



John C. Bear

State Representative

Talk Back Policy Forum

State Liquor Store Privatization

Linden Hall Auditorium

October 5, 2011



Welcome to Talk Back!

Please welcome our distinguished guests

House Majority Leader Mike Turzai

Representative Ryan Aument

Representative Bryan Cutler

Representative Gordon Denlinger





Agenda

Introduction to Talk Back

- Rules of the Game
- Talk Back ResponseCard (Interactive Polling Technology)
- Let Me Learn More About You – Constituent Tutorial on ResponseCard Technology

Kickoff

- What do you think of Pennsylvania's State Liquor Stores?
- History of the Pennsylvania Liquor Control Board (PLCB)
- Proposal to Privatize State Liquor Stores – HB 11
- Constituent Open Forum

Post Game Wrap-Up

- Do you support state liquor store privatization?



Introduction to Talk Back – Rules of the Game

1. Stand-up if you would like to speak (if you are unable to stand, please raise your hand)
2. Wait until you receive the football and the microphone before you begin
3. Please state your first name and the municipality in which you live (i.e., East Petersburg, Manheim Township, Lititz, or Warwick Township) and try to keep your question or comment to under 30 seconds
4. Once you ask your question, pass the football back
5. We request that you initially ask only one question, unless no one else is waiting to be recognized
6. Everyone is entitled to ask a question or make a comment. If we were unable to get to you, please write your question or comment on the tablet provided in your packet and hand it to a volunteer as you leave.



Talk Back ResponseCard

The key to participating in our LIVE polling sessions is this ResponseCard

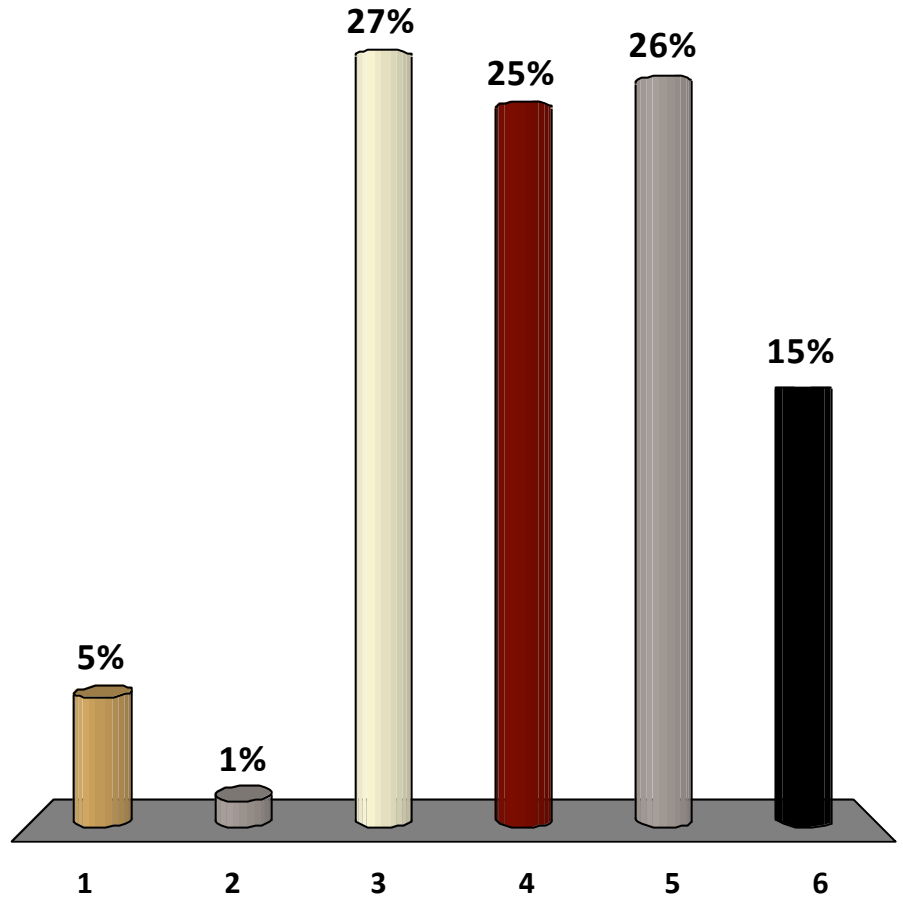
- When prompted, press the number on the keypad that best matches your desired response to the questions presented
- Successful transmissions are acknowledged on the participant's keypad via a three second long visual green light signal



What is tonight's attendance?



