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May 19, 2015

Senator Elizabeth Steiner-Hayward, Co-Chair
Representative Greg Smith, Co-Chair
Joint Committee on Ways and Means
Subcommittee on General Government

Sent via e-mail

Dear Co-Chairs,

During yesterday's hearing on the State Treasurer's 2015-17 budget request, Senator Steiner-Hayward requested a breakdown on the beneficiaries by age group for participants in the 529 Oregon College Savings Network. At a high level, 39 percent of beneficiaries were between the ages of 4 and 11. Beneficiaries aged 12 through 19 accounted for 47 percent of the plan assets. The table below summarizes the breakdown by age group.

	% of Beneficiaries	% of Total Plan Assets	Average Assets per Beneficiary
Age 0-3	11%	4%	\$7,112
Age 4-7	19%	16%	\$14,750
Age 8-11	20%	22%	\$18,196
Age 12-15	20%	25%	\$21,791
Age 16-19	16%	22%	\$24,016
Age 20+	14%	11%	\$13,991

In addition to the above request, there was a great deal of discussion regarding merchant card fees. This discussion is scheduled to continue on Tuesday, May 26, before the Subcommittee. In anticipation of that meeting, I want to share with you materials provided previously to the Legislative Fiscal Office in response to Representative Gomberg's inquiry earlier in this legislative session. Those materials are attached to this letter. As always, we are available to meet with you and other committee members to answer your questions at your convenience.

Kind regards,

Scott L. Harra
Chief Administrative Officer
Oregon State Treasury

cc: Members of the General Government Subcommittee of Ways and Means
John Borden, Principal Legislative Analyst



OREGON STATE TREASURY

MEMORANDUM

TO: John Borden, Principal Legislative Analyst
FROM: Cora R. Parker, Director of Finance, Oregon State Treasury
SUBJECT: Merchant Card Information Request
DATE: March 17, 2015

This memorandum and the attached materials are in response to your recent request for information relative to merchant card acceptance services provided to agencies through Oregon State Treasury. Notably, your questions pertained to merchant card related fees, including: current and recent historical fees, how such fees are negotiated or otherwise determined, and additional value the state may receive relative to the current program and contract. Attachments include:

- **Attachment A – LFO Merchant Card Response:** This attachment outlines more detailed responses to the questions in your original request, including a description of details found in the related Excel spreadsheet.
- **Attachment B – LFO Merchant Card Response Spreadsheet:** This attachment provides a history of merchant card sales and fees paid by state agencies for calendar years 2010 through 2014. In addition, it includes a “Sample Fee Transactions” outlining how Interchange, Assessments, and Processing fees impact a variety of transaction types. Finally, this attachment includes Visa Interchange Categories and related percentage and per transaction fees. While Visa is just one card-type, the other industry providers are similar.
- **Attachment C – Merchant Card Convenience and Service Fees:** This attachment includes a description of convenience or service fees allowed to be passed through to the consumer by the card associations. Notably, Visa’s Government Service Fee Program allows government merchants to charge a service fee under specific criteria.

While detailed information is included in the above-referenced attachments, a summary of the program is provided below.

As you know, Treasury maintains the Merchant Services (aka “credit card” acceptance) contract on behalf of state agencies. We currently contract with U.S. Bank/Elavon for these services. The

agreement was most recently renewed in October 2012, with an end date of October 2016. Through this contract, agencies can accept Visa, MasterCard, and Discover (Treasury also holds a separate agreement for acceptance of American Express).

The State pays no additional ongoing fees to U.S. Bank/Elavon beyond the merchant card fees charged to agencies for provision of the services. Further, Treasury has been able to negotiate merchant processing fees that are lower than might otherwise be available due to statewide volumes/economies of scale rather than individual agency volume. In addition to volume-based pricing considerations, including discount transaction pricing and simply not being charged for a variety of other potential charge categories, Treasury has been able to negotiate same day funding to Treasury's primary bank account for merchant card transactions. Most private sector firms must wait at least 48 hours for funds to be deposited to their accounts.

