HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 688 PRINTER'S NO. 171 PRIME SPONSOR: Regan

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
State Stores Fund	$0	See Fiscal Impact
General Fund	$0	See Fiscal Impact

SUMMARY: SB 688 PN 1791 would allow for spirit-based ready to drink cocktails (RTDs) to be sold for off premise use by retail businesses that apply for and receive a special permit. This legislation will take effect immediately.

ANALYSIS: This legislation amends Act 21of 1951 (Liquor Code) to define ready-to-drink (RTD) cocktails as a beverage, composed in part of distilled liquor, combined with other nonalcoholic ingredients, carbonated or still, by whatever name the beverage may be called, premixed and packaged in original containers by the manufacturer, containing not more than sixteen ounces that is not mixed or adulterated on the licensed premises of a licensee. The term shall include any beverage consisting of at least one-half of one per centum, but not greater than twelve and one-half per centum, alcohol by volume. The term shall not include any beverage composed, in part, of wine or malt or brewed beverages.

A new RTD Cocktail Permit is created to authorize off-premises sales of RTD cocktails by a permit holder:

- Restaurant, hotel, distributor or importing distributor licensees may apply for a RTD cocktail permit;
- A restaurant or hotel license holder that is also a RTD cocktail permit holder may sell for off-premises consumption, in a single transaction, up to 192 fluid ounces. Ounces of RTD cocktails shall not be combined with wine or malt or brewed beverages for the purpose of calculating the sale restrictions applicable to each of those beverages;
- A distributor or importing distributor license holder that is also a RTD cocktail permit holder, may sell RTD cocktails, in any quantity;
- No RTD cocktail permit holder may sell RTD cocktails to a permit or license holder.
- No sales of RTD cocktails for off-premises consumption may occur after 11 PM. With a Sunday Sales permit, sales by a restaurant or hotel may occur on a Sunday until 11 PM and sales by distributors and importing distributors may occur on Sundays between the hours of 9 AM and 9 PM
- The application fee for a RTD cocktail permit is $2,500 and the renewal fee is 2% of the cost of RTD cocktails purchased from the board for off-premises consumption; and
- The RTD cocktail permit is structured similarly to a wine expanded permit. Most notably:
  - If the licensee has an approved interior connection to another business, sales of RTD cocktails shall be confined to the licensed premises. However, under certain conditions, there is an exception for the use of registers off the licensed premises, which is the same exception that currently exists for certain retail licensees

- A permit holder shall comply with Responsible Alcohol Management Program (RAMP) provisions and utilize a transaction scan device to verify the age of anyone who appears under the age of 35.
- The actual sale shall be conducted by a person who is at least 18 and is RAMP trained.
- The sale of RTD cocktails may not occur at a point of sale where the customer scans the customer's own purchases.

No product that meets the definition of a RTD cocktail may be sold as a special order; the products must be acquired from the Pennsylvania Liquor Control Board (PLCB) as part of a regular or limited purchase listing. However, a RTD cocktail may be sold as a special order to licensees that do not possess a RTD permit if the products are not sold for off-premises consumption.

Holders of a RTD cocktail permit may not purchase RTD cocktails directly from a licensed Pennsylvania manufacturer for the purpose of reselling the RTD cocktail for off-premises consumption.

Limited distilleries and distilleries may only sell alcoholic beverages that meet the definition of a RTD cocktail to unlicensed purchasers and to licensees who will not resell the alcoholic beverage for off-premises consumption.

FISCAL IMPACT: The enactment of this legislation would have a fiscal impact on Commonwealth funds. The fiscal impact would be realized in the State Stores Fund initially and beginning of June 1, 2025, and every June 1st thereafter all of the revenues generated from RTDs would be transferred from the State Stores Fund to the General Fund. According to an analysis from Pennsylvania Liquor Control Board (PLCB), tax revenue from RTD sales is expected to generate over $137 million in revenues over a five-year period. Specifically, revenue projections include:

- $27.1 million in FY 2024/25;
- $22.4 million in FY 2025/26;
- $25.8 million in FY 2026/27;
- $29.2 million in FY 2027/28; and
- $32.5 million in FY 2028/29.

