



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 188 (as enrolled)
 Sponsor: Senator Michael J. Bouchard
 Senate Committee: Financial Services
 House Committee: Transportation

PUBLIC ACT 144 of 1995

Date Completed: 9-14-95

RATIONALE

In today's business world, most commercial operations use modern technologies and credit payment systems to conduct financial transactions. Secretary of State branch offices in Michigan take in over \$1 billion per year as payment for various fees, taxes, and other charges. Despite this large volume of business in financial transactions, however, the Secretary of State offices have had very limited authority to accept credit cards and no authority to accept many other alternative payment methods. Although the Michigan Vehicle Code permits the Secretary of State to accept a credit card as payment of a tax or fee required under the Code (MCL 257.816), similar authority has not existed for the payment of taxes or fees required under other statutes, such as snowmobile or off-road vehicle registration fees. As a result, the vast majority of the payments made to branch offices are accepted in the form of cash and personal checks. To accommodate the large volume of business conducted at branch offices, as well as the needs of Michigan citizens who transact that business, many people feel that the Secretary of State should be statutorily authorized to accept alternative payment methods--such as credit cards and electronic funds transfers--that facilitate the immediate transfer of money.

CONTENT

The bill created a new act to provide that by January 1, 1996, in addition to accepting a check, draft, money order, or cash, the Secretary of State will have to accept alternative methods that authorize the immediate transfer of funds for the payment of a tax, fee, price, or charge required under any act or rule in which the Secretary of State is responsible for collecting payments. The Secretary of State must determine which alternative methods of payment may be accepted.

Each transaction through an alternative method of payment must be verified by the Secretary of State with the financial institution for approval of credit authorization. The Secretary of State may collect a service assessment from the user of a credit or debit card, but the assessment cannot exceed the actual cost to the Department of State of the credit or debit card transaction or the amount appropriated to cover service assessments, whichever is less.

Alternative methods of payment include, but will not be limited to, a credit or debit card, an electronic funds transfer, and a negotiable instrument or other instrument, device, or means that authorizes the immediate transfer of funds.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Michigan's Secretary of State branch offices are a billion-dollar-a-year operation, yet they conduct most of their transactions in cash, unable to use available payment technologies that are widely used in the private sector. Accepting alternative payment methods that immediately transfer funds will allow branch offices to operate more efficiently and to offer more convenient service to Michigan residents. If fewer people have to transact business at branch offices, lines will be shorter for those who still come in. In addition, although fees are generally paid to entities that offer these services (such as credit card companies), the bill allows the Secretary of State to collect a service assessment from the user of a credit or debit card. Alternative payment methods also will improve

security at branch offices because less cash will be in the tills.

Legislative Analyst: P. Affholter

FISCAL IMPACT

Currently, the Department of State accepts credit cards for mail-in renewals. In FY 1993-94, 21% of vehicle registrations were through the mail and 8.6% of those mail-in registrations used charge cards. The current cost incurred by the State is a 2.04% service charge. As the use of credit cards expands, it is possible to obtain a reduced charge. The rate charged across the industry is 1.8% to 2.3%. Fiscal year 1993-94 costs to the Department for credit card service charges were \$202,000.

Fiscal Analyst: B. Bowerman

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