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Action

Fiscal Policy and Planning Committee

Proposal to Increase the Credit Card Convenience Fee

Executive Summary: This agenda item presents a proposal to increase the credit card convenience fee for applying for or renewing credentials through the Commission's online system.

Recommended Action: Staff recommends that the Commission adopt a policy that sets the credit card convenience fee equal to the transaction fee the Commission is required to pay the vendor that hosts the online payment system. This policy will increase the credit card convenience fee from \$2.00 to \$2.50 upon adoption by the Commission

Presenter: Beth Graybill, Chief Deputy Director, Executive Office

Strategic Plan Goal

IV. Operational Effectiveness

- ◆ Align human and financial resources with Commission priorities and offer staff opportunities for development to maximize professional engagement and performance.
- ◆ Demonstrate professionalism and accountability for high standards of practice in all Commission operations.

Proposal to Increase the Credit Card Convenience Fee

Introduction

This agenda item presents a proposal to increase the credit card convenience fee for applying for or renewing credentials through the Commission's online system from \$2.00 to \$2.50 to match the transaction cost charged to the Commission.

Background

In the early 2000s, under pressure from the Legislature to modernize and streamline credential processing, the Commission initiated a Teacher Credentialing Service Improvement Project (TCSIP) for the purpose of improving the speed and efficiency of issuing credentials to qualified applicants. As part of that project, the Commission established an online application process for many credentials in which candidates pay for their credentials using a credit or debit card. The project improved credentialing services and significantly reduced credential processing times. Today, approximately 78% of all credentials issued by the Commission are processed online through the Commission's Credential Automated System Enterprise (CASE). Online credential applications are processed within 10 days and renewals are typically processed within three business days.

For every online application, the Commission is charged a credit card transaction fee. In June 2003, the Commission approved a \$2.00 convenience fee for online credential applications to recover the credit card transaction fee. This transaction fee, which is added to the credential fee, was initially imposed on credential renewals, which at that time were the only applications processed online. As later phases of the TCSIP were implemented, and online credential application processing was extended to candidates recommended by preparation programs for a credential and direct applications made by educators (such as those from outside of California), this fee was applied to all online credential applications.

The Commission contracts with LexisNexis to host this online system, which includes online renewal, approved program credential recommends, and any applications applied for directly by an educator. On a daily basis, payment processing software aggregates the online payments and delivers the funds to Commission's zero-balance bank account. These funds are then transferred to the State Controller's Office and subsequently deposited into the Teachers Credential Fund. In 2003, when the Commission initially approved a convenience fee to recover the credit card transaction fee, the Commission was charged \$1.37 for each transaction and an average of 63 cents per transaction for related system costs. The most recent contract, approved by the Commission in August 2011, requires the Commission to pay a \$2.50 processing fee for each credential application transaction. While the Commission's transaction costs have increased significantly, the current convenience fee for an online credential application/renewal has remained at \$2.00 since 2003.

Current law establishes the credential fee at \$70.00. Candidates who apply for or renew a credential online pay a total of \$72.00, of which the Commission receives \$69.50. Given the

large proportion of credential applications processed online, this seemingly small difference has a significant impact on revenue for the Teacher Credentials Fund. This 50-cent differential cost the Commission approximately \$84,000 in 2012-13. By increasing the convenience fee to \$2.50, the Commission could recover the full cost of transaction fee charges, thus allowing the Commission to collect the full credential fee of \$70.00 authorized in current law to support the Commission's operating budget.

Fiscal Impact

The Commission is currently charged \$2.50 for each online credit card transaction. Increasing the convenience fee from \$2.00 to \$2.50 will recover the cost of each credit card transaction and earn the full \$70.00 credential fee. Increasing the transaction fee could enable the Commission to offset approximately \$28,000 in credit card transaction costs for the remainder of the 2013-14 fiscal year.

Staff Recommendation

Staff recommends that the Commission adopt a policy that sets the credit card convenience fee equal to the current transaction fee of \$2.50 that the Commission is required to pay the vendor that hosts the online payment system. This policy will increase the credit card convenience fee from \$2.00 to \$2.50 upon adoption by the Commission.