Items considered as part of the analysis by PLCB include:

- The universe of restaurants, hotels, distributors and importing distributors that could apply for permit are 12,439;
- Assuming 2,400 licensees apply and receive the permit, the PLCB will collect $6 million in application fees;
- PLCB projections provide that the 2% renewal fee would be about $3.5 million; and
- Applicable taxes include Sales and Use Tax and Johnstown Flood Tax.

SB 688 PN 1791 Sales Projections					
Fiscal Year	**FY 24/25**	**FY 25/26**	**FY 26/27**	**FY 27/28**	**FY 28/29**
	Units & $	**Units & $**	**Units & $**	**Units & $**	**Units & $**
Retail Units	2,500,000	2,941,334	3,296,640	3,584,439	3,838,661
*Wholesale Units**	7,000,000	4,500,000	4,957,354	5,390,134	5,772,422
Total Unit Sales	**9,500,000**	**7,441,334**	**8,253,995**	**8,974,573**	**9,611,083**
Retail Sales - $	$ 36,250,000	$ 44,355,313	$ 51,701,872	$ 58,464,091	$ 65,115,009
Wholesale Sales - $	$ 91,350,000	$ 61,074,000	$ 69,972,458	$ 79,124,334	$ 88,125,576
Sales Total - $	**$ 127,600,000**	**$ 105,429,313**	**$ 121,674,330**	**$ 137,588,425**	**$ 153,240,584**
Unit growth rate	1.12	1.1	1.08	1.06	1.05
$/Unit Avg Retail	$ 14.50	$ 15.08	$ 15.68	$ 16.31	$ 16.96
$/Unit Avg. Wholesales	$ 13.05	$ 13.57	$ 14.11	$ 14.68	$ 15.27

SB 688 PN 1791 Tax Revenue Projections					
Fiscal Year	**FY 24/25**	**FY 25/26**	**FY 26/27**	**FY 27/28**	**FY 28/29**
PLCB Retail Unit Sales	2,500,000	2,941,334	3,296,640	3,584,439	3,838,661
PLCB Wholesale Unit Sales	7,000,000	4,500,000	4,957,354	5,390,134	5,772,422
PLCB Total Unit Sales	9,500,000	7,441,334	8,253,995	8,974,573	9,611,083
PLCB Retail Sales	$ 36,250,000	$ 44,355,313	$ 51,701,872	$ 58,464,091	$ 65,115,009
PLCB Wholesale Sales	$ 91,350,000	$ 61,074,000	$ 69,972,458	$ 79,124,334	$ 88,125,576
PLCB Total Sales	$ 127,600,000	$ 105,429,313	$ 121,674,330	$ 137,588,425	$ 153,240,584
PLCB Retail JFT	$ 5,528,125	$ 6,764,185	$ 7,884,535	$ 8,915,774	$ 9,930,039
PLCB Retail Sales Tax	$ 2,175,000	$ 2,661,319	$ 3,102,112	$ 3,507,845	$ 3,906,901
PLCB Wholesale JFT	$ 13,930,875	$ 9,313,785	$ 10,670,800	$ 12,066,461	$ 13,439,150
PLCB Wholesale Sales Tax	$ 5,481,000	$ 3,664,440	$ 4,198,347	$ 4,747,460	$ 5,287,535
PLCB JFT	**$ 19,459,000**	**$ 16,077,970**	**$ 18,555,335**	**$ 20,982,235**	**$ 23,369,189**
PLCB Sales Tax	**$ 7,656,000**	**$ 6,325,759**	**$ 7,300,460**	**$ 8,255,305**	**$ 9,194,435**
PLCB Total Taxes	**$ 27,115,000**	**$ 22,403,729**	**$ 25,855,795**	**$ 29,237,540**	**$ 32,563,624**

** Sales Tax Calculated at 6%, and does not include the Allegheny or Philadelphia County local taxes.*

PREPARED BY: Gueorgui Tochev, Budget Analyst
House Appropriations Committee (D)

DATE: June 27, 2024

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