

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 878

SPONSOR: Education Committee and Senator Kirkpatrick

SUBJECT: State University/Credit & Debit

DATE: March 30, 2000                      REVISED: 4/3/00                      \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>O'Farrell</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>GO</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

**I. Summary:**

The legislation authorizes state universities to accept credit cards, charge cards, and debit cards for student payment of tuition and fees without the imposition of convenience fees for such services. The universities are permitted to absorb the costs associated with accepting payment through the cards as a cost of doing business. The universities may also use any source of non-appropriated funds to cover the costs of accepting the cards. In addition, with approval of the State Treasurer, universities may negotiate contracts with financial institutions to use compensating balances to cover the costs of accepting the cards. The universities may accept card payments at any location where compensation is received for goods, services, tuition, or fees, whether the payment is made in person or by electronic means. Also, the universities must ensure that students are provided opportunities to learn about using credit cards properly, avoiding indebtedness, and managing debt responsibly.

This bill substantially amends section 240.289 of the Florida Statutes.

**II. Present Situation:**

Current law permits state universities to accept credit cards, charge cards, and debit cards for the payment of tuition and fees pursuant to s. 215.322, F.S. Provisions of that section require a recommendation by the Governor's Office of Planning and Budgeting and prior approval by the State Treasurer for any state agency to accept such cards in payment for goods and services. Rules of the Treasurer govern the acceptance of credit cards by state agencies. The rules require a standardized contract between a financial institution and an agency regarding the acceptance of payment by card unless otherwise approved by the Treasurer. Convenience fees charged to the card user are permitted unless prohibited by law or card company regulations; however, they are not required.

According to the Board of Regents staff, three state universities -- the University of Florida, Florida State University, and Florida Atlantic University -- accept tuition payment by credit card

from remote locations (telephone, kiosk, and the Internet) and charge a convenience fee for the service. Card payment of tuition and fees is not permitted at the traditional registration process of students standing in line to sign up for classes and pay fees. Florida International University uses a third party payor who accepts tuition payment by credit card and absorbs the card fee. Two other universities -- the University of West Florida and the University of Central Florida -- are in the process of gaining approval for all tuition payment types. The remaining state universities do not accept credit card payment of tuition at this time.

Universities have indicated having difficulty with the current card payment approval process provided for in the Treasurer's rules. The approval process requires the petitioner to provide justification for accepting credit cards that includes items such as: the economic benefits, customer payment compliance, increased collections, reduction in bad check losses, earlier receipt of funds, and any other information appropriate to explaining the request. Apparently, the Treasurer's Office is not convinced that any university will be able to show the quantitative cost/benefit results needed for request approval under current law and rules. Further, the Treasurer has indicated a need for data demonstrating that cost savings will equal or be close to equaling the credit card charges that will be absorbed. Projections of what the universities believe they will save based on the use of compensating balances and reduced collection costs are not considered sufficient. Also, intangible savings, such as convenience to students and parents or the increased ability to integrate business systems, are not considerations for approval.

**III. Effect of Proposed Changes:**

The legislation under consideration authorizes state universities to accept credit cards, charge cards, and debit cards for payment of tuition and fees without imposing a convenience fee on the student for the card services. The universities are authorized to absorb the costs associated with accepting card payments as a cost of doing business, and may use any source of unappropriated funds to cover the costs. The State Treasurer's approval is required for universities to negotiate credit card, charge card, and debit card contracts with financial institutions that would allow the schools to keep a compensating balance on deposit with the institutions to cover the costs of accepting card payments. Finally, the universities may accept credit card, charge card, or debit card payment at any location where compensation is received for goods, services, and tuition and fees, whether the payment is made in person or electronically.

State universities will be required to adopt internal policies to ensure that students are provided with opportunities to learn about the proper use of credit cards, methods to avoid indebtedness, and responsible debt management.

The Treasurer's Office suggests the bill will free universities from the cost/benefit analysis required by s. 215.322, F.S., for Treasury approval to accept credit card payments.

**IV. Constitutional Issues:**

**A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**D. Other Constitutional Issues:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Students would enjoy the convenience and savings of using a credit card, charge card, or debit card to pay tuition without incurring a service fee.

**C. Government Sector Impact:**

The universities estimate the system wide cost of absorbing the fee charges for students paying tuition by credit card, charge card, or debit card to be less than \$1 million. They believe that they will be able to negotiate a convenience fee rate with financial institutions of from 1.5 to 2 percent, and indicate that the current state contract rate is 1.6 percent. Based on a full-time student enrolled for 12 credit hours per semester, the annual cost per student would be approximately \$30. The universities also believe the savings from increased collections realized by accepting credit card payments will offset the costs the universities will incur. The costs will be covered by non-appropriated revenue such as that from auxiliary and concession funds.

The Treasurer's Office has taken exception to the universities' maintaining a compensating balance at financial institutions to cover card costs. The Office believes this to be inefficient because the compensating balance earning rate at a financial institution would be well below Treasury investment earning rates.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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