



# Ohio Legislative Service Commission

Sara D. Anderson

## Fiscal Note & Local Impact Statement

**Bill:** S.B. 53 of the 130th G.A.

**Date:** January 28, 2014

**Status:** As Introduced

**Sponsor:** Sen. Kearney

**Local Impact Statement Procedure Required:** No

**Contents:** Requires the Registrar of Motor Vehicles and all deputy registrars to accept credit and debit cards for transactions of more than \$10

### State Fiscal Highlights

STATE FUND	FY 2015	FY 2015-FUTURE YEARS
<b>State Bureau of Motor Vehicles Fund (Fund 4W40)</b>		
Revenues	Potential increase of \$11.6 million, if service fees are charged to consumers	Potential increase of \$11.6 million, if service fees are charged to consumers
Expenditures	Increase of approximately \$800,000 for equipment and programming; potential increase of \$11.6 million for transaction fees; increase of approximately \$340,000 for insurance	Potential increase of \$11.6 million for transaction fees; increase of approximately \$340,000 for insurance

Note: The state fiscal year is July 1 through June 30. For example, FY 2015 is July 1, 2014-June 30, 2015.

- The Bureau of Motor Vehicles (BMV) estimates a one-time cost of approximately \$600,000 for the equipment and \$200,000 for the programming needed to begin to accept credit and debit cards at the BMV and all deputy registrars.
- The BMV will incur annual costs of approximately \$11.6 million per year in fees from the credit card companies to cover an estimated 50% of all transactions at the BMV and deputy registrars. Credit card companies allow government entities to charge consumers a service fee to recoup transaction fees. If the BMV chooses to charge such a fee, revenues will increase to offset these costs.
- The BMV will also incur a monthly charge for payment card industry breach insurance, which is currently \$11 per location, totaling about \$340,000 per year for the BMV and all deputy registrars.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

The bill requires the Bureau of Motor Vehicles (BMV) and all deputy registrars to accept credit and debit cards for transactions of more than \$10, as opposed to only permitting the acceptance of credit and debit cards for any transactions as under current law.

### State costs

The BMV estimates start-up costs of approximately \$800,000 to implement the bill. These start-up costs include equipment for the BMV (\$50,000) and deputy registrars (\$550,000) and programming costs (\$200,000).

Additionally, the BMV estimates annual costs of approximately \$11.9 million for all BMV and deputy registrar locations. The BMV already accepts credit or debit cards for transactions via oplates.com, but, under the bill, it will likely see an increase in the number of transactions completed with credit and debit cards. The BMV bases its estimate on 50% credit/debit card usage for transactions. Thus, if 50% of the \$925.0 million in total annual revenue comes from credit/debit card usage, the resulting cost would be approximately \$11.6 million ( $\$925.0 \text{ million} \times 50\% = \$462.5 \text{ million}$  and  $\$462.5 \text{ million} \times 2.50\% = \$11.6 \text{ million}$ ).<sup>1</sup> An additional \$340,000 per year is estimated for payment card industry breach insurance. This insurance currently costs \$11 per month per location. With 2,580 locations, this amounts to \$28,380 per month ( $\$11 \times 2,580 \times 12 = \$340,560$ ).

Credit card companies allow government entities to charge a service fee to recoup the fees that the companies charge for credit card transactions. If the BMV establishes such a service fee, revenues will also increase. Assuming the BMV and deputy registrars charge consumers the full 2.5%, this revenue increase will totally offset the estimated \$11.6 million annual transaction fee cost. Any increases in expenditures for the BMV affect the State Bureau of Motor Vehicles Fund (Fund 4W40), which is funded by the fees the BMV charges for its services.

### Local costs

While the bill does not have a direct fiscal effect on local political subdivisions, whenever Fund 4W40's cash flow changes, local governments may be indirectly affected. Monthly, an assessment of Fund 4W40 occurs and excess cash not needed for the BMV's monthly operating expenses is transferred to the state's Auto Registration Distribution Fund (Fund 7051). Cash in Fund 7051 is distributed to local governments (counties, municipalities, and townships) to use for transportation-related needs such as roads and bridges. As the BMV's expenses or revenue sources increase or decrease, moneys available for redistribution to local governments may increase or decrease

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<sup>1</sup> This includes approximately \$3.8 million at the BMV and \$7.8 million at deputy registrars.

accordingly. Thus, if the BMV has increased expenditures as a result of new requirements to accept credit/debit cards, there may be less cash available for distribution back to certain local governments via Fund 7051.

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