



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

MEMORANDUM

TO: Joint Fiscal Committee Members

FROM: Maria Belliveau, Associate Fiscal Officer

DATE: June 11, 2015

SUBJECT: Request for Approval of State Web Portal Board Proposed Fee

Attached please find a request from the Governor's Office to approve transaction fees adopted by the Web Portal Board.

Please note that the Web Portal Board approved the fee structure at their December 1, 2014 meeting. According to 22 V.S.A. § 953(c)(2): **The Governor's approval shall be final unless within 30 days of receipt of the information a member of the Joint Fiscal Committee requests the charge be placed on the agenda of the Joint Fiscal Committee or, when the General Assembly is in session, be held for legislative approval. In the event of such request, the charge shall not be accepted until approved by the Joint Fiscal Committee or the Legislature.**

Although the Web Portal fee structure was approved by the Board on December 1, 2014, the Governor's approval occurred on June 4, 2015. According to Michael Clasen, Deputy Secretary of Administration, the request for approval was delayed due to it being "lost in the shuffle." A letter to this effect is forthcoming and will be sent to you when it is received by the Joint Fiscal Office. Please advise the Joint Fiscal Office of your recommendation regarding approval of this fee structure by June 25, 2015.

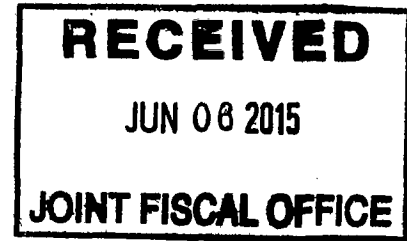
C.c. Michael Clasen, Deputy Secretary of Administration



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Justin Johnson, Secretary



June 4, 2015

The Honorable Governor Peter Shumlin
Pavilion Building
Montpelier, Vermont 05602

Dear Governor Shumlin:

In 2006, the Department of Information and Innovation (DII) entered into a contract with Vermont Information Consortium (VIC), which provides development and hosting services for the Vermont.gov web portal. The web portal includes sites that are primarily informational in nature, and is financed through an assessment of fees on a growing number of sites that process certain types of transactions. An example of a transaction based site that includes fees is the Department of Motor Vehicles vehicle registration site.

When the State web portal was created in statute, a two-step process was put in place for approval of services that include fees. The Web Portal Board, made up of a number of agency and department officials and two members of the Legislature, meet to consider proposals that are first vetted by DII. If the Web Portal Board approves the fee structure, the next step is for the Governor's office to present the board's action to the Joint Fiscal Committee or Legislature with a request for approval. The designated body then acts to review and approve or reject the actions of the board.

At the Web Portal Board meeting in December 2013 it was requested by the Board that a standard rate for credit card processing be developed for any service requiring only transaction processing. A rate of 3%, with 2% being a pass through to the credit card company and 1% going to VIC as their income from the service, was specified by the Board. The Board requested that VIC draft a proposal to allow agencies seeking credit card payment processing through VIC to be offered this rate.

In order to standardize all types of transactions VIC also included in the proposal a standardized fee for ACH, the industry name for electronic checks. VIC proposed a rate of \$1.50 for each ACH transaction, payable by the relevant agency.

This proposal also included authorization for VIC to offer these rates for existing services that are currently using a cumbersome or outdated rate structure.

The Web Portal Board met December 1, 2014 and approved the proposed fee structure for this system. The Legislature has specified a process where any decisions of the Board must be presented to the Governor's Office for referral to the Joint Fiscal Committee when the Legislature is not in session or the Legislature, when that body is sitting, for final approval. This letter is submitted in accordance with this process. The process is as follows:



(1) All such charges (following approval by the Web Portal Board) shall be submitted to the governor who shall send a copy of the approval or rejection to the joint fiscal committee, or legislature when the body is in session, through the joint fiscal office together with the following information with respect to those items:

- (A) the costs, direct and indirect, for the present and future years related to the charge;
- (B) the department or program which will utilize the charge;
- (C) a brief statement of purpose;
- (D) the impact on existing programs if the charge is not accepted.

