



E-Commerce Project

Issue Brief No. 5 – January 2006

Synopsis: The Board of Regents is pursuing many goals and opportunities identified in the *Opportunities for South Dakota* report (June 2003). Some of those goals include the delivery of services to students online and the streamlining of administrative support and operations. One of the board's initiatives, intended to improve information access and to put student services "on-line" instead of "in-line," is the E-Commerce project. This provides students access to their class schedule and billing information online. It also offers students the ability to pay their tuition and fees using e-check or a credit card online. Additional components will eventually include online payment plans and automated refunds to bank accounts.

Why E-Commerce?

- Students want access to their data anywhere, anytime and want to be able to conduct their business in a like manner.
- The public universities and the Board of Regents have been focused on moving students from "in-line" processes to "on-line" processes. Students are able to do their banking and bill paying online without ever standing in line or having to use snail mail. This is what the students like and expect from their banks and creditors, and certainly what they expect from their university.
- Students stand in line to pick up their financial aid checks, financial aid refunds, and to pay their bill. Students find this frustrating and often complain they do not have the same inconveniences dealing with financial transactions in other aspects of their life—they are all done online, easy and convenient.
- In the past, many students and parents paid by mail or over the phone using credit cards and checks. If anything changed on the student's bill (drop, add, or other change), the parent or student was not aware of the change and then had to send in a second payment or wait for a refund.

Considerations to Implement E-Commerce – SDePAY

- The university system currently pays \$500,000 annually to accept credit cards. These fees were expected to increase by \$150,000 each year when adding the option of online payment. Some schools implementing e-commerce systems simply choose to no longer accept credit cards. South Dakota universities felt this was a convenience they simply could not eliminate.
- The cost to implement a secure system with needed functionality was around \$75,000 per year.

- The cost to the Board of Regents could either go up by \$225,000 per year with the students covering the cost, or the system could have a net savings and redirect those savings to other instructional priorities.
- MasterCard, Discover, and American Express rules allow a third party to accept credit cards for South Dakota public universities and assess a fee, and still allow the merchant to process ACH transactions at no cost.
- VISA's regulations are more complicated and will not allow a merchant to assess a fee on credit cards and offer ACH free of charge. Further, VISA will not allow a fee based on the percentage of the transaction amount, only a flat charge regardless of transaction amount.
- The decision, supported by student leadership, was to use a third party to process credit card payments and to pass the credit card fees on to users of credit cards. The vendor assesses a 2.75 percent convenience fee.

Benefits of E-Commerce – SDePAY

- The goals of the project included online billing statements (to eliminate the need to mail more than 75,000 statements each year to students), access to current account activity and balance information, online tuition and fee payment, student refunds through credit card or bank direct deposits, and online payment plans.
- With the new system, students can still pay their bill in person with cash or check, through the mail using a personal check, or virtually 24 hours a day, 7 days a week using a debit or credit card or an e-check.
- There is no charge to pay a bill using an e-check. The student or parent can simply access the account, if approved by the student (federal regulation), and provide the banking information. In South Dakota, this has quickly become the preferred payment method.
- Students have the ability to set up multiple Authorized Payers so parents, spouses, or relatives can access the student billing information and make payments.
- All universities have communicated with students and staff about the SDePay system using e-mail, mail, brochures, and articles in their student newspapers. The information campaign included program details posted on the campus and regents' Web sites, including frequently asked questions and answers.
- To date, the system appears to be a huge success, with many payments previously paid by credit card coming in as e-checks and many of the payments previously coming by mail being paid online.