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FISCAL IMPACT REPORT

SPONSOR Campos DATE TYPED 2/6/2004 HB _____

SHORT TITLE Credit Card Processor Convenience Fee SB 420

ANALYST Johnson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	See narrative				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration

SUMMARY

Synopsis of Bill

Senate Bill 420 amends Section 6-10-1.2 NMSA 1978 to allow state agencies to accept payments from debit cards as well as credit cards. The bill also allows a state agency to authorize the credit card processors to charge a convenience fee for the cost of processing the credit or debit card transaction.

Significant Issues

The department of finance and administration provided the following:

Under present statutes, agencies are authorized to accept credit or debit card payments for collection of various revenue sources from the public such as taxes, fees, fines and licenses. This bill would allow agencies accepting payments in this manner, to charge the public a card processing fee for the convenience of using a credit or debit card when payments are made from a remote location such as the internet or by telephone. If a credit or debit card is used to make an in-person payment in a traditional "walk-up" transaction, credit and debit card companies do not allow the assessment of a convenience fee. To charge this fee, the remote credit or debit card

payment option offered by the state agency must be considered a convenience to the person using the card to pay the fee.

Presently, the Taxation and Revenue Department (TRD) Secretary has statutory authority to charge a convenience fee to individuals paying taxes, fines or motor vehicle fees with credit or debit cards from a remote location. This bill would give blanket authority to all state agencies to charge this convenience fee for current or future credit or debit card payments. Due to the high volume of credit and debit card use by the public for payments to TRD, the department was paying the state's fiscal agent an estimated \$19,000 per month in processing fees. The department requested proposals from card processing companies to provide third-party card processing services and charge a convenience fee to the public. By implementing this new contract in January 2004, the department could experience a budget savings in the range of \$200,000 per year.

As state agencies continue to increase the acceptance of credit and debit cards for payments made by the public, the card processing fees being paid continue to erode individual agency budgets and the overall state budget. The following is an example of a taxpayer paying a TRD personal income tax (PIT) payment over the internet, using a credit card: Assuming a \$50,000 tax payment, the processing fee paid to the fiscal agent by the agency would be \$77.50, using the credit or debit card for this single transaction. Through the department's new card processing contract, the taxpayer will be charged a convenience fee, which will be direct compensation to the processor for the transaction. The department is relieved of all processing fees. As the volume of credit and debit card transactions increases, agency budgets will experience significant card processing expense.

FISCAL IMPLICATIONS

The bill does not contain an appropriation.

The department of finance and administration provided the following:

Presently, the fiscal agent processes credit and debit cards for approximately 45 state agencies and charges a 0.155% fee for the service. The approximate monthly fee paid to the fiscal agent for card processing services is \$18,000, with \$11,000 for remote card processing fees. These processing fees will continue to increase as more agencies accept card payments. Some agencies have opted to use alternate third-party card processors other than the fiscal agent bank. If this legislation is implemented allowing agencies to charge a convenience fee, the state could reduce costs by over \$200,000 annually, by passing the processing fees on to the public for the convenience of using their credit or debit card to make payments to the state, over the internet or by telephone. This cost savings would be contingent on agencies which accept remote credit and debit card payments, revising their card processing contracts to impose the convenience fee.

OTHER SUBSTANTIVE ISSUES

The title of the bill states that the convenience fee will be charged to the state. The bill text does not clearly indicate whether the fee will be charged to the state or to the public paying for fees, taxes or licenses. The bill should be amended to clearly identify the party that will be assessed the fee.

AMENDMENTS

The department of finance and administration provided the following:

The new language proposed by Senate Bill 420 should be amended as follows, with suggested amendments in parenthesis: The state agency may authorize the credit (or debit) card processor to charge a convenience fee payable to the credit (or debit) card processor (or to the agency) for the cost of processing the credit or debit card transaction. (Amounts collected pursuant to this section are appropriated to the agency to defray the expense of providing this service.)

CJJ/yr