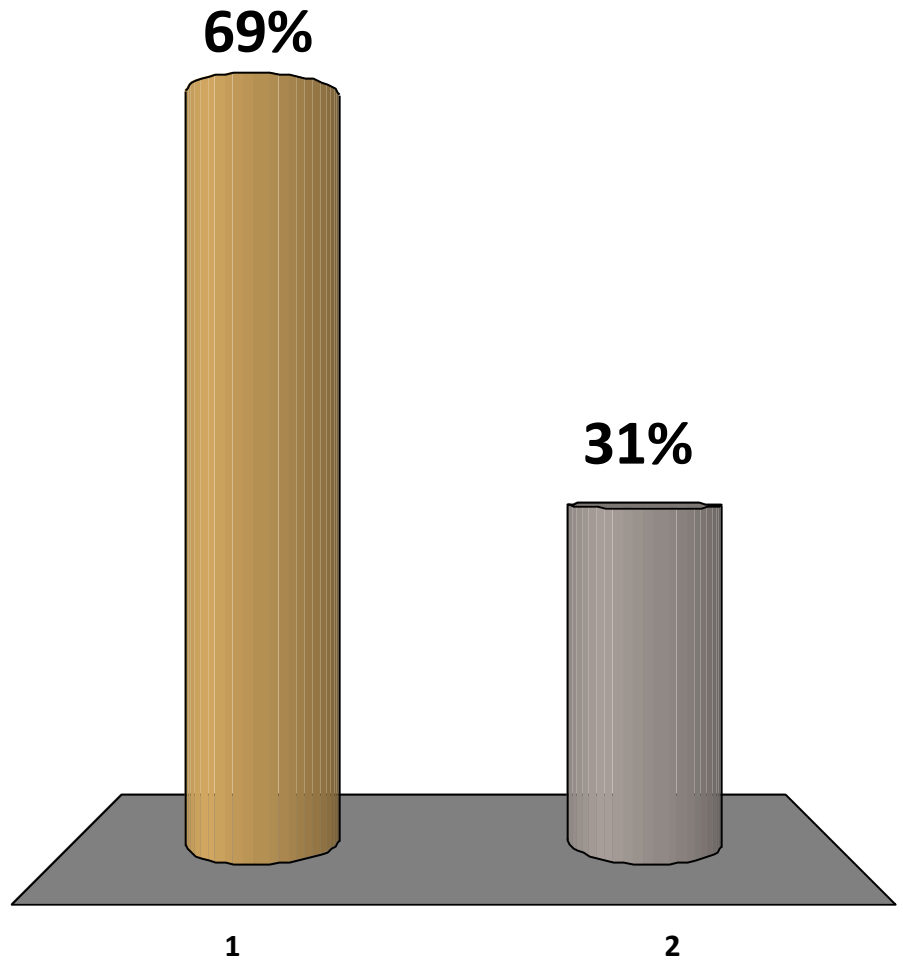
1. 75
2. 100
3. 125
4. 150
5. 175
6. 200





Are you male or female?

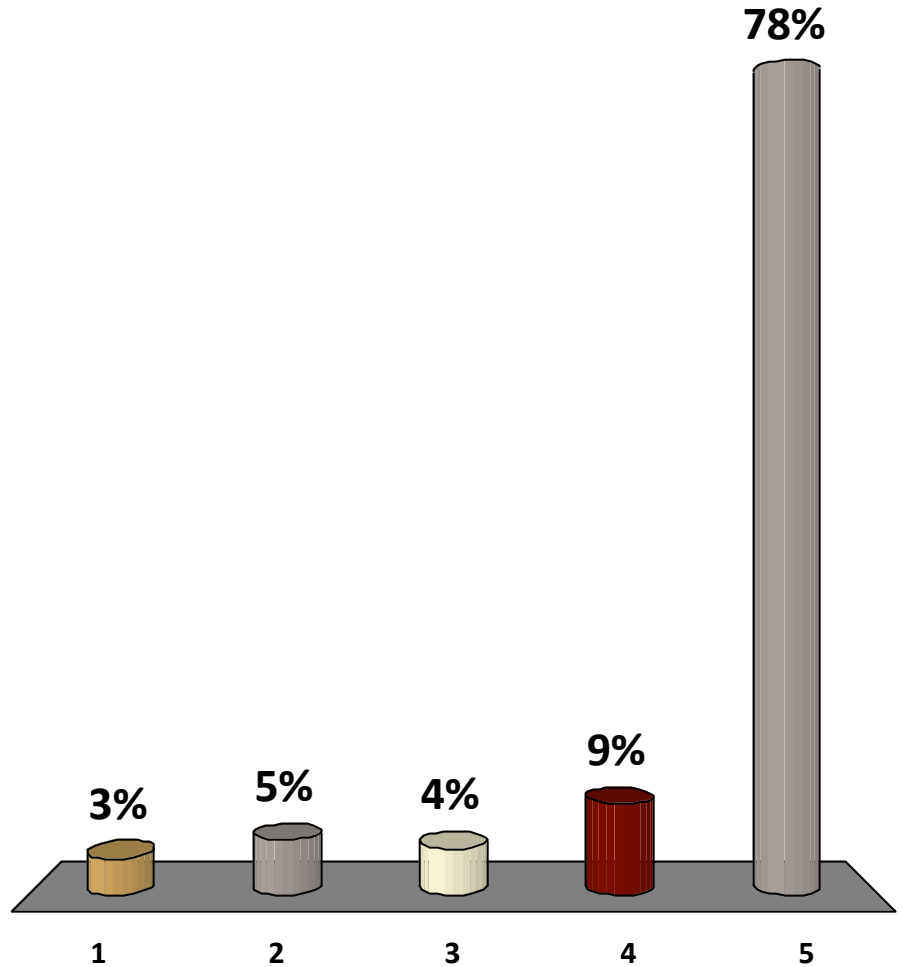
1. Male
2. Female



What is your age?



