

# HOUSE BILL REPORT

## HB 3065

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**As Reported By House Committee On:**  
Commerce & Labor  
Appropriations

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

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

**Sponsors:** Representative Honeyford.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 2/2/98 [DP];

Appropriations: 2/7/98 [DPS].

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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).

**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:** 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.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** (Hearing occurred on a similar bill, HB 2464) Agency liquor stores are often small operations in more remote areas of the state and are different from a state liquor store. The primary source of revenue for the agency store is the commission from the sale of liquor. These stores offer a service to the public in places that would not support a state liquor store. The vendors who operate the agency stores are paid on a commission with the revenue from sales going to the state. Each agency manager must pay expenses out of the commissions they receive. For some agency stores, the cost of transaction fees, phone lines and equipment required to offer customers the use of credit cards is prohibitive. Stores may lose sales if they don't provide the option to use credit or debit cards. Money was appropriated in 1997 to install equipment and pay transaction fees for state liquor stores. The board may have authority to pay transaction fees for agency stores but does not believe it has the authority to provide and install equipment in agency stores. Some neighboring control states provide transaction fees but do not provide other costs and equipment.

**Testimony Against:** (Hearing occurred on a similar bill, HB 2464) None.

**Testified:** (In support) Walter Balmer, Washington State Liquor Agency Association; Diane M. Steggall, Washington State Liquor Agency Association; Joan M. Holder, Washington State Liquor Agency Association; and Gerald Andrews. (No position) Mike Donaldson, Washington State Liquor Control Board; Rick Garza, Washington State Liquor Control Board; and Louis R. Soloman, Washington State Liquor Control Board.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Wensman, Vice Chairman; Doumit, Assistant Ranking Minority Member; Carlson; Cooke; Crouse; Grant; Kessler; Mastin; McMorris; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

**Minority Report:** Do not pass. Signed by 11 members: Representatives Clements, Vice Chairman; H. Sommers, Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Chopp; Keiser; Kenney; Lambert; Parlette; Poulsen and Regala.

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

**Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Commerce & Labor:** The provisions regarding the purchase, installation and maintenance of equipment for credit and debit card purchases in liquor vendor stores are stricken. The state will not purchase, install, or maintain credit card equipment for agency vendor stores.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Agency liquor stores provide a service to the state. Agency stores have no control over their costs. This bill would address an oversight in the law passed last year that led to an unequal application of the law. Equipment costs were not identified in the law. As a result, half of the liquor outlets in the state (state-owned stores) were provided with equipment for credit card purchases. The other half (agency stores) were not supplied with equipment to implement credit card purchases. This bill would create a level playing field for agency vendors and state stores. The liquor control board

currently provides other equipment to the agency vendors for the performance of inventory, ordering and other duties associated with the sale of state liquor. The equipment would be dedicated only for the purchase of alcohol.

**Testimony Against:** None.

**Testified:** Wally Balmer, Washington State Liquor Agency Association, and Diane M. Steggall, Washington State Liquor Agency Association.