For this project these are:

(A) With regard to this new process and the fees associated with the development of the payment system, we submit the following for your consideration:

The cost will be based on an unknown number of future transactions. In the case of new services the cost will be 3% of the total amount transacted by the service which is paid for by credit card plus \$1.50 for each transaction paid for by electronic check. In the case of existing services moving to this payment model the transaction cost should be very similar to the current fee structure. The change would largely be to create standardization across services. It is likely that the actual cost would vary to some degree as would be expected when changing from one payment model to another but the change should not be significant. It is possible that there are certain services that might see a more significant increase in transaction costs should they move to this transaction model. For these services it would be a business decision by the state owner of the service whether or not to move to this model.

(B) This rate structure is intended for the use of any state, or quasi-state entity who wishes to enter into a payment processing agreement with VIC.

(C) Current Process:

The current process is for any new service to go through an individual approval process to arrange for payment processing.

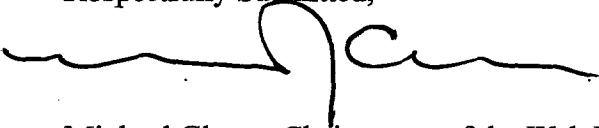
Future Online Process:

The proposed process provides several advantages including standardization of payment processes. This affects the efficiency of VIC, which indirectly benefits the state. This also affects the efficiency of the Treasurer's Office as they have fewer unique processing variations to oversee. Another advantage is that new services can be created and made available to any state organization for use without negotiating individual agreements. Some examples of this are an enterprise events management system that is currently under development. An online training tool currently in use by the e911 Board and the Department of Liquor Control could also be expanded for use with any agency with the need to do training online. These tools could be made available to any state staff with the functional need without having to create a unique agreement with each user. This proposal would also allow any state organization to install point-of-sale transaction terminals and accept credit cards in person over the counter.

(D) If this service is rejected the state will not be able to take advantage of the benefits of a standardized fee structure for payment processing.

Based on the above description of the need for the system and on knowledge and belief that the fees associated with the system are both necessary and reasonable, I recommend that you approve the fee structure as proposed and forward this letter, along with your approval, to the appropriate institution, so they may take the next steps to help us continue to create a modern eGovernment system for the State of Vermont.

Respectfully Submitted,



Michael Clasen, Chairperson of the Web Portal Board

Approved 

Peter Shumlin, Governor of the State of Vermont

Attached is a request for Joint Fiscal Committee and Legislative approval of a standardized credit card and ACH payment processing fee for transactions processed through the State's agreement with Vermont Information Consortium (VIC).

At the Web Portal Board meeting in December 2013 it was requested by the Board that a standard rate for credit card processing be developed for any service requiring only transaction processing. A rate of 3%, with 2% being a pass through to the credit card company and 1% going to VIC as their income from the service, was specified by the Board. The Board requested that VIC draft a proposal to allow agencies seeking credit card payment processing through VIC to be offered this rate.

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This proposal also included authorization for VIC to offer these rates for existing services that are currently using a cumbersome or outdated rate structure.

The Web Portal Board and the Governor have approved this fee.

In accordance with 22 V.S.A. § 953 (c)(2): The governor's approval shall be final unless within 30 days of receipt of the information a member of the joint fiscal committee requests the charge be placed on the agenda of the joint fiscal committee or, when the general assembly is in session, be held for legislative approval. In the event of such request, the charge shall not be accepted until approved by the joint fiscal committee or the legislature. During the legislative session, the joint fiscal committee shall file a notice with the house clerk and senate secretary for publication in the respective calendars of any charge approval requests that are submitted by the administration.

Thank you for your consideration.

Cc: Steve Klein, Chief Fiscal Officer, Joint Fiscal Office