



DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

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**To: Dave Anderson, Chair, Joint Committee on Appropriations
Larry Tidemann, Chair, Joint Committee on Appropriations
Jason Hancock, Executive Director, Legislative Research Council**

From: Liza Clark, Commissioner, Bureau of Finance and Management

RE: Recent LRC Memo Regarding Gateway Processing of Credit Card Payments

This letter is in response to the April 27 memorandum from the Legislative Research Council regarding the use of Authorize.net versus Converge as a gateway service for processing credit card payments on behalf of state executive branch agencies. Please consider this a response for all executive branch agencies under the Governor's control.

State government agencies and the Office of the State Treasurer have been working together for months to discuss the most efficient and effective means for processing credit card payments in executive branch departments. Further, the State Treasurer and Bureau of Information and Telecommunications (BIT) have been and continue to work with state agencies on any new programming to utilize Converge as a solution when it is financially advantageous to do so.

As you are aware, the State Treasurer now has a contract with Elavon that uses Converge to process credit card payments for state government. The fee structure under Authorize.net includes a \$25 monthly fee and \$0.10/transaction, while Converge has a \$10 monthly fee with \$0.02/transaction.

Based on Authorize.net billings provided by the Office of the State Treasurer in calendar year 2017, a total of \$83,171 was billed to state agencies, universities, boards and commissions. Of this total, approximately 35% or \$28,940 was billed to the Department of Game, Fish and Parks and 31% or \$25,963 was billed to the Department of Agriculture. The remaining 34% or \$28,268 is billed to 24 various state agencies, universities, or boards and commissions. Because those 24 agencies average less than \$1,200 in billings, migrating to Converge must take place alongside additional programming changes in order to result in cost savings.

Without taking extensive time to analyze each system individually, BIT estimates it will take 25 to 30 programming hours per system to change from Authorize.net to Converge. Programming hours will vary greatly based on each individual system. The BIT rate charged for programming in FY2019 is approximately \$68.50 per hour. Also note that BIT does not provide support to all of the entities outlined in the LRC memo.

If a programmer were diverted from the Department of Education's most pressing development needs, for example, and spent 30 hours analyzing and updating the DOE system to Converge, the programming costs would exceed \$2,000 while cost savings would equal about \$365 per year. The return on investment in such an example would be 5.5 years, during which time the system will likely undergo a normal course-of-business upgrade and the conversion made with minimal expense.

To that end, agencies are migrating to Converge when circumstances ensure making such a change is financially sensible. For instance, the Department of Agriculture recently switched from Authorize.net to Converge for various agriculture checkoff fees. The Department of Health converted its health protection system to Converge in the last several months. And the departments of Game, Fish, and Parks and Agriculture are currently in the early stages of switching to Converge for processing credit card payments for their licensing systems. We appreciate the willingness of the Treasurer's Office to assist BIT in securing these cost-savings contracts.

We will continue to switch from Authorize.net to Converge when additional programming changes are being made to the system. The minimal amount spent per agency makes it inefficient to convert under any other circumstances and takes BIT programming resources away from other, more important programming priorities within agencies.

If LRC staff have further questions, or would like more information on the current plan for addressing this conversion, please do not hesitate for them to contact me at 605-773-3411.

Sincerely,



Liza Clark, Commissioner
Bureau of Finance and Management

CC: Marty Guindon, Auditor General
Rich Sattgast, State Treasurer

	CY2017 Total Billings from Authorize.net
Universities/Boards & Commissions/Constitutional/UJS Total:	\$ 18,791
Executive Branch	
GF & P LIMITED LICENSING	\$ 28,694
AGRICULTURE - CHECKOFF	\$ 23,520
SD DEPARTMENT OF TRANSPORTATION	\$ 3,675
SD DEPT OF PUBLIC SAFETY	\$ 2,693
DEPARTMENT OF AGRICULTURE	\$ 2,060
DEPARTMENT OF TOURISM	\$ 588
STATE OF SD PROCUREMENT	\$ 506
GOED	\$ 441
SD PUBLIC BROADCASTING	\$ 435
SD WILDLAND FIRE	\$ 383
DENR	\$ 272
STATE HISTORICAL SOCIETY	\$ 265
SD DOH HEALTH PROTECTION	\$ 248
SD DEPARTMENT OF EDUCATION	\$ 231
GF & P ONLINE SHOPPING	\$ 125
SD AIRCRAFT & PILOT	\$ 123
GF & P GENERAL LICENSING	\$ 120
Executive Branch Total	\$ 64,381
Total billed Authorize.net Costs for CY2017	\$ 83,171
Agriculture Checkoff and Dept. of Health - Protection have been converted to Converge	
The remaining Dept. of Agriculture systems and Game, Fish and Parks systems are in discussions to convert to Converge over the course of FY2019.	