ELECTRONIC PAYMENTS IN THE PUBLIC SECTOR

The U.S. public/not-for-profit sector is comprised of a diverse array of organizations, including government agencies, authorities, educational institutions and general not-for-profit organizations.

While each sector has different areas of focus, structures, cultures and business practices, public/not-for-profit organizations share characteristics and needs that suggest that they could benefit greatly from adopting electronic payments.

GOVERNMENT	States Counties Authorities Municipalities School Districts
EDUCATION	Universities Colleges Community Colleges Public & Private Institutions Charter Schools
NOT-FOR-PROFIT	Cultural Philanthropic Research Advocacy Services

ELECTRONIC PAYMENTS CAN LEAD TO SIGNIFICANT COST SAVINGS

- The Smart Cities Council reported that the **City of Toronto** saved $2 million per year from switching from cash and checks to debit cards for social benefits payments.[1]
- An NAPCP study reported that city governments saved $35.50 to $164 per transaction in switching from purchase orders to purchasing cards. The **Washington State Department of Transportation** generated estimated annual savings of $4.7 million from using purchasing cards and ghost accounts rather than traditional purchase orders for almost half of its transactions.[2]

Interestingly, the same characteristics that make public/not-for-profit organizations excellent candidates likely to benefit from electronic payments adoption can also prevent these organizations from fully capturing the efficiencies from these payments systems.

The following table identifies common public/not-for-profit characteristics and shows areas where electronic payments adoption can be beneficial. Conversely, the table also points out several potential issues that could arise due to the often unique structural and operational set ups of these organizations.

Public/not-for-profits' structural and cultural characteristics...	...create a significant opportunity for electronic payments adoption...	...but complicate the implementation of an electronic payments system
Desire for Transparency and Accountability	Electronic payments are more transparent than paper-based systems, with more streamlined reporting and more accurate monitoring.	The same need for transparency can complicate the decision-making process and rollout.
Large and Diverse Payments Volume	Financial controllers and administrators tend to have significant interest in solutions and systems that can streamline receivables and payables and reduce payments complexity.	Legacy systems add to the sheer complexity in switching to a new payment system and can seem overwhelming.
Budget Constraints and Structures	The ongoing pressure to remain within annual budget targets creates interest in products and tools that can increase efficiency.	Budget planning tends to be done on an annual basis, which can hinder the ability to make significant investments in new payments systems that pay off in the longer term.
Administrative Focus	Switching to electronic payments has been proven in both public and private sectors to dramatically reduce administrative costs, e.g., by streamlining the reconciliation process.	However, hierarchical and complex treasury structures can complicate decision-making and implementation. And the administrative burden can persist beyond implementation.
Employee Practices	Public sector employees tend to have strong participation in training programs, which facilitates the transition to electronic payments. ▪ A 2014 study by the NAPCP and Mercator Advisory Group found that 86% of public sector organizations mandate cardholder training prior to issuance, compared to only 53% of private sector organizations. And 61% of public bodies mandate follow-up training, again significantly higher than private firms (24%).	Employees tend to take a measured approach when switching from tried-and-trusted processes and practices. ▪ An NAPCP/Mercator study found that 31% of public organizations manually audit all of their purchasing card/one card transactions, compared to 15% of private sector organizations.

For public/not-for-profit organizations to fully capture the cost savings and other benefits from transitioning to electronic payments, they need to partner with a financial provider that understands these structural and operational hurdles, and that has the experience and expertise of operating in this unique environment.

PNC PUBLIC FINANCE GROUP

PNC established the Public Finance Group to provide products and services to help our public and not-for-profit clients maximize cash flow, raise capital, mitigate risk and manage assets. Our treasury management services for public sector and not-for-profit organizations include industry-leading and comprehensive payment and collections services. We remain at the forefront of electronic payments development, including an award-winning suite of card services, nationally recognized collections services, and sophisticated fraud mitigation techniques to help centralize, control and protect your treasury system.

PNC supports these products and services with specialized teams who provide quick and effective implementation, as well as client care teams who work closely with our public and non-for-profit clients to ensure ongoing success and satisfaction.

The PNC Public Finance Group delivers this combination of product breadth and high-touch client support to nearly 500 state, county and municipal government entities and authorities, more than 150 institutions of higher education, and more than 600 school districts and not-for-profit organizations.

For more information about the PNC Public Finance Group, contact PNC today.

[1] "Cost Savings: Purchasing Cards vs. Traditional Purchase Orders in the Government Sector," NAPCP Benchmark Report, February 2015

[2] "Sectors Can Learn Something from Each Other: A Bright Spot Shared by Both Sectors," TransAct! Newsletter, January 30, 2015

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