

Approved: SRB 2/16/07
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:05 A.M. on February 13, 2007 in Room 231-N of the Capitol.

All members were present except:

Brenda Landwehr- excused
Broderick Henderson- excused
Candy Ruff- excused
Kasha Kelley- excused
Mike Kiegerl- excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department
Duston Slinkard, Office of Revisor of Statutes
Stephen Bainum, Committee Assistant

Conferees appearing before the committee:

Phillip M Hayes
Patrick Salmans
Bill Goodlatte
Bill Schmitz
Doug Robinson
Sandy Jacquot
Kathy Olsen

Others attending:

See attached list.

The Chairman opened the hearing on **HB 2316 - Authorizing paperless methods for employers.** asking the committee to hold their questions until the conferees had presented their testimony.

Phillip M. Hayes, SPHR, Legislative Director for The Kansas Society for Human Resource Management testified as a proponent of **HB 2316 (Attachment 1).**

Patrick Salmans, Vice President of Human Resources for Sunflower Bank, N.A. in Salina, Kansas testified as a proponent of **HB 2316 (Attachment 2).**

Bill Goodlatte, Vice President, Human Resources, The LDF Companies testified as a proponent of **HB 2316 (Attachment 3).**

William Schmitz CPA, Business Manager, Greater Wichita YMCA testified as a proponent of **HB 2316 (Attachment 4).**

Doug Robinson, Finance Director, City of Lenexa testified as a proponent of **HB 2316 (Attachment 5).**

Sandy Jacquot, Director of Law/General Counsel, League of Kansas Municipalities testified as a proponent of **HB 2316 (Attachment 7).**

Kathleen Taylor Olsen, Kansas Bankers Association testified as a proponent of **HB 2316 (Attachment 8).**

The following presented written testimony supporting **HB 2316:**

Margaret Kummer, Kansas Hospital Human Resources Association President. (Attachment 6).
Ronald R. Hein on behalf of Kansas Restaurant and Hospitality Association. (Attachment 9).
Marlee Carpenter, Vice President of Government Affairs, The Kansas Chamber. (Attachment 10).
Kenneth Daniel for KSSmallBiz.com. (Attachment 11).
Cathy Beyda, Pete Isberg and William Dunn of the American Payroll Association. (Attachment 12).
William F. Hutton and H. Eugene Dooley, YMCA of Greater Kansas City. (Attachment 13).

CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:05 A.M. on February 13, 2007 in Room 231-N of the Capitol.

The Chairman asked for any neutral or opponents of the bill. There were none.

The Chairman opened the floor for questions. Phillip Hayes answered most of the questions.

Representative Goico asked three questions. 1. What happens if a card is lost or stolen or you have identity theft? 2. What is the amount that can be charged for use of the card or is there a cap? 3. How is a case of garnishment handled. The answers were: 1. The cards have a pin number which provides security. 2. They allow one no cost option for withdrawing the funds and 3. The garnishments take place before the pay is transferred to the card. Page 2, line 3 states that title passes to the owner of the card when the payroll is transferred. Representative Goico stressed the need for clearer language on a cap for the costs to the employee and garnishment.

Representative Pauls asked if a persons assets were being taken in a lawsuit if the card income was subject to seizure. He also asked if there is a limit similar to a banks \$50.00 loss limit. Phillip said the funds are FDIC insured and he would have to check on the lawsuit question.

Representative Metsker asked a question for Doug Robinson. How much will it save Lenexa? He replied \$2500.00 to \$5000.00 annually.

Representative Grange asked 5 questions. 1. What is the cost to a business? 2. What bank is used? 3. A question about the 48 business hours? 4. What can we say to Payday loans? 5. Is there a paper trail? The answers were as follows. 1. It depends on the negotiations with the financial institution. We have to balance the cost of the pay card with the cost of other systems of payment. 2. The employer checks with the employees for their preference. 3. Yes. 4. Where is the opposition? 5. Yes, always.

Representative Sharp asked a question about page 2, Line 16 and 22. Does it exclude bonus checks? The reply was that another statute required pay periods to be defined. The question of special paydays was left unanswered.

Representative Pauls asked if they would check to see if an employer can pay out expenses on the payroll card.

The Chairman asked if there were any other questions and there being none he closed the hearing on **HB 2316**.

Representative Grange told about the sub committee meeting on **HB 2251**. They are meeting this Thursday, February 15th at 11:00 A.M. in Olathe. The contractors and others are getting together to discuss the wording of the bill and will keep us updated.

Representative Huntington said that there were concerns that the continuing education classes are not regulated.

Representative Pauls said there would be an update on the realtor's bill about background checks.

The Chairman adjourned the meeting at 10:11 A.M.

