



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1196

PRINTERS NO. 3697

PRIME SPONSOR:

Petri

### COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	\$0	See Fiscal Impact
State Stores Fund	\$0	See Fiscal Impact
Lottery Fund	\$0	See Fiscal Impact

**SUMMARY:** House Bill 1196, Printer's Number 3697, amends the act of April 12, 1951 (P.L. 90, No. 21), known as The Liquor Code, further providing for definitions, licenses, sales by liquor stores and general powers of the Liquor Control Board (LCB); providing for a national event permit; further providing for wine expanded permits, for license auction, for the malt and brewed beverages industry promotion board, for brand registration; for wineries, limited wineries, bonded warehouses, bailees for hire and transporters for hire; further providing for unlawful acts; and making a repeal.

The addition of Section 408.17 (National Event Permit), Section 17(3) and the reenactment of section 493(33)(v) of the act (catering permits) shall take effect immediately. The remainder of the act shall take effect in 60 days.

**ANALYSIS:** This legislation makes various changes to the Liquor Code including changes to provisions in Act 39 of 2016. More specific details on the changes are as follows:

This legislation amends the definitions of "alcoholic cider", "malt or brewed beverages" and "mug club" and adds a definition for "mead". Alcoholic cider is amended by raising the permitted level of carbonation to not exceed six and four tenths grams per liter. The requirement that every member of a mug club be provided a mug is removed. Mead is defined as an alcoholic beverage produced by fermenting honey and the term is added to the definition of "malt or brewed beverages".

#### National Event Permit

- Creates a National Event Permit to be used by a national political party holding a national convention within the Commonwealth for events directly related to the convention.
- Permit would be similar to a special occasion permit with the following exceptions: (1) allows for the acceptance, possession and resale of donated alcohol and (2) is not subject to restrictions on the hours of operation for the service of alcohol.
- The application fee for the permit is \$5,000.
- The provision sunsets on July 29, 2016,

### Wine Expanded Permits

- Provides that wine sales may occur through a register that also sells beer and food items.
- Changes provisions for wine expanded permit holders in the tax filing process from a refund of taxes paid to a credit of taxes paid when selling wine for off-premise consumption.

### Sunday Sales Hours

- Provides that licensees may begin to serve alcohol at 9:00 am.

### Customer Convenience and Relations Marketing

- Provides that names, addresses and other records of customers participating in a customer relations management program may not be sold by the board.
- Exempts any customer relations management program records from the Right to Know Law.

### Lottery Sales in State Stores

- Provides that no licensee commissions shall be paid from the Lottery Fund for lottery ticket sales occurring in State Stores.
- Changes made in this legislation will result in an estimated \$3 million remaining in the Lottery Fund and not being transferred to the General Fund.

### Casino Licenses

- Reduces the initial fee for a casino license from \$1,000,000 to \$500,000 for a slot machine licensee. The annual renewal fee for the first four years is reduced from \$1,000,000 to \$250,000. In succeeding years the annual renewal fee shall be \$25,000.
- Adds a new provision allowing nonprimary locations to purchase a casino license as follows: (1) \$1,000,000 in counties of the first through third class; (2) \$600,000 in counties of the fourth through 5<sup>th</sup> class; and (3) \$200,000 in counties of the sixth through eighth class. Such licenses shall be subject to an annual renewal fee of \$10,000.
- All fees shall be deposited into the State Stores Fund.
- The net impact of the changes in the legislation to the casino liquor licenses is estimated to generate an additional \$3.6 million in 2016-17.
  - Reducing the casino liquor license fee to \$500,000 for slot machine licensees is estimated to result in a reduction of \$6 million in 2016-17 assuming all 12 casinos operating in the Commonwealth purchase a casino license.
  - Authorizing nonprimary locations to purchase a casino liquor license is estimated to generate \$9.6 million in additional revenues in 2016-17 assuming all currently operating nonprimary locations purchase a casino liquor license.

### Conversion of an Eating Place license to a Restaurant License

- Provides that all license fees shall be deposited into the State Stores Fund.

Other Provisions

- Redefines geographically contiguous areas as it relates to distributors and importing distributors.
- Requires any person selling beer to file a report with the board showing the volume of product sold.
- Decriminalizes the transportation of alcohol.
- Repeals the Wine and Spirits Wholesale and Retail Privatization Commission.
- Adds language providing that all monies collected from casino liquor licenses, conversion of eating place licenses to restaurant licenses and the expired license auctions be transferred from the State Stores Fund to the General Fund on a quarterly basis.

**FISCAL IMPACT:** Act 39 of 2016 provided and expanded consumer convenience initiatives and was estimated to generate an additional \$149.163 million in revenues to the Commonwealth in fiscal year 2016-17. This legislation makes changes to the provisions of Act 39 and creates additional consumer convenience through extended hours on Sundays for licensees and providing for a National Event Permit. It is estimated that the provisions in this legislation will result in an additional \$600,000 in revenues to the Commonwealth in 2016-17.

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**DATE:** July 1, 2016

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*