



MEMORANDUM

DATE: April 27, 2018

TO: Bureau of Administration Commissioner Scott Bollinger; Department of Game, Fish, & Parks Secretary Kelly Hepler; Department of Health Secretary Kim Malsam-Rysdon; Department of Labor & Regulation Secretary Marcia Hultman; Department of Transportation Secretary Darin Bergquist; Department of Public Safety Secretary Trevor Jones; Department of Education Secretary Don Kirkegaard; Bureau of Information & Telecommunications Commissioner Pat Snow; Department of Environment & Natural Resources Secretary Steve Pirner; Governor's Office of Economic Development Commissioner Scott Stern; Department of Agriculture Secretary Mike Jaspers; Department of Tourism Secretary Jim Hagen; Board of Regents Executive Director Mike Rush; Secretary of State Shantel Krebs; and Chief Justice David Gilbertson

FROM: Rep. Anderson, Lead Co-Chair, Joint Committee on Appropriations

RE: Regarding Online Gateway Processing of Credit Card Payments

This letter is to inquire about the use of Authorize.net instead of Converge regarding online gateway credit card processing. Converge is a credit card processing service offered as part of the contract with Elavon through the Office of the State Treasurer. The contract with Elavon eliminates the need for a third-party vendor, such as Authorize.net, regarding online gateway credit card processing. Please send a response to the legislative research council regarding the following questions by June 1.

1. What is the benefit of using Authorize.net instead of Converge?
2. What is the total fiscal year expenditures and number of transactions associated with Authorize.net?
3. What is the estimated cost to change from utilizing Authorize.net to Converge?
4. Any other concerns regarding changing from Authorize.net to Converge?

A handwritten signature in black ink, appearing to read "D Anderson", written over a horizontal line.

Representative David Anderson
Lead Co-Chair, Joint Committee on Appropriations

Enclosures: Office of the State Treasurer Merchant Account Policy and Procedures
Entities Utilizing Auth.Net instead of Converge

CC: Marty Guindon, Auditor General
Liza Clark, Commissioner, Bureau of Finance & Management
Rich Sattgast, State Treasurer

Entities Utilizing Auth.Net Instead of Converge

DOA	Department of Agriculture SD Board of Vet. Medical Examiner's SD Wildland Fire Suppression
BOA	State of SD Procurement
BOR	Black Hills State University Dakota State University Northern State University South Dakota School of Mines & Technology South Dakota State University University of South Dakota
DOH	SD Board of Pharmacy SD Board of Medical Examiner's SD Massage Therapy SD Cosmetology Commission SD Board of Nursing
DLR	SD Real Estate Commission Board of Technical Professions
DOE	Department of Education State Historical Society
BIT	SD Public Broadcasting
GOED	Governor's Office of Economic Development
DPS	Department of Public Safety
DOT	Department of Transportation SD Aircraft & Pilot
SOS	Office of the Secretary of State
UJS	Unified Judicial System - Public Access Record Search Unified Judicial System
DENR	Department of Environment and Natural Resources
Tourism	Department of Tourism
GF&P	GF&P Limited Licensing GF&P Online Shopping GF&P General Licensing

Office of the State Treasurer Merchant Account Policy and Procedures

Merchant Accounts established on behalf of the State Agency for the purpose of collecting payments.

Description and Purpose

A State Agency will request a merchant account to collect payments in various ways including a credit card terminal on location or through a website.

Procedure

The State Agency is required to contact the Treasurer's Office prior to contacting a merchant account provider outside of the State Contract in place by the Treasurer's Office. Unless justification is presented, the contract established by the State Treasurer must be used and the funds deposited directly to the State's main account. This is in accordance with:

SDCL 1-10-1. General duties of treasurer. The state treasurer shall have charge of and safely keep all public moneys which shall be paid into the state treasury, and pay out the same as directed by law, and perform such other duties as are required of him by law.

Policy beginning date: 5/18/2017

Signed:



Richard L. Sattgast, State Treasurer



DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

500 East Capitol Ave. • Pierre, South Dakota 57501-5070 • Voice: (605) 773-3411 • Fax: (605) 773-4711

**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.	



State of South Dakota Unified Judicial System



Office of the State Court Administrator

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500 East Capitol Avenue
Pierre, SD 57501-5070

May 25, 2018

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

From: Greg Sattizahn, State Court Administrator, Unified Judicial System

Date: May 25, 2018

Re: LRC Memo Regarding Online Gateway Processing of Credit Card Payments

This letter is in response to your April 27 inquiry about the use of Authorize.net instead of Converge regarding online gateway credit card processing. The Unified Judicial System began using Authorize.net in 2006 to process online credit card payments for the Online Judgement system and in 2016 for the Public Access Records Search (PARS) system within the UJS. The decision to use Authorize.net came at the direction of the Treasurer's Office because it was the best available option at the time.

The UJS has not done extensive research into the benefits of switching from Authorize.net to Converge, but it is our understanding that there could be a cost savings due to the fee structure between the two entities. However, there are costs associated with migrating to Converge and they should be considered as well.

Over the past 12 months, Authorize.net has processed 23,612 Online Judgement and PARS transactions at a cost of \$2,928.10 to the UJS. The estimated costs for migrating from Authorize.net to Converge range from \$1,800 to \$5,500 depending on the timing of this migration. The UJS plans to roll out a new eCourt application in late calendar year 2018 and intends to use Converge for processing online credit card payments for that program. As a result, we believe it would be more cost effective to migrate our current systems over to Converge after the coding for eCourts has been completed.

If you or your LRC staff have additional questions or if you would like additional information, don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "GS", with a long horizontal line extending to the right.

Greg Sattizahn, State Court Administrator
Unified Judicial System

Our Mission: Justice for All
Our Vision: We are stewards of an open, effective, and accessible court system, worthy of the Public's trust and confidence.



South Dakota Secretary of State
SHANTEL KREBS

May 22, 2018

Representative David Anderson
Lead Co-Chair
Joint Committee on Appropriations

Re: Regarding Online Gateway Processing of Credit Card Payments

Representative Anderson:

This letter is in response to your inquiry regarding the use of Authorize.net and Converge.

The Secretary of State's office transitioned the majority of the credit card processing to Converge in November 2016, with the implementation of our Business Online Filing System. Since that date the remainder of all credit card transactions have been switched over to Converge. Our office stopped using Authorize.net on September 25, 2017, and closed the account on April 27, 2018. We maintained the account for the last seven months for reference to historical information.

Should you have any other questions, please let me know.

Thank you.

Teresa J. Bray
Deputy Secretary of State
General Services