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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
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THE CLERK:

On page 24, Calendar 410, favorable report of the joint standing committee on Banks, Senate Bill Number 57, AN ACT CONCERNING THE DIRECT DEPOSIT OF WAGES.

DEPUTY SPEAKER SAYERS:

Representative Tercyak.

REP. TERCYAK (26th):

Thank you very much, Madam Speaker.

I move for acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER SAYERS:

The question before the chamber is acceptance of the joint committee's favorable report and passage of the bill.

Representative Tercyak, you have the floor.

REP. TERCYAK (26th):

Thank you very much, Madam Speaker.

The Clerk has an amendment, LCO Number 3625. I would ask the Clerk to please call the amendment and that I be granted leave of the chamber to summarize.

DEPUTY SPEAKER SAYERS:

Will the Clerk please call LCO Number 3625, which will be designated Senate Amendment Schedule "A."

THE CLERK:

LCO Number 3625, designated Senate "A" and offered by Senator Holder-Winfield.

DEPUTY SPEAKER SAYERS:

The Representative seeks leave of the chamber to summarize the amendment. Is there any objection to summarization? Is there any objection?

Hearing none, Representative Tercyak, you may proceed with summarization.

REP. TERCYAK (26th):

Thank you very much, Madam Speaker.

I thought it was a great before the amendment, but some people that some parts of it were a bit onerous so therefore the amendment strikes Section 1 of the bill in its entirety while leaving the original intent of the bill, that electronically deposited wages can be identified by the banks as wages and therefore be subject to the \$1,000 protection from claims for damages or deaths along with other kinds of deposits like Social Security, court-ordered child support in the like. This won't change the amount that is still protected from collections. It will just make it clearer when wages are deposited. Wages are already on the form what is exempt from collections for under \$1,000 worth.

And with that, Madam Speaker, I move adoption of the amendment.

DEPUTY SPEAKER SAYERS:

The question before the chamber is adoption of Senate Amendment Schedule "A." Will you remark on the amendment?

Representative Smith of the 108th.

REP. SMITH (108th):

Madam Speaker, thank you.

This strike of Section 1 is actually I believe a good thing. It does away with a mandate that would have been imposed on municipalities and also businesses by requiring them identify wages in direct deposits so I think this is a good amendment. I urge my colleagues to support it. The underlying bill when we get to that is -- is harmless in my mind and pretty much codifies existing law. So I would urge adoption of this amendment as well.

Thank you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Thank you.

Will you remark further? Will you remark further on the amendment that is before us?

If not, I will try your minds.

All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SAYERS:

Those opposed, nay.

REPRESENTATIVES:

Nay.

DEPUTY SPEAKER SAYERS:

The ayes have it. The amendment is adopted.

Will you remark further on the bill as amended?

Will you remark further on the bill as amended?

If not, will staff and guests please come to the well of the House. Will the members please take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please return to the chamber immediately.

DEPUTY SPEAKER SAYERS:

Have all members voted? Have all members voted?
Will the members please check the board to determine if your vote is properly cast?

If all members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Senate Bill 57 as amended by Senate "A."

Total number voting 142

Necessary for passage 72

Those voting Yea 142

Those voting Nay 0

Those absent and not voting 9

DEPUTY SPEAKER SAYERS:

The bill as amended is passed in concurrence with the Senate.

Will the Clerk please call Calendar Number 281.

THE CLERK:

On page 44, Calendar Number 281, favorable report of the joint standing committee on Appropriations, Substitute House Bill Number 5521, AN ACT CONCERNING THE STORAGE AND ADMINISTRATION OF EPINEPHRINE AT PUBLIC SCHOOLS.

DEPUTY SPEAKER SAYERS:

Representative Fleischmann.

REP. FLEISCHMANN (18th):

Thank you, Madam Speaker.

I move acceptance of the joint committee's favorable report and passage of the bill.

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**CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
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good ideas that he's brought to this Chamber. I want to thank him for bringing this bill. It's, as -- as we all, I think, agree, this is a very solid piece of legislation and a nice improvement in the program.

If there's no objection, Madam President, I'd like to move this bill to the Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered, sir.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, if the Clerk would call from Calendar page 38, under Matters Returned, Calendar 67, Senate Bill 57.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On page 38, Calendar 60 --

THE CHAIR:

-- 67.

THE CLERK:

I'm sorry -- 67, Senate Bill Number 57, AN ACT CONCERNING THE DIRECT DEPOSIT OF WAGES; Favorable Report of the Committee on Labor and Public Employees.