COMMERCE AND LABOR COMMITTEE

Date 2/13/07

NAME	AGENCY
Jandy Jaquast	LKM
Doug Robinson	City of Lenexa
Matt Bryant	Carter Group
MARC MATTHEW	VIA CHRISTI HEALTH SYSTEM
William Schmitz	YMCA of Wichita
Patrick Salmons	Sunflower Bank
Renea Dennison	Century Health Solutions
Bob Mackey	A+R
Jamie Magathan	DOA / D&R
Paunda Anstaele	State Treasurer
Hal Hudson	KPCA
Kathy Olsen	ICBA
John S. Binger	Via Christi Health System
Phillip M. Hayes	KS SHRM
BILL GOODLATTE	WICHITA SHRM KANSAS RESTAURANT & HOSPITALITY ASSOC THE EDF COMPANIES
Lindsey Douglas	Hein Law Firm
KEN DANIEL	KSSMALLBIZ.com
Kathy Jamron	YMCAs of Kansas
Tom Gabel	GOBA



Kansas Society for Human Resource Management

P.O. Box 8668
Wichita, KS 67208

**Testimony for the Kansas House Commerce and Labor Committee
In Support of House Bill 2316
An Act Concerning Payment of Compensation, Relating to Payment Methods**

**February 13, 2007
Topeka, Kansas**

**By Phillip M. Hayes, SPHR
Legislative Director**

The Kansas Society for Human Resource Management
P.O. Box 8668, Wichita, KS 67208
P – 316.263.9283 x223 / phayes@the-arnold-group.com

Dear Members of the Committee:

My name is Phillip M. Hayes and I am writing on behalf of the Kansas Society for Human Resource Management (KS SHRM) which represents more than 1,800 human resource professionals throughout the state. Thank you for the opportunity to submit the following testimony in support of House Bill 2316, a bill that would allow Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods.

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.

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 the ability to select the appropriate payroll methods in which to pay their employees will provide businesses an important opportunity to deliver high quality service that their employees deserve; result in more efficient and cost-effective operations; and help employees without a traditional bank account take advantage of the benefits of electronic payroll payments. Electronic payroll processing is safe, convenient and reliable.

The proposed amendments in HB 2316 will provide Kansas employers with the flexibility they need to more efficiently manage payroll processes and payment methods. The following summary outlines the benefits to both employees and employers from the passage of the proposed amendments.

Value Proposition to the Employee:

1. Permanent record of payment through the employee's financial records
 - A. Payments can be traced through the banking system
2. More reliable delivery of payment, receive pay on time, every time, even when on vacation, sick, or away on business
 - A. Quicker deposits, reducing the possibility of overdrafts
 - B. Faster access to money than with a paper check, net wages are credited to accounts at the opening of business on the scheduled payment date
 - C. Saves time and trips to their financial institution. Employees do not have to wait in line to deposit their paycheck
3. Avoid/Reduce check cashing fees and similar charges for "unbanked" employees
4. Payroll cards and alternative payment methods operate similarly to paper check

H Commerce Labor
2-13-07
(Attach 1)

Employer Goals in Offering Electronic Payroll:

1. Provides a popular benefit to employees
 - A. Improve employee services
2. Cost savings
 - A. Eliminates the possibility of lost, stolen, or check fraud
 - B. Reduce check reconciliation and escheatment
 - C. Less expense incurred for paper checks, postage costs and labor costs
3. Significantly improves payment delivery services
 - A. Security, an electronic audit trail ensures payment can always be located
 - B. More reliable than U.S.P.S.

Kansas companies must deliver competitive products or services to the marketplace at a cost that permits the organization to remain financially viable. Payroll programs and methods should be designed to provide the maximum return to the employees consistent with achieving these goals. The proposed amendments to K.S.A. 44-314 accomplish these objectives.

Having visited with several HR professionals throughout the state regarding their interest in having the proposed amendments adopted, we are confident HB 2316 presents a win-win solution for both Kansas employers and employees alike. KS SHRM respectfully requests your support of House Bill 2316. Thank you for your consideration.

This completes my prepared statement. I will be pleased to answer any questions the Committee might have. Please contact me at 316.263.9283 extension 223 or by email at phayes@the-arnold-group.com if I can be of further assistance or provide additional information.

Respectfully,

Phillip M. Hayes, SPHR
Legislative Director, Kansas SHRM

Session of 2007

HOUSE BILL No. 2316

By Committee on Commerce and Labor

1-31

9 AN ACT concerning payment of compensation; relating to payment
10 methods; amending K.S.A. 44-314 and repealing the existing section.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1. K.S.A. 44-314 is hereby amended to read as follows: 44-
14 314. (a) Every employer shall pay all wages due to the employees of the
15 employer at least once during each calendar month, on regular paydays
16 designated in advance by the employer, in lawful money of the United
17 States or with checks or drafts which are negotiable in the community
18 wherein the place of employment is located or, with the written consent
19 of the employee, by electronic deposit to an employee's account at a
20 financial institution.

21 (b) The employer may designate the method by which employees re-
22 ceive wages, provided all wages shall be paid by one or more of the fol-
23 lowing methods:

24 (1) In lawful money of the United States;

25 (2) by check or draft which is negotiable in the community wherein
26 the place of employment is located;

27 (3) by electronic fund transfer or deposit to an automated clearing-
28 house member financial institution account designated by the employee.

