518. As drafted, the bill will amend K.S.A. 44-314 so that Kansas employers would have the ability to designate the payment methodologies they believe are in the best interest of the company and would add a payroll debit card an acceptable means of payment.

In today's competitive environment, Kansas businesses are constantly searching for ways to streamline their business practices and cut expenses. One such way in which Kansas businesses are cutting costs is by reducing their use of paper and moving to paperless systems. Consider how businesses file the majority of their documents electronically or how everyone communicates through e-mail and text messaging. No where has there been more advancement in paperless systems than in the area of electronic commerce. Today, we pay bills electronically, buy our groceries with debit cards and even pay for the Kansas turnpike electronically. All because it reduces the amount of paper work and enhances the efficiency of business.

As drafted, SB 518 affords Kansas employers the ability to establish a more efficient payroll system as well as providing employees with a safer, more reliable compensation system. Though not all employers will designate to go with an electronic payment system, it will afford those who do the ability to implement paperless systems and save thousands of dollars a year. While the introduction of SB 518 was requested by the private sector, it would allow the public sector the same benefits of going to a complete paperless payroll system.

Imagine how much a paperless system would save the state of Kansas.

The Kansas Chamber respectfully request you pass SB 518 favorably.

Senate Commerce Committee

February 10, 2006

Attachment 6-1

*The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.*





**TESTIMONY PRESENTED TO THE  
COMMITTEE ON COMMERCE  
IN SUPPORT OF SB 518**

**February 10, 2006**

Good morning, my name is Patrick Salmans, Vice President of Human Resources of Sunflower Bank, N.A. in Salina, Kansas.

As a provider of financial business solutions in a number of communities throughout the State of Kansas, I ask that SB 518 be passed to address a payroll issue that adds several thousand dollars of unnecessary costs to companies on an annual basis. The issue of concern is regarding the inability of Kansas employers to designate or unilaterally select electronic payroll processing as a payment method, in which all employees would receive wages by direct deposit or payroll cards. The proposed amendments would not deny the option or choice for employers to continue with a paper payroll method.

To address this issue and provide Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods, I am asking the legislature to consider amending K.S.A. 44-314.

There are many advantages for Kansas employers and employees with electronic methods of payroll payment.

For employers, it would allow the business to pay all employees electronically, if chosen would reduce the associated overhead expenses of producing and managing a paper payroll. It would also aid in fighting against paper check fraud. Additionally, processing wages electronically would allow employers with employees located in different cities and/or states to pay all employees at the same time, thus eliminating unnecessary and unforeseen delays with delivery services associated with a paper check system.

For employees it allows unbanked employees access to the financial system without requiring a traditional bank account. It allows employees to make purchases and access cash for a minimal transaction fee at some retail points of sale. Employees could perform a one time withdraw of all funds with a minimal charge or no charge at all, depending on the employer arrangement with the financial institution.

Please consider this important piece of legislation and thank you for giving me this opportunity to present information on this important topic. I would be happy to answer questions regarding the use of payroll cards.

Sincerely,

Patrick Salmans, SPHR  
Vice President of Human Resources  
Sunflower Bank, N.A.  
P.O. Box 800  
Salina, KS 67401  
[www.sunflowerbank.com](http://www.sunflowerbank.com)

Senate Commerce Committee  
February 10, 2006  
Attachment 7-1

# Independent Living

**RESOURCE CENTER**

Judy Weigel,  
Executive Director



*Empowering people with disabilities since 1984*

## Testimony for the Kansas Senate Commerce Committee

### In Support of Senate Bill 518

### An Act Concerning Payment of Compensation, Relating to Payment Methods; Electronic Transfer; Electronic Deposit; Payroll Card

February 10, 2006

Topeka, Kansas

By Nancy Ahsmuhs, Controller

**INDEPENDENT LIVING RESOURCE CENTER**

3033 W 2nd St N, Wichita, KS 67203-5321

P-316.942.6300 ext. 229 / F-316.942.1061

Dear Members of the Committee:

Thank you for the opportunity to submit the following testimony as you consider Senate Bill 518, a bill that would allow Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods. The Independent Living Resource Center is asking the legislature to consider amending K.S.A. 44-314.

We are a non-profit organization that provides as one of our programs payroll services to personal care attendants for disabled consumers in Kansas. We process payroll weekly for an average of 372 personal care attendants. An average of 60%, or 218, of these attendants are paid with a paper check. Our annual cost for wages and payroll taxes directly attributable to personal care attendants is over \$4 million.

When personal care attendants sign up for payroll through our agency, we give them the option of direct deposit or a paper check. If they want a paper check, we explain to them the unreliability of the United States Postal Service and make them sign a direct deposit waiver so we have proof that they know they must wait 5 business days before requesting a replacement check and they will be required to reimburse us the \$12 stop payment fee we incur on lost checks.

Our first argument for replacing paper checks with pay cards is to make payments to attendants timely. Our pay checks are dated for Fridays. We take the checks to Wichita's main postal distribution center at Mid Continent Airport on Thursday mornings. We verify every address and include zip plus four. The only thing we don't do is bar coding. Despite all of our efforts, we receive calls weekly from attendants whose checks are not delivered timely. Voiding and reissuing a check that is more than a week overdue is not an uncommon event. We have had checks end up at the proper street address in the wrong town. We have had a check that routed through Minnesota before being forwarded to Pretty Prairie. We have had checks addressed to post office boxes that are not delivered timely. We even had a check delivered to the addressee's mailbox no longer in the envelope. The problem is not with the addresses as we verify the addresses with the attendant and the Post Office. Of course, we do have problems with attendants who move and don't provide us with their new address. All of this causes delays in attendants being paid timely which results in many angry phone calls to us that would not exist if we were able to directly deposit pay into bank accounts or pay cards.

---

3033 W. 2nd Street / Wichita, KS 67203 / wx

316.942.6300 (Voice & TTY) / 1.800.479.6861 (Voice & TTY)

Senate Commerce Committee

February 10, 2006

Attachment

8-1

A second argument for the elimination of checks is fraud prevention. Three times in the last 18 months we have had forged checks written on our account. While our organization was not liable for the cashed checks, we still had to close checking accounts and open new accounts. We eventually changed to a different bank to obtain a positive pay feature that will only allow checks we report to the bank as valid to be cashed. Even with this preventative measure in place, forged checks still cleared our account through other banks and check cashing services. For a period of several months, Dillons and Wal-Mart stores would not cash our checks for attendants creating a hardship on some who had no bank account and no other way to cash checks. Again, direct deposit and pay cards would eliminate this problem.

While the use of pay cards would not reduce our costs – we would still have to mail pay advices and would have fees for the cards and their use – pay cards would allow us to better serve our personal care attendants. It would avoid delays in receiving pay, eliminate check cashing issues and nearly eliminate the risk of check fraud.

Thank you for your time and consideration. If I can be of further assistance please contact me at the numbers listed above.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Ahsmuhs". The signature is fluid and cursive, with a large initial "N" and "A".

Nancy Ahsmuhs