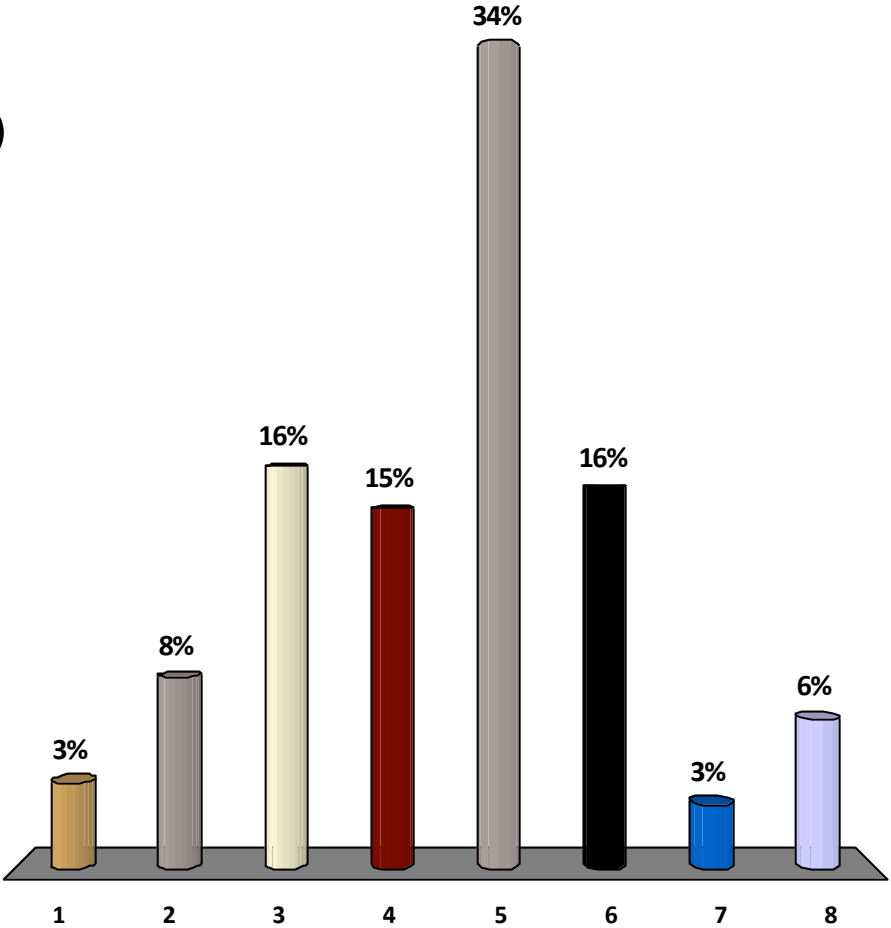
1. Less than 18
2. 18 to 29
3. 30 to 39
4. 40 to 49
5. 50 or older



What is the highest level of education you have completed?