29 (c) (1) Any employer that elects to pay wages only by a method au-
30 thorized in subsection (b)(3) shall:

31 (A) Offer an alternative payment method as a default
32 option for employees that fail to designate a financial institution account
33 for electronic fund transfer or deposit;

34 (B) allow employees receiving payment by alternative payment method at least one withdrawal
35 per pay period at no cost to the employee for an amount up to and in-
36 cluding the total amount of the employee's net wages, as stated on the
37 employee's earnings statement; and

38 (C) not less than 90 days prior to implementing a payroll program
39 under Section 1 (c) (1), either:

40 (i) Conduct one or more employee forums to educate employees re-
41 garding the use of a direct deposit and alternative payment method offered by
42 the employer; or

43 (ii) distribute educational information to employees about the alternative payment method

Deleted: payroll card as an alternative payment method or

Deleted: who use payroll cards

Deleted: utilizing payroll cards,

Deleted: an employer shall

Deleted: payroll card program

Deleted: payroll

2-13-07
(Attach # 1)

1-3

HB 2316

1 offered by the
2 employer.

3 (2) Wages paid under Section 1 (b) (3) and/or Section 1 (c) (1) (A),
4 shall be owned by the employee.

5 (3) An employer may not charge an employee initiation, loading or
6 other participation fees to receive wages under an alternative payment method,
7 with the exception of those costs required

8 to replace a lost, stolen or damaged payroll card where the alternative payment method is by payroll card.

9 (4) Where the alternative payment method is by payroll card, a payroll card issuer may not report an
employee accessing wages

10 by payroll card to a credit agency for a negative balance resulting from
11 a cash advance on future pay, nor may the payroll card issuer attempt
12 collection for any such negative balance.

13 (5) As used in this section:

14 (A) "Alternative payment method" means an option other than direct deposit
into which an employer deposits each participating employee's
net wages on regular paydays through an electronic fund transfer.

15 (B) "Payroll card" means a card, issued to an employee by an em-
16 ployer, a bank or other entity on behalf of an employer, onto which an
17 employee's net wages are loaded on regular paydays from a payroll card
account and made accessible to an employee.

18 (C) "Payroll card issuer" means an employer, a bank or other entity
19 that issues a payroll card to an employee under an employer payroll card
20 program.

21 (D) "Payroll card account" means an account into which an employer
22 deposits each participating employee's net wages on regular paydays
23 through an electronic fund transfer.

24 (b)-(d) The end of the pay period for which payment is made on a
25 regular payday shall be not more than 15 days before such regular payday
26 unless a variance in such requirement is authorized by state or federal
27 law.

28 Sec. 2. K.S.A. 44-314 is hereby repealed.

29 Sec. 3. This act shall take effect and be in force from and after its
30 publication in the statute book.

Deleted: cards as they may be used under the payroll card program

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Deleted: electronic funds transferred to an employee's pay-

Deleted: roll card account

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BUSINESS & MONEY

1C
SUNDAY
DECEMBER 3, 2006

Payroll cards can save employers, workers money

BY JERRY SIEBENMARK
The Wichita Eagle

There is a little-known option that companies can use to pay employees who don't have checking accounts.

An employee's pay can be credited to a payroll card, which can be used at an ATM, the grocery store or any business that accepts a debit card.

Payroll cards aren't that new,

but there's little awareness of them.

Keith Moyer, senior vice president and treasury services manager at Commerce Bank, said that probably fewer than 1 percent of the companies his bank serves use the payroll card program.

"Now, if you ask me what percentage know this program exists, it's probably less than 1 percent," he said.

Businesses that have adopted a paperless payroll system said that, even with the extra costs of adding the payroll card option, they have saved lots of money by eliminating checks.

But other companies are waiting to see what happens with state legislation that would clarify for them the ability to go to a payroll system of direct deposit and payroll card.

Check alternative

There are people who, because of a poor financial history, can't open a bank account for direct deposit.

So they have two options: a paper check or a payroll card.

United Methodist Youthville Inc. began offering payroll cards as an alternative to checks

Please see **PAYROLL**, Page 5C



PAYROLL

From Page 1C

years ago.

Toyia Bulla, Youthville's chief financial officer, said she learned of the card option from Commerce Bank.

With the conversion to the card, Youthville's 550 employees can either have their pay directly deposited to a bank account or to the card.

Bulla said about 5 percent of Youthville's employees use the card, which Commerce Bank calls a stored-value card.

Other area businesses are starting to take note of the payroll card because there are cost savings to be gained from eliminating paper checks.

Bulla said Youthville has saved several thousand dollars annually by going to the payroll card.

"That means that we have several thousand dollars that we can use to take care of children," she said.

It's also a less costly option for

workers who have to pay a fee to get their checks cashed, said Phillip Hayes, vice president for HR services and operations for the Arnold Group.

"If you look at the un-banked employee who goes to a check-cashing service, they're paying \$5 or more (to cash their payroll check)," Hayes said.

