



WHAT'S NEW

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“PLASTIC” PAYCHECKS ARE COMING!

Last week's issue of What's New discussed the new paycheck method—Electronic Funds Deposit (EFT) or Direct Deposit—the District will use to pay employees instead of mailing paper checks. Direct deposit works for employees with bank accounts. Not all employees have bank accounts, however. This issue of What's New explains the basic concepts of plastic payroll cards, the alternative for employees to use instead of setting up a bank account required for Direct Deposit.

Understanding Plastic Payroll Cards

Approximately 14 million U.S. households do not have bank accounts and are considered by the financial services industry “unbanked.” Payroll cards allow unbanked individuals to receive paperless checks without establishing the personal bank account required for direct deposit. Payroll cards were first introduced in the late 1990s and have been rapidly growing in use ever since. A 2004 Washington-Post article estimated the number of payroll cards would reach 3.5 million in 2005 and will double that number by 2006.

Payroll cards function like a debit card in that once the card is “loaded” funds can be withdrawn a little at a time. Payroll cards can also be used to make purchases wherever ATM purchases are accepted, i.e. grocery store, gasoline station, department stores, and even, an LACCD bookstore!

Moving Paychecks to Plastic Payroll Cards

Payroll cards are similar in concept to gift and telephone cards that are in such widespread use today. In this instance, the employer loads the employee's net pay to the payroll card. To access pay, the employee inserts the payroll card into any ATM, uses a personal identification number (PIN), and withdraws cash. Employers provide employees using payroll cards with a “paycheck stub” showing gross to net calculations and deductions.

Financial institutions offering payroll cards will charge a small fee and additional fees can occur if the ATM used is with an “unrelated” bank. Even so, payroll cards can cut the time and expense involved with getting checks cashed.

The Advantages

For Employers: Electronically transferring funds to employees can save employers up to 75% of the cost associated with issuing paper checks. In the LACCD changing from paper checks to direct deposit and plastic paychecks will allow the District to redeploy several hundred thousand dollars used to mail checks to other purposes.



For Employees: Payroll cards allow unbanked employees to avoid the high fees charged at check cashing and other stores where cashing a check can cost two to three percent, and sometimes more, of a check's face value. In addition payroll cards allow unbanked employees to have immediate access to their funds 24 hours a day just by going to any ATM. Payroll cards can also be used to make purchases at stores just as is done with a debit or credit card. Most payroll cards do not allow employees to withdraw more than is in their account, a feature that helps employees avoid incurring additional debt. And, if a card is lost, it can immediately be deactivated and replaced.



When the LACCD starts using payroll cards to pay its unbanked employees, it will join a “who's who” of well-known icons using payroll cards that include Amazon.com Inc; Blockbuster Inc.; Domino Inc.; McDonalds Corp.; Sears, Roebuck and Co.; Coca-Cola Co.; U-Hall International; United Parcel Service Inc., University of Southern California, and more.

Where We Are At

The short answer is we're getting things ready for a Fall 2005 implementation. Project Maestro's Executive Committee, the group of employee representatives, district office and college staff providing oversight to this project, has approved the concept. To gain insight into employer-employee experiences first hand, Project MAESTRO staff is contacting employers using payroll card services. Steps to formalize arrangements are anticipated to begin shortly. Once arrangements are made, a future newsletter will discuss how cards are issued and payments are made, what to do if bank account arrangements are later desired, etc.



ADDITIONAL RESOURCES: To view document, [click on title.](#)
[2005-06 Payroll Calendar](#)

Project MAESTRO is about change. “What's New” and other Project MAESTRO communications are sent primarily through email. Until all employees have computer access, hard copy will also be posted on the LACCD Bulletin Boards at each location.

Peer's Law:

The solution to a problem changes the problem.

To send a comment email: MAESTROeditor@laccd.edu