



GEORGIA STATE SENATE

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THE FINAL REPORT OF THE JOINT STUDY COMMITTEE ON INDUSTRY INCENTIVE FOR FINANCIAL TECHNOLOGIES AND THE PAYMENT PROCESSING INDUSTRY

COMMITTEE MEMBERS

Senator Brandon Beach – Co-Chair
District 21

Representative Ron Stephens – Co-Chair
District 164

Senator John Albers
District 56

Representative Greg Morris
District 156

Senator Burt Jones
District 25

Representative Bruce Williamson
District 115

Chris Carr
Commissioner of GDEcD

Dawiet Zamadie
CIO of GDEcD

Prepared by the Senate Research Office
2016

COMMITTEE FOCUS, CREATION, AND DUTIES

The Joint Study Committee on Industry Incentive for Financial Technologies and the Payment Processing Industry was created by Senate Resolution 883 to study the conditions, needs, issues, and problems relating to these industries and maintaining Georgia's leadership in these industries.

Senator Brandon Beach of the 21st and Representative Ron Stephens of the 164th co-chaired the Committee. The other members included Senator John Albers of the 56th, Senator Burt Jones of the 25th, Representative Greg Morris of the 156th, Representative Bruce Williamson of the 115th, Chris Carr from the Georgia Department of Economic Development (GDECd), and Dawiet Zamadia of GDECd.

The Committee held three meetings in total. The first meeting was held on August 11, 2016, at the State Capitol, where the Committee heard official testimony from the following: Mr. West Richards, Executive Director of ATPC; Mr. Scott Meyerhoff, COO and CEO of InComm; Mr. Christopher Justice, CEO of CenPOS; Mr. Chris Carr, Commissioner of GDECd; Dr. Volkan Topalli, of Georgia State University; and Dr. Richard Wright, of Georgia State University.

The second meeting was held on September 29, 2016, at the offices of Evalon, Inc., in the Concourse Office Park at Sandy Springs, where the Committee heard official testimony from the following: Mr. Simon Haslam, President and CEO of Evalon; Mr. Art Recesso, Chief Innovation Officer of USG eCampus; Ms. Lara Hodgson, President and CEO of the NOW Account Network Corporation; Mr. Peter Radcliffe, London's Global Ambassador for Payments Industry; Mr. Kyle Johnsen, Associate Professor at UGA College of Engineering; and Mr. Thiago Olson, ATDC FinTech Entrepreneur-in-Residence.

The third meeting was held on November 7, 2016, at the State Capitol, where the Committee heard official testimony from the following: Mr. Tino Mantella, President and CEO of Technology Association of Georgia; Mrs. Kate Atwood, Executive Director of ChooseATL; Mrs. Kathryn Petralia, Co-Founder and Head of Operations of Kabbage; Mr. Kevin Curtin, Regional Vice President of Legislative Affairs for AT&T; Mrs. Mary Ellen McClanahan, Director Entrepreneur and Small Business Development at GDECd; Mrs. E. Jane Caraway, Director of Corporate Solutions at GDECd; Mr. Keith Hartford, President of WNA; and Mr. Grant Wainscott, Director of Technology Industry of the Metro Atlanta Chamber of Commerce.

COMMITTEE FINDINGS

The Financial Transactions and Payment Processing Industry

Financial Technology, or "FinTech" for short, is defined as any technology that supports the financial services industry, such as payment processors, credit cards, and debit cards. This technology can also be used with trading stocks and bonds, insurance platforms, Bitcoins, financial data analytics, currency conversion, or mobile commerce. It also affects industries such as cybersecurity, healthcare I.T., or the logistics industry.

Currently, approximately 60 percent of all FinTech or payment processing companies either headquarter or maintain significant operations in Georgia. This creates between 30,000 and 40,000 jobs in the state directly (as well as 80,000 jobs indirectly, and 105,000 jobs globally). These companies bring in \$72 billion in revenue into the state annually, which roughly equals the revenue created by the film industry

in the state. As the world transitions from a cash economy to a digital economy, this industry will continue to expand.¹

To illustrate Georgia's leadership in this industry, the American Transactions Processors Coalition (or ATPC) has created a map showing Georgia's "Transaction Valley." This map shows the location of all the FinTech and payment processing companies in the state, and includes some of the largest companies in this industry. More than 15 million merchants rely on Transaction Valley, and approximately 70% of \$7.3 trillion U.S. card transactions are processed in this area.²



Georgia's Reputation in the FinTech Industry

Despite the growth that this state has seen in the FinTech industry, the Committee heard testimony from multiple presenters stating that Georgia is largely unknown for its leadership in this industry, as many investors and workers favor Silicon Valley or New York as locations to build technology-based businesses. Many presenters also commented that Georgia needs to gain a reputation as a leader in the FinTech industry for the industry to continue to thrive in the state.