Bill Schmitz, business manager for the Greater Wichita YMCA, likes the payroll card option for the 30 percent of his organization's employees who are paid by check.

Schmitz estimated it costs the YMCA \$6,500 a year to print and mail paychecks to that group of employees.

There would be a cost to offering the cards, he said, but not enough to wipe out all the savings from eliminating checks.

Legislative road bump

But Schmitz said the YMCA won't go to the payroll card unless the law changes.

Schmitz said he doesn't feel comfortable with the YMCA man-

dating a checkless payroll system without a change in the law.

Arnold Group's Hayes said the lack of clarity in the law isn't limited to the YMCA.

"I think there's a majority... that isn't quite sure," Hayes said. "That's why we as a company kind of put the brakes on (switching to a direct deposit and payroll card system)."

A Senate bill that died in a House committee in the Kansas Legislature's last session would have clarified that statute, said Hayes, who testified in support of the bill as the past president of the Wichita chapter of the Society for Human Resource Management.

Hayes said he believes the bill didn't get a lot of support because there are a lot of people, legislators included, who "all they've known their whole life is (getting) a hard-copy paper check."

He said it's legislation that his group will try to revive in the Legislature's next session.

Reach Jerry Siebenmark at
316-268-6576.

5-1

2-13-07
(Attach 1)

TALK TO US: Call Tom Shine,
316-268-6268, or e-mail
tshine@wichitaeagle.com

WWW.KANSAS.COM/BUSINESS

BANKS REJECT SOME; SOME REJECT BANKS

No checks, balances

1-17-06
Wichita
Eagle

2-13-07
(Attach 1)
1-6



Fernando Salazar/The Wichita Eagle

son 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.

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

BY DEB GRUVER
The Wichita Eagle

After 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,

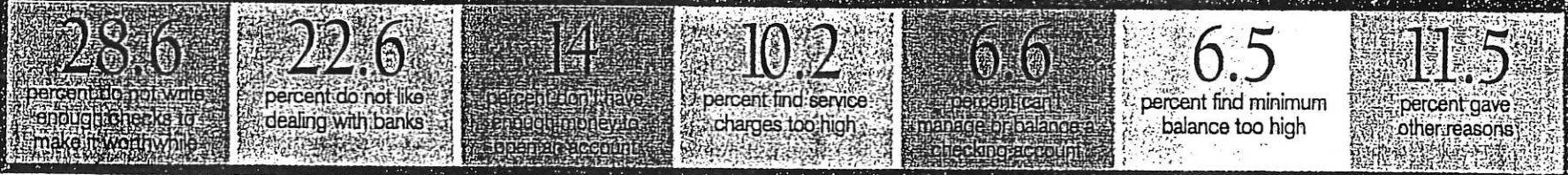
Please see **BANKS**, Page 5A



Jalme 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



1-7

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."

**WRITTEN TESTIMONY PRESENTED TO THE
COMMITTEE ON COMMERCE
IN SUPPORT OF HB 2316**

February 13, 2007

My name is Patrick Salmans, Vice President of Human Resources for Sunflower Bank, N.A. in Salina, Kansas.

As a representative of a provider of financial business solutions in a number of communities throughout the State of Kansas, I ask that HB 2316 be passed to address a payroll issue that can easily add 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, choosing the option to pay all employees electronically would reduce the associated overhead expenses of producing and managing a paper payroll. Electronically payroll processing would also aid in fighting against the growing problems of paper check fraud and employee identity theft. 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 electronically payroll processing allows unbanked employees access to the financial system without requiring a traditional bank account. Electronically payroll processing 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 withdrawal 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

H Commerce + Labor
2-13-07
(Attach 2)



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Tel (785) 827-5564
Fax (785) 826-2293

Bringing out the best in the lives we touch ... Creating Possibility.

Testimony for the Kansas House Commerce and Labor Committee

In Support of House Bill 2316
An Act Concerning Payment of Compensation, Relating to Payment Methods

February 13, 2007
Topeka, Kansas

By Bill Goodlatte, Senior Vice President, Human Resources, The LDF Companies
2959 N. Rock Road, Wichita, KS 67226
P-316-636-5575 / F-316-636-5644

Wendy S

Dear Members of the Committee:

My name is Bill Goodlatte. I would like to thank you for the opportunity to submit the following testimony as you consider House Bill 2316, 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, a small business manager, a member of the Kansas Restaurant & Hospitality Association (KRHA) 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 House Bill 2316.

Employers benefit from electronic payroll processing through cost savings and by providing a popular benefit to their employees. Lost, stolen, forged, altered and/or counterfeit checks are eliminated, resulting in immediate savings. Direct deposit and payroll cards also significantly improve payment delivery services. There is an electronic audit trail to ensure that payments 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.

There are many financial advantages of electronic payroll processing for employees as well. Employees benefit by receiving their pay on time, every time, even when they are away from work or home. Employees also have faster access to their money as benefits are credited to bank accounts or payroll cards at the opening of business on the scheduled payment date. Employees can use an automated teller machine (ATM) to obtain cash immediately or write checks to pay bills. Electronic payroll avoids expensive check cashing fees, fees for money orders and similar charges for employees. When we introduced direct deposit and payroll cards at The LDF Companies, both were very well received by our employees.

