



**Date:** January 24, 2013

**To:** House Education Budget Committee  
Rep. Ward Cassidy, Chairman

**From:** Doug Wareham, Senior Vice President-Government Relations

**Re:** Opposition to House Bill 2018

Mr. Chairman and members of the committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). Our organization's membership includes 99% (286 of 289) of the commercially chartered banks in Kansas. Our member banks employ more than 13,400 Kansans that provide financial services in more than 400 towns and cities across the state. The overwhelming majority of Kansas banks offer credit and/or debit card products to their customers in partnership with electronic payment system providers, so this proposal would directly impact our industry.

Thank you for the opportunity to express our concerns with House Bill 2018, which would enable private-sector educational institutions to begin imposing surcharges (check-out fees) on Kansas consumers. Since 1986, Kansas has maintained a prohibition (K.S.A. 16a-2-403) on surcharges being imposed on Kansas consumers utilizing credit cards. In 2010, that prohibition was expanded to prohibit surcharges on both credit and debit cards. While exceptions to this standard have been provided for government-sponsored entities including school districts, cities, public utilities and state agencies, House Bill 2018 proposes to extend the exception to "private-sector" institutions.

We would like to state that our opposition to this bill is not based upon the party seeking the exception, in this case private-sector postsecondary educational institutions, but rather the precedent this proposal would create by allowing consumers to be surcharged for utilizing a credit/debit card by a private-sector institution. We recognize there are costs associated with accepting debit and credit cards and we also recognize that government (taxpayer) sponsored enterprises are often limited in their ability to recoup those costs. We do not believe that is the case with private-sector institutions, which have the ability to incorporate the cost associated with accepting credit and debit cards in their asking/sales price.

Furthermore, we hope this committee will keep in mind the tremendous benefits private-sector institutions (merchants) receive from the electronic payments system that supports the utilization of credit/debit cards. Some of those benefits include:

- Better customer service (faster check-out & customer friendly system)
- Immediate payment processing (transactions are instantly authorized, cleared and settled)
- Eliminates costs associated with returned checks
- Eliminates costs associated with handling large sums of cash
- Fraud protection

We also believe it is important for this committee to note that nothing prohibits private-sector institutions (merchants) from offering a cash discount price to consumers, or simply refusing to accept payment by credit and debit cards. There still are some Kansas businesses that choose not to accept credit and/or debit cards and those businesses have that right.

This begs the question:

**Question: If the costs associated with accepting credit and debit cards aren't worth the benefits to merchants as outlined above, then why aren't more private-sector merchants simply denying payment with these instruments?**

**Answer: The benefits (for private-sector merchants) of accepting credit and debit cards far outweigh the fees paid for those benefits.**

In closing, we simply believe allowing private-sector institutions and businesses to surcharge would force consumers to pay for the benefits these institutions/businesses receive, shifting 100 percent of the cost of electronic payments to consumers, while establishing a new profit center for merchants at the cost of the Kansas consumer.

Once again, thank you for the opportunity to express our concerns and opposition against House Bill 2018, and I would be happy to stand for questions. If at a later time you have questions or require additional information, please contact me at [dwareham@ksbankers.com](mailto:dwareham@ksbankers.com) or at (785) 232-3444.

**House Status:** [Adjourned until Thursday, January 24, 2013 at 11:00 a.m.](#)  
**Senate Status:** [Adjourned until Wednesday, January 23, 2013 at 02:30 p.m.](#)

