TO: Faculty Senate Chair Rhonda Montgomery

FROM: Chair Fiscal Affairs Committee, Mike Wilde

DATE: November 7, 2014

SUBJECT: Draft Report on Credit Card Payment Convenience Fee Proposal

Introduction

The Fiscal Affairs Committee was charged on November 4, 2014 by Faculty Senate Chair Rhonda Montgomery to undertake a review of a UNLV Credit Card Payment Convenience Fee Proposal dated August 2014 that is to be considered by the Nevada System of Higher Education (NSHE) Board of Regents at their scheduled meeting in December 2014. Given pressing time constraints, it has been agreed that the Chair of the Fiscal Affairs Committee shall undertake this review.

Background to the Proposal

Changes in the funding formula now allows for credit/debit card fee recovery to be retained by the university whereas in the past, fee recovery would have resulted in a reduction in support from the state general fund.

In FY 14 UNLV collected approximately $87 million in funds from credit/debit cards and merchant fees associated with these collections amounted to approximately $1.2 million. These charges resulted in a reduction of approximately $700,000 in state tuition and fee revenues, and a reduction of approximately $468,000 across a range of self-supporting budgets.

The Choices Facing the University

The level of fees incurred is having a significant impact on university operations and as a consequence the following options have been identified:

1. The university can continue to absorb this increasing level of fees.

2. The university can seek to recover these costs through a fee applied to payments received via credit and debit cards.

3. The university may adopt a policy that does not accept payments by credit cards

4. The university can adopt a policy whereby it does not accept payments by credit or debit cards.

What Will These Choices Mean to Students?

1. Current reductions in services will continue

2. It is proposed that the credit card fee recovery proposal will generate approximately $1.2 million which will fund four tenure-track academic positions and an increase in stipends paid to approximately 750...
Graduate Assistants of $400.00 per year. These funds are being directly reinvested in the student experience.

3. While credit card payment attract higher levels of fees, the PeopleSoft system for processing payments cannot "recognize" whether a payment is made by a credit card or a debit card, so this separation option cannot be implemented.

4. As 80% of UNLV’s tuition and fee payments are made by credit or debit cards, removal of this payment option is not considered to be a realistic option and would also bring about significant operational challenges for the Cashier’s Office.

A charge of a 2% card payment fee, based on an average payment of $930.00 would translate to an average charge of $18.60.

Students may still pay by electronic check, wire transfer, check, or cash with no fees being charged by the university.

Are The Proposed Charges Reasonable?

Credit and debit card fees rounded to 2% across a range of credit cards can be considered a low-rate based on typical credit and debit card charges across a range of industries. We can already see that gasoline stations offer a “discount” of approximately 3% to customers who do not pay by credit or debit card.

Of 35 WICHE peer institutions, 29 accept payment by credit card and of those 23 charge a fee for accepting payment by credit/debit card. Four of the 23 charge a flat fee ranging from $3 to $35 per transaction. 19 of the peer institutions charge a percentage fee ranging from 2.24% to 2.9% with an average of 2.7%.

Is it Reasonable to Press for Actual Costs Being Charges to Students Paying by Credit/Debit Card?

Limitations of the PeopleSoft system renders this option impossible. As “the system” cannot identify payments received by card type, the only way that fees could be calculated on an individual basis would be by individual examination of fees levied. This would be very labor intensive and impractical given that bank fees are charged periodically to the university and not as every transaction is processed. The reconciliation process would be to generate costs beyond the level of any benefit to be had.

Pro’s and Con’s of the Proposal

Pro’s

The proposal is the “least worst” option, alternate fee free payment methods remain available and the fees suggested are to cover costs, not to generate revenue.

The funds generated will be retained by the university.

Fees proposed are lower than the vast majority of WICHE peer institutions identified and examined.

Stipends for some 750 Graduate Assistants. Students will directly and indirectly benefit from the charges applied.
The charges will not be introduced until Fall 2015.

Con’s
It will be very unpopular if not properly explained and quantified to students who will be paying these fees.

Conclusion
It is my belief that this proposal is a done deal and will be approved by the Board of Regents.

It is my opinion that while unwelcome, the university has given careful and an appropriate level of consideration to this matter. The rationale for the fee is clearly made and is compelling. The level of fees identified are as low as possible and reflect the competitively price banking relationship that the university enjoys. While a 2% charge sounds like a 2% increase in tuition charges, it is not. It is stated in the proposal that the average card payment is $930.00 so the average additional charge to students will be less than $20.00. It should also be noted that funds generated will be reinvested into the student experience.

Recommendation
I recommend that the Faculty Senate acknowledge the need to apply the fees, but express regret that it is necessary and make a statement that states appropriations need to be at a level that recognizes the challenges facing students by recent increases in tuition. I also recommend that we go to some pains to “compel” the university to follow through with its plans to fund four tenure-track positions and increases in stipends for approximately 750 graduate assistants. We should also acknowledge that the fees are not revenue generating but expense management.