THE CHAIR:

Senator Holder-Winfield, good afternoon, sir.

SENATOR HOLDER-WINFIELD:

Good afternoon, Madam President.

I move acceptance of the joint committee's Favorable Report -- report and passage of the bill.

THE CHAIR:

Motion is on acceptance and passage. Will you remark, sir?

SENATOR HOLDER-WINFIELD:

Yes; thank you, Madam President.

This is a bill that comes to us through the Labor Committee on a unanimous vote. What the bill intends to do is deal with the direct deposit of wages and allow for the identification of those wages and the setting asides of -- of those wages that might be collected so that individuals wouldn't experience undue financial hardship in bank executions.

And Madam President, the Clerk is in possession of an amendment; it's LCO 3625. I would ask that it would be called and I be granted leave of the Chamber to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO Number 3625, Senate "A," offered by Senator Holder-Winfield.

THE CHAIR:

Senator Holder-Winfield.

SENATOR HOLDER-WINFIELD:

Yes. Thank you, again, Madam President.

What this --

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You move for adoption, sir?

SENATOR HOLDER-WINFIELD:

Yes.

THE CHAIR:

Motion is on --

SENATOR HOLDER-WINFIELD:

-- adoption.

THE CHAIR:

-- adoption. Will you --

SENATOR HOLDER-WINFIELD:

Yeah.

THE CHAIR:

-- remark, sir?

SENATOR HOLDER-WINFIELD:

The motion, I move adoption.

This amendment strikes Section 1 of the bill. What that does is it takes away the actual tagging of the wages and just leaves the bill so that if the wages are identifiable, then they could be set aside. I move adoption.

THE CHAIR:

Will you remark further on Senate "A?" Will you remark further on Senate "A?"

Seeing not, I'll try your minds. All in favor, please say Aye.

SENATORS:

Aye.

THE CHAIR:

Opposed? Senate "A" is adopted.

Will you remark further on the bill? Will you remark further on the bill?

Senator Markley.

SENATOR MARKLEY:

Thank you, Madam President.

I just want to say this is something we've looked on, looked at pretty thoroughly on the Labor Committee, and it extends a protection at, it seems to us on the basis of what we've looked at, at no cost to the businesses involved and at no cost to the banks for a relatively small amount of wage income, which protection people are entitled to upon request. I think that it's a way to try to give folks an opportunity to get back on their feet by keeping a small amount of money in the bank. And after a pretty fair amount of examination and I think some good work by the Chairs of the committee to try to accommodate the various interests involved, I believe it's a good bill and plan to support it.

THE CHAIR:

Thank you, Senator.

Will you remark further?

If not, Senator Holder-Winfield, would you like -- oops, I'm sorry -- Senator Guglielmo.

SENATOR GUGLIELMO:

Thank you, Madam President.

I would request a roll call vote.

THE CHAIR:

Okay. A roll call vote will be had.

Mr. Clerk, will you call, please call for a roll call vote, and the machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Immediate roll call ordered in the Senate.

THE CHAIR:

Senators, if you can wait around, the Consent Calendar is next.

If -- whoops -- if all members have voted, all members have voted, the machine will be closed.

Mr. Clerk, will you please call a tally.

THE CLERK:

Senate Bill Number 57.

Total Number Voting	34
Those voting Yea	32
Those voting Nay	2
Absent, not voting	2

THE CHAIR:

Bill passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, if the Clerk would now read the items on the third Consent Calendar so that we might proceed to a vote on that third Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

**JOINT
STANDING
COMMITTEE
HEARINGS**

**LABOR AND
PUBLIC
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followed by Jamie Shaw.

RAPHAEL PODOLSKY: Thank you very much, Senator Osten, Representative Tercyak, members of the Labor and Public Employees Committee. I'm here to speak in favor of Senate Bill No. 57, which is a bill that would provide protection, better protection for exempt employee wages when they are directly deposited into a bank account. I've submitted written testimony which talks about this in more detail.

A large part of everybody's wage payment is exempt from execution by creditors. It's 100 percent of the first \$348 per week, which is 40 times the minimum wage. That translates to about \$1,500 a month, and it's 75 percent of the wages are exempt beyond that point.

Wages, once they are deposited into a bank, retain their exempt status. They are protected against creditors, but nevertheless, in spite of that because of the procedures that are in place for protecting those wages, they are routinely taken by creditors; and money that is directly deposited into a bank is very commonly taken as part of a judgment.

