



Buyer's guide: Service fees for government

Modernize payment options, discover savings opportunities, and increase community investment with a hands-on partner committed to your success.

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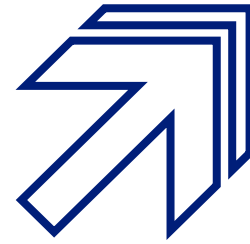


Introduction



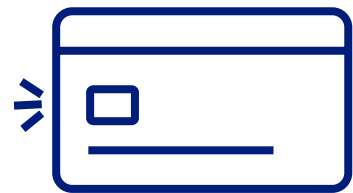
\$105B

\$105.23 billion in **credit card fees** paid by US merchants in 2021¹



25.1%

Credit processing fees **soared 25.1%** over 2020¹



Top 3

Digital options are the **top 3 consumer-preferred** payments methods²



3rd

Card Processing Fees rank as the **3rd biggest business expense** after labor and rent¹



Introduction

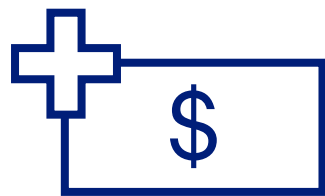
Why choose a card-brand-compliant service fee program?

An effectively implemented service fee program delivers ongoing benefits for you and the people you serve by generating savings on operating costs so you can modernize your payment options for constituents and maximize your community investment.

Introduction

Real-world solutions, hands-on support.

In this guide, you'll find an overview of how service fee programs work, the value they provide, and how U.S. Bank Payment Solutions partners with you to ensure success. We understand the unique challenges government agencies face and we're here to help you:



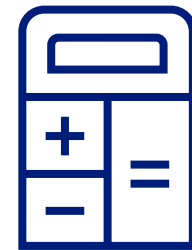
Discover savings potential

Know where you stand today—and forecast saving opportunities for tomorrow.



Increase satisfaction for all

Learn how to educate stakeholders about the immediate and long-term benefits of program implementation.



Implement easy accounting

We help you choose the right collection and billing methods to fit your agency's needs.



Maintain rigorous compliance

We have experience and expertise with card brand requirements and are committed to delivering transparency and adherence.



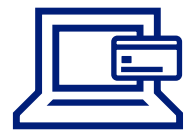
Boost community investment

Unlock the potential of optimized cash flow and see how it can positively impact the communities you serve.

Introduction

Is your agency a good fit?

A service fee program can benefit agencies that:



Accept a high % of digital transactions



Process billing at regular intervals



Routinely issue large-ticket bills



Manage high billing variability



Struggle to collect late or unpaid bills



Introduction

We understand government-specific challenges and nuances involved in implementation.

Our service fee programs have helped agencies that deal with:

- Tax and Revenue
- Transportation and Utilities
- Health and Human Services
- Labor and Employment
- Public Safety
- Natural Resources



Introduction

Service fee program success story

A high-volume DMV

THE CHALLENGE:

In 2019, a state DMV received a mandate to quickly upgrade payment systems to accept credit card payments without any additional budget funding.

THE OUTCOME:

Our team helped create and implement a customized solution that modernized public sector payment options to better provide critical services during and after COVID-19.

- The service fee program allows the DMV to accept credit card payments affordably as well as via popular digital payment channels like Apple Pay® and Google Pay™.
- Customer satisfaction increased due to enhanced speed of obtaining services, access to anytime digital payment options, shorter in-person wait times, and better data security.
- DMV employee satisfaction increased driven by operational efficiencies like streamlined processes, less paperwork, and simpler reconciliation.



Ready to take the next step?

Let's connect.

If you have questions about whether your government agency could benefit from our service fee programs, contact us:



Savings opportunities

Find savings and structure fees based on the unique needs of your agency.

Our legacy of successful partnership with government entities means we know how to create solutions that work for you.

QUICK TIP

A service fee is a flat or percentage-based fee on transactions paid with methods other than cash or check.



Savings opportunities

How does U.S. Bank Payment Solutions help me launch a service fee program?

To find the best fee structure for your program, our teams will:

1. Review your current payment mix and card processing fee expenses.
2. Identify your total fixed monthly fees.
3. Identify the average variable processing total you pay overall, as well as per transaction.
4. Help you decide on the ideal fee structure for your organization.
5. Offer guidance on deciding a fee amount.*

Service fee equation



$$\text{TFMF} + \text{TVF} \div \text{ANT} < \text{FSFAPT}$$

TFMF

Total fixed monthly fees
(i.e. equipment rental, software fees, etc.)

