



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 187 of the 128th G.A.

**Date:** September 23, 2009

**Status:** As Introduced

**Sponsor:** Rep. Huffman

**Local Impact Statement Procedure Required:** No — No local cost

**Contents:** Requires the Bureau of Motor Vehicles and deputy registrars to accept credit cards and debit cards for all state-related transactions they process

### State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
<b>State Bureau of Motor Vehicles Fund (Fund 4W40)</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	One-time start-up costs for equipment of approximately \$1.5 million; annual increase of approximately \$84,000 for telephone line costs, plus annual increase, potentially in the millions of dollars, for credit card transactions made in a given year	Increase of approximately \$84,000 for telephone line costs, plus annual increase, potentially in the millions of dollars, for credit card transactions made in a given year	Increase of approximately \$84,000 for telephone line costs, plus annual increase, potentially in the millions of dollars, for credit card transactions made in a given year

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- **Start-up costs.** The bill would require the Bureau of Motor Vehicles (BMV) to expend approximately \$1.5 million for the equipment and telephone installation required for the BMV to accept credit and debit cards for all state-related transactions it processes.
- **Ongoing expenses.** The BMV would experience an annual increase in expenditures, potentially in the millions of dollars, stemming from the number of credit and debit card transactions made in a given year.

# Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
<b>Counties, Municipalities, and Townships</b>			
Revenues	Potential loss of uncertain magnitude	Potential loss of uncertain magnitude	Potential loss of uncertain magnitude
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Local taxing districts.** The provisions in the bill requiring the BMV to accept credit or debit cards for all state-related transactions could lead to a potential loss in revenues for local governmental entities. The BMV draws on Fund 4W40 for its own expenses before distributing any to the local taxing districts for road improvements at the local level; should the provisions in the bill result in increased expenditures for the BMV, local governments may potentially experience a loss in revenue.

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## Detailed Fiscal Analysis

Under current law, the Bureau of Motor Vehicles (BMV) is authorized to implement a program to utilize financial transaction devices, including credit and debit cards. The bill changes the law to require the BMV to accept credit and debit cards for all state-related transactions they process. Currently, the BMV does not generally accept credit or debit cards, with the exception of vehicle registration transactions processed through oplates.com.

### State fiscal effects

The BMV processes approximately 12 million vehicle registration transactions annually. In addition to those vehicle registrations, there are driver license and state ID transactions, International Registration Plan (IRP) transactions, and license reinstatement fee transactions. The BMV would be required, under the provisions of the bill, to take a credit or debit card for any of these types of transactions.

### Start-up expenses

According to the Department of Public Safety, the implementation of a program to utilize credit and debit cards would require one-time start-up costs related to the purchase of equipment and telephone installation of \$1.5 million. This and all other expenditures related to the provisions in the bill would be paid from the State Bureau of Motor Vehicles Fund (Fund 4W40).

### Ongoing expenses

#### Telephone line costs

The BMV would incur annual expenditures of approximately \$84,000 to pay for the telephone lines required to process credit and debit card transactions.

#### Credit card fees

The BMV must also pay fees associated with accepting credit cards for transactions. There are authorization fees of \$0.13 or \$0.135, depending on the type of credit card used. This is a fixed charge regardless of the dollar amount of the transaction. There is also a fee based on a percentage of the dollar amount of the transaction. This percentage fee varies by the type of credit card. The current state rates are shown in the table below.

Type of Credit Card	Current Rate
Visa	2.3%
MasterCard	2.3%
Discover	1.65%
American Express	2.2%

Without knowing how many customers would choose to use credit cards, and for what type of transaction (e.g., an IRP transaction can cost more than \$1,000, depending on the weight of the vehicle in question), the following table shows various scenarios, prepared by the Department of Public Safety, to demonstrate what the potential annual cost of the bill could be.

<b>Table 2. Variable Annual Costs Related to Credit Card Transactions</b>		
<b>% of Customer Use</b>	<b>\$ Value of Transactions</b>	<b>Bank Processing Fees, Paid by the BMV</b>
20%	\$162,589,320	\$3,885,332
40%	\$325,178,640	\$7,770,663
60%	\$487,767,960	\$11,665,995

### **Local fiscal effects**

The provisions in the bill requiring the BMV to accept credit or debit cards for all state-related transactions could lead to a potential loss in revenues for local governmental entities. Most collected local and state motor vehicle license taxes are deposited into a holding account within the Department of Public Safety. On a monthly basis, an assessment of Fund 4W40 occurs and cash is transferred from the holding account to Fund 4W40 in order to cover BMV's monthly operating expenses. Any remaining funds in the holding account are then forwarded to local governments (counties, municipalities, and townships) to use for transportation-related needs such as roads and bridges. The BMV draws on Fund 4W40 for its own expenses before distributing any to the local taxing districts for road improvements at the local level; should the provisions in the bill result in increased expenditures for the BMV, local governments might experience a loss in revenue. The amount of revenue loss to the local taxing districts would be dependent on the increase in expenditures to the BMV.