

March 2, 2015

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 221 by Senate Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning SB 221 is respectfully submitted to your committee.

Current law prohibits a seller or lessor in any sales or lease transaction and any credit or debit card issuer from putting a surcharge on a cardholder who uses a credit or debit card rather than cash or check. SB 221 would repeal that law and remove all references to it from current statutes.

Although SB 221 makes no changes to current law which allows cities, counties, boards of education of any school districts, and state agencies to impose a surcharge on a card holder who chooses to use a debit or credit card in lieu of payment by cash, check or similar means, the bill would allow merchants to add a surcharge to all purchases made with credit or debit cards.

Companies that issue credit and debit cards generally charge businesses that accept those cards approximately 2.0 percent of the amount of each transaction, according to the Kansas Department of Revenue, and it is not unlikely that the businesses would add an additional amount to cover other costs associated with customers using credit and debit cards. Passage of SB 221 would allow businesses to pass those charges on to consumers. According to the Kansas Department of Administration, Kansas statewide P Card (the state's purchasing card for official business) spending in calendar year 2014 amounted to \$103,159,729. In addition to the P Card, state agencies use the Wright Express Card to purchase fuel and other items for vehicles. The Department of Administration reports that purchases using these cards amount to approximately \$1.4 million annually. Although the Department is moving state agencies away from using dedicated store cards to purchase commodities, a number of those cards are still in use. The total amount that is charged annually using dedicated store cards is not currently available, however.

If the state maintained its calendar year 2014 level of credit card purchases, annualized across FY 2015 the cost would be significant. If SB 221 passed and was in effect for the last two

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months of FY 2015, and businesses were ready to add surcharges, the cost to the state could be as much as \$348,532 at 2.0 percent ($\$104,559,729/12 \text{ months} \times 2 \text{ months} = \$17,426,621 \times .02 = \$348,532$) and \$522,799 at 3.0 percent ($\$104,559,729/12 \text{ months} \times 2 \text{ months} = \$17,426,621 \times .03 = \$522,799$). Applying the current ratio of State General Fund expenditures in the state budget to those costs, the State General Fund amount could range from \$104,560 to \$156,840, using a 2.0 percent surcharge and a 3.0 percent surcharge, respectively. Holding FY 2016 state expenditures using credit cards steady, the cost of surcharges for a full year could be as much as \$2.1 million from a 2.0 percent surcharge and \$3.1 million from a 3.0 percent surcharge. Again, applying the current ratio of State General Fund expenditures in the state budget to those costs, the State General Fund amount could range from \$627,358 to \$941,037, using a 2.0 percent surcharge and a 3.0 percent surcharge, respectively.

The League of Kansas Municipalities reports that it expects passage of SB 221 to cause increased costs for cities that use credit or debit cards at locations that impose surcharges. The League is unable to estimate how many cities use debit or credit cards or how many of the purchases made by those cities would be from businesses that impose surcharges, so it is unable to estimate the extent of the fiscal effect.

The Kansas Association of Counties also reports that it expects passage of SB 221 to cause increased costs for counties that use credit or debit cards to make purchases. The Association is unable to estimate what that increase might amount to.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties
Jack Smith, Department of Revenue
Jeremy Barclay, Corrections