TVF

Total variable fees
(credit card processing charges, PIN debit charges, etc.)

ANT

Average number of transactions

FSFAPT

Fixed service fee amount per transaction

**NOTE: Your fee amount must offset your payment acceptance costs and maintain revenue neutrality.*

Stakeholder management

Innovation that exceeds stakeholder expectations.

We help you manage the implementation journey every step of the way. Transparency and accountability to local officials and community members is key to implementing a successful service fee program. Our team can help you set expectations, manage challenges, and highlight program benefits to satisfy all stakeholders from day one.

50%+

of respondents to a recent survey paid a service fee when paying via credit card for government services in the last 12 months.²

60%

of respondents said they'd pay a service fee for the convenience to use a credit card, debit card, digital wallet, or other digital payment methods.²



Stakeholder management



Here are a few talking points for local officials

- There are no upfront costs to implement a service fee program.
- Your constituents expect convenience and are willing to pay a bit extra for digital payment options.
- Stabilizing payment acceptance costs helps you forecast when key community project goals will be reached.



Here are a few talking points for constituents

- Illustrate how agency cost savings can help fund community investment.
- Offer outreach and education before implementation to manage expectations.
- Be transparent about service fees, and ensure constituents understand fees are revenue neutral—the service fee only covers the cost of accepting digital payment methods.
- Offer in-person or other traditional payment options so constituents can opt out of paying a service fee.



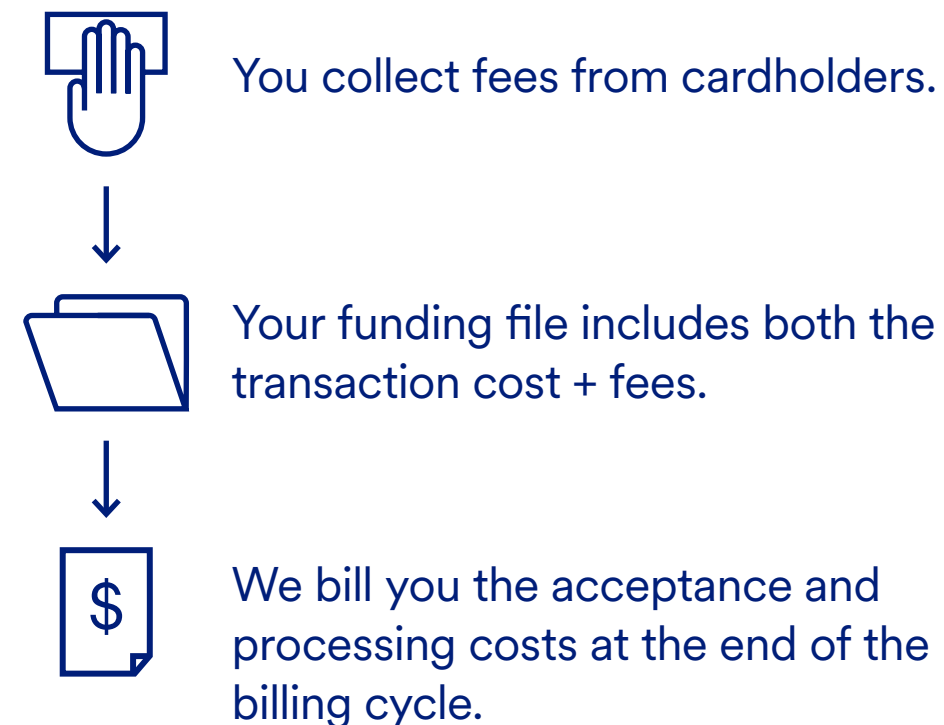
Easy accounting

Easy accounting methods streamline collections and billing.

We help you find the right way to account for revenue and rigorously monitor revenue neutrality.

