



Analysis of Costs and Benefits of Accepting Bankcards at WSDOT

Presentation to the
Financial Management Advisory Council
March 25, 2010

David Dean, JLARC Staff



Why JLARC Did This Study

- 2009-11 Transportation Budget directed JLARC to analyze options for collecting customer payments
- Comes at a time when WSDOT customers increasingly use credit and debit cards (bankcards) to pay for services
- WSDOT costs to accept bankcard payments have been increasing rapidly – more than doubling over the last three years

Bankcard Acceptance at WSDOT March 25, 2010 2



What JLARC Found

- Least costly method of accepting payments varied in three key programs

Program	Bankcard Costs Compared to Cash/Checks
 State Ferries	 More
 Commercial Vehicle Services	 Less
 Tolling Operations	 Same

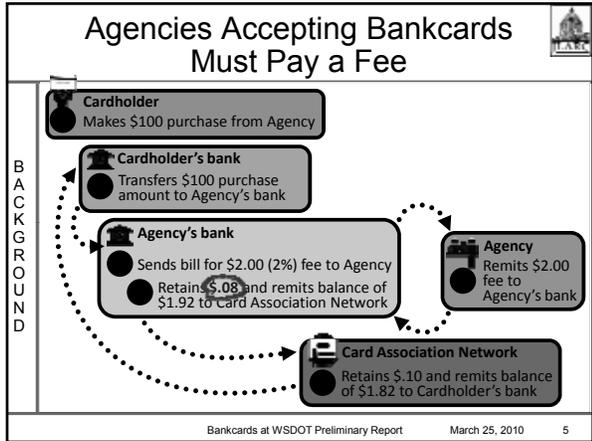
Bankcards at WSDOT Preliminary Report March 25, 2010 3

What JLARC Found



- Key to cost savings is automation and reduction of labor costs – not payment method
 - Bankcards can cost less if labor savings offset bankcard fees
- Two opportunities to lower or defray bankcard costs
 - Broader use of lower-cost electronic transfers using the ACH
 - Convenience fees, although they can be difficult to implement

Bankcards at WSDOT Preliminary Report March 25, 2010 4



Agencies Also Incur Costs for Accepting Cash and Checks



BACKGROUND

- Costs result from:
 - Time required to reconcile payments and prepare deposits
 - Delivering deposits, or for armored car services
 - Bank fees charged for cash deposits, withdrawals, and coins

Bankcards at WSDOT Preliminary Report March 25, 2010 6

Bankcard Transactions Cost Less for Commercial Vehicle Services



- 89 percent of all permits sold in 2009 were paid for with a bankcard
 - Bankcards only payment option for faxed applications, the most common transaction
 - Firms may self-issue using a bankcard
- Permits to self-issuers require little or no staff time and may help explain why bankcard transactions were less costly



Bankcards Transactions Cost About the Same for Tolling Operations



- Tolling customers typically use bankcards to recharge prepaid accounts, purchasing multiple trips
- After adjusting for the size of tolling transactions, costs to collect a given amount appears about the same for bankcards and other payment methods



Bankcards Can Make it Possible to Automate Collections



- Bankcards can result in savings by automating payment collections and reducing labor costs
- Both State Ferries and Commercial Vehicle Services have been able to reduce costs in that way
- However, when automation increases, it is currently increasing costs for Tolling Operations

Tolling Collections Are Contracted Out

- Tolling Operations paid its contractor a fixed fee, plus other fees for services related to automated toll collections
- Increased use of transponders paid with bankcards increases bankcard fees
 - Under current contract, bankcard fees are paid by WSDOT, not contractor

Bankcards at WSDOT Preliminary Report March 25, 2010 13

Options to Reduce or Defray Bankcard Costs

- Broader use of lower-cost electronic transfers using the ACH
- In FY09, State Treasurer collected \$1.3 billion using ACH at a cost of \$8,000 in fees
 - Bank fees would have cost \$27,000,000 if bankcards were used instead
- Convenience fees—surcharge for using bankcards—are another option
 - Due to bankcard rules, can be difficult to implement

Bankcards at WSDOT Preliminary Report March 25, 2010 14

What JLARC Recommends

Report includes two recommendations:

1. WSDOT work with OFM and Treasurer’s Office to identify alternatives to reduce bankcard fees
2. OFM and Treasurer’s Office develop statewide guidance for options to reduce costs to accept customer payments

Bankcards at WSDOT Preliminary Report March 25, 2010 15

Questions?



Contact Information:

David Dean
360-786-5293
dean.david@leg.wa.gov

www.jlarc.leg.wa.gov
