



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 188 (Substitute S-2 as passed by the Senate)
 Sponsor: Senator Michael J. Bouchard
 Committee: Financial Services

Date Completed: 2-22-95

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 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 does not exist 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 would create 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 would 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 would have to determine which alternative methods of payment could be accepted.

Alternative methods of payment would include, but would 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 would allow branch offices to operate more efficiently and to offer more convenient service to Michigan residents. If fewer people had to transact business at branch offices, lines would be shorter for those who still came in. In addition, although fees are generally paid to entities that offer these services (such as credit card companies), efficient use of available technologies could cut the cost of Secretary of State operations. For example, the problem of dealing with bounced checks could be reduced. Alternative payment methods also would improve security at branch offices because less cash would be in the tills.

Legislative Analyst: P. Affholter

FISCAL IMPACT

Currently, the Department 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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