

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 222 (Senate Finance Committee Substitute) Government Accept Electronic Payment

SHORT TITLE: Government Accept Electronic Payment

SPONSOR(S): Senator Reeves

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 1999-00 FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04

REVENUES See Assumptions and Methodology

EXPENDITURES See Assumptions and Methodology

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Office of the State Controller; Department of State Treasurer; state agencies; local governments

EFFECTIVE DATE: The act is effective when it becomes law.

BILL SUMMARY: The bill provides for state and local governments to accept credit cards, charge cards, debit cards and electronic fund transfers for payment of government fees, costs, and debts. The bill mandates the State Controller establish a policy to allow accounts receivable to be paid by electronic payment.

ASSUMPTIONS AND METHODOLOGY: No estimate is available on the fiscal impact on state and local governments due to the uncertainty about participation by both governmental units and consumers. SB 222 adds electronic payment as another method to maximize investment of tax dollars and minimize idle, nonproductive cash. However, governmental units will only use electronic payment if it is consistent with sound business practices. It is not known which state agencies and local governments have examined their cash management policies and determined that electronic payment is needed.

Some state agencies have decided to pursue electronic payment as a means to help consumers. The Division of Motor Vehicles (DMV) in the Department of Transportation requested HB 280 in the 1999 General Assembly to allow the agency “to accept electronic applications for the

issuance of registration plates, registration certificates, and certificates of title, and to electronically collect fees and penalties”. SB 222 is needed to enable DMV to collect a fee by electronic payment. The Virginia DMV currently accepts credit cards and check cards for all transactions.

The Federation of Tax Administrators - a national association -found in a 1997 survey that 12 state tax agencies accept credit cards for at least some types of tax payment. Eleven additional states have authority to accept credit cards but have no program in place.

The State Controller’s staff has attempted to quantify the impact of SB 222 at the state level. They estimate that a transaction ranging from \$20 to \$200 has a handling and processing cost of approximately \$5 per transaction using current payment methods. They estimate the cost per transaction using electronic payment will be reduced \$3 to \$4, depending upon the fee charged by credit or debit card companies. The State Controller estimates that the first year impact will be revenue neutral with only 100,000 transactions using electronic payment. In the following years, it is estimated that each transaction by electronic payment will save \$3 and the volume of transactions will grow as shown in the chart below:

2nd Year	1,100,000 transactions	\$3.3 million savings
3rd Year	2,200,000 transactions	\$6.6 million savings
4th Year	3,400,000 transactions	\$10.2 million savings
5th Year	4,800,000 transactions	\$14.4 million savings

FISCAL RESEARCH DIVISION 733-4910

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