Under our existing law, if direct -- and this applies only if the wages are directly deposited because that creates the possibility of the bank knowing what they are. If they are readily identifiable to the bank as exempt, then the bank does not freeze, in response to an execution, the first \$1,000 of those wages, which means something is left that the customer has access to, to spend.

Wages, however, are not, at the present time, considered readily exempt. What that does is it forces the employee to go through a court-

based procedure, which if they do go through it, which most people don't, is still going to tie their wages up for a good month. And the result of that is that -- if you live off of your wages, you will have nothing. You can't buy groceries. You can't get money out of the ATM. You can't get anything for that time period.

What this bill does is it does two things. First of all, it assures that wages will be readily identifiable to the bank. In reality, most payroll companies and most employers already, on the electronic deposits, tag them as wages, or earnings, or payroll, and they are, in reality, identifiable to the bank. But there's no requirement that they be identified in that way.

You can look at your own bank statement, and there's a very good chance when it shows a wage -- if you get direct deposited wages, it will show -- it will have some word that indicates it's wages. It might be payroll. It might be earnings or wages.

The fact is, it is easy for any employer who is not already identifying to do so. Last year I spent a lot of time learning about what's called the ACH System, the Automated Clearinghouse System, which is the way in which money gets transferred when it's being moved from one source directly into a bank. And there's actually a field that already exists that is for the purpose of the employer -- of the depositor identifying what's in the field, and it is very, very common for payroll companies of employers to include within that field something that identifies it as wages; but not everybody does that.

And the second thing that the bill does is it then goes into the statute that defines what deposits are readily identifiable, what direct deposits and includes wages on that list.

The combination of those two things will assure that people's wages -- people will at least have access to the first \$1,000 of their wage, directly deposited wages. And, indeed, it actually gives employees an incentive as to why they can use direct deposit rather than have to take a paper check because at least some portion of that deposit will be protected up front.

I urge the committee to move this bill forward. I'd be happy to answer any questions I can about this.

SENATOR OSTEN: Thank you very much for coming today.

I also think that this would encourage some low wage workers to actually save money and not necessarily hold on to it. So I think that it's important for us to encourage people to put money away, and then have them have some money for emergencies.

Are there any questions? Representative Smith.

REP. SMITH: So it seems like a good idea. I'm just a little concerned about the small business guy, you know, the contractor. He has two employees using direct deposit, doesn't use paychecks or, you know, the major payroll companies. Is that going to be a factor for this kind of factor?

RAPHAEL PODOLSKY: I don't think it's going to make any difference. If smaller employers --

employers may be less likely to use direct deposit at all, and the bill only applies to direct deposit. So if the employee walks in with his own paycheck and simply deposits it, this bill would not apply because then there is no structure for identifying.

If an employer does not use a payroll company, like Paychex or one of those big companies, then they still have to have some -- they have to go through a system by which they can electronically transmit the wages to the bank. Otherwise, they're not going to get direct deposit, and for those employers, they are already using a system in which they identify the payment. So the only thing that somebody might have to do differently is to include a few characters in the field, the computer field of that identification.

So, for example, I think every employer puts the name of the company so that there's some identification of where this is coming from. So I guess my answer to your question is, I think that there is no significant change.

Last year I know that there were people who opposed this, who said people would have to get new computer systems. It would require a major redoing of the computer system, be extraordinarily expensive.

I spent a lot of time last year because this bill also came through the committee, trying -- talking to the American Payroll Association nationally, trying to understand exactly how the money gets from the employer to the bank without going through the employee because that's what a direct deposit is. And it turns out that the system is structured so that identifying what it is, is just word

processing. It's not creating a new field. It's not doing any of those things. And my guess is -- and most people do it. And I don't know. You know, I can't speak for every possible employer, so I don't know.

But one of the things I did was I went to my bank and said when people get wages, do you know that they're wages? I talked to the manager at my local branch, and he said, "Well" -- he was like, "Yeah. Of course. What kind of question is that?" And, I mean, that sort of reinforced my view that most of the time there is some kind of identification on the electronic deposit.

I think you'll find it's not going to be a big deal. People may feel it's going to be a big deal, but it won't be a big deal to do.

REP. SMITH: Well, that's the issue, I mean, in my mind because if it is a big deal, if it is another cost to the businessman who's struggling these days, you know, then -- then I think we have to consider that.

