



# Transforming the State and Local Government Payment Process

MARKET TRENDS REPORT



# Introduction

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Modern citizens routinely receive modern services from the private sector, and payment processing is no exception. As a result, today's constituents demand private-sector-worthy experiences from government entities. In 2018, the pressure is on state and local agencies to handle payments conveniently, quickly and securely.

Unfortunately, many governments nationwide lag on delivering satisfying customer experiences during payment processing. Modernization is difficult for agencies struggling with tight budgets and legacy IT. Security is also a factor because more payment channels equal more vulnerabilities, and organizations must comply with payment security standards or risk losing their constituents' trust.

But state and local governments can meet residents' expectations by automating their payment systems. The result is a more secure and convenient payment process for customers everywhere.

GovLoop partnered with Elavon, a payment solutions provider, on this report examining how state and local governments can deliver cutting-edge transaction options to their citizens. The following pages detail best practices for boosting constituent contentment through modernizing governments' payments programs.

## BY THE NUMBERS

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27%



of U.S. citizens said they are satisfied with their government's digital services.

Source: [Accenture](#)

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54%

of U.S. citizens said they expect the same level of digital services from their governments as they do from commercial digital services.

Source: [Accenture](#)

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72%

of U.S. citizens said their willingness to engage with their governments would change positively if digital services improved.

Source: [Accenture](#)

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60%

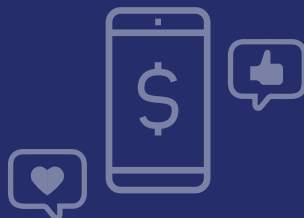
of U.S. adults said they currently use a digital payment method.

Source: [Thales/Wakefield](#)

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74%



of U.S. millennial adults said they use digital payments.

Source: [Thales/Wakefield](#)

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50%

of U.S. baby boomer adults said they use digital payments.

Source: [Thales/Wakefield](#)

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## THE CHALLENGE

# The Long Road to Modernization

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Private-sector payment solutions are constantly improving, so citizens have become frustrated with government services that can be inferior to the commercial versions.

“Constituents know their alternatives and they’re demanding digital payments,” said Marlen Prato, Head of Strategic Markets, Public Sector at Elavon. “That’s how the world functions now.”

But state and local governments have traditionally worked only with paper processes, including payment acceptance. Agencies are trapped in the past by a mix of compliance, monetary and resource constraints.

Many governments believe that modernizing digital payments is grueling, expensive and time-consuming. Some problem areas include:

**Infrastructure investments** – Organizations have spent years investing in physical IT hardware and software that are difficult to replace and lack flexibility. That’s because updates are costly and labor-intensive, not to mention new payment terminals or Point-of-Sale (POS) systems require cultural change from leaders and end users.

**Funding** – Money is tighter than ever for agencies amid funding delays, revenue fluctuations and rising costs. Constituents also want more accountability and transparency surrounding how their tax dollars are being spent. Governments are accounting for every dollar and choosing wisely where to spend each one.

**Protecting data** – Modernizing digital payments creates new challenges for protecting cardholders’ data. Funding constraints slow agencies’ infrastructure and workforce updates, significantly affecting their ability to thwart or effectively mitigate data breach events. Organizations must consider how much breaches will cost them, both financially and in trustworthiness.

**Compliance** – The payment card industry is strictly regulated, and it treats transaction security with the utmost seriousness. Agencies processing debit, credit and other card payments

must comply with industry, state and federal guidelines or face consequences. Compliance is a costly burden and may require adding personnel to manage this function.

## THE SOLUTION

# Moving to a Digital Payment Process

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State and local governments reduce costs, control revenue and manage their daily operations more efficiently when they modernize their payment environment. Most importantly, they meet constituent expectations with multiple channels for quicker, more convenient transactions.

Digital payment modernization starts with automation. Tasks such as issuing bills, processing card payments and providing receipts can be automated. This reduces error, streamlines reconciliation and improves real-time reporting. Costs fall as employees use less paper and physical IT disappears. Revenue flows with fewer obstacles as payments are processed faster and conflicts are resolved quicker.

Modernization moves agencies into a more secure payments technology environment by enabling encryption, tokenization, and Europay, MasterCard and Visa EMV, or chip card acceptance. Organizations offering EMV acceptance strengthen their cybersecurity for new cloud technologies and data protection solutions that can connect with their networks. Another benefit is that agency workers practice better cyber hygiene as they learn how to avoid insider threats, phishing and other cyberattacks. These steps ensure that agencies avoid negative headlines by safely handling the public’s payment data.

Additionally, modernizing payment acceptance makes it easier for customers to pay fees on time to avoid fines and late payment penalties.

# BEST PRACTICES



## 1. Digitize and Expand Payment Options

Modernizing the payment process starts with offering more digital transaction options. Adding online payments lets citizens use their cellphones, laptops and tablets for transactions. This omnichannel approach pleases tech-savvy constituents and frees employees to help people who prefer paying in person or over the phone.

## 2. Improve Payment Security



Agencies must also ensure the validity and security of payment data or risk losing their constituents' trust. One method is implementing the EMV program, which accepts payment cards with integrated circuit chips to validate transactions by verifying the integrity of the payment data.

Encryption is another payment security measure. It makes data unreadable to everyone who lacks authorization to de-encrypt the transmitted data.

Tokenization provides an additional security layer by replacing payment data with a token that contains no exploitable value. The token represents the valuable data without making the actual payment card data vulnerable.

"Think of it as a three-legged stool," Prato said. "Cybercriminals are going to have to break three different barriers to access that information, so it makes it harder for them to reach the honey pot."