Merchant card acceptance is playing a growing role in helping agencies to: increase customer access and satisfaction, enhance payment compliance, improve cash flow, reduce risk of losses from bad checks, and increase operational efficiencies. Currently, there are approximately 700 agency locations (including physical locations, as well as telephone and online acceptance) accepting credit/debit cards. Annual net sales for CY 2014 was more than \$840 million, representing just under 14 million transactions. As the state moves more fully into adoption of e-commerce alternatives, and agencies such as DMV move to accept merchant cards, these totals are expected to further increase.

We hope you will find these materials responsive to your original request. We recognize that the merchant card acceptance industry is very complex. With that in mind, please let me know if you have any additional questions or concerns, or if you would like to meet to discuss any of these materials.

Attachment A – LFO Merchant Card Response

Q: Please provide a history of the fee for the last five periods (biennia, or fiscal year, or contract period) that includes the amount or percent charged per component.

See first tab “Merchant Fee History” in the Attachment B spreadsheet. This spreadsheet provides a history of merchant card sales and fees paid by state agencies for calendar years 2010 through 2014. Important points include:

- Annual totals for Net Sales, Item Count, Merchant Card Fees and Discount Effective Rate are provided for each Agency Merchant Group. Agency Merchant Groups are established by the bank based on volume/complexity of the accounts and for reporting purposes.
- Net sales represents total gross sales less refunds.
- The Discount Effective Rate is the percentage of fees paid compared to Net Sales. A rate of less than 2% is considered very good across the merchant card industry as a whole.
- The total Merchant Card Fees presented in the spreadsheet is made up of three components: Interchange, Assessments and Processing Fees. For more information on these three components, go to the “Sample Fee Transactions” tab of the attached spreadsheet. These rates fluctuate based on the type of card presented by the consumer.
- See “Sample Fee Transactions” tab for sample information related to Interchange, Assessment, and Processing fees.
- The “Interchange Pricing” tab includes a listing of Visa Interchange Categories and related percentage and per transaction fees. While only Visa is represented here, the other card-types are similarly structured for category and pricing purposes. Visa was used for this example, because more than 75 percent of state agency customers paying for services with a credit card use a Visa branded card.

Q: Please provide the total amount of credit card fees paid by the state, for the last five periods (biennia, or fiscal year, or contract period) and by state agency.

See first tab “Merchant Fee History” in attached spreadsheet. Per our recent discussion, the fees here are outlined by Agency Merchant Group for ease of use. If additional per agency information is still necessary, please let us know.

Q: Please provide general contract details, such as who is the merchant services provider(s); how long is the duration of the current contract; how long the current contract has been in place; and the price of the contract with any amendments.

Treasury, Elavon, and U.S. Bank entered into the initial Master Agreement for Merchant Card Services effective September 26, 2005. The latest renewal period began in October 2012 with a contract end date of October 2016. Agencies are charged merchant card fees of \$0.07 per transaction. Treasury pays no additional fees to U.S. Bank. Interchange and Assessment fees are established by the industry and are non-negotiable.

Q: What evidence shows the value (i.e., discount?) that the state is receiving from its merchant services provider(s) compared to private sector firms?

- Importantly, agencies receive same day funding into Treasury's primary account. Most private sector firms must wait at least 48 hours for funds to be deposited to their accounts.
- State agencies enjoy volume based pricing due to statewide volumes and economies of scale, rather than individual agency volume.
 - The current merchant card processing rate is \$0.07 per transaction.
 - There are a variety of other fees and charges that State of Oregon Agencies are simply not charged for.
- Agencies do not need to dedicate staff time to establish and maintain banking relationships for merchant card services, as the contract is centrally managed by Treasury. Centralized oversight and training through the Treasurer's Office helps agencies understand payment industry regulatory and processing requirements. This allows agencies to process cards in the most cost efficient and effective manner.
- Treasury works with U.S. Bank/Elavon to complete an annual evaluation and strategic analysis of our account. In addition to analyzing sales levels by card type and other volume related data, this review provides us with a variety of useful recommendations regarding opportunities to save costs within the program.
 - For example, recommendations include information on chargebacks and how agencies can work to prevent them and the costs that are associated with them.
 - Treasury typically shares this information with agencies at a summary level, but we are always available to work with agencies directly regarding additional training for those on the frontline accepting merchant cards.

While not specifically requested, we believe the below information may be of additional value in understanding the merchant card acceptance program and the industry in which it operates.