I have also visited with many human resources professionals and business owners throughout the state regarding their interest in having the proposed amendments adopted. As a member of KRHA and SHRM, I am confident many of my colleagues around the state support HB 2316 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.

Respectfully,

Bill Goodlatte

Bill Goodlatte

H Commerce + Labor
2-13-07
(Attach 3)

Testimony for the Kansas House Commerce and Labor Committee
In Support of House Bill 2316
An Act Concerning Payment of Compensation, Relating to Payment Methods

February 13, 2007
Topeka, Kansas

By William Schmitz CPA, Business Manager, Greater Wichita YMCA
3330 N Woodlawn, Wichita, KS 67220
P-316-219-9622 ext. 222 / F-316-858-1540

Dear Members of the Committee:

My name is William Schmitz and I'm the business manager for the Young Men's Christian Association of Wichita Kansas. Thank you for considering House Bill 2316 and allowing me the opportunity to speak in support of this bill.

The YMCA is a not for profit organization with its mission to put Christian principles into practice through programs that promote healthy lifestyles, strong families, and positive youth development to build healthy spirit, mind and body for all, regardless of ability to pay. In 2006, we served over 150,000 members and program participants and provided more than \$2,500,000 in direct financial assistance. We employ over 1,000 staff serving over 100 sites including several schools in and around Wichita.

As early as 10:00 a.m. every other Friday, our member service staff start receiving calls from employees to find out if checks are ready to pick up. Forty percent of our staff is not on payroll direct deposit and most of them make a separate trip into one of our seven locations to pick up their check at our member service counters. The interruptions of calls and the pickup of checks prevent the staff on duty from focusing solely on serving YMCA program participants. These employees would save money and time by not having to make calls and/or a trip to a YMCA branch to pick up their check. Several employees would save on check cashing fees charged by local area merchants if they had a payroll card. I've visited with a few staff that would welcome a payroll card with no cost to them.

We've not implemented a payroll card option yet because we've not wanted to add a third payment component to our payroll processing. We'd prefer our two payment options be direct deposit and the electronic payroll card with on-line access to pay stub detail. I estimate an annual savings of over \$7,000 if we do not have to print checks and stubs, stuff them in envelopes, postage to mail the checks that staff do not pick up, and on staff time reconciling the bank statement listing outstanding checks.

In summary, I believe this change will allow us to stay focused on serving our constituents on payday, save our employees time, trips and fees, as well as save our association costs that could be better used to serve more children in our childcare, camp, elementary and middle school after school programs. I'm asking the legislature to support the proposed amendments to K.S.A. 44-314 as drafted in House Bill 2316.

Thank you for your time and consideration. I will be pleased to answer any questions the Committee might have, and if I can be of further assistance, please contact me at the numbers listed above.

Sincerely,



William J. Schmitz

H Commerce & Labor
2-13-07
(Attach 4)



TESTIMONY IN SUPPORT OF HB2316

To: Chairman Brunk
Members of the Commerce and Labor Committee

From: Doug Robinson, Finance Director

Date: February 12, 2007

Thank you for the opportunity to present testimony regarding HB 2316. The City of Lenexa understands that this bill was introduced in an effort to enable both private businesses as well as all levels of government to work more efficiently and effectively. The City of Lenexa strongly supports this legislation.

Direct deposit and other electronic payment methods such as payroll cards are efficient, commonly accepted business practices, but KSA44-313 requires employee written consent before an employer may pay wages by electronic deposit. NACHA, the Electronic Payments Association, estimates that employers can save up to \$0.60 per payment by using direct deposit instead of paper paychecks. While the City would be able to save taxpayer dollars with this legislation, employees would also benefit by knowing that their wages are accurately and consistently deposited into their personal bank accounts or available on their payroll cards.

The City of Lenexa strongly supports HB 2316 and any other statewide legislation that would aid local governments in becoming more efficient and effective in paying their employees. Please do not hesitate to contact me should you have any questions or if the City of Lenexa can provide you with additional information. Thank you for your consideration.

H Commerce & Labor
2-13-07
(Attach 5)



*Kansas Hospital Human
Resources Association*

an Allied Organization of the Kansas Hospital Association
an affiliate of the American Society for Healthcare Human Resources Administration

February 9, 2007

Committee Chair, Rep. Steve Brunk:

As President of the Kansas Hospital Human Resources Association, I would like to inform you of our support of HB 2316 which is an act concerning payment of compensation which relates to payment methods and which would amend K.S.A. 44-314.

This bill would be favorable to the ninety-seven members of our professional organization who represent 126 Kansas Hospitals which paid 54,065 employees \$1.5 billion in wages last year. This bill will provide options to employers to make payment to non-banking employees using a payroll card when they do not have a direct deposit account. For direct deposited employees, this bill will have no effect.

