

March 15, 2007

To: Senate Committee on Commerce

From: Kathleen Taylor Olsen, Kansas Bankers Association

**Re: HB 2316: Paperless Payroll**

Chairman Brownlee, Chairman Jordan 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 render our support for the bill as amended and the clarification those amendments provide with regard to being a payroll card issuer.

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

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.

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.

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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.

Subsection (c)(4) also addressed information that a payroll card issuer was prohibited from reporting to a credit reporting agency. As was explained in the House hearing, there is a federal law, the Fair Credit Reporting Act, which governs what information can be shared with a credit reporting agency by any credit issuer. Thus, the language relating to this was also stricken.

In conclusion, we would respectfully request your favorable consideration of **HB 2316** as amended by the House Committee on Commerce and Labor.

Thank you.