If it's a matter of labeling it, well, this is wages, and that's all it is; and there's no requirement that he purchase, or go through ADP, or Paychex, or any other payroll system, then I have less of an issue. But if it's simply coding, and they can do it with the system that they already have in place without any additional cost, then why not do it?

RAPHAEL PODOLSKY: And that's -- that's my feeling. And by doing that you then create -- then the bank -- then it becomes readily identifiable to the bank, and you don't have to worry that the banks -- that the bank says, for example, well, we don't want this to be identified. We don't

want the statute to make it readily identifiable because they'll be cases when we can't tell, and we won't know. This sort of makes sure that it will be there all the time. You know, in Social Security and other kinds of systems are covered by this \$1,000. You don't attach the first \$1,000 because those systems are universally tagged, and it's easy for the bank to identify them.

SENATOR OSTEN: Any other questions? Thank you, Raphi.

RAPHAEL PODOLSKY: Thank you very much.

SENATOR OSTEN: Roger, you're up. And then Jamie Shaw. Then Rondelynn Bell.

ROGER SENSERRICH: Good afternoon. My name is Roger Senserrich. I am a policy analyst and a policy coordinator at the Connecticut Association for Human Services, and I'm here to testify in favor of S.B. 32, the act raising the minimum wage.

Many good points have been made already in previous testimony, so I don't want to repeat much that has been said. We have submitted written testimony, so you have more details on our anyway position in writing.

I wanted to stress a couple of things that I think are important regarding the increase of the minimum wage that are relevant for the people of Connecticut. First of all, an increase in the minimum wage will affect a lot of people. It will actually the boost income of more than 200,000 people in the state, either directly or indirectly.

These families that will -- these individuals

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LABOR AND PUBLIC EMPLOYEES

1:00 P.M.

COMMITTEE

CHRIS HARTLEY: Thank you.

REP. TERCYAK: Any other questions? No. Thank you.

SENATOR OSTEN: Eric Gjede. Then Nora Duncan.

ERIC GJEDE: Good evening and thank you so much for sticking through the weather to hear us all out today.

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My name is Eric Gjede. I represent the Connecticut Business and Industry Association, and I have a bunch of bills to touch on; so I'll just get right to it.

Senator, I know you think I rarely support Labor Committee bills, but I want to let you know that the first bill today I'll be discussing, I do support, Bill 5054, an act concerning unemployed job seekers.

We support the prohibition on discriminatory ads. The only thing we ask is that you consider modifications to the sections regarding complaints based on a claimant's subjective belief as to whether or not they were hired because of their status as unemployed. So we would ask you just to take a quick look at that, if you were going forward, because we do think this could potentially lead to unfair penalties for employers.

Another bill, Bill 57, we do oppose direct deposit wages. I know Raphi gave some great testimony earlier today, and he did make it seem easy to comply with. But I'm not 100 percent sure all of my members who do their own payroll would agree. So I would ask that we continue to have conversations on that going forward.

some very small but real changes to the unemployment compensation laws that would help start seeing some savings, so we can retain that fund for the people who do need it, which at this point in time there are a lot of people that need that.

I would suggest the best thing we can do to get businesses to come here and to look at Connecticut as a place to grow is to just stop setting ourselves apart in the wrong ways from other states, you know. The minimum wage increase you have on the table here today is the largest minimum wage increase spread across a four-year period in Connecticut history. I would suggest to you that people will take that into account when they're deciding whether or not to grow their business in this state.

And I think there's other mandates that we have that -- some good, some bad -- that we should consider, at least if we're going to enact them, we make sure they're drafted well, and that they're clear; and that they work. Or we at least consider not putting ourselves out above either the federal minimums or the minimums of the states around us.

So basically, you know, there's some, you know, address cost issues and stop setting ourselves apart with additional mandates.

REP. SMITH: Okay. Thank you for your time.

REP. TERCYAK: Senator Markley.

SENATOR MARKLEY: A little tiny question for you. Returning back to that question -- the matter of the tagging of the wages. I too -- I feel like it strikes me as a reasonable request. I like to occasionally do what Raphi wants me to

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do, but can you give me a little better answer to him when I tell him why I voted against it?

ERIC GJEDE: Some of the members who do process federal payroll, we have had lengthy discussions on this bill because we do sympathize with the plight of some of the people Raphi represents. It has been suggested to us that it's not as simple as just adding a few more characters to a different field. It would require some programming changes in that the technology is not available across all of the various programs people are using to input this wage data and then submit it to the banks.