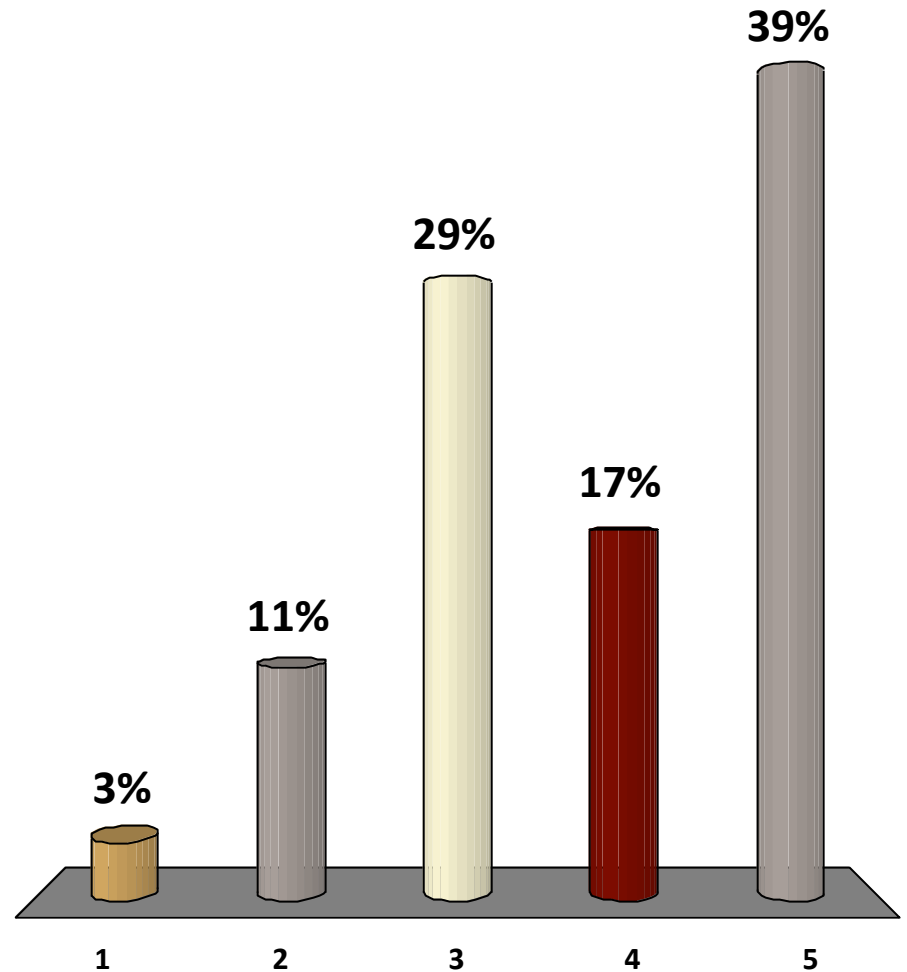
- 1. Less than High School
- 2. High School/GED
- 3. Some College
- 4. 2-Year College Degree (Associates)
- 5. 4-Year College Degree (Bachelors)
- 6. Master's Degree
- 7. Doctoral Degree
- 8. Professional Degree (MD, JD)





Where do you live?

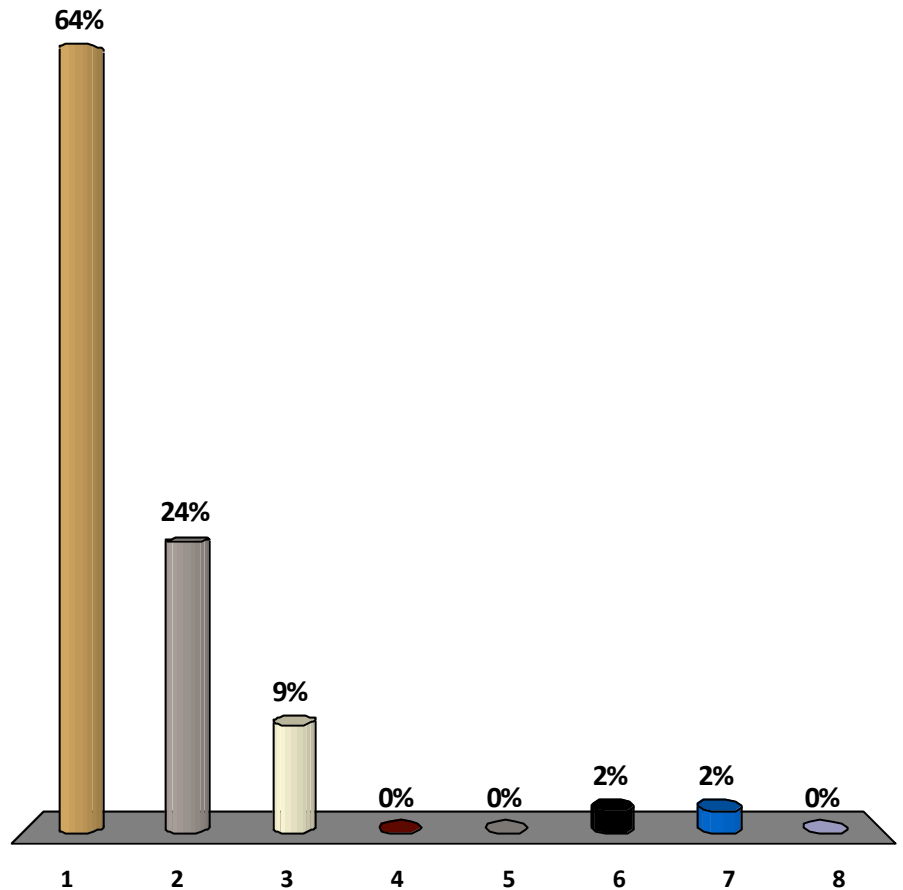
1. East Petersburg Borough
2. Lititz Borough
3. Manheim Township
4. Warwick Township
5. Other





What is your political registration?

