

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 538 - 1

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Permits state agency to accept credit card as payment for charge or fee state agency imposes or collects for goods or services state agency provides to individual who is member of public and to add surcharge to amount person tenders to offset fees charged to state agency for accepting credit card as payment.

Government Unit(s) Affected:

Statewide, State Treasurer

Summary of Fiscal Impact:

Costs related to the measure are indeterminate but anticipated to be minimal - See explanatory analysis.

Analysis:

SB 538 - 1 authorizes a state agency that accepts or collects payments by credit or debit card to add a fee or surcharge to the payment to offset the amount the state agency is charged for accepting payments by card. The measure takes effect January 1, 2024.

The fiscal impact from this measure is indeterminate since this measure allows but does not require agencies to charge a fee to offset the costs of accepting payments by credit card. It is not clear how many agencies would charge such a fee.

The Oregon State Treasury (OST) administers the statewide Master Agreement for Merchant Card Services. Agencies must work with OST to access merchant card acceptance services, and to implement any sort of surcharge or fee to offset merchant card acceptance costs. A total of 54 state agencies currently accept payments by credit card. Three of these agencies (Department of Environmental Quality, Department of Fish and Wildlife, and Department of Transportation) have statutory authority to collect fees to offset the costs of accepting payment by credit card. OST may see an increase in requests from agencies to implement a surcharge or fee as a result of this measure but believes this work can be absorbed using current resources.

While there is likely no expenditure impact from this measure, agencies that choose to implement a fee or surcharge for credit card payments would likely see a positive revenue impact. Estimates of revenue increases vary from around \$10,000-\$40,000 for some of the smaller health licensing agencies which accept credit card payments primarily for licensing fees; to \$1 million in the 2023-25 biennium for the Oregon Parks and Recreation Department, which annually processes around 1.6 million credit card transactions for items such as permits and park fees. Additionally, the Oregon Liquor and Cannabis Commission (OLCC) accepts credit and debit card payments for purchases at liquor stores. Were OLCC to implement a credit or debit surcharge, they estimate that the cost of a bottle of liquor would increase from \$20.95 (the current average price per bottle) to \$21.31 for the 90% of consumers who currently pay by credit and debit card, and the surcharge would bring in an additional \$17.5 million in the 2023-25 biennium.

However, some agencies note that a fee may discourage credit card payments, which could lead to decreased revenues; or may require agencies to hire additional staff or put security measures in place due to increased collection of payments by cash or check. Again, looking at OLCC, any changes to amounts of liquor sales as a

result of a credit card surcharge could also impact the state's General Fund, cities, and counties, which receive distributions from the net revenue from liquor operations.

Other agencies that currently accept credit cards but do not have a fee to offset charges, may need to work with the vendors that process their credit card payments to ensure that it is possible to charge an additional fee to platform users, if the agency chooses to enact a credit card processing fee or surcharge. These agencies may need to bring forward requests for additional expenditure limitation from a future legislature or Emergency Board should they choose to implement a credit card surcharge as a result of this measure, if any modifications to IT systems are required in order to charge additional surcharges or fees. Agencies that do choose to enact a surcharge or fee under this measure would also need to have the fees ratified by the Legislature if not assumed as part of their budgets.