

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 488** HLS 13RS 888
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE FLOOR AMD**
 Sub. Bill For.:

Date: May 16, 2013 9:19 AM	Author: IVEY
Dept./Agy.: Public Safety/Treasury	Analyst: Travis McIlwain
Subject: State Transactions	

STATE AGENCIES EG INCREASE GF EX See Note Page 1 of 1
 Requires state departments, agencies, boards, and commissions to accept cash and credit cards for certain transactions

Proposed legislation with adopted House floor amendments provides that the Department of Public Safety (DPS) and other other state agencies shall accept credit cards and may charge a convenience fee to recoup costs.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The proposed bill is anticipated to result in an indeterminable increase in state expenditures. This bill mandates that DPS and all state agencies accept credit/debit card payments (approved by State Treasury). The costs associated with this legislation will ultimately depend upon the number of state agencies that are not currently accepting credit/debit cards. To the extent a state agency is not currently accepting debit/credit cards, specific costs to be incurred include: credit card readers, vendor costs to connect credit card processing with agency existing IT systems, and merchant fees.

Requiring state agencies to accept credit/debt cards will result in an increase in merchant fees paid to the various card companies (Master Card, Visa, Discover, American Express). According to information provided by State Treasury, from April 1, 2012 to March 31, 2013, the state processed 1.48 billion transactions that equates to \$104.7 million of total transaction amount. The \$104.7 million in total transactions resulted in \$1.35 million in total merchant costs to the state (1.29%). To the extent a state agency accepts credit/debt cards, these agencies will incur merchant costs. This bill and current law allows state agencies to charge a convenience fee to be utilized to pay these merchant fees.

State Treasury currently has a contract in place with First Data for all credit/debit card transactions. This contract provides for a state agency to pay a \$500 fee for the creation of its payment gateway as opposed to having a vendor create for them. State Treasury believes this \$500 fee is less costly than a state agency paying its own vendor. At a minimum, mandating state agencies to accept credit/debit care payments will result in at least \$500 for each agency not currently offering this payment method. At this time, the LFO is unable to ascertain the number of state agencies that currently offer credit/debit cards as a payment method.

In addition, the proposed legislation will result in an indeterminable number of state agencies (those currently not offering credit/debit card transactions) purchasing credit card readers. Based upon LFO research, credit card readers range from \$60 to \$300 per reader depending upon brand and type. The LFO is unable to calculate how many specific credit card readers would be purchased as a result of this bill.

Other potential expenditures associated with this bill involve any in-house or vendor IT modifications to existing IT systems. The specific costs of these changes is indeterminable. However, DPS has indicated anticipated vendor costs of approximately \$260,000 to modify the following systems: GTECH Video Gaming System, Driver's License Reinstatement, Vehicle Registration, Other various OMV systems, Concealed Handgun System, ThinkStream Clerk Crash Report.

REVENUE EXPLANATION

This bill may result in an indeterminable increase in credit/debit card convenience fee collections. This bill provides that when state agencies accept credit/debit cards, state agencies may charge a convenience fee. This fee will be utilized to offset the cost of allowing state services to be paid with credit/debit cards. If state agencies do not charge this fee, state agencies will be forced to absorb such costs, which based upon State Treasury would be 1.29% of the total transaction.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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