So, again, I would probably reserve -- look at some of the testimony. I think there's probably some businesses, large businesses, that did submit testimony on this, and I would see what they have to say. But, again, we would like to continue to have discussions with the committee and with Raphi going forward.

SENATOR MARKLEY: Thanks very much.

SENATOR OSTEN: Alrighty. So I actually -- I think that this is two years in a row that CBIA has testified for Labor Committee bills, and I really appreciate it Eric. I don't have any questions for you.

Anybody else have any questions? No.

ERIC GJEDE: Thank you so much for your time. I appreciate it.

SENATOR OSTEN: Nora Duncan is next, then Ray Shea.

NORA DUNCAN: Hello.

SENATOR OSTEN: Hi, Nora.

them approached our Commissioner saying their wages are so low that up to 10 individuals occupy a single bed unit.

So what happens when people are working long hours and working hard hours, what happens is a process called hot bedding. What hot bedding is, is that when one worker comes home fresh off a long shift, the worker that was sleeping, immediately gets up and goes right to work for maybe a 10 to 12-hour shift. And so the process is so quick that the body heat from the worker that was sleeping is still warming the bed by the time the other workers gets up.

That is not a way to live. That's not a way in this country. That's not a way to live as a person. We need livable wages. We need people to be able to sustain themselves with the work they do, and I think Connecticut would stand strong in the nation to grant its workers those very basic human rights. Thank you.

SENATOR OSTEN: Thank you very much.

And hot bedding is actually talked about by a lot of people from Eastern Connecticut. It's talked about a lot going on with the casino workers and how unfair it is for the workers themselves, having sometimes three and four shifts of people using the same bed.

Any questions? Thank you very much.

ALOK BHATT: Thank you.

SENATOR OSTEN: Appreciate your testimony.

We have Brian Anderson and Paul Filson left.

BRIAN ANDERSON: Good evening, Chairman Osten,

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Chairman Tercyak, and members of the Labor Committee. My name is Brian Anderson. I'm a political representative and legislative representative for Council 4 AFSCME, a union of 32,000 public and private employee members. Our union supports several of the bills. I'll go through them quickly.

We support Senate Bill 56, an act concerning severe mental or emotional impairment and Workers' Compensation coverage. PTSD is a well-documented disease. If someone witnesses horrific incidents such as a coworker or school child being murdered, they should be able to take time to get treatment without losing their job or impoverishing their family.

This bill provides common sense and decent response to helping afflicted workers. This bill sets a very high bar and would apply to only a very small group of workers.

We support Senate Bill 57, an act concerning the direct deposit of wages. This bill offers some protection for a small amount of a person's savings or income from attachment by banks, credit card companies, or other creditors.

We support Senate Bill 58, an act concerning an increase in penalties due to false or misleading declarations, statements, representations. We certainly heard some good testimony on that tonight.

We support Senate Bill 60, an act concerning employee working conditions. It's important for the overall health of workers for the state to study working conditions and come up with best practices to keep workers safe.



Testimony of the Connecticut AFL-CIO

Before the Labor and Public Employees Committee

February 18th, 2014

Senator Osten, Representative Tercyak and members of the Labor and Public Employees Committee,

I am Lori Pelletier and I serve as the Executive Secretary- Treasurer of the Connecticut AFL-CIO. I am here to testify on behalf of the 900 affiliated local unions who represent 200,000 working men and women from every city and town in our great state on the following.

S.B. No. 32 AN ACT CONCERNING WORKING FAMILIES' WAGES – We support this legislation. We applaud the announcement by Governor Malloy to increase the minimum wage to \$10.10 an hour. Every nickel going into the paychecks of working men and women gets spent in our economy. Raising the minimum wage boosts spending which creates demand which creates jobs. It's really simple economics. A job should lift someone out of poverty, not trap them in it. We encourage moving this proposal rapidly through the process so these hard working men and women can get the raise they so desperately need.

S.B. No. 56 (RAISED) AN ACT CONCERNING SEVERE MENTAL OR EMOTIONAL IMPAREMENT AND WORKERS' COMPENSATION COVERAGE – We support this legislation. PTSD is a harsh reality of our current world. Workers who experience PTSD as a result of work are no different than workers who have torn ACL's as a result of work, except that the injury is to the whole body inside and out. Workers may not be dying of black lung in the numbers they were, but events which cause PTSD are on the rise and workers should be compensated for those injuries.