The Payment Card Industry (PCI) Security Standards Council manages several payment security standards that stakeholders must comply with. This is because of the scope of the organization's involvement within the payment process. If agencies process, store and/or transmit payment card data, they must always comply with the PCI Data Security Standard (DSS) to ensure that appropriate controls are in place to protect cardholder data in rest and in transit. The Council has also drafted the Point-to-Point Encryption (P2PE) Solution Requirements and Testing Procedures document, which stipulates the rigorous controls required for considering a PCI-validated P2PE solution.

## 3. Implement Service Fees

Many businesses and governments collect service fees on their transactions for the convenience of using payment cards. A person buying a license plate, for example, may be willing to pay a small additional fee so they can pay online or in person with a card and avoid having to get cash or write a check.

Service fees also offset the cost of payment acceptance from agencies, allowing them to offer payment card services without losing revenue given the costs associated with the payment transactions.

"Zero cost in payment card acceptance is advantageous for agencies because they're collecting the full amount of the tax finder fee and not discounting payments," Prato said. "Government cannot legally discount tax payments. Otherwise, agencies would have to increase their traffic tickets, for example, to offset that cost and absorb that model."

With service fees, citizens get more payment options and agencies save costs — victories for both sides.

## 4. Broaden Card Acceptance

Agencies have not traditionally accepted every payment card brand because of challenges and restrictions. Smaller agencies, for example, may be unable to take some card brands because they don't meet the company's minimum volume thresholds. Broader acceptance allows constituents the choice of card payment options and desired awards such as airline miles, cash back and bonus points.

## 5. Emphasize Mobile Payments

Agencies can shrink crowds and increase on-time transactions with mobile payments, which occur on digital applications or wireless handheld terminals that accept credit card transactions. They also include cellphones, laptops and tablets. Bringing the payment to the constituent lets them pay from their preferred location.







## CASE STUDY

An East Coast county government wanted to expand its processing capabilities for service fees to deliver a better customer experience for constituents. The county needed to securely yet rapidly deploy a solution for processing transactions across all its departments. They worked with Elavon to implement an omnichannel tool to better serve citizens through multiple payment channels.

The county can now offer payment checkout pages that have the same look and feel throughout all its departments. This outcome has streamlined the county's IT efforts and helped it present a more uniform public appearance.

"Prior to using the new solutions, the process was inconsistent," Prato said. "We made it very easy through our

developer toolkit, which is an out-of-the-box, secure solution that's just plug-and-play."

The county also reduced its cost of acceptance for service fees, which has helped drive more revenue while providing citizens with a better customer experience.

"Every time you reduce the cost of acceptance, your constituents win, your departments win, everyone wins," Prato said.

Additionally, Elavon helped the county make automation integral to processing their service fees. This has freed employees from dealing with manual processes, so now they can work on more mission-critical tasks.

## HOW ELAVON HELPS

Elavon's solutions provide agencies more revenue collection opportunities while supplying citizens with more options. Agencies can choose to offer onsite, mobile, mail, telephone and online transactions through an omnichannel payment platform. They can then securely accept all payment cards, including those that are contactless, have magnetic stripes or boast EMV chips. As the first acquirer to offer an American Express card acceptance program for local governments, Elavon ensures that agencies of all sizes have the ability to offer all card brands to the end-user in a streamlined and efficient manner.

For a more customized solution, Elavon offers a Software Development Kit (SDK) that public-sector agencies can use to integrate Elavon payment processing into internal POS systems. They are also certified for integration with most large POS vendors to help ease the process.

Elavon also offers agencies the ability to charge service fees for offsetting the cost of payment acceptance.

This provides constituents with the flexibility to use their payment card while reducing or eliminating transaction costs.

What's more, these solutions meet PCI DSS security standards. Elavon's layered security solution features EMV, encryption and tokenization, which offers additional protection for constituent payments and transaction data. Agencies partnering with Elavon's various support levels quickly and efficiently meet or maintain their PCI DSS certification and requirements. Elavon offers a PCI-validated P2PE solution for organizations needing that approach.

"The first thing we do for agencies is listen to what they're looking for," Prato said. "And then we provide the proper solution by understanding those needs and what benefits they're looking to achieve."

Learn more here: [Elavon on Digital Payment Processing](#)

# Conclusion

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Modernizing digital payment processes is a victory for governments and constituents alike. Citizens get the options they crave and the data security they need, while agencies meet compliance regulations and deliver positive constituent experiences.

These solutions are crucial amid recurring funding delays, revenue fluctuations and rising costs. Modern payment solutions ensure that agencies collect the most revenue possible. They also reduce administrative costs and errors while freeing time and resources.

Citizens are accustomed to rapid and secure payment transactions in the private sector. Agencies adopting these methods can deliver services that rival those of the best e-commerce companies and retailers.



## ABOUT ELAVON

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Elavon helps public sector agencies, small and large, accept all payment types – from eCommerce to mobile wallets and EMV card acceptance. Whether it's a simple or sophisticated payment environment, we listen and consult to help design the perfect solution to match the needs of each agency.

Elavon serves more than 19,000 government and higher education customers with flexible, secure and innovative payment solutions that address the unique needs of the industry while increasing constituent satisfaction and engagement. We do this by offering solutions that benefit the public sector, developing strong industry and partner relationships and simplifying operations. For more information, visit [elavon.com](https://elavon.com).



## ABOUT GOVLOOP

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GovLoop's mission is to "connect government to improve government." We aim to inspire public-sector professionals by serving as the knowledge network for government. GovLoop connects more than 270,000 members, fostering cross-government collaboration, solving common problems and advancing government careers. GovLoop is headquartered in Washington, D.C., with a team of dedicated professionals who share a commitment to connect and improve government.

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