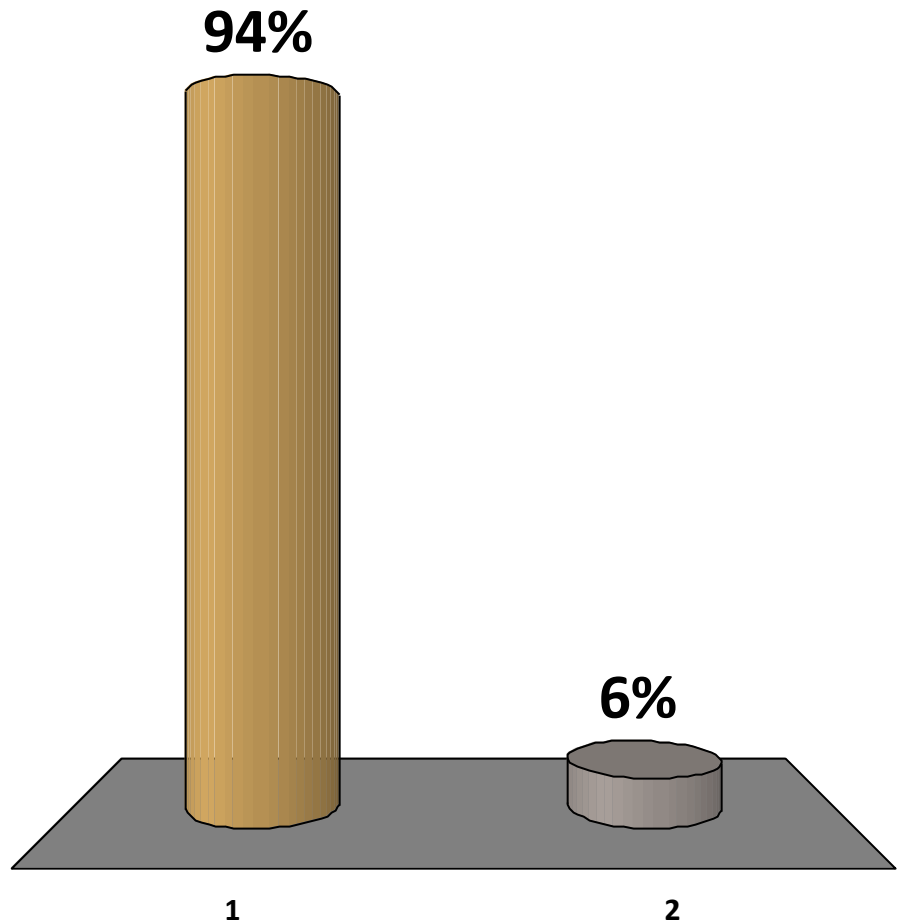
1. Republican
2. Democrat
3. Independent
4. Libertarian
5. Constitution
6. Green
7. Socialist
8. Other



Did you vote in the 2010 General Election?



1. Yes
2. No



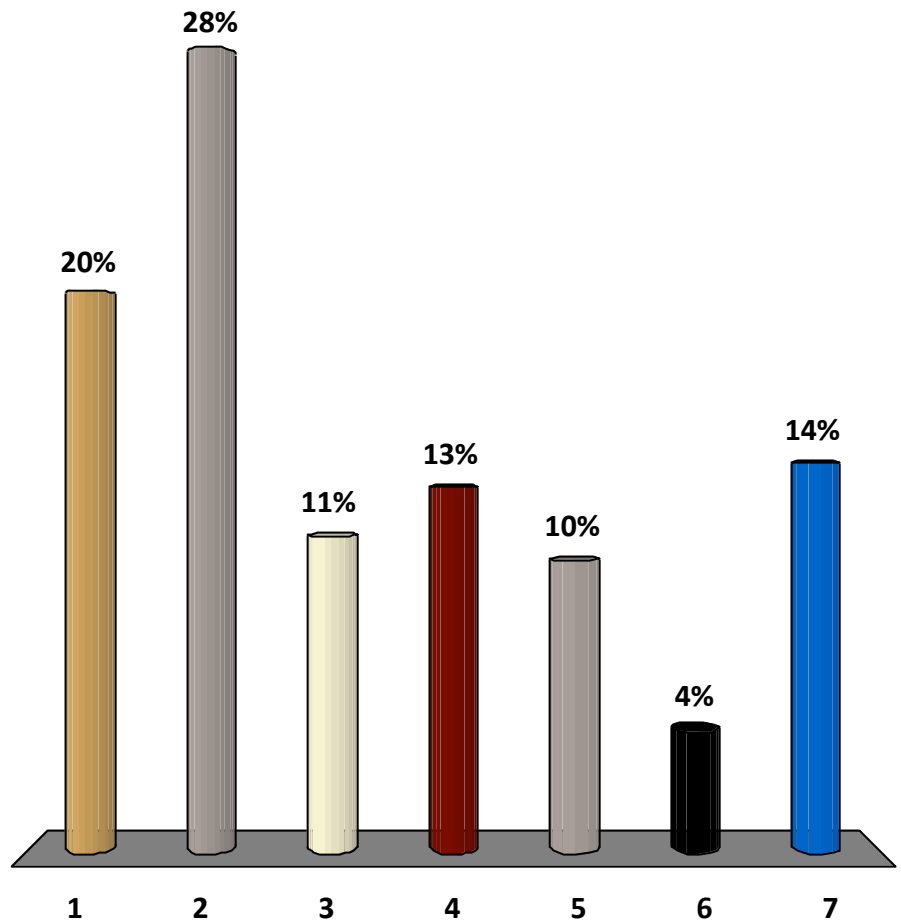


***What do you think of
Pennsylvania's State Liquor Stores?***

How often to you visit PA's State Liquor Stores?