Merchant Card Acceptance Industry Participants

The following is taken, in large part, from: <http://www.practicalecommerce.com/articles/2771-Understanding-Credit-Card-Fees-Part-1-The-Basics>

Merchant card processing is a complex industry with several layers of middlemen each performing a function and each charging a fee for their service. Key players include:

- ***Card Associations.*** Visa, MasterCard, Discover, and American Express. The card associations set the overall rules and guidelines for their individual brands and market their brands to both merchants and consumers.
- ***Issuing Bank.*** The financial institution that issues the Visa or MasterCard credit or debit card to the cardholder — your customer. Discover and American Express act as both the card association and the card issuer.

The card associations and issuing banks set “Interchange rates” and “pass-through” fees for each type of card. Think of this as the wholesale price for processing a specific card type. The card associations have many card types — debit cards, basic credit cards, reward cards, business cards, purchasing cards, and more — each with their own wholesale price. Every merchant account provider pays the same wholesale price.

- ***Processor/Acquirer.*** When the merchant processes a sale, it is the processor/acquirer that routes the transaction to the card association network, which then drives the transaction to the issuing bank for the authorization. The processor/acquirer also funds the merchant’s bank account, provides monthly statements, handles risk management and charge-backs, and provides customer and technical support to a merchant’s business. In reality, there could be three or more companies working together to provide these services. The State’s Processor/Acquirer is U.S. Bank/Elavon.
- ***Merchant Account Provider.*** This is a general term used to describe the company you signed up with to handle your card processing. This could be a processor/acquirer, or a financial institution, or an independent sales organization — called an “ISO” — that uses a processor/acquirer. Generally, the merchant account provider is the company whose name is on the merchant agreement you signed. The State’s Merchant Account Provider is U.S. Bank/Elavon.
- ***Payment Gateway.*** Shopping carts need to route the transactions through a special routing system called a payment “gateway.” The gateway routes the transaction to the

processor/acquirer. There are a variety of gateways used by agencies to process transactions through U.S. Bank/Elavon including DAS E-Government's payment gateway.

There are fixed costs involved with driving transactions through a gateway. Ultimately, the merchant account provider or the gateway itself may charge you a monthly fee and a per-transaction fee.

Merchant Card Acceptance Fee Components

The primary components of merchant card pricing include:

- **Interchange:** A percentage plus a per transaction fee set by the card associations (for example, Visa and MasterCard). Rates will vary by card type and how the transaction is processed. This fee component is non-negotiable, and is paid to the cardholder's card issuing bank.
- **Assessment Fee:** Fees set by Visa, MasterCard, Discover and American Express. This fee component is also non-negotiable, and is paid to Visa, MasterCard, Discover and American Express.
- **Processing fee by Merchant Services Provider:** This is the portion of the fee negotiated by Treasury with our Merchant Services Provider. This fee is paid to the state's Merchant Services Provider.
- **Equipment and Software Costs:** In addition, agencies may also have equipment lease or rental fees, or if they decide to purchase equipment, the cost of such a purchase. Software may also be purchased by some agencies for use in processing merchant card payments.

Merchant Card Rate Categories

Merchant card rates are typically broken into two categories:

- **Card Present** (where the card is physically swiped through a credit card terminal). The lowest rates are typically applied to card-present transactions.
- **Card Not Present** (any type of transaction where the card cannot be swiped). This type of transaction is also referred to as MOTO (mail order/telephone order). All transactions where a credit card is not physically swiped through a terminal, including internet transactions, phone transactions, or credit-card numbers keyed into a terminal, fall into this category.