It should be obvious that passage of this bill will help reduce the costs associated with the production of payroll. It is our belief that any reduction of costs in the healthcare business is an appropriate action. There are so many advantages to the payroll card option that space does not permit listing each of them. I would like to point out just a couple of important features of payroll cards. First; safety and security, a payroll card that is lost or stolen does not present the same problem as lost cash. A lost or stolen payroll card can be voided with a phone call and replaced quickly and in some cases almost immediately. Unfortunately, the same cannot be said for lost or stolen cash. Secondly, employees who possess a payroll card can use it the same as any bank card or debit card. It cannot be overdrawn or used when the balance is exhausted.

Similar legislation has been passed in other states. It is time for Kansans to have this same option. To my knowledge no one has proffered a valid concern or downside to this change in our state law.

Thank you for your efforts on behalf of Kansas Hospitals. Your support of HB 2316 is much appreciated.

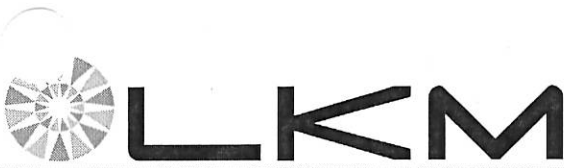
Best Regards,

A handwritten signature in cursive script that reads "Margaret Kummer".

Margaret Kummer
KHHRA President
Citizens Medical Center, Inc.
Colby, KS

H Commerce & Labor

2-13-07
Ⓢ (Attach 6)



League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

TO: House Commerce and Labor Committee
FROM: Sandy Jacquot, Director of Law/General Counsel
DATE: February 13, 2007
RE: Support for HB 2316

Thank you for the opportunity to appear today on behalf of the League of Kansas Municipalities. We appear in support of HB 2316.

We have received numerous calls from cities, and in particular small cities, who have tried to streamline their payroll process and have encountered one or two employees who refuse to accept payment via a direct deposit transfer. These cities are trying in good faith to provide government services more efficiently and effectively, but one or two individuals have used the provisions of K.S.A. 44-314 to hamper the process by demanding a "paper" check. This is clearly a duplication of services which imposes an unnecessary burden for local taxpayers.

Authorizing the use of electronic transfers will save time and money at the local level. LKM strongly supports the use of technology to provide government services in a more efficient manner. Further, we support the right of cities, as local employers, to determine the method by which their employees will be paid. Also in this bill is a provision that will allow the employer to issue payroll cards for those employees who do not have a checking account. This provides the convenience for employees of having access to their wages with the cost-saving benefit to employers by not having to issue "paper" checks each payroll period.

For these reasons, we urge your favorable consideration of HB 2316 and I would be happy to stand for questions at the appropriate time.

H Commerce + Labor

2-13-07
(Attach 7)



February 13, 2007

To: House Committee on Commerce and Labor

From: Kathleen Taylor Olsen, Kansas Bankers Association

Re: HB 2316: Paperless Payroll

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you today in support of **HB 2316** which addresses the issues of: clarifying that the payroll card is an alternative electronic payment method; and allowing employers to manage their payroll processes more efficiently by choosing paperless payroll.

As you might guess, the KBA's interest in this bill is not solely as an association representing employers who are anxious to modernize their payroll methods, but also as potential payroll card issuers. We are here today to ask for clarification from the Committee with regard to being a payroll card issuer.

On Page 2, Subsection (c)(4), lines 9 through 12, the bill speaks to negative balances that may be caused by a "cash advance on future pay". The bill prohibits a payroll card issuer from reporting to a credit reporting agency any negative balance that such an advance would cause, and also prohibits a payroll card issuer from attempting to collect any such negative balance.

It appears that perhaps what is needed is a definition of what a "cash advance on future pay" means. If it means advancing a sum equal to the normal or average amount of the card holder's weekly or bi-weekly wages, then we do not have a concern. The issue for us is that a negative balance can be created in a number of ways – only one of which is what we consider an intentional cash advance of wages by the card issuer. In that instance, we can understand the rationale for the language in Subsection (c)(4).

However, despite all efforts to be sure a card holder does not go into a negative balance, negative balances can also be created by purchases that are made by the card holder. In most cases, these negative balances are small and incidental to the transaction made by the card holder, and can be covered with the next payroll deposit.

H Commerce Labor
2-13-07
(Attach 8)

Kansas Bankers Association

HB 2316

Page Two

Here is a typical example: A card holder has just finished dinner at a restaurant and gives his or her payroll card in payment of the bill. The waiter runs the card through for the amount of the meal, but does not include an amount for the tip. The card goes through because the card holder has enough money for the amount of the meal, but not enough for the tip, thus causing a negative balance.

In these instances, the card issuer is hoping that the negative balance will be resolved when the next payroll deposit comes in, but if this is a persistent problem with a particular card holder, the card issuer should be able to collect the negative balance.

In conclusion, the KBA would like to see some clarification of the term "cash advance on future pay" to narrow the scope of the applicability of Subsection (c)(4) to those instances where the card issuer has advanced a sum equal to the amount of the normal/average wages of the card holder. We believe this would still allow a card issuer to collect negative balances that have been caused solely by the actions of the card holder.

