



**Final Report
of the Commissioner of Professional and Financial Regulation**

**to the Joint Standing Committee
on Appropriations and Financial Affairs and to the Joint Standing
Committee on Business and Economic Development**

Pursuant To

P.L. 762

**“An Act to Implement the Recommendations of the Blue Ribbon
Commission to Establish a Comprehensive Internet Policy”**

January 20, 2001

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Introduction

P.L. 1999, chapter 762, "An Act to Implement the Recommendations of the Blue Ribbon Commission on Internet Policy," was enacted in the 2nd Regular Session of the 119th Legislature. P.L. 1999, c. 762, enacted the Uniform Electronic Transactions Act and the Maine Digital Signatures Act. In order to facilitate electronic transactions at the state level, the law requires all state agencies to implement procedures for accepting payment by credit card. Section 4 of chapter 762 requires the Department of Professional and Financial Regulation to submit a report by January 20, 2001 to the joint standing committees having jurisdiction over business and economic development matters and over appropriations and financial affairs detailing the impact of the acceptance of payments by credit cards on the Department's budget. Specifically, the report must include the total number of agency transactions that included the use of credit cards, the dollar amount attributable to credit card transactions and the cost savings or loss to the agency.

Impact of Accepting Payments by Credit Card

Agencies within the Department of Professional and Financial Regulation, have been accepting credit card payments since 1997. Although all of the agencies are willing to accept credit card payments, the Bureau of Banking and the Securities Division have not had credit card transactions.¹ The Office of Licensing and Registration, the Office of Consumer Credit Protection and the Bureau of Insurance received revenue by credit card for a variety of licensing fees, primarily for individuals and very small businesses. For this report, the first quarter of FY2001 was chosen because it typifies the impact on Professional and Financial Regulation thus far. The agencies have noted that there will be seasonal fluctuations in the number and dollar amount of transactions, due to license renewal schedules.

PFR Credit Card Transactions July – September 2000

| | July | August | September |
|--|-------------|-------------|-----------|
| Total # of Fee Transactions ² | 7,901 | 11,619 | 7,997 |
| # of Credit Card Transactions | 543 | 641 | 482 |
| Total \$Amount Collected | \$1,079,317 | \$1,115,094 | \$684,665 |
| Total \$ from Credit Card Transactions | \$35,429 | \$44,539 | \$33,581 |

¹ The Bureau of Banking charters financial institutions that have not found it convenient to pay fees by credit card. The Securities Division is part of a nation-wide licensing system that facilitates electronic payment of licensing fees via wire transfer, which diminishes the attractiveness of credit card payment options. Other entities regulated by the Division, such as mutual funds, prefer using check, wire transfer and ACH payments.

² The table reflects transactions for the Office of Licensing and Registration, the Office of Consumer Credit Regulation and the Bureau of Insurance.

As of the date of this report, payments by credit cards comprise less than 10% of the total number of transactions. Credit card transactions cost agencies in two ways. First, there is the cost of the transaction fees charged by the bank. Pursuant to 5 M.R.S.A. §1509-A, this fee may not be passed on to the fee payers, but it is being underwritten by the State Treasurer for FY2001.³ The second cost is the personnel and infrastructure cost of maintaining two systems, one that allows payers to pay fees by check and another that allows fee payment by credit card.

The Department has taken great strides to facilitate license renewals over the Internet. Currently 93 licenses issued by the Office of Licensing and registration can be renewed over the Internet. The Securities Division renewed more than 56,000 licenses electronically for 2001. It is hoped that as the Department's ability to effect licensing transactions over the Internet is improved by next-generation licensing databases that most transactions will be paid electronically by credit card or other means. Eventually, this should result in cost savings to the Department, due to the automation of the transactions and the payment for transactions.

Conclusion

The Department of Professional and Financial Regulation will continue to work to provide Internet licensing capability and to promote the availability of credit cards for the payment of fees. The Department will incur costs for the foreseeable future to provide these services. It is anticipated that over the course of the next three to five years, transactions and payment for those transactions will become largely electronic. Once that shift has occurred, we project savings due to the automation of payments and accounting for those payments.

³ In response to the concerns expressed by state agencies about their ability to accept payments by electronic means because of the unknown impact of merchant fees on their budgets, the 1999 Report of the Blue Ribbon Commission on Internet Policy recommended that the Office of the Treasurer of State initiate the following actions:

1. Negotiate a lower merchant fee on credit card transactions; and
2. Study and develop procedures to enable state agencies to accept payment for goods and services by electronic means.

The State Treasurer reported to the Commission that the following actions have been taken on the recommendation that lower merchant fees be negotiated:

- A new merchant fee of 2.15% has been negotiated with VISA/MASTERCARD. The former merchant fee was 2.34%. The bank will use the data from the previous 6 months to track the use of credit cards by state agencies and lower the merchant fee according to average ticket price.³ As the average ticket price increases, the merchant fee is decreased based upon a negotiated scale. The State Treasurer is also negotiating with AMERICAN EXPRESS to receive a similar rate;
- The Office of the Treasurer of State will pay the merchant fees for all state agencies for FY 2001 to allow agencies that do not currently accept credit cards and have not included the expense into their budgets, to accept credit cards for electronic payments; and
- The Office of Treasurer of State has arranged for next day receipt of funds from credit card companies, which will enable the State to receive returns on the investment of these funds for an extra day. In the past, it has taken two days to receive receipts of funds.