

STORAGE NAME: h2257.go

DATE: April 7, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
GOVERNMENTAL OPERATIONS
ANALYSIS**

BILL #: HB 2257 (PCB UCO 00-04)

RELATING TO: Credit Card Transactions for Government Entities

SPONSOR(S): Committee on Utilities and Communications and Representative Rojas

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) UTILITIES AND COMMUNICATIONS YEAS 9 NAYS 0
 - (2) GOVERNMENTAL OPERATIONS
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

The state and its political subdivisions are authorized to accept credit cards, charge cards, and debit cards for payment of goods and services under the provisions of section 215.322, Florida Statutes. This section provides that it is the intent of the Legislature to encourage state agencies, the judicial branch, and local governments to make services more convenient and reduce administrative costs by accepting these types of cards.

This bill provides additional legislative intent regarding the use of credit cards, charge cards, and debit cards for payment to state agencies, the judicial branch, and local governments. It encourages the use of these cards "when the benefits to the participating agency and the public substantiate the cost of accepting these types of payments."

It eliminates the requirement that the Office of Planning and Budgeting must recommend the use of the cards and provides that the State Technology Office must review and recommend any request to use the cards for Internet or related electronic related medium.

Other "appropriate intermediaries" are allowed to contract with the agencies or judicial branch and the Treasurer is required to develop a methodology for agencies to use when evaluating the cost-benefit analysis for the use of the cards. Convenience to the user may be considered as a benefit. The total amount of any convenience fees are not allowed to exceed the total cost to the state agency.

The bill appears to have no direct fiscal impact. The cost to the state of accepting credit cards, charge cards, and debit charges is a balance between the processing fee for the cards and the savings in reduced administrative costs.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The state and its political subdivisions are authorized to accept credit cards for payment of goods and services under the provisions of section 215.322, Florida Statutes. This section provides that it is the intent of the Legislature to encourage state agencies, the judicial branch, and local governments to:

make their services more convenient to the public and to reduce the administrative costs of government by acceptance of payments by credit cards, charge cards, and debit cards to the maximum extent practicable.

A state agency or the judicial branch may accept credit cards, charge cards, or debit cards for payment for goods and services upon the recommendation of the Office of Planning and Budgeting and with prior approval of the Treasurer.

The Treasurer is required to adopt rules governing the establishment and acceptance of credit cards, charge cards, or debit cards. The rules shall include but not be limited to: (1) utilization of a standard contract developed by the Treasurer or an approved substitute agreement, (2) procedures permitting an agency accepting payments by these cards to impose a convenience fee, (3) invoicing of service fees in a manner satisfactory to the Comptroller and (4) submission of information to the Treasurer regarding the acceptance of these cards. The convenience fee may not exceed the total cost to the state of contracting for such card services.

The Treasurer is also authorized to contract with one or more institutions that are authorized by law to process card collections for the state. A state agency or judicial branch that accepts card payments must use at least one of the contractors or be approved by the Treasurer to use another contractor. If the agency or branch uses another contractor, it must be more advantageous to the agency or branch to use that contractor.

State universities are authorized to enter into agreements, pursuant to section 215.322, Florida Statutes, to accept credit cards, charge cards, and debit cards for "compensation for goods, services, tuition, and fees in accordance with rules established by the Board of Regents."

C. EFFECT OF PROPOSED CHANGES:

This bill provides additional legislative intent regarding the use of credit cards, charge cards, and debit cards for payment to state agencies, the judicial branch, and local governments. It also specifically states that the Legislature encourages the use of these cards "when the benefits to the participating agency and the public substantiate the cost of accepting these types of payments."

This bill also eliminates the requirement that the Office of Planning and Budgeting must recommend the use of the cards. The State Technology Office is required to review and recommend any request to use the cards when the Internet or other related electronic methods are used as a collection medium.

Other "appropriate intermediaries" are allowed to contract with the agencies or judicial branch. The total amount of any convenience fees are not allowed to exceed the cost to the state agency. Currently, these fees may not exceed the total cost to the state of contracting for the card services. According to the Treasurer's Office, the contract rate for the use of these cards is an average of 2.15%.

The Treasurer is also required to develop a methodology, by rule, for agencies to use when evaluating the cost-benefits for the state for using the cards. The methodology must include all quantifiable cost reductions, as well as "other benefits to the agency" and the potential impact on the general revenue. It must also consider such benefits as the convenience to the individuals and businesses that pay for state goods and services through the use of these cards.

D. SECTION-BY-SECTION ANALYSIS:

Please see "Effect of Proposed Changes" section.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Please see "Fiscal Comments" section.

2. Expenditures:

Please see "Fiscal Comments" section.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

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2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Please see "Fiscal Comments" section.

D. FISCAL COMMENTS:

In Fiscal Year 1998-99, the state accepted \$48,780,913.91 in payments by credit card according to the Office of the Treasurer. The overall processing fee rate for the credit cards was 2.15%. The processing fee ranges from 3.52% (\$1.00 - \$14.99) to 1.82% (\$500.00 - \$1500.00) for Visa and MasterCard. Discover and Other Novus Brands charge 1.45% and American Express charges \$0.10 per transaction. The cost to clear any check is 3.3 cents per check and 6.0 cents to clear any automated clearinghouse payment.

The representative from American Express stated that even though there is a processing fee for the use of a credit card, the state would realize savings using credit cards because of reduced ancillary costs. The state receives its money immediately and does not incur the expense of dealing with bad debts and bounced checks.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

The Treasurer is required to develop additional rules concerning the use of other "appropriate intermediaries" to use under contract. This is in addition to the financial institutions that are currently under contract. The Treasurer is also required to develop, by

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rule, the cost-benefit methodology to determine the costs and benefits of using credit cards, charge cards, and debit cards.

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON Committee on Utilities & Communications:

Prepared by:

Staff Director:

Patrick L. "Booter" Imhof

Patrick L. "Booter" Imhof

AS REVISED BY THE COMMITTEE ON GOVERNMENTAL OPERATIONS:

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