



Higher Education and Employment Advancement Committee

February 26, 2015

Testimony

By

Scott Jordan

**Executive Vice President for Administration and
Chief Financial Officer**

University of Connecticut

Co-Chairs, Ranking Members, and Members of the Higher Education and Employment Advancement Committee, thank you for allowing me to submit written testimony today and express our concerns regarding *H.B. No. 5421, AN ACT PROHIBITING INSTITUTIONS OF HIGHER EDUCATION FROM CHARGING A CONVENIENCE FEE FOR THE USE OF CREDIT CARDS IN MAKING A TUITION PAYMENT.*

The University of Connecticut is responsive to our students' needs and provides multiple options for payment of tuition and fees, including online e-check (at no cost), a payment plan which divides the amount owed into four equal installments over the semester term (enrollment fee of \$45), online home bill pay, personal check, cash, or credit card.

Credit card companies such as Visa and Mastercard charge a fee of 2.0%-3.5% of every transaction to merchants. Businesses typically absorb this charge as a cost of doing business, and price their products to reflect that cost. Many government agencies, nonprofits, and schools pass this cost on to customers through a convenience fee.

UConn accepts credit card payments for tuition and fees through a third party vendor which charges students a convenience fee of 2.75% to offset its merchant fees, as described in the above paragraph. UConn does not receive any amount of this convenience fee. It is our understanding that other State agencies and higher education institutions also pass on this convenience fee to their customers. We are told the Department of Revenue Services charges a convenience fee for accepting online credit card tax payments and Connecticut State Colleges and Universities do the same for online tuition and fee payments.

If the University or its third party vendor are prohibited from passing on credit card fees to those who choose credit cards to pay their tuition and fees, the University would be faced with the choice of absorbing the cost or no longer accepting credit cards.

Because the cost of using a credit card would be reduced from 2.75% to 0%, and given the credit card points and benefits earned by most cardholders, the University is certain that the volume of credit card payments would increase significantly. The maximum cost of accepting credit cards, if all students paid with a credit card, could approach \$15 million, though a likely range is \$5-\$10 million. The University is not in the financial position to absorb the cost of these merchant fees and if faced with doing so, would have to look at raising tuition and fees across the board to recoup these costs. We believe this would be unfair and suspect objectionable to our student body.

Therefore, if this bill were approved, the University would be faced with no choice but to stop accepting credit cards for payment of tuition and fees.

We hope that the committee will take no action on this bill. Thank you for your continued support of the University of Connecticut.