Thank you and with this clarification, the KBA would be supportive of **HB 2316**.

HEIN LAW FIRM, CHARTERED

5845 SW 29th Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

Fax: (785) 273-9243

Ronald R. Hein

Attorney-at-Law

Email: rhein@heinlaw.com

**Testimony Re: HB 2316
House Commerce and Labor Committee
Presented by Ronald R. Hein
on behalf of
Kansas Restaurant and Hospitality Association
February 13, 2007**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Restaurant and Hospitality Association. The Kansas Restaurant and Hospitality Association, founded in 1929, is the leading business association for restaurants, hotels, motels, country clubs, private clubs and allied business in Kansas. Along with the Kansas Restaurant and Hospitality Association Education Foundation, the association works to represent, educate and promote the rapidly growing industry of hospitality in Kansas.

KRHA supports HB 2316, which would allow Kansas employers the flexibility to manage payroll processes and payment methods more efficiently.

Electronic payroll can be of great benefit to employers. Paperless payroll can result in cost savings for the employer while providing a benefit to the employees. Immediate savings can be realized through the elimination of lost, stolen, forged, altered and/or counterfeit checks. The delivery services are also significantly improved through direct deposit and payroll cards; and the electronic audit trail ensures payments can always be located. Payments can be traced and beneficiaries will always have a permanent record for their payment through their own financial records.

The advantages include, but are not limited to, employees receiving their pay on time; faster access to their money as benefits are credited to bank accounts or payroll cards; the use of automated teller machines (ATMs) to obtain cash immediately; the avoidance of expensive check cashing fees; fees for money orders; and other similar charges.

KRHA respectfully requests that this committee support HB 2316, as this bill will be of great benefit to both employers and employees throughout the state.

Thank you very much for permitting me to submit written testimony and I will be happy to respond to any questions.

H Commerce & Labor
2-13-07
(Attach 9)

Legislative Testimony

HB 2316

February 13, 2007

Testimony before the Kansas House Commerce and Labor Committee
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

www.kansaschamber.org

Chairman Brunk and members of the committee;

The Kansas Chamber and its over 10,000 members support the proposed changes set out in HB 2316. 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, HB 2316 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 HB 2316 was requested by the private sector, it would allow the public sector the same benefits of going to a complete paperless payroll system.

The Kansas Chamber respectfully request you pass HB 2316 favorably.

H Commerce & Labor
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(Attach 10)

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.

KSSmallBiz.com

ADVOCATES FOR KANSAS SMALL BUSINESS

P.O. BOX 1246 • TOPEKA, KS 66601-1246 • 785.232.4590. x205
www.KSSmallBiz.com

TESTIMONY TO HOUSE COMMERCE & LABOR COMMITTEE HB 2316

February 13, 2007
Kenneth Daniel, Topeka

Kenneth L. Daniel is an unpaid volunteer lobbyist who advocates for Kansas small businesses. He is publisher of KsSmallBiz.com, a small business e-newsletter and website. He is C.E.O. of Midway Wholesale, a business he founded in 1970. Midway has seven Kansas locations and 110 employees.

Mr. Chairman and Members of the Committee:

House Bill 2316 will help thousands of Kansas businesses pay their employees more efficiently and safely without forcing any employer to change their current methods.

Some employees simply cannot open checking accounts. This gives them a way to get their money simply and easily without paying high check-cashing fees.

This bill will help most small employers as well as big employers. My company uses a payroll service. The time, money, and safety savings will be available to Midway and to all our employees.

I strongly urge you to support House Bill 2316.

H Commerce + Labor

2-13-07
(Attach 11)



American Payroll Association

Government Relations • Washington, DC

February 12, 2007

The Honorable Representative Steven Brunk
Chair, Commerce and Labor
State Capitol
Room 231-N
Topeka, Kansas 66612

Via email: brunk@house.state.ks.us

Re: Support of HB 2316, with suggested changes

Dear Chairman Brunk:

We are writing *in support of House Bill 2316*, concerning payment of wages, with certain technical changes. The American Payroll Association is a nonprofit professional association representing more than 22,000 individuals and their companies in the United States and Canada. The APA works with legislative and executive branches of all levels of government to find ways for employers to meet their requirements under law and support government objectives, while minimizing administrative burden for government, employers, and individual workers/taxpayers. To address members' interest in the use of payroll cards in the United States, the APA monitors their development and use with an aim toward helping educate policymakers and regulators about the benefits and uses of these cards.

The APA believes that HB 2316 would be a "win-win" for Kansas workers and employers. It would clarify that workers whose employers wish to offer only electronic payment of wages have the option to elect to receive their wages via payroll debit card ("payroll card").

According to a report issued by the Federal Reserve Board, more than 8.4 million workers nationwide have already chosen to receive their pay via payroll card as of May 2005; up from 2.2 million in 2003. Payroll cards 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 get 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.
- 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.
- Payroll cards 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.
- 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 payroll cards are protected from loss. Lost cards are easily replaced, with remaining funds transferred to a new card.