**History of Merchant Card Sales and Fees by Agency Merchant Groups
Calendar Years: 2010 through 2014**

2014 Totals					
Agency Groups	Net Sales	Item count	Merchant Card Fees*	Discount Effective Rate VISA M/C	
Courts	\$36,413,986.45	309,945	\$409,669.13	1.125%	
DAS Egovernment	\$148,039,967.43	766,029	\$2,503,165.22	1.722%	
OLCC	\$286,179,081.21	8,943,562	\$4,390,089.19	1.812%	
Parks	\$19,931,932.80	406,323	\$313,424.12	1.572%	
Universities	\$175,382,572.26	2,439,975	\$2,970,828.67	1.728%	
All Other Agencies	\$175,991,345.98	1,095,107	\$2,520,942.00	1.657%	
	\$841,938,886.13	13,960,941	\$13,108,118.33		
Avg Effective Rate 2014				1.603%	
2013 Totals					
Agency Groups	Net Sales	Item count	Merchant Card Fees*	Discount Effective Rate VISA M/C	
Courts	\$38,617,845.85	319,788	\$480,696.63	1.099%	
DAS Egovernment	\$120,537,436.78	682,020	\$2,212,552.56	1.694%	
OLCC	\$391,677,389.78	12,858,181	\$4,275,384.90	1.712%	
Parks	\$19,345,529.60	383,901	\$348,244.23	1.577%	
Universities	\$159,655,430.52	2,397,671	\$2,946,019.88	1.643%	
All Other Agencies	\$184,791,762.52	1,393,082	\$2,568,377.14	1.604%	
	\$914,625,395.05	18,034,643	\$12,831,275.34		
Avg Effective Fee Rate 2013				1.555%	
2012 Totals					
Agency Groups	Net Sales	Item count	Merchant Card Fees*	Discount Effective Rate VISA M/C	
Courts	\$33,508,663.63	281,921	\$356,798.13	1.648%	
DAS Egovernment	\$101,706,656.61	610,416	\$1,778,949.89	1.602%	
OLCC	\$322,279,328.82	10,621,277	\$3,772,867.32	1.658%	
Parks	\$18,014,359.19	353,619	\$317,650.05	1.556%	
Universities	\$149,865,455.06	2,231,135	\$2,727,704.84	1.703%	
All Other Agencies	\$161,806,225.96	1,323,930	\$2,242,806.32	1.554%	
	\$787,180,689.27	15,422,298	\$11,196,776.55		
Avg Effective Rate 2012				1.620%	

2011 Totals					
Agency Groups	Net Sales	Item count	Merchant Card Fees*	Discount Effective Rate VISA M/C	
Courts	\$29,157,179.74	227,586	\$381,486.74	1.185%	
DAS Egoovernment	\$92,224,299.89	599,757	\$1,745,181.43	1.758%	
OLCC	\$221,693,005.03	7,309,050	\$3,888,238.40	1.824%	
Parks	\$17,396,295.09	303,174	\$319,759.34	1.651%	
Universities	\$148,649,599.33	2,028,985	\$2,790,465.26	1.734%	
All Other Agencies	\$142,587,510.37	1,157,130	\$2,492,050.82	1.767%	
Avg Effective Rate 2011	\$651,707,889.45	11,625,682	\$11,617,181.99	1.653%	
2010 Totals					
Agency Groups	Net Sales	Item count	Merchant Card Fees*	Discount Effective Rate VISA M/C	
Courts	\$28,990,678.02	221,345	\$411,929.52	1.308%	
DAS Egoovernment	\$75,141,016.78	533,036	\$1,467,200.10	1.828%	
OLCC	\$206,389,271.62	6,795,993	\$3,807,650.28	1.903%	
Parks	\$16,297,029.42	281,271	\$324,999.46	1.816%	
Universities	\$121,263,552.81	1,755,092	\$2,086,150.77	1.796%	
All Other Agencies	\$113,112,165.62	1,024,580	\$2,082,052.93	1.870%	
Avg Effective Rate 2010	\$561,193,714.27	10,611,317	\$10,179,983.06	1.754%	

Merchant Card Fees are also know as the Discount Rate

The **Discount Rate** is a fee charged on each transaction and is assessed to all merchant accounts for accepting and processing merchant cards.

The **Discount Rate** is made up of three components: **Interchange, Assessments, and Processing Fees**. All three of these components are included in the totals provided in the **Merchant Card Fees and Discount Effective Rate** columns in the totals above.

For more information about these three components, go to the "Sample Fee Transactions" tab of this spreadsheet.

Merchant Card Convenience and Service Fees

A convenience or service fee is a fee paid by a consumer in addition to the payment amount for goods and services provided by a merchant. These fees allow merchants to transfer many or all of the costs associated with payment collection via credit and debit cards from the merchant to the payer, and are highly regulated by the card associations. Agencies choosing to assess these fees must ensure they are complying with the card associations' rules and state legislation.

