



Analysis of Costs and Benefits of Accepting Bankcards at WSDOT

Proposed Final Report

Joint Legislative Audit & Review Committee
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Why We 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 bankcards to pay for services

Three Programs Account for Nearly All WSDOT Bankcard Costs



- State Ferries, Tolling Operations, and Commercial Vehicle Services account for nearly all of the department's bankcard costs
- Over three years, department fees for accepting bankcards have more than doubled –
 - \$1.1 M in FY06
 - \$2.9 M in FY09

What We Found



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

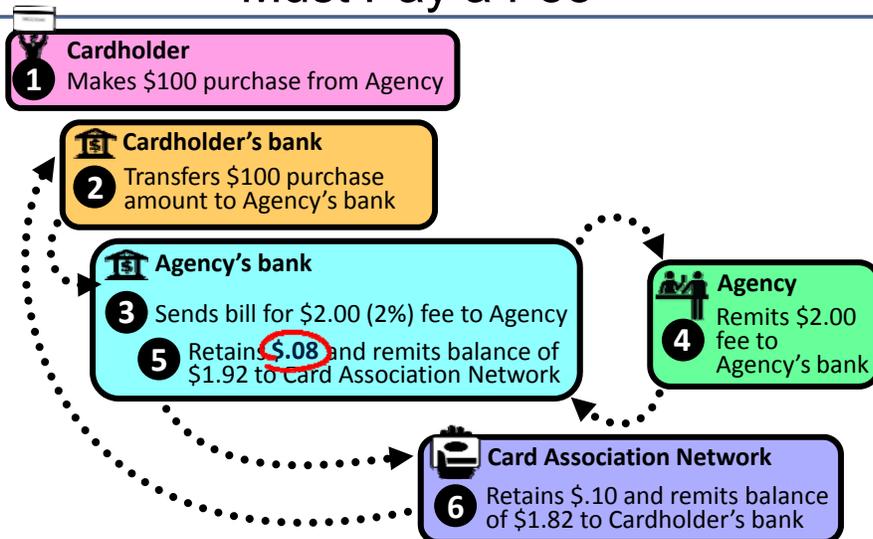
Program	Bankcard Costs Compared to Cash/Checks
 State Ferries	
 Commercial Vehicle Services	
 Tolling Operations	

What We 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 Automated Clearing House
 - Convenience fees, although they can be difficult to implement

Agencies Accepting Bankcards Must Pay a Fee

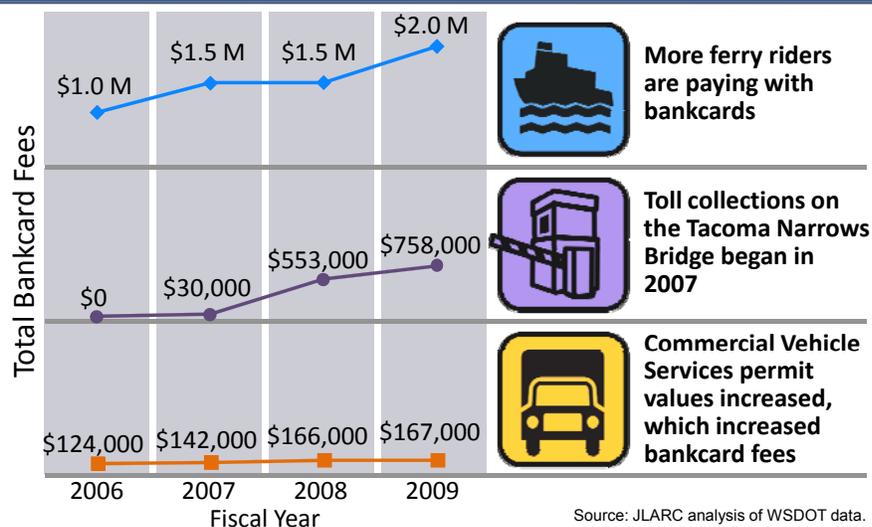


Agencies Also Incur Costs for Accepting Cash and Checks



- 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

Main Reasons for Increase in Bankcard Costs Varied by Program



Bankcards Can Make it Possible to Automate Collections



- Automated payment collections can result in saving by reducing labor costs
- Both State Ferries and Commercial Vehicle Services have been able to reduce costs in that way
- However, accepting bankcards is not producing savings for Tolling Operations where the agency's costs have been increasing with increasing automation

Tolling Operations on TNB Are Contracted Out



- Many tolling customers have established transponder accounts and replenished those accounts online using a bankcard
- However, under the TNB contract, automation is actually increasing costs through higher bankcard fees without producing any offsetting labor cost savings

Options to Reduce or Defray Bankcard Costs



- Broader use of lower-cost electronic transfers using ACH
 - Especially suitable for Internet payments
- 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 are another option but bank rules make them difficult to implement

Report Includes Two Recommendations



1. WSDOT work with OFM and Treasurer's Office to identify alternatives to reduce bankcard fees

WSDOT, OFM, and the Treasurer's Office all concur
2. OFM and Treasurer's Office develop statewide guidance for options to reduce costs to accept customer payments

OFM and the Treasurer's Office concur

Questions?



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