1601 18th Street NW, Washington, DC 20009 • Phone: 202-23 2-6889 • Fax: 202-232-6882

H Commerce & Labor
2-13-07
(Attach 12)

- 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.
- Payroll card 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.
- Payroll cards 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.
- Payroll cards 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.

Again, the American Payroll Association supports House Bill 2316 and recommends that the Committee on Commerce and Labor approve it with some technical changes. First, we would suggest that payroll cards be added under 44-314.(b) as a fourth alternative, to clarify that payroll cards may be offered to workers independently, rather than exclusively in the context of a mandatory direct deposit program. We suggest the following language be added as follows:

(b) The employer may designate the method by which employees receive wages, provided all wages shall be paid by one or more of the following methods:

- (1) In lawful money of the United States;*
- (2) by check or draft which is negotiable in the community wherein the place of employment is located;*
- (3) by electronic fund transfer or deposit to an automated clearinghouse member financial institution account designated by the employee;*
- (4) by payroll card as defined in c(5) of this section.*

Secondly, APA recommends amending proposed section 44-314(c)(1)(B), which provides for at least one free withdrawal per pay period. This committee and virtually every state that has addressed the issue agree with the spirit of this provision, and almost all payroll cards offer one free ATM withdrawal per pay period. However, some 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).

This committee recommends that the term "means of funds access" be substituted for "withdrawal" to avoid inadvertently limiting the ways in which workers can obtain their funds without cost.

(B) allow employees who use payroll cards at least one ~~withdrawal~~ means of funds access per pay period at no cost to the employee for an amount up to and including the total amount of the employee's net wages, as stated on the employee's earnings statement; and

A third recommendation concerns proposed section 44-314(c)(2): "Wages ... shall be owned by the employee." No one would argue that wages paid should not be owned by the employee; however, there may be an unintended effect in the terminology used that may affect employers' ability to make corrections. Employers who pay by direct deposit are able to correct inadvertent overpayments (e.g., \$5,000 mistakenly entered instead of \$500) by reversing and replacing the direct deposit within five banking days under NACHA rules. Employers who pay by check can stop payment and replace the check. But the language in (c)(2) could be interpreted to prohibit any corrections under the language proposed. Employers should have the same rights to correct inadvertent errors regardless of the mode of payment. We suggest the following language:

(2) Employers shall retain no interest in wages paid by electronic funds transferred to an employee's payroll card account shall be owned by the employee, other than the right to correct inadvertent overpayments caused by administrative error in accordance with the rules governing direct deposit.

We have also enclosed background information on payroll debit cards, including excerpts of laws and regulations enacted in the various states that have explicitly addressed the issue to date.

Again, we applaud the sponsor and other members of the Commerce and Labor Committee that took the initiative to improve the means by which Kansas workers received their pay. We believe that many workers would like the option to receive their pay via a paycard, and this bill, with the technical alterations described above, appropriately clarifies that Kansas employers may offer this alternative. Please let us know if you have any questions.

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

cc: Commerce and Labor Committee members



February 12, 2007

To: Member of the House Committee on Commerce and Labor

The YMCA of Greater Kansas city fully supports House Bill 2316 regarding paperless payroll.

As a not-for-profit human service organization, we process approximately 6,600 checks per year which represents approximately 33 percent of our total payroll. The additional time and costs for the organization include printing, sorting, and mailing checks, postage, processing and reconciliation to prevent fraud, stop payments and reissues for checks that are lost in the mail or not received. The additional annual costs for producing payroll checks are approximately \$10,500. These funds would be better utilized improving the quality of life for those in our community through subsidized programs including child care, youth sports, education/tutoring and health and wellness programs for all.

Thank you for your consideration of House Bill 2316.

Sincerely,

A handwritten signature in black ink, appearing to read 'William F. Hutton'.

William F. Hutton
Chair, Board of Directors
YMCA of Greater Kansas City

A handwritten signature in black ink, appearing to read 'H. Eugene Dooley'.

H. Eugene Dooley
President and CEO
YMCA of Greater Kansas City

H Commerce & Labor
2-13-07
(Attach 13)

From: "Jim Garner" <Jim.Garner@dol.ks.gov>
To: <brunk@house.state.ks.us>
Date: 2/9/2007 11:25 AM
Subject: House Commerce questions

Mr. Chairman:

During my last appearance before the House Commerce and Labor Committee, there were a couple of questions asked that I promised to get an answer back to the committee. The first question was whether the federal government covered the cost of the extended benefits in 2003 for aviation related workers (the Temporary Extended Unemployment Compensation program). The answer is yes. The federal government provided a specific appropriation to pay for these extended benefits. The USDOL also provided states funding to cover the costs of processing claims for these extended benefits.

The second question was whether an unemployed worker in a training/education program can receive benefits. A claimant must be "able and available" for employment. Only those individuals in a job training program authorized and approved pursuant to the Workforce Investment Act are exempted from this requirement.

I hope this information is helpful and responsive to the requests of the committee members.

Jim Garner