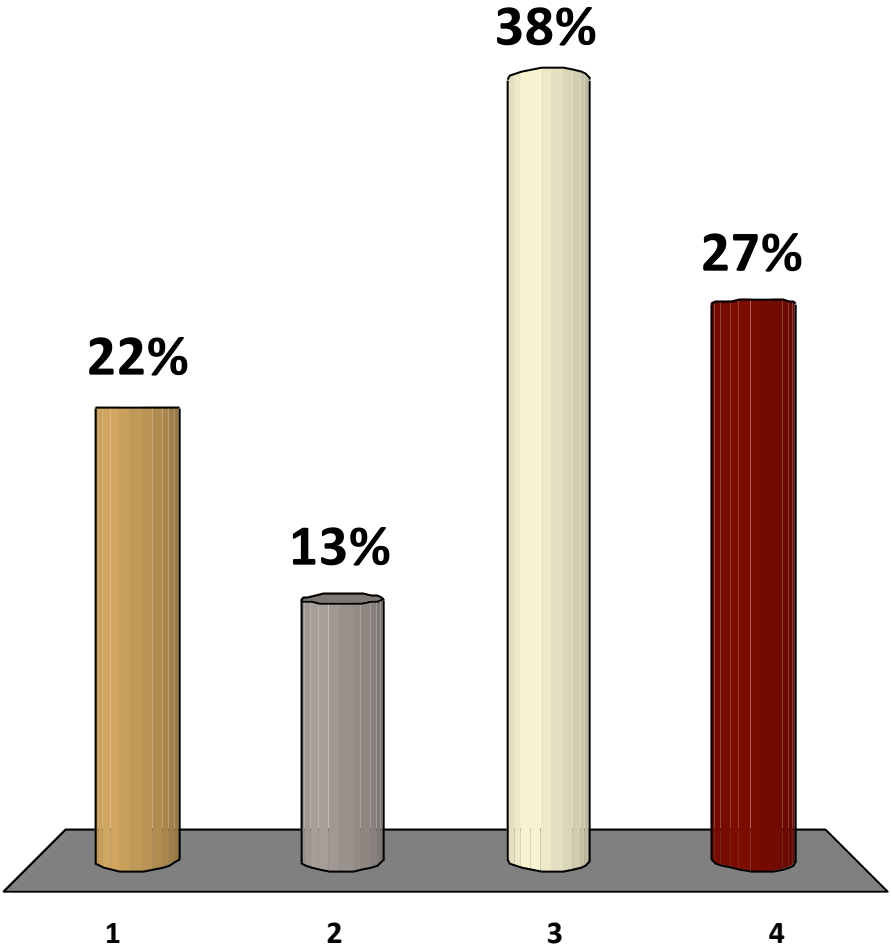
1. Weekly
2. Monthly
3. Bi-Monthly
4. Quarterly
5. Semi-Annually
6. Annually
7. Never



Do PA's State Liquor Stores have a better, equal or worse selection than privately run stores in surrounding states?



