



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 991

PRINTERS NO. 1234

PRIME SPONSOR: A. Harris

COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	\$0	See Fiscal Impact
State Stores Fund	\$0	See Fiscal Impact

SUMMARY: House Bill 991, Printer's Number 1234, amends the act of April 12, 1951 (P.L. 90, No. 21), known as The Liquor Code, further providing for definitions, and providing for retail stores. The act shall take effect in 60 days.

ANALYSIS: This legislation amends Section 102 of the Liquor Code by adding definitions for product identification number, retail outlet, retailer, and spirits.

The legislation also adds a new article to the Liquor Code to provide the Pennsylvania Liquor Control Board (PLCB) with the authority to issue retail store licenses for the sale of liquor directly to consumers for consumption off the premises. Retail store licenses may be issued at a ratio of one per every 6,000 residents within a county, with a minimum of 15 licenses per county regardless of population. The retail store licenses shall be available to establishments at which consumer products are sold, supplied or offered for sale directly to consumers and which have an area under one roof of greater than 5,000 square feet. Retail store licensees shall be known as retailers. A retailer must provide proof of sufficient financial resources to operate and must be a citizen of the United States and a resident of the Commonwealth for at least two years immediately preceding the retail store license application. Retail store licensees are also permitted to hold restaurant, eating place, distributor, or importing distributor licenses.

Retail store licensees must provide shelving to display and maintain minimum product identification numbers (stock keeping units or SKUs) at all times as follows:

- Counties of first, second, third and fourth classes - minimum of 200 SKUs of wine and 200 SKUs of spirits,
- Counties of fifth, sixth, seventh and eighth classes - minimum of 100 SKUs of wine and 100 SKUs of spirits.

Retail stores may sell liquor between the hours of 9 a.m. and 11 p.m. on any day but Sunday. A Sunday sales permit may be purchased at an annual fee of \$5,000 to allow a retail store to sell liquor on Sundays between the hours of 9 a.m. and 9 p.m. Retailers shall be permitted to purchase liquor from the PLCB, licensed wineries under Section 505 of the Liquor Code, and licensed distilleries under Section 505.4 of the Liquor Code. The PLCB shall sell liquor to retailers at a price which includes a markup of no greater than 15%. No other fees may be imposed. Shelf prices of liquor in retail stores must include the 18% emergency State tax. The 6% Sales Tax will also be collected by

the retailer at the point of sale. Retailers may not sell a liquor product at a price less than the liquor product's underlying cost and must provide at least one cash register, with a transaction scan device to verify age, from which the sale of liquor takes place. No one under the age of 18 shall staff a cash register designated for the sale of liquor products. Retailers must comply with responsible alcohol management program training. All managers and employees who engage in the sale of liquor must attend responsible alcohol management program training within one month of commencing employment.

Initial fees for retail store licenses are graduated based on total square footage of the retail outlet. Initial fees are as follows:

- \$100,000 - square footage greater than 5,000 square feet but less than 10,000 square feet,
- \$200,000 - square footage greater than 10,000 square feet but less than 25,000 square feet,
- \$300,000 - square footage greater than 25,000 square feet but less than 50,000 square feet,
- \$400,000 - square footage greater than 50,000 square feet but less than 75,000 square feet,
- \$500,000 - square footage greater than 75,000 square feet.

A retailer that seeks to extend the premises of the retail outlet beyond the initial square footage approved by the PLCB shall pay a fee of \$100 per each square foot requested for approval of an extension of premises. The fee shall be paid at the time of application for the extension.

Annual renewal fees equal to 5% of the total gross receipts shall be due at the time the renewal application is filed. Gross receipts shall be determined as the total of all sales of liquor made to consumers for off-premise consumption in the previous 12 month inclusive of taxes.

All retail store license fees, extension of premise fees, and renewal fees shall be collected by the PLCB and transferred from the State Stores Fund to the General Fund on a quarterly basis.

FISCAL IMPACT: Enactment of this legislation is estimated to generate an additional \$329.3 million in license fees in fiscal year 2017-18 assuming 40% of the 2,380 available retail store licenses are purchased by retail establishments and each licensee purchases a Sunday sales permit. As required by the legislation, the license fees shall be deposited in the State Stores Fund and transferred by the PLCB to the General Fund on a quarterly basis. Additional tax revenues deposited into the General Fund are estimated to be \$9.957 million in 2017-18. The PLCB gross margin is estimated to be \$93.2 million less in 2017-18 assuming 50% of the wine and spirit sales in the Commonwealth are now sold through the new licensees. The additional tax revenue and loss of PLCB gross margin assume 6 months of sales from the new retail licensees in 2017-18. Finally, 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 in the Commonwealth.

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DATE: April 24, 2017

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