

- SUBJECT:** Use of a state credit card for agency purchases
- COMMITTEE:** Government Efficiency and Reform — committee substitute recommended
- VOTE:** 6 ayes — Harper-Brown, Perry, Capriglione, Stephenson, Scott Turner, Vo
0 nays
1 absent — Taylor
- WITNESSES:** For — Mary Lewis, Citibank, NA; (*Registered, but did not testify:* David Cox, Citibank, NA; Annie Mahoney, Texas Conservative Coalition)
Against — None
- BACKGROUND:** Government Code, ch. 403.023 permits the comptroller to adopt rules relating to the use of credit or charge cards by state agencies in their purchases.

Under ch. 660.021, the comptroller must adopt rules for effective and efficient administration of travel by state officers and employees, including administering travel provisions of the General Appropriations Act.

The central travel office within the comptroller's Travel Division must monitor travel by state employees and agencies. As part of Government Code, ch. 2171, the central travel office must also provide travel-related services, which could include support functions such as negotiating contracts with credit card companies that provide travel services.
- DIGEST:** CSHB 2962 would set requirements for the use of a state credit card for purchases by state agencies in the executive branch.

The bill would amend Government Code, sec. 2171.0521 to require that an agency in the executive branch use a credit or charge card to purchase all travel services, unless the comptroller's office found another method of payment to be more advantageous. State agency employees would be

prohibited from using a personal credit or charge card to purchase agency travel services. These requirements would not apply to higher education institutions or the office of the governor.

The comptroller would be required to adopt rules along the criteria described above with regard to the effective and efficient administration of travel by state officers and employees under Government Code, sec. 660.021. The requirements specified above also would apply to any rules adopted by the comptroller under Government Code, ch. 403 related to the use of credit or charge cards for state agency purchases.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

The bill would create a legal requirement for state agencies to use a commercial credit card program for all state purchases, which would provide a rebate directly to the state. It is currently permissive to use the state credit card, and frequently state employees use their personal credit cards and go through a reimbursement procedure. This bill would reduce agency costs by providing a more streamlined payment process.

Use of the state credit card makes the reporting of state expenses more transparent and efficient. The program protects and provides insurance against fraud and abuse. In addition, more transactions on the state card would result in additional revenue for the state. Texas ranks 42nd out of 47 states with credit card programs in terms of the percentage of state expenditures made through the state credit card program. If Texas' use of the state credit card program rose to the national average, annual rebates to the state would rise from \$12 million to \$15 million.

Costs for agencies would not increase. The bill would enable an agency to reduce its reimbursements and associated paperwork, which would free up employee time to administer the state credit card program. While the Health and Human Services Commission (HHSC) anticipates some costs as a result of the bill, this projection represents an outlier and would not be representative of state agencies generally. The comptroller's office reports in the fiscal note that the cost to implement HB 2962 would be insignificant at best.

OPPONENTS

The bill could result in increased costs and operational challenges for state

SAY: agencies. This could apply especially to agencies with large numbers of employees engaging in work-related travel. HHSC anticipates it would have to hire 10 additional employees to oversee the use of state credit cards, which would cost \$1.3 million during fiscal 2014-15. Other agencies could experience operational complexities related to ensuring employees had state credit cards for individual purchases while engaging in work travel.

NOTES: According to the fiscal note, the bill would have an indeterminate cost to the state, but the cost is expected to be insignificant, depending on determinations made by the comptroller. The Legislative Budget Board notes that HHSC anticipates an all-funds cost increase of \$1.3 million in fiscal 2014-15, including staff costs.