Many Georgia businesses face challenges as a result of the state's lack of recognition as a leader in the FinTech industry. To give two examples:

- Incomm works in the gift card center industry, working on projects such as Apple Music gift cards. Despite processing \$40 billion each year, their business has been nearly invisible, largely by design

¹ Taken from testimony given by West Richards, Scott Meyerhoff, and Christopher Justice, on August 11, 2016.

² *Id.*

as their customers do not need to know that they exist if their products work. However, this makes it difficult for the company to sell products to others, or attract talent that tends to migrate to Silicon Valley.

- Kabbage, Inc., provides credit to small businesses through automated services, and has deployed \$2.4 billion of credit to approximately 100,000 small businesses since 2011. However, the company has had difficulty attracting international investors, as these investors believe that the company could not scale in Georgia. They have felt that Georgia is a “backwater state” with little expertise in the technology field, and encouraged the company to relocate to San Francisco. The company also has struggled with filling senior management positions with personnel from the state.

Need for Skilled Workers

One of the central issues brought up before the Committee was the lack of skilled workers available in the FinTech industry. This issue stems both from the need to increase Georgia’s reputation as a leader in the FinTech industry, as well as the need to educate more students to enter this field. Presenters testified before the committee of the need to reform Georgia’s universities to prepare students to enter into the FinTech industry. Additionally, potential employees must be reached out to, to show not only the growth and career opportunities in the state, but to also elevate Atlanta lifestyle and culture.

The effort to create FinTech curriculum is already underway. The University System of Georgia has already created an Associate and Bachelor’s Degree in FinTech, and an additional Bachelor’s Degree in cybersecurity, which all have already launched or are set to launch in 2017. The University System has also created partnerships with FinTech employers and economic development organizations to help determine what skills students will need going into the FinTech industry, as well as to help connect students with employers.³ The University of Georgia has also created the Georgia Informatics Institute, to act as an interdisciplinary effort to bring the use of informatics into any degree program in the University. (Informatics is the science of processing data for storage and retrieval.)⁴

The Committee also heard testimony from presenters of the importance to have an outreach to potential workers, both inside and outside the state. Many individuals, even in the state’s own universities, are largely unaware of the opportunities that exist for them within Georgia. These individuals need to be shown that there are many career paths in the FinTech industry to be found in the state, while also being shown that Georgia is a state with a vibrant culture worth joining.

Ongoing Support of a Growing Industry

Groups supporting the FinTech industry testified on their efforts in promoting the industry, as well as to give feedback on the challenges which the industry faces today:

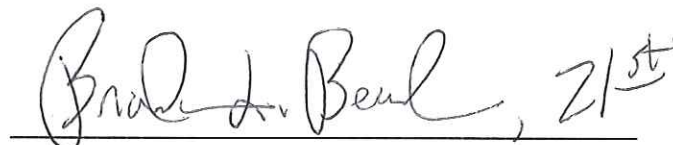
- ATPC was created to give the payments processing industry a voice on Capitol Hill, both in Georgia and Washington D.C. It is the largest industry-led economic development movement in Georgia.
- The Georgia Department of Economic Development assisted ATPC in creating their campaign for Transaction Alley, and stated their continued wish to be ambassadors for this industry. As such, they will continue to work with companies in the industry, and work to address the workforce issue by working with the University System.

³ This information was taken from testimony given to the Committee by Art Recesso on September 29, 2016.

⁴ This information was taken from testimony given to the Committee by Kyle Johnsen on September 29, 2016.

- ATDC's Entrepreneur-in-Residence program was created in 2015 after Worldpay donated \$1 million to Georgia Tech. It assists entrepreneurs starting a FinTech business, by mentoring these companies while providing access to the program's resources and connections. This special attention was warranted as FinTech requires a unique set of skill space – especially as many students come out of school with experience in computer science, but none in FinTech.
- The Technology Association of Georgia, or TAG, created the FinTech Society, to promote the industry, build the industry's workforce, celebrate the industry's best innovations, connect key stakeholders, and influence actions designed to create a pro-business state. This Society has included the FinTech Symposium, as well as Innovation Awards which are given to the best FinTech business each year. The Society has also completed market research on the FinTech industry.
- Peter Radcliffe, London's Global Ambassador for Payments Industry, informed the Committee that a payments industry forum called ATPC's P20 is being created to start in 2017. This forum will meet annually, either in London or Atlanta, to discuss how the United Kingdom, the United States, and Atlanta can maintain leadership in the FinTech industry.
- The FinTech Atlanta Task Force was created by numerous companies in the Atlanta area to "[d]evelop Atlanta as the recognized Global Center for Financial Technology just as London and New York are recognized global financial centers." This involves bringing awareness to others about the growth of FinTech in the Atlanta area.

Respectfully Submitted,

A handwritten signature in black ink, reading "Brandon Beach, 21st". The signature is written in a cursive style with a horizontal line underneath.

**Senator Brandon Beach – Chairman
District 21**