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Pa. House takes another step in long march to liquor privatization

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BY **WALLACE MCKELVEY**
WMckelvey@pennlive.com

A measure that would allow beer distributors to sell liquor and wine joined several others sent from the state House to the Senate over the last month.

[House Bill 1033](#), which passed the House by a 103-91 margin earlier this week, would allow beer distributors and wholesalers to obtain a permit to sell unlimited amounts of wine and liquor.

A [fiscal analysis](#) by the House Committee on Appropriations estimated that it would bring in \$6 million in license fees and another \$6 million in tax revenues in its first full year of implementation.

On the other end, however, it would likely reduce the state stores' gross margin from liquor and wine sales by nearly \$31 million.

"It is assumed that the PLCB will modify its current retail footprint by reducing operating costs accordingly to mitigate the loss of its gross margin as additional retail outlets begin selling wine and spirits," the analysis concluded.

Last month, the House [passed a succession of bills](#) designed to nudge the state closer to privatizing its state-run alcohol distribution system. They included measures that would:

- ["Free the wine"](#) by allowing grocery stores to apply for a permit to sell wine without any seating requirement. It would also allow retailers with an R license to purchase wine through private wholesalers instead of the state Liquor Control Board.
- Divest the PLCB from its wholesale wine and spirits operation entirely and open the door for private wholesalers.
- Allow R license holders to sell up to four bottles of liquor to sell, in addition to the wine sales permitted by Act 39.

Gov. Tom Wolf and Senate Republican leaders, however, have been reluctant to enact such changes following last year's [sweeping Act 39 reforms](#).

A proposed amendment that would have reciprocated HB1033's expansion by allowing state-run liquor stores to sell beer was not added to the final version of the House bill.

<http://fox43.com/2017/04/26/pa-house-approve-bills-to-privatize-retail-liquor-sales/>

PA House approve bills to privatize retail liquor sales

Posted 5:14 PM, April 26, 2017, by [Mark Roper](#), Updated at 05:24PM, April 26, 2017

HARRISBURG, Pa. -- Pennsylvania could be getting out of the business of selling alcohol if a series of bills make it through the Capitol.

A push to privatize the sale of alcohol in Pennsylvania is now under consideration in the senate after the House voted with their approval.

There are about 600 state stores selling alcohol.

Some legislators believe there should be any run by the state.

Others worry how many other stores could pop up in neighborhoods and communities across Pennsylvania.

Pennsylvania's own Fine Wine and Good Spirits stores could become a thing of the past.

State representative Bryan Cutler (R-LANCASTER) said "it really hasn't substantially changed, until last year, for the 80 years prior to that, so change is slow but it is coming."

Pennsylvania House Republicans passed a series of bills that would get rid of the state's wholesale system to create private retail stores.

This follows Act 39 which Governor Tom Wolf signed into law last year, allowing for expanded beer and wine sales.

Pennsylvania state representative Carol Hill-Evans (D-YORK) said "it's only been eight months ago that legislation was passed, and so far, we haven't had any reports as to how it's doing, so we don't really know."

"It's very clear to me, that I don't believe the government should be in the business of selling alcohol and these bills would further move that goal forward," Cutler said.

"I think to push ahead into something else, or something additional, is just a little, it's not the right time," Hill-Evans said.

Those in favor of the state getting out of the alcohol business say millions of dollars of tax revenue still would be collected, regardless who sells it.

"We buy \$1.9 billion in alcohol as a state, and yet there's very little money made on that, about \$100 million. When you look at the PLCB, the Pennsylvania Liquor Control Board, in its entirety, it's really upside down," Cutler said.

Currently, the Liquor Control Board runs more than 600 state stores selling beer, wine, and hard liquor.

"And this bill would increase that number to 2383 stores, across the commonwealth, and I just don't think that that's appropriate," Hill-Evans said.

Some worry easy access to alcohol could make revitalization efforts in cities like York, and Lancaster more difficult.

"Having a liquor store on every street corner, when we're trying to encourage families to come down to our cities, is that really what we want, and I say no," Hill-Evans said.

Approximately 4,400 people are employed at Pennsylvania state stores. Cutler said most of those workers would be given other jobs with the state.

- House Bill 438 - Would establish a spirit expanded permit for holders of restaurant and hotel liquor licenses.
- House Bill 975 - Would remove the Pennsylvania Liquor Control Board (PLCB) from the wholesale wine business and create new wholesale wine and retail wine licenses.
- House Bill 991 - Would create a retail store license for the sale of wine and spirits.
- House Bill 1075 - Would reduce the price of liquor products by further removing the PLCB from the purchase and distribution chain.

<http://puglieseassociates.com/lets-talk-pa-liquor-privatization/>

Let's Talk Liquor Privatization

The Real Skinny on Your Skinny Margarita

By Louis J. Biacchi, Lobbyist

Pennsylvania is literally one of the very last states to start, let alone finish, the conversation around privatizing the sale of liquor.