S.B. No. 57 (RAISED) AN ACT CONCERNING THE DIRECT DEPOSIT OF WAGES – We support this legislation. This bill prevents workers from losing their exempt wages.

S.B. 58 (RAISED) AN ACT CONCERNING AN INCREASE IN PENALTIES DUE TO FALSE OR MISLEADING DECLARATIONS, STATEMENTS OR DECLARATIONS – We support this legislation.

S.B. No. 60 (RAISED) AN ACT CONCERNING EMPLOYEE WORKING CONDITIONS – We support this legislation.

**JOINT
STANDING
COMMITTEE
HEARINGS**

**LABOR AND
PUBLIC
EMPLOYEES
PART 2
551 – 1047**

2014

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My name is Sarah Poriss and I submit this testimony in support of S.B. No. 57, An Act Concerning the Direct Deposit of Wages.

I am a solo attorney and I work almost exclusively with clients who are in debt or who are in foreclosure. The ready identification of wages deposited into a consumer's bank account is vital to avoiding undue financial hardship in the case of consumers who are subject to bank executions. Almost every week I receive calls from people who learn that their bank accounts have been subject to execution. They are usually already financially strained and then they learn there is a hold on their account, which means they can't buy groceries, gas and other necessities and, they can't make their rent, mortgage payments or car payments. When they call me they are embarrassed, confused, frustrated and desperate for help. In almost every situation, they have also just written checks from their accounts that will inevitably be dishonored as a result of the bank execution. This will then cause them to incur additional bank fees as well as late fees charged by their creditors/landlords/mortgage lenders.

The most I can do for people in this situation is to explain the process of seeking an exemption from the execution. There is already a "catch-all" exemption to bank executions of up to \$1000, but claiming the exemption is a long, drawn-out process that takes up the resources of the court and the banks. When this "catch-all" exemption is claimed, the hearing is often 3-4 weeks away from the date the claim is made. In the short term the consumer has to wait for their next paycheck which is usually two weeks away; even one week is an eternity when you are already living paycheck to paycheck. At the hearing (for which the consumer must take time off of work), the judgment creditor and the court almost always agree to release the funds, but the consumer is set back financially by at least a month and it is difficult to catch up.

This bill will assure that banks will receive the information that will allow them to readily identify these deposits as being wages. The bill itself does not change the bank account execution statute itself, but it lays the groundwork for changing it in the future. It is therefore crucial for employers to be required to identify payroll direct deposits as wages, and then for bank employees to be educated that they are not to freeze or release up to \$1000 in funds identified as coming from payroll or wages, so that hard-working, already financially strapped consumers are not put even further behind by a bank execution.

Feel free to contact me with any questions. Thank you.

email: sarahporiss@prodigy.net



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Testimony of Eric W. Gjede
Assistant Counsel, CBIA
Before the Committee on Labor and Public Employees
Hartford, CT
February 18, 2014

Testifying in opposition to SB 57 AAC The Direct Deposit of Wages

Good afternoon Senator Osten, Representative Tercyak, and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA) which represents more than 10,000 large and small companies throughout the state of Connecticut.

CBIA is opposed to SB-57 because of the cost and the technical burdens it places on businesses.

Section 1 of this bill requires employers to electronically "tag" wages directly deposited into employee bank accounts so they are readily identifiable as "wages". Section 2 of the bill adds "wages" to the list of directly deposited funds partially exempt from execution by creditors. The bill, taken as a whole, is designed to benefit employees dealing with personal credit issues by shifting burdens of proof, and the costs associated, to his or her employer. This burden shifting, which requires technology most employers do not have, is unnecessary. There already exists a court process that allows employees to use pay stubs to demonstrate to banks and creditors the origin of the funds in their accounts should "wages" be added to the list of protected funds.

Some have argued that the additional burden imposed on employers in this bill is minimal. However, that is not the case. Here's why:

1. This imposes a technical burden on employers and payroll providers. An individual's paycheck can be composed of a variety of different components, only one of which is the "wage" portion. That means each component of a directly deposited paycheck would need its own electronic code. This would require employers to purchase costly software upgrades to comply with the law, or to pay additional fees to payroll providers for the same.
2. Many of our state's largest employers have pay systems that are used across state lines. Due to the lack of software programming currently available, many employers may simply stop offering electronic wage payments to Connecticut employees.
3. In addition to the expense required to purchase software upgrades, employers would also have to incur the expense of providing training for employees to properly use these new programs.
4. If an employer wrongly encodes portions of deposits as "wages", then the employer could potentially be subject to litigation originated by the employee and employee's creditors.

