



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1690

PRINTERS NO. 2653

PRIME SPONSOR: Turzai

COST / (SAVINGS)

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

SUMMARY: House Bill 1690, Printer's Number 2653, amends the act of April 12, 1951 (P.L. 90, No. 21), known as The Liquor Code, further providing for definitions, licenses, hours of operation and general powers of the Liquor Control Board (LCB); providing for wine expanded permits, casino liquor licenses and license auction; clarifying provisions of the liquid fuels exclusion; making changes to the provisions of holding a license in safekeeping; establishes the Malt and Brewed Beverage Industry Promotion Board and provides for the awarding of grants for increasing production of malt and brewed beverages made in PA; further provides for the PA Wine Marketing and Research Board and provides for the awarding of grants for increasing production of wines made in PA; establishes the Wholesale and Retail Privatization Commission; and makes other changes providing for various consumer convenience initiatives.

The act shall take effect in 60 days.

ANALYSIS: This legislation makes various changes to the Liquor Code providing and expanding consumer convenience initiatives. More specific details on the changes are as follows:

Wine Expanded Permits

- Allows restaurants and hotels to purchase a permit to sell up to 3,000 mL of wine (4 bottles) for off-premise consumption.
- The initial permit fee is \$2,000 and the renewal fee is equal to 2% of the cost of wine purchased from the board for off-premise consumption.
- License fees of \$17.788 million will be received in 2016-17 assuming 75% of the licensees purchase a wine expanded permit.
- The net impact of increased sales will result in an additional \$681,000 in revenues in 2016-17. A full year of implementation is estimated to generate net additional revenues of approximately \$5 million.

Expanded Sunday and Holiday Sales

- Eliminates the requirement that stores are closed on certain holidays and that stores operate in a limited capacity on Sundays.
- Expanded hours on Sundays and holidays is estimated to generate an additional \$12 million in revenues in 2016-17 and approximately \$15 million annually thereafter.

Flexible Pricing

- Provides exceptions for the “proportional” pricing requirement, for “best selling items” and for “limited purchase items” and allows for discounting of discontinued items.
- Flexible pricing is anticipated to generate an additional \$35 million in revenues in 2016-17 and an additional \$65 million annually thereafter.

Customer Relations Marketing

- Allows the LCB to offer coupons and operate a customer relations management program.
- Customer relations marketing is estimated to generate an additional \$8.5 million in revenues in 2016-17 and approximately \$10 million annually thereafter.

Lottery Sales in State Stores

- Allows the LCB to sell PA Lottery tickets through instant ticket vending machines, player-activated terminals and technologies for the self-service sale of PA Lottery tickets and provides that the licensee commission be deposited in the General Fund.
- Allowing PA Lottery tickets to be sold in State Stores will generate an additional \$3 million in revenues annually for the General Fund.

Casino Licenses

- Authorizes the LCB to issue licenses to casinos for a fee of \$1 million to sell alcohol 24 hours a day, 7 days a week. The renewal fee will be \$1 million for the next four years and will be set at \$250,000 per year thereafter.
- Assuming all 12 casinos operating in the Commonwealth purchase a casino license will result in \$12 million of additional revenue in 2016-17.

Expired License Auctions

- Allows a restaurant license that ceased to exist under law to be auctioned by the LCB once a year to the highest bidder with the minimum bid set at \$25,000.
- The auction of expired licenses is estimated to generate \$46.875 million in 2016-17 assuming 60% of the available licenses are auctioned for an average price of \$75,000.

Conversion of an Eating Place license to a Restaurant License

- Allows for the conversion of an eating place license to a restaurant license for a fee of \$30,000.
- It is assumed that approximately 20% of the current eating licenses will convert to a restaurant license in 2016-17 generating \$2.73 million in additional revenues.

License Surcharge, Safekeeping Fees, Special Orders, Direct Shipment of Wine and Grants

- Provides for a \$700 annual license surcharge (\$12 million)
- Doubles the fees for maintaining a license in safekeeping (\$945,000)
- Provides that the LCB’s 30% markup does not apply to special liquor orders (-\$2.53 million)
- Provides for direct shipment of wine (\$175,000)
- Provides for up to \$1 million annually for the awarding of grants for the purpose of increasing production of malt and brewed beverages made in PA.
- Provides for up to \$1 million annually for the awarding of grants for the purpose of increasing production of wines made in PA.

FISCAL IMPACT: Enactment of this legislation is estimated to generate an additional \$149.163 million in revenues to the Commonwealth in fiscal year 2016-17. Grants may be provided by the LCB for increasing the production of malt and brewed beverages in PA and the production of wine in PA in an amount not to exceed \$1 million annually for each program.

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House Appropriations Committee (R)

DATE: June 7, 2016

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