GOVERNMENT-MANAGED

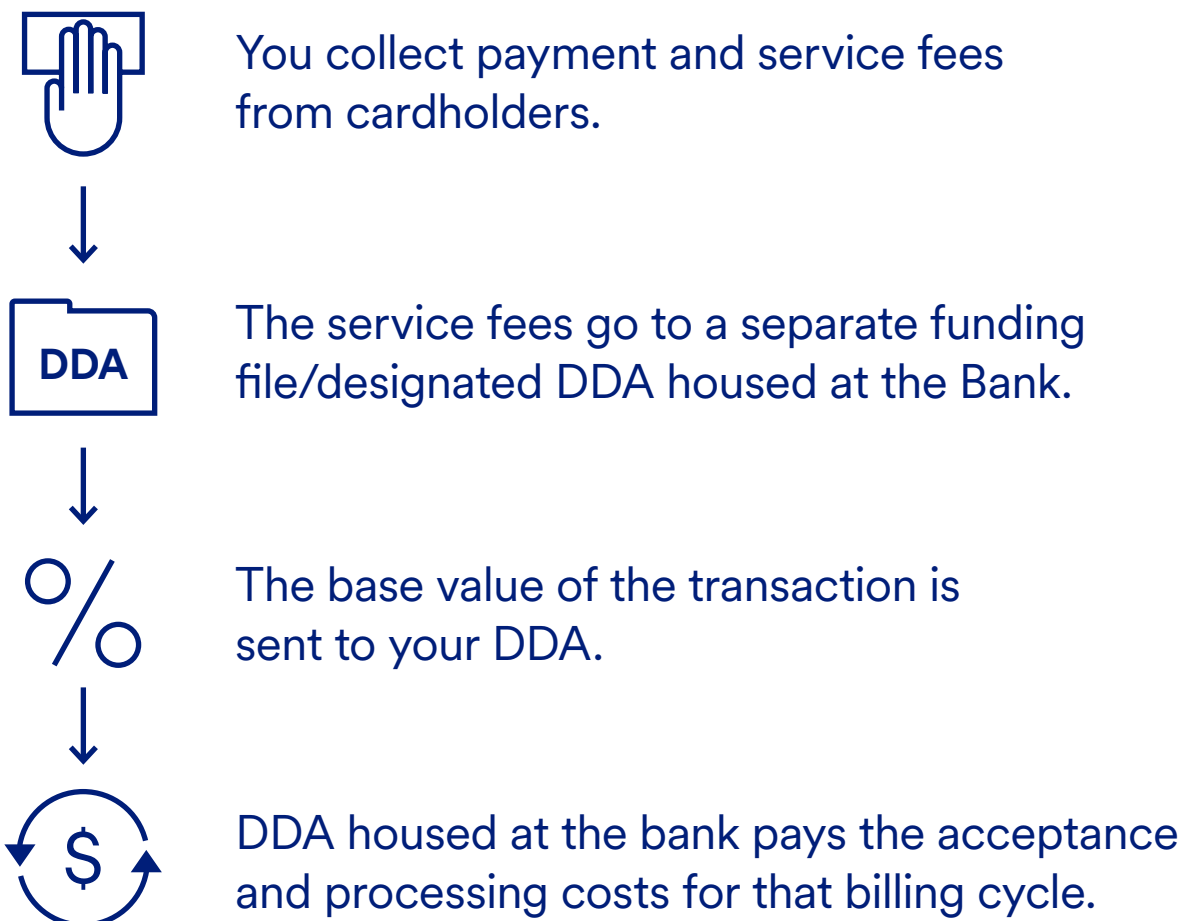
How it works



Note, with this method, you must use the new revenue to cover acceptance and processing costs at the end of the billing cycle.

BANK-MANAGED

How it works



QUICK TIP

A DDA is a demand deposit account that lets you withdraw funds without advance notice.

Compliance

We prioritize compliance to protect your agency and your community.

We strictly monitor rules and regulations to ensure peace of mind for you and the people you serve.

All organizations, including government agencies that accept credit card payments for services, must comply with regulations set by the various card brand networks in order to accept this service fee method of payment.

As rules, regulations, and requirements continue to evolve, our analysts stay on top of the latest updates to ensure our programs are always in compliance with card brand rules and regulations.

A quick overview of card brand rules.

	Mastercard	Visa	American Express	Discover
Does the card brand require registration or intent to apply service fees before implementation?	Yes	Yes	No	No
May service fees be applied to debit cards?	Yes	Yes	Yes	Yes
Is there a service fee cap?	Yes, at 4%	Yes, at 4%	No	No
Is the service fee assessed only on the final transaction amount after discounts/rebates have been applied?	Yes	Yes	Yes	Yes
Can the service fee be applied in conjunction with any other fee program?	No	No	No	No

BEST PRACTICE TIP:

While no signage is required, the charging agency should always point out the service fee to the cardholder prior to payment—that way, you eliminate surprises for the constituent.



About U.S. Bank

Our payments professionals understand the nuances of your industry and provide personalized guidance to help keep your revenue cycle and financial operations running smoothly. We offer banking, payment and investment solutions to enable your organization to deliver a better citizen financial experience and sustain healthy revenue.

Visit us: usbank.com/corporate-and-commercial-banking/industry-expertise/public-sector

-
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 2. learn.paymentstart.com/government-consumer-payments-insight-report
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