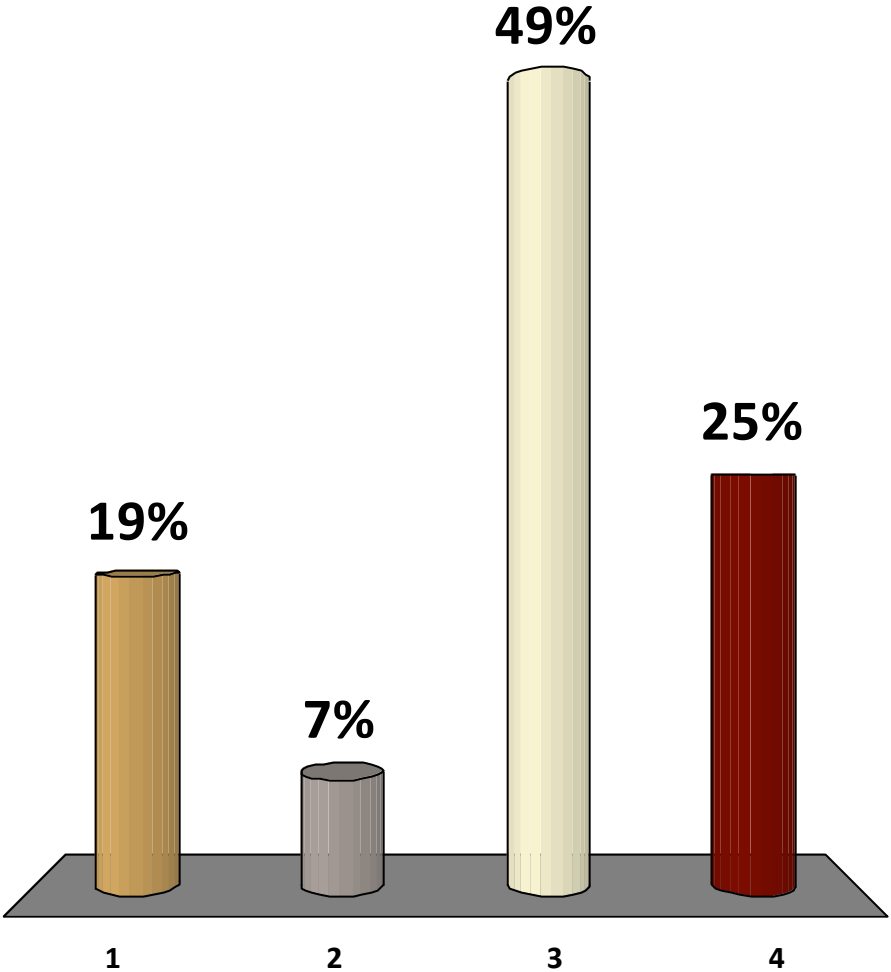
- 1. Better
- 2. Equal
- 3. Worse
- 4. I Don't Know



Do PA's State Liquor Stores have lower, equal or higher costs than privately run stores in surrounding states?



- 1. Lower
- 2. Equal
- 3. Higher
- 4. I Don't Know





History of the PLCB



What is the PLCB?

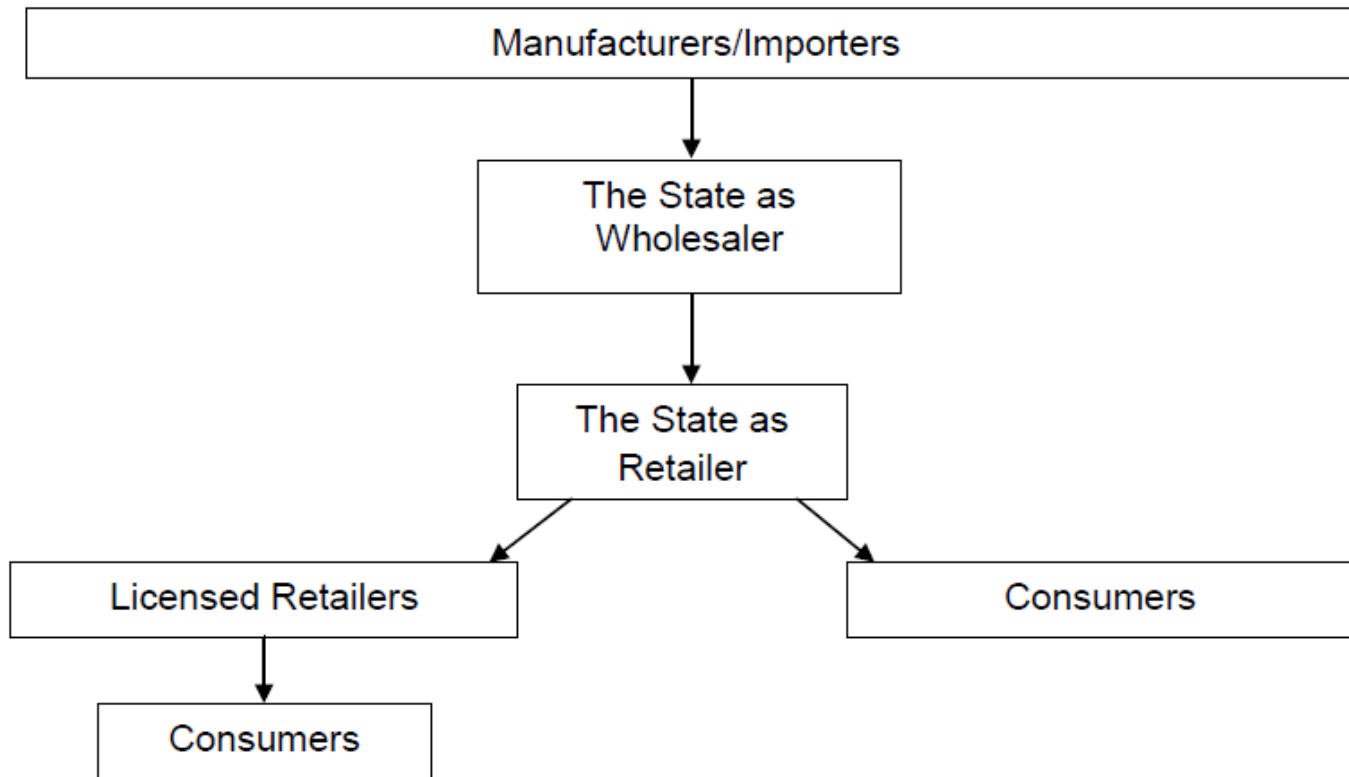
Key points worth noting...