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Given the burdens of compliance for the business community, and the alternatives available to employees whose accounts have been executed upon, we ask you to oppose this bill.

Legal Assistance Resource Center**❖ of Connecticut, Inc. ❖**

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S.B. 57 -- Protection of exempt wages directly deposited into bank accounts

Labor and Public Employees public hearing -- February 18, 2014

Testimony of Raphael L. Podolsky

Recommended Labor Committee action: JOINT FAVORABLE

This bill requires that wages paid electronically through direct deposit include an electronic "tag" that identifies them so that they will be "readily identifiable" to the bank as wages. The bill is critical to preventing employees from losing their exempt wages entirely or, at best, having them unnecessarily frozen for a month (or more) while being forced to litigate to get their exempt wages released. During that time period, employees without other resources will be unable to buy anything or pay their bills and could be literally penniless. We urge your support for the bill.

Under Connecticut law, the first \$348 per week in wages (i.e., 40 times the state minimum wage) are completely exempt from execution by creditors. 75% of weekly wages above that amount are also exempt. Those funds remain exempt when they are placed in a bank account. Once in the bank, there are two different state-required procedures for protecting exempt funds from execution. (1) a simple self-enforcing procedure that precludes freezing the first \$1,000 of directly-deposited Social Security, veteran's benefits, and most child support (which are classified as "readily identifiable") and (2) a complicated, drawn-out, cumbersome procedure for other exempt funds. By assuring that direct deposits of wages are readily identifiable to the bank, this bill will move directly-deposited wages into the simplified "readily identifiable" category with its automatic \$1,000 procedural protection.

What difference does it make? When an execution is served on a bank, the general procedure is that the bank freezes the account, up to the amount of the execution. The bank then sends a form to the customer on which he or she can claim an exemption. The customer must send the form back to the bank, which sends it to the Superior Court, which schedules a hearing, at which the court will decide if the funds are exempt. Until the court acts, the funds are frozen, the customer cannot draw on them, checks will bounce, and ATM and debit card withdrawals will be rejected. The funds are usually tied up for about 25 to 45 days. Many customers do not understand the process, never file a claim form, and lose the funds in entirety. Customers who live off those funds, even if they follow this procedure, will be unable to buy groceries, pay rent, or meet even the most essential needs while the funds are frozen. The result is devastating, even though the funds are supposed to be exempt.

This bill imposes no significant burden on either employers or banks. In reality, most payroll agencies and employers already electronically identify wages, and banks already know if a direct deposit is a deposit of wages. The established electronic transfer system, known as "ACH," includes a 94-character field known as "Batch Header Record 5" to identify deposits, and employers already commonly use this field to identify wage transfers. This identification is commonly printed right on the customer's monthly bank statements. For any payroll agencies and employers that do not already identify, S.B. 57 merely requires that they insert a few characters in the ACH field to identify the deposit as wages

(continued on reverse side ..)

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For Social Security, veterans' benefits, and child support, the existing state statute directs that the bank NOT freeze the first \$1,000 in the account, so that the customer can access and spend those funds without interruption. The customer has to go through the court process only if he or she claims that more than \$1,000 in the account is exempt.¹ S B. 57 would properly place directly-deposited wages into this category.

¹Social Security and federal veterans' benefits are also governed by federal law, which is more protective of beneficiaries than state law and therefore applies. Under federal law, banks are prohibited from freezing any such benefits directly deposited during the previous 60 days, with no \$1,000 cap, so that the recipient's access to those funds is uninterrupted.



Greater Hartford Legal Aid

**Testimony of Attorney Sue Garten
In Support of H.B. 5063, AAC Disclosure of Pardon Applications, and
Substituted Language for H.B. 5065, AAC Unemployment Compensation**

I am an attorney at Greater Hartford Legal Aid. I am here on behalf of Connecticut's legal services programs to testify in support of HB 5063, which keeps the content of pardons applications confidential except for disclosure to the state's attorneys upon their request. I am also submitting substitute language for HB 5065, AAC Unemployment Compensation.

Our programs provide free legal services to low income residents throughout the state of Connecticut. We represent persons with criminal convictions in a variety of civil matters, including pardons applications. Most of our clients seek a pardon for employment purposes, others want to rent housing in safe neighborhoods.