Liquor legislation, which would either privatize or reform Pennsylvania's current liquor law (depending on which bill one is considering) has been discussed in the General Assembly during several legislative sessions. It has been a priority for a number of legislative leaders while others have strongly opposed.

Most Republican legislators in the House and some in the Senate generally are interested in divesting the State from the business of selling liquor; some for fiscal reasons others for philosophical ones. A few House Republicans and more Senate Republicans are against full privatization, preferring reform to varying degrees. The Governor and Democratic legislators favor some degree of reform, primarily to increase consumer convenience, while keeping the liquor store system intact.

Stumbling Over Beer

Who should be able to sell beer? That is a question that is also up for debate. Beer distributors want no change to their monopoly of selling beer by the case. Supermarkets and convenience stores want to sell beer without having to buy expensive restaurant licenses, which a few of them across the State have done. Taverns want to be able to sell more than their currently allowed two six packs. The "who should sell beer?" issue complicates the already robust discussions over who should sell wine and spirits.

House Bill 466 (Prime Sponsor – Speaker Mike Turzai) passed the House and Senate, with amendments which the House agreed to, on June 30, 2015 but was vetoed by the Governor on July 2nd. House Bill 1690, also prime sponsored by the Speaker, passed the House in November 2015 and was then passed by the Senate in December with numerous amendments. It has remained in the House Rules Committee since then.

Various House and Senate Democrats have also introduced liquor bills trying to satisfy majorities. None have been reported out of committee.

A Compromise?

Legislators favoring liquor privatization continue this year to seek a compromise position between those policy makers who want privatization and those who will accept some reforms to our current liquor system that brings consumers more convenience yet maintains the status quo on State owned liquor stores.

Our Perspective

As Pugliese Associates represents the Pennsylvania Restaurant and Lodging Association, we are advocating for full privatization. At the very least, legislation should be enacted this year that reduces costs to licensed establishments for the purchase of wine and spirits. Pennsylvania restaurants pay some of the highest costs in the country for wine and spirits; resulting in higher

costs to customers. Additionally, providers like our PRLA members should have the opportunity to sell a few bottles of wine “to go” to customers who ask for this convenience – ultimately providing better access and reduced costs to the consumer.

We are hopeful that a liquor bill will pass as part of the negotiations for a compromise on the 2016-2017 budget and we will continue to encourage and support legislation in this direction.

However, as most all are aware, Governor Wolf and House and Senate leaders have had difficulties reaching agreement this past year with regard to the budget and budget related bills. With that history, it is again unclear (as of this moment) when or if agreement will be reached on the upcoming budget, with or without pension and liquor reforms.

<https://www.usnews.com/news/best-states/pennsylvania/articles/2017-04-25/house-advances-bill-to-let-restaurants-sell-takeout-liquor>

House Approves Bill to Sell State's Liquor Wholesale System

The Pennsylvania House is giving its approval to a plan to lease and eventually sell off the state's wholesale system for wine and spirits, a change opponents say could spell the end of state-owned liquor stores.

April 25, 2017, at 8:45 p.m.

By MARK SCOLFORO, Associated Press

HARRISBURG, Pa. (AP) — House Republicans on Tuesday pushed ahead a set of changes to how alcohol is sold in the state, moving to privatize wholesale wine and spirits sales and expand the retail outlets where booze is available.

Lawmakers voted 105-84 in favor of the wholesale divestment proposal, sending it with other proposals to the Senate for its consideration.

The House voted to allow more grocery stores to seek permits to sell wine, no longer restricting the permits to stores with seating capacity, and retailers would be able to buy wine from brokers in the private sector.

"Every day that passes that we're not able to continue to update our antiquated liquor systems is another day of missed opportunities," said Rep. Bryan Cutler, R-Lancaster.

Rep. Joe Markosek, a Democrat from Allegheny County, said the change would help businesses at the expense of taxpayers, as state stores would have to compete with groceries that can focus on just the most popular varieties.

"If there ever was a template on how to crash a business and hurt taxpayers, this is it," Markosek said.

Representatives also approved letting restaurant and hotel licensees sell up to 3 liters (almost 1 gallon) of takeout liquor per customer.

Another measure would allow privately owned retail liquor stores, an expansion designed to fill gaps in the state that are not adequately served by the 600 stores of the Pennsylvania Liquor Control Board.

Markosek, the ranking Democrat on Appropriations, said new fees collected under the wholesale divestment bill would be less than the liquor system currently provides to state coffers. He also warned that driving the system out of business would put about 5,000 people out of work and add to the state pension system's debt.

Supporters said the state-store workers would find jobs in the private stores that would be succeed them.

"This is not a shiny new asset," said Rep. George Dunbar, R-Westmoreland. "This is an asset that's old and tired and needs to be retired."