Each of the four major card brands – Visa, MasterCard, Discover, and American Express - has slightly different rules concerning these fees. Because Visa's rules tend to be the most restrictive, compliance with Visa rules for convenience and service fees will generally ensure compliance with the other card brands' rules.

Given that over 75% of agency customers use Visa to make credit card payments, this document focuses on two programs that are most applicable to agencies – Visa's Convenience Fee Program and Visa's Government and Higher Education Payment Program (Service Fee program). In addition to the general guidelines regarding the programs this document also provides a list of considerations and other information to help agencies determine whether or not to charge a convenience or service fee.

Questions about these fees should be referred to Treasury at tms@ost.state.or.us.

Overview of Convenience and Service Fee Programs

Convenience Fee Program

Convenience fees are charges levied to a customer for the privilege or convenience of paying for a product or service using an alternative payment channel or payment method that is in addition to a merchant's standard payment options, for example online or over the telephone.

Summary of Visa's Convenience Fee Rules

According to Visa's rules, certain criteria must be met in order for a merchant to charge a convenience fee including:

- The merchant must provide a true "convenience" in the form of an alternative payment channel outside the merchant's customary face-to-face payment channels, and the fee must be disclosed by the merchant to the cardholder as a charge for the alternative payment channel convenience that is provided.
- Merchant-of-record must be the biller/merchant.
- Customers must be told about the fee in advance.
- The fee must be a flat-fee fixed amount rather than a percentage of the payment.
- Card payments are processed as single transaction inclusive of payment and fee.
- The fee must be applied to all means of payment that are accepted in that alternative payment channel.
- Available across all industries (no limitations on what Merchant Category Codes can participate).
- Fee cannot be charged with recurring payments.
- Eligible payment types: Visa, MasterCard, Discover, American Express credit and debit cards.

See Exhibit A for a snapshot of convenience fee rules.

Service Fee Program

Service Fee is the term that has been associated with the Government and Higher Education Payment Programs, which enable qualified government and higher education merchants to accept Visa cards and assess a Service Fee as a separate transaction in all card-present and card-not-present payment channels.

The Service Fee Program is available to certain government and higher education merchants in the following Merchant Category Codes (MCC) provided they register with Visa and comply with all program rules.

- Government merchants:
 - MCC 9311-Tax
 - MCC 9222-Fines
 - MCC 9211-Court Costs
 - MCC 9399-Miscellaneous Government Services
- Tuition payments for higher education:
 - MCC 8220-College Tuition
 - MCC 8244-Business
 - MCC 8249-Trade Schools

The MCC assigned must be the code that most accurately reflects the primary business of the agency location. Treasury will work with Elavon to ensure the accuracy of the MCC at the time an agency expresses an interest in participating in the service fee program.

Summary of Visa's Service Fee Program Rules

According to Visa's rules, certain criteria must be met in order for a merchant to charge a service fee including:

- The payment and service fee transaction must be submitted and processed as two separate transactions.
- Merchant card fees will be applied to both transactions (customer payment and service fee).
- Third Party processing of the service fee is permitted if all processing and disclosure requirements are met.
- The fee must be clearly disclosed to the cardholder.
- The fee may be assessed in all payment processing channels (i.e., internet, face-to-face, telephone, mail).
- The fee may be applied to recurring payment transactions.
- The fee may be a fixed/flat rate or a variable (percentage) of the payment.
- Eligible payment types: Visa, MasterCard, Discover, American Express credit and debit cards.
- An enrollment process is required by Visa and can take approximately 60 business days to complete. This process will be coordinated through Treasury.

See Exhibit B for a snapshot of service fee rules.

Merchant Card Fee-Based Program Considerations

The following is a list of considerations to help your organization determine whether or not to assess a convenience or service fee.

Agency Business Considerations:

- What are the reasons for implementing a fee-based program?
 - Offset costs associated with credit card payment acceptance?
 - Shift customer behavior to preferred payment methods and channels by applying fees to less-preferred methods and channels?
- What payment types and channels do or will you make available to customers?
- In addition to credit cards, what other payment options are available online or over the phone? Will you charge a fee for those?
- Are your customers willing to pay a convenience or service fee and through which channels?
 - Customers may be more willing to pay with a credit card regardless of an additional fee because of time sensitivity, financial limitations, or accessibility.
 - Keep in mind that many consumers are not familiar with paying a fee for face-to-face transactions.
 - Agencies should prepare staff to answer customer questions regarding convenience or service fees. *See Exhibit D for sample FAQs.*
- Will a convenience or service fee lower customer adoption rates of a particular payment channel and usage of credit cards to make payments?

