

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 638** HLS 15RS 1156
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 28, 2015	3:00 PM	Author: IVEY
Dept./Agy.: Treasury		Analyst: Travis McIlwain
Subject: State Transactions		

STATE AGENCIES RE SEE FISC NOTE SG RV See Note Page 1 of 2

Provides for the collection of fees associated with payments to state agencies by credit cards, debit cards, or other forms of electronic payments

Current law authorizes the collection of a convenience fee on credit card transactions authorized for the Department of Public Safety & Corrections. Proposed law provides that the convenience fee may be a uniform dollar amount, a percentage of the transaction or a tiered amount based on the transaction amount. Current law only authorizes Revenue, Transportation & Development, Public Safety & Corrections, Wildlife & Fisheries and Environmental Quality are only state agencies currently eligible to accept credit/debit transactions. Proposed law allows any state agency, board or commission to offer credit/debit card transactions. This legislation provides any other forms of electronic payment are acceptable (electronic checks). Proposed law provides for the agency convenience fee proposal be reviewed and recommended by the state treasurer.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

If a state agency chooses to accept credit/debit card transactions, this could result in an indeterminable increase in state expenditures that may be borne by consumers through convenience fees. This bill allows (does not mandate) all state agencies, board and commissions the ability to accept credit/debt card payments as opposed to a select few. Currently, only Revenue, Transportation & Development, Public Safety & Corrections, Wildlife & Fisheries and Environmental Quality are allowed to accept this form of payment. To the extent a state agency, board or commission chooses to offer credit/debit card transactions as an acceptable form of payment, there may be a cost increase depending upon the method chosen for implementation. As discussed below, the 1st method will result in an increase in start up costs and transactional interchange fees (to be offset with a convenience fee paid by the consumer), while the 2nd method would require \$0 startup costs and \$0 interchange fees as a vendor selected through RFP (third party solution) would incur the costs, which in turn will be recouped through fees paid by the consumer.

1st Method: The first method, which will require start up costs, includes paying a \$500 fee to State Treasury for the creation of its payment gateway (Pay Point). State Treasury currently has a statewide contract in place with First Data (state's third party processor) for all credit/debit card transactions. This method will require the state agency to purchase credit card readers, pin machines and pay interchange fees. These costs would be offset by a convenience fee that is allowed to be collected from the payor to the agency.

Below is an example of the potential costs to be incurred by a state agency utilizing the 1st method for a typical credit card swipe and how much the convenience fee would need to be in order for the state agency to cover its costs for a \$100 transaction (Based upon the current state contract with First Data:

- \$0.05 Per transaction paid to First Data (State contract rate with State Treasury)
 - \$0.15 Per transaction amount paid by utilizing Pay Point (payment gateway discussed above)
 - \$1.80 Interchange rate paid to credit card companies (All rates are different and 1.8% is the average among the companies)
 - \$0.02 Per transaction Trans Armor services (Service provided to protect information gained from swipe - see page 2)
- \$2.02 Total Transactional Costs**

*Based upon the example above, a \$100 swipe would result in a \$2.02 convenience fee that will be paid by the consumer in addition to the normal fees to be paid by the consumer. This \$2.02 would be the convenience fee.

REVENUE EXPLANATION

As discussed in the expenditure section above, the method chosen for choosing to offer credit/debit care transactions determine the revenue impact. If method 1 is utilized, the state agency will collect convenience fees (to offset expenditures) in accordance with State Treasury's contract with First Data. If method 2 is utilized, there will no impact upon state revenue collections as the third party solution vendor will be collecting the fee on behalf of the state and keeping the agreed amount based upon per transaction rates included in the contract. The consumer will pay for these costs of the vendor through fees.

- | | | | |
|---|----------------------------|--|---|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & 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} | |

Evan Brasseaux
Evan Brasseaux
Staff Director

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 638** HLS 15RS 1156
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 28, 2015	3:00 PM	Author: IVEY
Dept./Agy.: Treasury		Analyst: Travis McIlwain
Subject: State Transactions		

CONTINUED EXPLANATION from page one:

2nd Method: The second method will require \$0 for start up costs and \$0 merchant fees. This requires the state agency to issue an RFP for a third party solution. This type of vendor will pay for all start up costs, merchant fees and recoup these costs through a negotiated per transaction rate. This transaction will be borne by the consumer. Current law allows DPS, Revenue, DOTD, DEQ, Insurance and Wildlife & Fisheries to enter into such agreements. According to information provided to the Legislative Fiscal Office by the Office of Technology Services (OTS), state agencies could utilize the services of a third-party processor. To the extent a state agency utilizes a third-party vendor to allow for credit/debit card acceptance, the agency would not incur any start up costs. The start up costs incurred include implementation of web or mobile applications to accept electronic payments online. The vendor will recoup these startup costs and interchange fees (fees paid to Master Card, Visa, Discover, & AMEX) through the negotiated transactions.

Note: Method 1 and method 2 previously discussed are related to online transactions that only involve the use of credit/debit cards.

Quality Security Assessment (QSA) Costs: The credit card industry currently has in place 4 different levels of data security standards. These standards are based upon the number of annual transactions. Based upon the current annual transactions, under the statewide contract with the State Treasury the security standard is a level 4 (lowest). To the extent this bill is enacted and more state agencies (especially the smaller ones) begin accepting credit/debit cards, the state will more than likely increase its level to at least a level 2 (1 million to 6 million transactions). This increase in security level will require an additional vendor to provide QSA analysis on the safety of the information included within each of those transactions on an annual and/or quarterly basis. The specific costs of a vendor performing this work is unknown at this time. However, to the extent the state were to include Trans Armor (service provided by First Data to protect credit/debit card information), the QSA costs would be less than if the state did not have such a service. Current rate for Trans Armor is \$0.02/transaction.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

**Evan Brasseaux
Staff Director**