

# HOUSE BILL REPORT

## SSB 6253

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### As Passed House - Amended:

March 4, 1998

**Title:** An act relating to credit and debit card purchases in state liquor stores.

**Brief Description:** Reimbursing state liquor stores and agency liquor vendors for costs of credit and debit sales of liquor.

**Sponsors:** Senate Committee on Commerce & Labor (originally sponsored by Senators Schow, Horn, Swecker, Rasmussen, Goings and T. Sheldon).

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/19/98, 2/25/98 [DP];

Appropriations: 2/28/98 [DPA].

#### Floor Activity:

Passed House - Amended: 3/4/98, 89-8.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass. Signed by 7 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; Clements; Hatfield and Lisk.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Boldt and Cole.

**Staff:** Pam Madson (786-7166).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 30 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Staff:** Julie Salvi (786-7349).

**Background:** In 1997, the Liquor Control Board was authorized to allow the use of credit and debit cards by non licensees for purchases of liquor in all state liquor stores and agency liquor stores. The board was given rule-making authority to implement the use of credit and debit cards at both state liquor stores and agency liquor stores.

The board was authorized to use money from the liquor revolving fund to pay transaction fees associated with credit card purchases. It was unclear whether this authority included transaction fees for debit card purchases. The law was silent on the payment of other costs associated with credit and debit card purchases incurred by liquor vendors operating agency liquor stores.

As of December 1997, all state liquor stores were equipped to use credit and debit cards for retail liquor purchases. The board has initiated the rule-making process for implementing the use of credit and debit cards by liquor vendors in agency stores. Pending adoption of rules, those liquor vendors who wish to use credit and debit cards for liquor purchases may do so at their own expense.

Agency liquor stores are located in areas of the state where no state liquor store exists. The board may appoint a person as a liquor vendor who sells spirits either through an existing private retail business such as a drug store or grocery store or as a separate business. Liquor vendors operating agency stores are considered independent contractors.

A report evaluating the implementation of this program was due January 1, 1998.

**Summary of Bill:** The Legislature intends that implementation of credit and debit card use in state liquor stores and agency liquor vendor stores must not reduce the liquor revolving fund balance and as a result the amounts transferred to the state general fund, the cities and the counties.

Transaction fees for debit as well as credit card purchases must be paid by the Liquor Control Board for both state liquor stores and agency liquor stores operated by liquor vendors.

For those liquor vendors operating agency liquor stores who choose to use credit and debit cards for liquor purchases by non licensees, the board must provide the equipment and the installation and maintenance of equipment necessary to implement the use of credit and debit cards. Equipment that is provided by the board may be used only for the purchase of liquor by non licensees.

If the expenditures of implementing credit and debit card use in state liquor stores and agency liquor vendor stores exceed the revenue generated, the board shall consider raising liquor prices to offset the reduction to the liquor revolving fund balance.

The report evaluating the implementation of credit and debit card use will include data on revenues and expenditures and will be submitted by December 1, 1998.

**Appropriation:** None.

**Fiscal Note:** Requested February 18, 1998. Fiscal note on HB 3065 available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** (Commerce & Labor) Providing credit cards for use by customers in state stores and agency stores is an issue of customer convenience. The intent was to allow all stores, agency or state stores, to offer the use of credit cards. Last years bill did not clarify equipping the state's agency liquor stores to use credit and debit cards to sell liquor to the public. The agency stores are very small stores and the cost of putting in this equipment would be a financial burden for many of them. Safety is also an issue. If credit cards are used, there will be that much less cash on hand making them less vulnerable as a target for crime. Allowing the use of credit cards to purchase liquor should be consistent throughout the state. Agency stores independently contract with the board to sell their product. Store managers receive a commission based on the amount of sales. All the money that comes from the sale of the state's liquor, is deposited into the state's account. The vendor as an independent contractor cannot supply its own equipment because the vendor cannot execute financial documents on behalf of the state. They should be able to take advantage of the low discount rate for transaction fees that can be negotiated for state stores. However, there are concerns that as independent contractors, the agency vendors cannot use the state processing of transaction fees that uses the state treasurer and must negotiate with their own private institutions for such fees. This may result in a higher transaction fees. The state will reimburse the transaction fee, but it is inappropriate to pay all costs for the vendors. Other control states do not pick up such costs.

(Appropriations) There are questions about the fiscal note for this bill. When the Liquor Control Board considered the fiscal impacts of implementing credit and debit card sales in state stores, no money was lost to the general fund. Now that the board is considering the fiscal impacts of implementing credit and debit card sales in agency vendor stores, the fiscal note indicates a loss to general fund revenue. The fiscal note for last year's bill estimated a need for 1 FTE to implement the changes; the fiscal note for this bill estimates a need for 3.5 FTE staff. Vendor stores cannot adjust prices to cover the equipment costs; the Liquor Control Board sets prices for alcohol products. Liquor products are never the property of the liquor vendor. The customer's demand for convenience should be considered. Another consideration is the savings to the liquor revolving fund if state equipment is installed and the board negotiates the state access rate for transaction fees. The state rate is lower than what the vendors would be able to negotiate individually. The savings to the Liquor Control Board over time, due to smaller transaction fee costs, would pay for the one-time cost of purchasing the equipment.

**Testimony Against:** (Commerce & Labor) None.

(Appropriations) None.

**Testified:** (Commerce & Labor) (In favor) Senator Ray Schow, prime sponsor; Senator Jim Horn; Wally Balmer and Carolyn Wiemer, Washington State Liquor Agency Association; and Joe Daniels, United Food and Commercial Workers District Council Local #1001. (For information) Rick Garza, Washington State Liquor Control Board.

(Appropriations) Senator Schow, prime sponsor; and Diane Steggall, Washington State Liquor Agency Association.