Compliance/Regulatory Considerations:

- Like other fees agencies charge, they must have statutory authority to assess a convenience or service fee. Contact your BAM analyst and/or DOJ Attorney to confirm authority. *See Exhibit C for examples of agency statutes that address these types of fees.*
- Agencies are responsible for complying with the payment industry rules.
 - Rules of a particular card association may drive entire program
 - Different rules for government, education vs. others (MCC codes)
 - Single versus recurring payments
 - Which payment types, channels and card brands?

Cost Analysis Considerations:

- Should you charge a convenience or service fee or absorb the costs associated with payment acceptance?
 - What is the average ticket size and implications to cost?
 - What are the true costs of any payment option (including exceptions, returned items handling, fraud)?
 - What efficiencies have or will your organization gain with credit card acceptance?

Convenience or Service Fee Calculation Considerations:

- How do you determine what fee to charge?
 - What is the average ticket size?

- What percentage of customers uses credit cards versus debit cards?
- What percentage of cards is accepted online, point of sale, over the telephone, or through the mail?
- Do you intend to transfer only a percentage or all of the merchant costs to the payer?

Other Considerations:

- Hardware and software applications are currently limited for Service Fees.
- Convenience fees can be implemented in a very short timeframe.
- Service fee program requires enrollment which may take up to 60 business days.

Questions about these considerations should be referred to Treasury at tms@ost.state.or.us.

Exhibit A – Snapshot of Convenience Fee Programs

Reminder: if you are accepting Visa, you must comply with the requirements listed in the Visa column

CONVENIENCE FEES				
	MC Convenience Fees	Visa Convenience Fees	Discover	American Express
Description of Fee	Handling fee assessed to the cardholder which is applied equally across all payment channels including cash and checks..	Categorized as charges associated with a bona fide alternative payment channel offering a convenience to the cardholder- the ability to pay, for example, through a website, as opposed to in person..	A checkout fee or additional fee that a merchant adds to a consumer's bill when he or she uses a card for payment.	A checkout fee or additional fee that a merchant adds to a consumer's bill when he or she uses a card for payment.
Fee Structure (Tiered, Fixed Amount or Fixed %)	Tiered, Fixed Amt. or Fixed %	Fixed Amount	Fixed % or Variable %	Fixed % or Variable %
Allowed for Recurring Payments	YES	NO	YES	YES
MCC's Eligible	All	All	All	9311, 9211, 9222, 9399, 8220, 8211, 4900
Eligible Environments	MOTO / Electronic Commerce /Face-to-Face	MOTO & Electronic Commerce	MOTO / Electronic Commerce /Face to Face	MOTO / Electronic Commerce /Face to Face
Types of Transaction	N/A	N/A	All-except Cash Advance	All-except Cash Advance
Number of MID's required;	1	1	1	1
Registration Required	NO	NO	YES by Merchant	NO
Registration Fee	NO	NO	NO	NO
Registration Lead Time (prior to implementation)	N/A	N/A	30 Days	N/A
Cardholder Disclosure of Fee on Receipt	YES ¹	YES ¹	YES	YES
Store Entry and POS Disclosure Required	NO	NO	YES	YES
Cap/Limitation of Fee	NO	NO	NO	NO
Allowed for Debit Cards	YES	YES	YES	N/A
Authorized & Settled as Separate Transactions	NO	NO	NO	NO
PCI DSS Compliant for eligibility	YES	YES	YES	YES

¹ At check-out or on invoice. Disclosure required to the Cardholder as a charge for the alternative payment channel outside the Merchants customary payment channels. Disclosure must occur prior to the completion of the Transaction and also provide the Cardholder the opportunity to cancel.

Exhibit B – Snapshot of Service Fee Programs

Reminder: if you are accepting Visa, you must comply with the requirements listed in the Visa column.