## 2012 Statute

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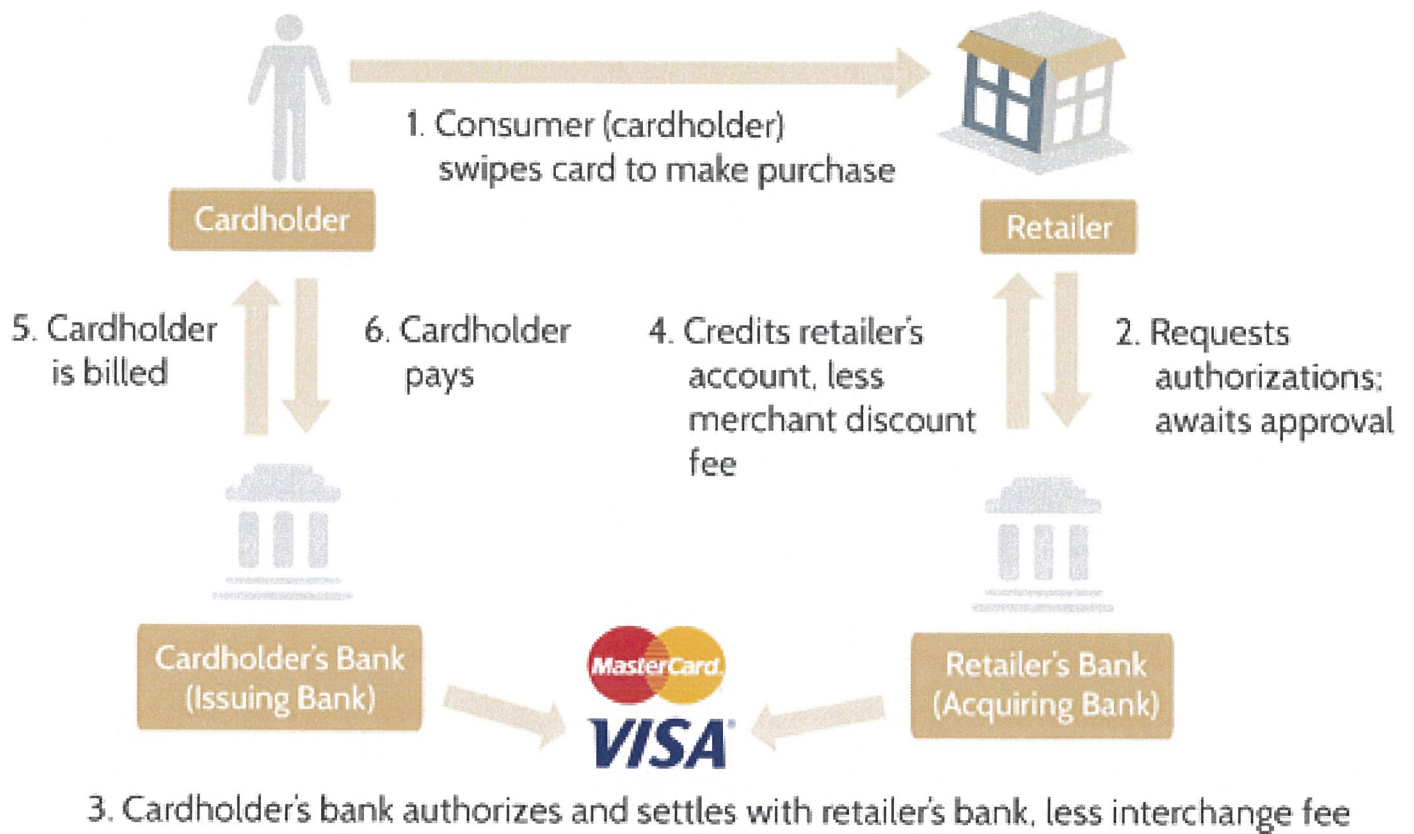
**16a-2-403. Prohibiting surcharge on credit or debit cards.** No seller or lessor in any sales or lease transaction or any credit or debit card issuer may impose a surcharge on a card holder who elects to use a credit or debit card in lieu of payment by cash, check or similar means. A surcharge is any additional amount imposed at the time of the sales or lease transaction by the merchant, seller or lessor that increases the charge to the buyer or lessee for the privilege of using a credit or debit card.

**History:** L. 1986, ch. 90, § 2; L. 1999, ch. 107, § 17; L. 2010, ch. 64, § 1; July 1.

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## ANATOMY OF AN ELECTRONIC PAYMENT



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