The Board of Pardons and Paroles has created a rigorous application process for eligible individuals who have demonstrated great efforts to rehabilitate themselves. Confidentiality is critical to the pardons process. The Board encourages applicants to be forthcoming in giving details about their efforts to rehabilitate. That may include information about substance abuse recovery, mental health treatment, domestic violence, and other sensitive personal information.

The proposed bill and the Board's current practices strike an appropriate balance between an applicant's privacy rights and the public interest. The bill would exempt the content of pardons applications from FOIA disclosure requirements. But the bill explicitly provides that state's attorneys may have access to the applications. The state's attorneys may appear at hearings to support or oppose an application. The Board already notifies crime victims that an application has been filed, and victims have the ability to oppose an application. The Board's hearings are held in state courtrooms and are open to the public.

We urge the adoption of HB 5063, which allows rehabilitated ex-offenders an opportunity to provide for themselves and their families, significantly decreasing the chances of recidivism.

We also support the concept of HB 5065, a study of the unemployment compensation system.

Connecticut's unemployment insurance trust fund has been insolvent since 2009. We have had to borrow money from the federal government to pay benefits, and we have also had to pay millions of dollars in interest on those borrowed funds. Only a change in the funding formula will prevent this from happening again in the next economic downturn. Two years ago, the legislature changed one part of the funding formula (Public Act 12-46 introduced the concept of "average high cost multiple" and gradually increased it to 1.0, meaning that the trust fund should have a balance equal to a full year's benefit payout.) The remaining, critical change is to increase the taxable wage base, which has been \$15,000 for 11 years. I have attached proposed substitute language for H.B 5065 to my testimony to effect this change.

Finally, legal services strongly supports SB 57, which protects the first \$1000 of direct deposited wages from execution.

Greater Hartford Legal Aid, Inc.

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5069
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Kess, Quinn

From: Brian Anderson <banderson@Council4.org>
Sent: Monday, February 17, 2014 4:52 PM
To: LABTestimony
Subject: Test Lab ph 2-18-14 various.doc
Attachments: image002.jpg

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SB60
HBS054
HBS067
HBS068

Please introduce this into the Labor Comm. testimony for tomorrow's hearing. Thanks.



Labor and Public Employees Committee Testimony –February 18, 2014

My name is Brian Anderson. I am a legislative representative for Council 4 AFSCME, a union of 32,000 Connecticut public and private employee members.

Council 4 strongly supports H.B. No. 5069 AN ACT CONCERNING LOW WAGE EMPLOYERS. This bill charges large employers a fee for paying their workers a wage so minimal that they qualify for welfare benefits. A principle of our society has been that work should pay. Work should be valued and rewarded. It should not be made into something that forces people into poverty, especially when the owners of such companies get vastly rich at the same time. Walmart is a chief example. Walmart's workforce are among the largest recipients of taxpayer paid aid for nutrition, heating assistance and health care. At the same time, five of the Waltons, the owners of Walmart, are among the ten richest Americans. Surely, the taxpayers don't need to subsidize this kind of poor business practice. The U.S. Census Bureau reported last year that 50% of American families are working poor or in worst circumstances. Last year, the U.S. Federal Reserve reported that the average American family has lost 40% of its wealth since 2007. This bill charges a fair cost to employers who are unfairly profiting at taxpayer and worker expense.

Council 4 supports S.B. No. 56 AN ACT CONCERNING SEVERE MENTAL OR EMOTIONAL IMPAIRMENT AND WORKERS' COMPENSATION COVERAGE. PTSD is a well documented disease. If someone witnesses a horrific incident, such as a co-worker or school child being murdered, they should be able to take time to get treatment without losing their job or impoverishing their family. This bill provides a common sense and decent response to helping afflicted workers that is based on scientific fact. The bill sets a very high bar and would apply to only a small group of workers.

Council 4 supports S.B. No. 57 AN ACT CONCERNING THE DIRECT DEPOSIT OF WAGES. This bill offers some protection for a small amount of a person's savings or income from attachment by banks, credit card companies or other creditors. It does not release them from their debt, but offers them the chance to stay economically afloat while they pay off their bills. It is a compliment to existing law and safeguards people's money from being accidentally seized.

Council 4 supports S.B. No. 58 AN ACT CONCERNING AN INCREASE IN PENALTIES DUE TO FALSE OR MISLEADING DECLARATIONS, STATEMENTS OR REPRESENTATIONS. This bill increases the penalty for employers who misreport their employment payroll records.

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