SENATE, No. 1718

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:
Senator JOSEPH A. LAGANA
District 38 (Bergen and Passaic)

SYNOPSIS

Allows modernization for the form of disbursement for certain State government payments to individuals and business entities.

CURRENT VERSION OF TEXT

As introduced.

AN ACT allowing modernization for the form of disbursement for certain State government payments, supplementing Title 52 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. a. Standardizeable State payments to individuals or business entities shall be made in the form of prepaid debit cards.

b. The implementation of this section shall be subject to the following conditions:

The scope and timing of the implementation of this section shall be subject to an ongoing determination of financial feasibility by the State Treasurer, provided that implementation shall comply with the terms of subsection c. of this section and the public disclosure requirements imposed by this subsection;

No later than the first business day of the fourth month of each calendar year that commences at least six months after the date of enactment of this section, the State Treasurer shall make publicly available, via the Department of the Treasury's website, the following information concerning the status of the implementation of this section: the scope of current standardizeable State payments in compliance with this section, plans for continued implementation of the standardizeable State payment prepaid debit card requirement, and explanations as to any determinations of financial infeasibility;

In implementing this section the State Treasurer shall consider carrying out the standardization of prepaid debit card payments in two stages: the first stage applies to State Fiscal Years 2021 and 2022, wherein recipients are allowed to elect a series of alternatives to the prepaid debit card payment default for standardizeable State payments, which alternatives shall include, but are not limited to a conventional check or electronic fund transfer for direct deposit into a recipient's account held by a financial institution; and the second stage applies to State Fiscal Year 2023 and State Fiscal Years thereafter, wherein recipients are allowed to elect an alternative to the prepaid debit card payment default for standardizeable State payments, which alternative shall be electronic fund transfer for direct deposit into a recipient's account held by a financial institution;

This section shall apply to standardizeable State payments authorized by law to be made on or after July 1, 2021; and

This section shall not be construed to authorize or preclude the provision of prepaid debit cards to State officers, employees, and agents as compensation for services.

c. As used in this section:

"Automated teller machine" means an electronic information processing device which accepts or dispenses cash in connection with credit or deposit accounts.

"Financial institution" means a State or federally chartered bank, savings bank, savings and loan association, credit union, or other entity approved by the State Treasurer.

"Manual teller terminal" means a terminal or other station staffed by a teller or other individual who accepts or dispenses cash in connection with credit or deposit accounts.

"Prepaid debit card" means an open loop card, which may be reloadable or nonreloadable, that enables the cardholder to: (i) transfer funds assigned to the card to a merchant through a point-of-sale terminal in exchange for products, services, or a combination thereof; (ii) withdraw cash against the balance assigned to the card via an automated teller machine or a manual teller terminal; and (iii) complete, for each standardizeable State payment made to an individual or business entity, not fewer than two transactions involving the domestic withdrawal of cash against the balance assigned to the card via an automated teller machine or a manual teller terminal that is operated by, or on behalf of, the entity responsible for the issuance of the card prior to incurring a charge, surcharge, or other convenience fee for the completion of the transaction.

"Standardizeable State payment" means a payment authorized by law to be made by a State entity to an individual or a business entity, other than: (i) a payment made pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq.; and (ii) payments provided as compensation for services to State officers, employees, and agents.

"State entity" means an entity operating in the form of a State department, agency, board, commission, corporation, authority, university or college, or an entity created by the State that the State Treasurer deems to be a State entity.

2. This act shall take effect immediately.

STATEMENT

This bill modernizes the methods of disbursing State governmental payments to increase efficiency through standardization and provide a more accessible form of payment receipt for recipients lacking access to banking institutions.

Under the provisions of the bill, State payments to individuals or business entities are required to be disbursed in a standardized prepaid debit card format, except for gross income tax refund payments and service compensation payments to State officers,

employees, and agents. Implementation is subject to a determination of financial feasibility by the State Treasurer.

The Treasurer is required to make an annual disclosure, via the Department of the Treasury's website, concerning the status, scope, and future plans for implementation, including an explanation as to any determinations of financial infeasibility. The Treasurer is also required to consider staging implementation into two stages. During the first stage, covering State fiscal years 2021 and 2022, recipients may opt for a number of alternatives to the prepaid debit card format, including a conventional check or direct deposit. During the second stage, covering State fiscal years 2023 and thereafter, recipients may opt to receive a payment in either the form of a prepaid debit card or direct deposit. Though scheduled to apply to payments authorized on or after July 1, 2020, the scope and timing of implementation of prepaid debit card payment standardization is conditioned on an ongoing determination of financial feasibility by the Treasurer. The capacity of the Treasurer to shape implementation does not extend to the annual public disclosure requirement or the bill's minimum requirements for prepaid debit cards. The bill does not authorize or preclude the provision of prepaid debit cards to officer, employees, and agents as compensation for services.

Prepaid debit cards, issued pursuant to the bill, are required to have the following minimum characteristics:

- Open Loop: The prepaid debit card must be redeemable at a variety of merchants and financial institutions as opposed to a closed loop of related merchants.
- Redeemable for Products, Services or Cash:
    - The prepaid debit card must be redeemable:
      (1) for products or services with merchants; and
      (2) for cash at automated and manual teller terminals of State Treasurer approved financial institutions.
- Reloadable or Nonreloadable: The prepaid debt card may be reloadable or nonreloadable.