<http://www.mcall.com/news/nationworld/pennsylvania/mc-pa-house-liquor-vote-20150226-story.html>

PA House votes to dismantle and sell state liquor store system



Steve Esack Contact Reporter Call Harrisburg Bureau

PA House votes to privatize wine and liquor sales

HARRISBURG — With the state facing a deficit of up to \$2.3 billion, lawmakers and citizens Thursday plugged their own ideas for raising money.

For the Republican-controlled House, part of the answer to Pennsylvania's fiscal woes came in the form of a 114-87 vote to dismantle and sell the state-run liquor store system. The GOP-backed bill, which Gov. [Tom Wolf](#) opposes, is similar to one the House passed in 2013 only to see it die in the Senate. The new bill moves to the Senate, where its future again is uncertain.

From Our Partners:

While the House debated the liquor bill for 5 1/2 hours, hundreds of parents, union activists and public education activists rallied in the Rotunda for more school funding through a Marcellus Shale natural gas tax, and for a higher minimum wage for workers.

"I am here today in the state Capitol to support a fair budget," said Tonya Morrow, a unionized health-care worker from Allentown. "I definitely support a tax on Marcellus Shale."

The House liquor bill does not designate what the money from the sale of the liquor store system would cover. The bill estimates the sale would generate about \$1.2 billion in one-time revenue by December 2016, and then create recurring revenue of \$31.4 million every year afterward.

That income, which Democrats and some Republicans doubt is realistic, would result from closing state liquor stores, selling the Liquor Control Board's wholesale business and issuing up to 1,200 new wine and liquor retail licenses. The existing beer-sales system would be left unchanged.

If the bill becomes law by June 30, Pennsylvania would end its Prohibition-era, government-run wine and liquor store system in favor of a privately owned system, as most other states have.

"We have a chance to move the liquor store system into the modern world," House Majority Leader [Dave Reed](#), R-Indiana, said before the final vote.

Under the bill:

- Privately owned beer distributors would get a first crack at buying wine licenses that cost \$7,500 to \$37,500, and liquor licenses for \$30,000 to \$60,000. Prices vary per county, and licenses to sell on Sundays would be more.
- Any licenses left after a 12-month buying time for beer distributors would go to new entities at a higher markup: \$97,500 to \$187,500 for wine, and \$142,500 to \$262,500 for booze. Again, prices vary by county and Sunday sales would be more.
- Grocery stores, restaurants and hotels, which already sell six-packs and 12-packs of beer, also would be allowed to sell wine and liquor. Those licenses cost \$97,500 to \$187,500.
- Selling the wholesale division would occur 16 months after the bill goes into effect.

The arguments for and against House Bill 466 were largely the same ones lawmakers debated two years ago.

Opponents said the bill would create too many licenses, driving up alcoholism and allowing more underage children to sneak purchases. Opponents also said selling the state store system would hurt the budget, which benefits from an annual transfer of LCB profits.

Proponents said fears of alcohol-related social issues are unfounded because such problems don't occur in other states that let private businesses sell beer, wine and liquor. Proponents also said LCB profits were dropping and criticized the LCB as an ill-run patronage haven.

Rep. Bob Freeman, D-Northampton, said selling the stores may bring in a one-time revenue source, but the state would be giving up a financial asset that pumps needed money into the general fund annually. A better solution would be to allow more state stores to open on Sundays and to expand selection and services, he said.

"Once you sell the hen, you no longer get the eggs," Freeman said.

Rep. Bill Adolph, R-Delaware, chairman of the Appropriations Committee, countered that the LCB's own estimates show employee and operating expenses are outstripping sales growth. In 2008, he said, the LCB transferred \$138 million in profits to the general fund, but this year the transfer dropped to \$80 million. The transfer will keep dropping and eventually will no longer exist, forcing taxpayers to subsidize the LCB, he said.

"Now, in my opinion, is the time to sell this asset," Adolph said.

But Thursday's marathon debate did not draw the hordes of crowds the 2013 debate did. On Thursday legions of lobbyists did not roam the halls, representing the beer distributors and law enforcement, which oppose privatization, or the spirits industry and small-business groups, which support the bill. Nor were hordes of unionized state store workers clad in yellow T-shirts roaming Capitol halls as they did two years ago.

Lobbyists and workers stayed away Thursday because they knew the House would pass the bill, said Bill Patton, spokesman for the House Democratic Caucus. Crowds will return when the bill is taken up in the Senate, he said.

Wolf, a Democrat, does not support privatization, his spokesman Jeff Sheridan said. Wolf wants state liquor stores to be open on Sundays, wants consumers to be able to get alcohol shipped to their homes and wants to put more state stores in supermarkets, he said.

A bill backed by Senate Democrats would do much of what Wolf has advocated.

But House Republicans want the privatization bill. Senate Republicans have their own priority — altering public pension plans to save money. Meanwhile, Wolf has already called for a Marcellus Shale tax and is expected to recommend higher income and sales taxes in his budget address Tuesday.

That means all sides are going to have to belly up to the negotiating table to get something as part of the 2015-16 budget that goes into effect July 1.

steve.esack@mcall.com

Twitter @sesack