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FISCAL IMPACT REPORT

ORIGINAL DATE 2/20/09

SPONSOR Sanchez LAST UPDATED _____ HB _____

SHORT TITLE Electronic Payments to Local Government SB 510

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$0.1	\$0.1	Undetermined	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
New Mexico Municipal League

No Response

Association of Counties
Association of County Clerks

SUMMARY

Synopsis of Bill

Senate Bill 510 amends Section 6-10-1.2 NMSA 1978 to allow local governments to accept credit card and other electronic payments after the local governing body adopts procedures, subject to the approval of the department of finance and administration, on the terms and conditions of accepting payments by credit card or electronic transfer.

FISCAL IMPLICATIONS

Senate Bill 510 makes no appropriations.

Local governing bodies would adopt procedures, subject to approval of the Department of Finance & Administration, which would address such matters as determining whether credit card fees should be paid by the county or the credit card-holding taxpayer.

SIGNIFICANT ISSUES

The New Mexico Municipal League contributed the following comments.

Allowing local governments to accept credit card and other electronic payments will give local governments flexibility in collecting fees and charges for services that they do not now enjoy.

As more and more people use credit and debit cards for bill payment it is imperative that local government evolve their payment terms to keep up with changing norms.

TECHNICAL ISSUES

The DFA Local Government Division notes that this bill applies to "local governing body" but is not clear what is meant by that term. It is assumed that the term "local governing body" refers to counties and municipalities, but a clear definition in this statute would clarify whether it is meant to include only these two types of governing entities or if it also intends to include special districts and other local public bodies.

OTHER SUBSTANTIVE ISSUES

Senate Bill 510 has the support of both the New Mexico Municipal League and the Association of Counties.

According to www.CreditCards.com, as of 2006 there were currently approximately 984 million credit and debit cards in circulation in the United States, making it the most common form of electronic payment. For a small business, and possibly for a local governing body, there are both advantages and new costs for accepting credit cards.

Consumers love the convenience of using credit cards. There were 984 million bank-issued Visa and MasterCard credit card and debit card accounts in the U.S in 2006. (Sources: Visa USA, MasterCard International). U.S. Visa cardholders alone conduct more than \$1 trillion in annual volume. (Source: Visa USA internal statistics, 4th quarter 2006). Credit cards are the most often used form of electronic payment. Debit card usage is also increasingly gaining momentum with consumers. Paying with checks or cash, on the other hand, has been decreasing in popularity over the past few years.

For businesses that accept credit cards there is a wide range of costs from fees alone. Set-up fees range from \$30 to \$200 for face-to-face payments all the way up to thousands of dollars for a web site if you decide to accept online payments. Some of the other most common fees include (but are not limited to):

Senate Bill 510 – Page 3

Equipment: \$30 to \$1,000

Monthly statements: \$4 to \$20

Transaction fees: 5 to 50 cents each

Discount rate: 1.5% to 3% per transaction

Chargeback fees: Up to \$30 for each return

There may also be miscellaneous costs such as communicating with the processor for a price of 5 to 12 cents per connection, cancellation fees for closing your account of \$300 to \$800, keeping a supply of charge slips, and web-site hosting fees. Depending on the operation, the benefits may not outweigh the costs.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The DFA LGD states that the consequence of not enacting Senate Bill 510 is that local governing bodies will not be able to accept credit cards or electronic transfers from taxpayers. Taxpayers would continue to be inconvenienced by restricted method(s) of payment currently in place. County and municipal treasurers would be deprived of having an efficient method of collecting and depositing taxes in a timelier manner.

CH/mt:mc