

**Analysis of the  
Costs and Benefits  
of Accepting  
Bankcards at WSDOT  
Report 10-4**

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STATE OF WASHINGTON  
JOINT LEGISLATIVE AUDIT AND  
REVIEW COMMITTEE

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## REPORT SUMMARY

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### **Popular Option Provides a Variety of Benefits to WSDOT and Its Customers, but Opportunities to Lower Revenue Collection Costs May Exist**

Customers of the Washington State Department of Transportation (WSDOT) increasingly use credit and debit cards (bankcards) to pay for services such as fares on Washington State Ferries, tolls on the Tacoma Narrows Bridge and State Route 167, and vehicle permits issued by the Commercial Vehicle Services Office. The acceptance of bankcards is providing a variety of benefits to both WSDOT and its customers. Benefits of accepting bankcards include improved customer convenience, decreased risk of cash thefts, and improved operational efficiency. However, these benefits are not without cost. As a consequence of the growing use of bankcards, WSDOT's costs for card transaction fees have been increasing rapidly, more than doubling from about \$1.1 million in FY 2006 to over \$2.9 million in FY 2009.

JLARC analyzed WSDOT's costs for accepting customer payments using bankcards and compared those costs to the cost of accepting other forms of payment, such as cash or checks. This review focuses on Washington State Ferries, Tolling Operations, and Commercial Vehicle Services because those three areas accounted for nearly all of the department's costs for accepting bankcards. This review also focuses on department operating costs, excluding capital costs because they represent "sunk" costs that cannot be eliminated, regardless of any future policy decisions concerning the form of customer payments that will or will not be accepted.

Our analysis found that the least costly method of accepting customer payments varied for the three areas. For State Ferries, the average cost for a bankcard transaction was more expensive than the average cost for a cash transaction. On the other hand, for Commercial Vehicle Services, the average cost for a bankcard transaction was less than the average cost for other payment methods.

Tolling Operations was the one area where the average cost for a bankcard transaction was appreciably greater than the average cost for a cash transaction. However, our review suggests this cost difference has more to do with the volume and type of transactions being conducted using bankcards than any inherent cost difference between forms of payment. After adjusting for the size of the tolling transactions, the cost to collect a given amount of toll revenue was approximately the same for both bankcards and other payment types.

As a part of our review, JLARC also considered options for reducing the fiscal impact of accepting bankcards at WSDOT. Two options may lower revenue collection costs. As an alternative to bankcards for some kinds of transactions, the broader use of lower-cost electronic transfers using the Automated Clearing House (ACH) network could potentially reduce WSDOT's bankcard fees. ACH offers the lowest cost per transaction of any payment method, and it is especially well suited for transactions that occur over the Internet.

In addition, although they can be difficult to implement, convenience fees paid by customers using bankcards could potentially provide an option to defray the cost of bankcard fees.

### **Recommendation 1**

**As it develops plans for the future, such as the expansion of tolling, the Washington State Department of Transportation should work with the Office of Financial Management and the State Treasurer's Office to identify alternatives for reducing bankcard fees.**

Alternatives may include developing ACH options that function by themselves or in conjunction with a bankcard program, or establishing convenience charges. The Department should also investigate the reasons why so few customers are using ACH transfers and should address any barriers that are identified.

### **Recommendation 2**

**Because other state agencies also face increasing costs for accepting bankcards, the Office of Financial Management and the State Treasurer's Office should develop statewide guidance for all state agencies relating to the use of ACH transfers, use of convenience charges, and any other factors OFM and the Treasurer's Office identify that could reduce state agency costs for accepting customer payments.**