SERVICE FEE PROGRAMS for GOVERNMENT and HIGHER EDUCATION				
	MC Convenience Fee Program	Visa Service Fee Program	Discover	American Express
Description of Fee	Service Fee is the terminology that has been associated with the Government and Higher Ed Programs.			
Fee Structure	Tiered, Fixed Amt. or Fixed %	Tiered, Fixed Amt. or Fixed %	Fixed % or Variable %	Tiered, Fixed % or Variable %
Recurring Payments	YES	YES	YES	YES
Eligible Environments	MOTO / Electronic Commerce / Face to Face	MOTO / Electronic Commerce / Face to Face	MOTO / Electronic Commerce / Face to Face	MOTO / Electronic Commerce / Face to Face
Types of Transaction	9311 - Taxes 9211 - Court Costs 9222 - Fines 9399 – Misc. Gov. Services 8220 - College - Tuition 8211 – Elem. and Secondary Schools	9311 - Taxes 9211 - Court Costs 9222 - Fines 9399 – Misc. Gov. Services 8220 - College - Tuition 8244 - Business Schools - Tuition 8249 - Trade Schools - Tuition	All	9311 - Taxes 9211 - Court Costs 9222 - Fines 9399 - Miscellaneous Gov. Services 8220 - College - Tuition 8211 – Elem. and Secondary Schools 4900 - Public Utilities
Number of MID's required:	2	2	1	1
Registration Required	YES	YES	YES by Merchant	NO
Registration Fee	NO	NO	NO	NO
Registration Lead Time (prior to implementation)	N/A	45 Days	30 Days	N/A
Cardholder Disclosure of Fee on Receipt	YES	YES	YES	YES
Store Entry and POS Disclosure Required	NO	NO	YES	YES
Cap/Limitation of Fee	NO	NO	NO	NO
Allowed for Debit Cards	YES	YES	YES	N/A
Authorized & Settled as Separate Transactions	Recommended ³	Required	NO	NO
PCI DSS Compliant for eligibility	YES	YES	YES	YES

³ MC will allow one MID for processing Convenience Fees however if the merchant is also processing Visa the standard process for Elavon is to assign two MID's for processing these transactions. This means two transactions will be authorized and settled as separate transactions.

Note: Per U.S. Bank/Elavon: Discover doesn't really have a defined program for convenience and service fees. They do have some specific rules around surcharging which is some of what you see reflected in the chart above (which might be a little misleading). So there's not really any defined rules from Discover on how the fee structure might be outlined or what would be allowable (except what is defined under their surcharging rules which fits with Visa/MC surcharging rules). Visa has the most rules related to Service fees and convenience fees so if a merchant is taking Visa, MC, and Discover typically the Visa guidelines will be used to determine what is allowed and restrictions. Discover does have verbiage in their rules about "Equal Treatment of Cards Issued or Operating on the Discover® Network with Other Payment Cards" which basically outlines that their cards should be treated and accepted just as others are. Based on these facts a fixed fee amount would be acceptable for Discover as long as that's how other cards are being assessed the fee.

Exhibit C - Examples of Agency Fee Statutes

Following are examples of Agency statutes that address the establishment of fees. Please contact your BAM analyst and/or DOJ Attorney to confirm authority.

677.265 Powers of board generally; rules; fees; physician standard of care. In addition to any other powers granted by this chapter, the Oregon Medical Board may:

(1) Adopt necessary and proper rules for administration of this chapter including but not limited to:

(a) Establishing fees and charges to carry out its legal responsibilities, subject to prior approval by the Oregon Department of Administrative Services and a report to the Emergency Board prior to adopting the fees and charges. The fees and charges shall be within the budget authorized by the Legislative Assembly as that budget may be modified by the Emergency Board. The fees and charges established under this section may not exceed the cost of administering the program or the purpose for which the fee or charge is established, as authorized by the Legislative Assembly for the Oregon Medical Board's budget, or as modified by the Emergency Board or future sessions of the Legislative Assembly.

825.502 Payment of taxes and fees by credit card; rules. For payment of any weight-mile taxes and fees, the Department of Transportation may:

(1) Accept payment of taxes and fees by credit card. Any payment made by credit card shall be for the full amount of the tax or fee, except that a surcharge may be added to the amount tendered by the customer to offset fees charged to the department for acceptance and use of the credit card.

