

Connecticut SB 1396, An Act concerning earned but unpaid wage or salary income advances

OPPOSITION LETTER

May 30, 2025

Dear Senators Miller, Doucette and Members of the Senate Banking Committee

On behalf of NetChoice, a trade association working to make the internet safe for free enterprise and free expression, I write to express our strong opposition to Senate Bill 1396 which would impose new regulations on earned wage access (EWA) providers in Connecticut. As a trade association representing leading technology companies committed to promoting free enterprise and free expression online, we believe this legislation fundamentally undermines consumer choice, hurts small business opportunities, and raises serious constitutional concerns.

Fundamentally, SB 1396 mischaracterizes EWA products by classifying them as "small loans." When a worker accesses wages they have already earned through an EWA platform, they are simply accessing their own money earlier—not taking out a loan. This mischaracterization subjects these services to inappropriate regulatory frameworks designed for traditional lending products.

SB 1396 Eliminates Consumer Choice

EWA platforms provide essential financial flexibility to workers, allowing them to access wages they have already earned but have not yet been paid. Connecticut workers benefit from these innovative services that help them manage financial emergencies, avoid bank overdraft fees, and reduce reliance on high-interest credit products that can trap consumers in cycles of debt with APRs exceeding 400%.

SB 1396 represents a paternalistic approach that strips Connecticut workers of their right to make informed financial decisions. The bill's arbitrary fee caps of four dollars per transaction or thirty dollars per 30-day period eliminate pricing models that allow consumers to choose services based on their individual needs. Workers currently have the freedom to decide whether paying a voluntary fee for instant access to their earned wages is preferable to waiting for standard processing times or turning to more expensive alternatives like overdraft fees or payday loans.

By mandating uniform pricing structures, Connecticut is telling residents that government bureaucrats know better than individual workers how to manage their financial needs. This ignores the reality that

different workers have different situations and priorities. Some may prefer lower-cost options with longer processing times, while others may find immediate access worth a premium fee. SB 1396 eliminates these choices entirely.

The legislation also eliminates business model diversity by classifying voluntary tips as mandatory finance charges. Many providers have developed innovative approaches that rely on voluntary contributions rather than mandatory fees, allowing them to serve customers at very low cost while maintaining sustainable operations. By outlawing these voluntary arrangements, Connecticut is reducing service variety and forcing providers to adopt traditional fee structures that may actually cost consumers more.

SB 1396 Hurts Small Business and Innovation

The 75 percent minimum advance requirement creates an insurmountable barrier for small and emerging businesses in the earned wage access sector. This provision effectively reserves the Connecticut market for only the largest, most well-capitalized companies that can absorb the financial risk of providing substantial advances to workers. Smaller providers and innovative startups that might offer more targeted, cost-effective services cannot meet these capital-intensive requirements.

This regulatory approach stifles entrepreneurship and innovation precisely when the financial technology sector is producing creative solutions to help working families. Many beneficial innovations in EWA have come from smaller companies willing to experiment with new approaches, different pricing models, and novel verification methods. SB 1396 slams the door on these innovators, ensuring Connecticut workers will be served only by large, established players who may have less incentive to compete on price or service quality.

Constitutional Violations

SB 1396 raises serious constitutional issues. The voluntary tipping model represents a form of expressive association. When users choose to tip, they communicate support for a service that helps millions avoid predatory lending. By constraining this solicitation, Connecticut would effectively silence a critical form of community-supported financial innovation.

The Supreme Court has repeatedly struck down laws that impose prior restraints on solicitation. In cases like *Riley v. National Federation of the Blind*, the Court made clear that solicitation carries robust constitutional protection. Connecticut's bill would require government permission before platforms can even request voluntary support—a classic example of an unconstitutional prior restraint.

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In conclusion, EWA products provide valuable financial flexibility to Connecticut workers. However, SB 1396's extensive operational requirements and fee limitations would make it financially unviable for many providers to continue serving Connecticut residents, leaving these consumers with fewer and potentially more costly alternatives.

We strongly urge you to oppose SB 1396 and instead work toward a balanced approach that protects consumers while preserving access to innovative financial tools. As always we offer ourselves as a resource to discuss any of these issues with you in further detail, and we appreciate the opportunity to provide the committee with our thoughts on this important matter.¹

Sincerely,

Amy Bos
Director of State and Federal Affairs
NetChoice

NetChoice is a trade association that works to make the internet safe for free enterprise and free expression.

¹ The views of NetChoice expressed here do not necessarily represent the views of all NetChoice members.