(2) Adopt reasonable rules as necessary or proper for the administration of this section. [Formerly 767.863]

ORS 182.132 is fee authority for the DAS E-Government program and agencies that use their service. If an agency wants to charge a similar fee outside of E-Government, they must have legislative authorization.

182.126 Definitions. As used in this section and ORS 182.128 and 182.132:

(1) "Convenience fee" means a fee for using an electronic government portal or governmental services available by means of an electronic government portal that the Oregon Department of Administrative Services charges or authorizes an electronic government portal provider to charge under ORS 182.132 (3).

(2) "Electronic government portal" means an electronic information delivery system accessible by means of the Internet that a state agency designates officially as a means by which the state agency delivers information, products or services.

(3) "Electronic government portal provider" means a person that on behalf of a state agency provides facilities, goods or services necessary to develop, host, operate, maintain or otherwise implement an electronic government portal or provides facilities, goods or services that assist a state agency in designing, developing, hosting, operating, maintaining or otherwise implementing an electronic government portal.

(4) "State agency" means the executive department, as defined in ORS 174.112. [2009 c.829 §1]

182.132 Ability to offer government services through portal; convenience fee. (1) The Oregon Department of Administrative Services, with the advice of the Electronic Government Portal Advisory Board, shall provide the ability for state agencies to offer government services by means of an electronic government portal. The electronic government portal must be secure and must meet usability standards developed in cooperation with the advisory board.

(2) For the purposes of subsection (1) of this section, the department under the provisions of the Public Contracting Code may contract with an electronic government portal provider.

(3)(a) The department may charge members of the public a convenience fee or may authorize an electronic government portal provider to charge a convenience fee for an electronic government service if the advisory board recommends that the department charge or authorize a convenience fee for the electronic government service. The convenience fee must reflect the costs incurred in hosting, operating, maintaining or implementing the electronic government portal.

(b) The department shall cooperate with the advisory board to identify the electronic government portals or governmental services to which the convenience fee applies.

(4) The department may adopt rules to implement the provisions of this section.

(5) Not later than the beginning of each odd-numbered year regular legislative session, the department shall prepare and submit to the Legislative Assembly a report in the manner provided in ORS 192.245 that summarizes the department's activities under the provisions of this section. [2009 c.829 §3; 2011 c.545 §30

Exhibit D - Sample Service Fee FAQs for Agency Customers and/or Customer Service Reps:

The following is a sample list of questions and responses. Fee amounts, card brand acceptance, etc. will need to be determined by each agency.

1. What credit cards does (agency name here) accept?

VISA, MasterCard, American Express, and Discover. Credit card payments can be made online, over the phone, by mail, or in person.

2. Why is (agency name here) charging a fee for the use of my credit card?

Agency is committed to providing our customers a range of options for paying their fees. The credit card payment method is becoming prohibitively expensive because of the fees to our organization for credit card transaction processing. This expense is paid by program revenues and therefore reduces the dollars available for program improvements. Therefore, a fee on credit card transactions in the amount of 2.70% of your total bill will be charged by a third party company. This will provide nearly (enter dollars here) in annual savings for the agency.

3. Why is the fee 2.70%? How was that percentage established?

2.70% is the amount established by our third party credit card processor, Nelnet Business Solutions, to cover the credit card transaction fees assessed by credit card companies.

4. Is there any way I can avoid paying a fee?

You can avoid paying the 2.70% fee by paying online with an e-check, an electronic debit to your checking or savings account. You may also mail or deliver a check to our office with no convenience fee to the address below. Always include your coupon (other requirements) with your payment.

5. Can I pay in person using a credit card?

Yes, payments can still be made at the agency, located at _____. The fee still applies for credit card payments made at our office.

6. If I make a credit card payment in error, will my convenience fee be refunded?

No. The convenience fee is not refundable, even if the payment to which it relates is cancelled, refunded, credited, or charged back.

7. If I use my debit card to pay my account charges, will I be charged a fee?

Yes. If you use your debit card like a credit card to pay your account charges, you will be charged the 2.70% fee. For checking or savings account debits, please use the e-check option to avoid paying the fee.

8. How will this appear on my credit card statement?

Two separate transactions will appear on your credit card statement. One transaction for the license renewal payment and one transaction for the service fee. The transaction for the license payment will appear as "DBA name here" and the transaction for the service fee will appear with "Svc Fee" in the description.