- The PLCB is an independent government agency established in 1933 in conjunction with the 21st Amendment and the repeal of prohibition
 - It was created to "discourage the purchase of alcoholic beverages by making it as inconvenient and expensive as possible," – *Governor Gifford Pinchot*
- The PLCB manages all wine and spirits wholesale and retail operations in the state of Pennsylvania
- It is comprised of a three member board and CEO appointed by the Board and employs approximately 4,300 individuals
- Wholesale and retail licenses are distributed by a quota system within each county:
 - Retail license granted for every 3,000 residents
 - Wholesale license granted for every 30,000 residents
- Restaurants and food operations must purchase their wine and spirits from the PLCB's approved list

How does it work?



Current Pennsylvania Wine & Spirits Distribution Structure





Where does it get its funding?

All wine and spirits are subject to the following ...

- \$1.50 handling fee
- 30 percent markup
- 18 percent “Johnstown Flood Tax”
- 6 percent sales tax



What are its financials?

In FY 2009-10, the PLCB transferred \$105 million in “profit” to the General Fund

- However, PLCB financial records only showed a profit of \$49.5 million
- The majority of the dollars transferred to the General Fund in FY 2009-10 came from PLCB’s operational accounts
- Since FY 2006-07, the PLCB has transferred \$155.3 million more than they actually made from the sale of wine and spirits

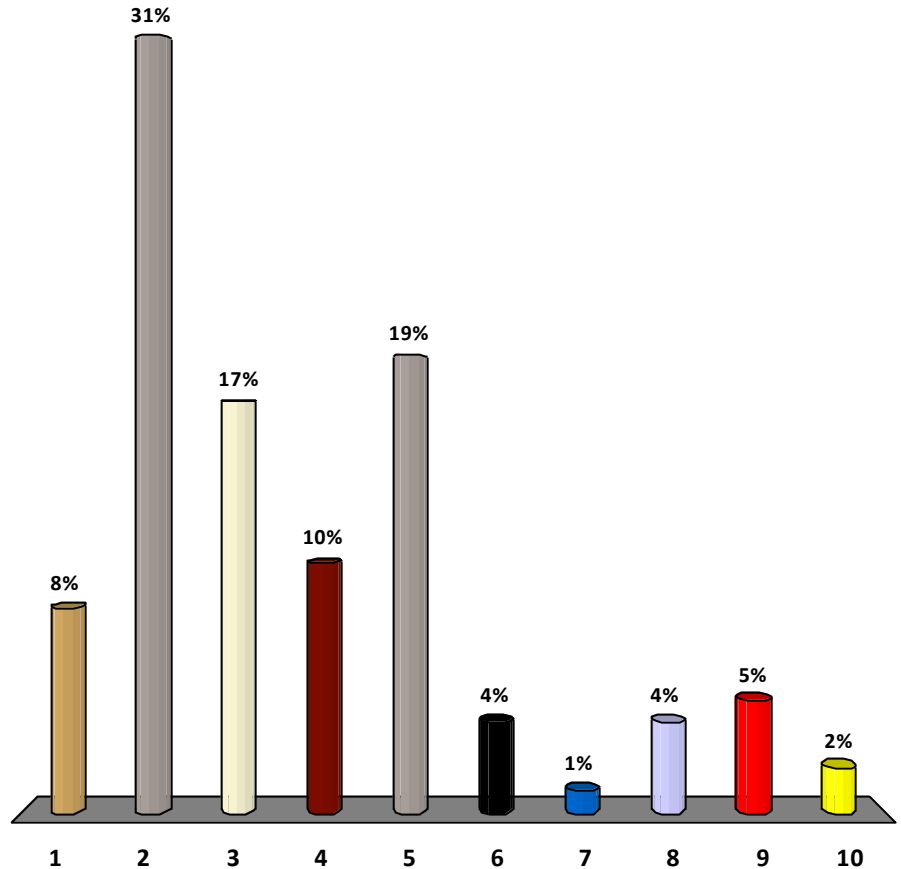
In FY 2009-10 the General Fund received \$383 million from taxes on wine and spirits

- Tax revenues will be generated regardless of private or state ownership

How many states currently own and operate all wholesale and retail sales of wine and spirits?



1. 1
2. 2
3. 5
4. 10
5. 18
6. 23
7. 32
8. 36
9. 41
10. 50





Proposal to Privatize State Liquor Stores – HB 11



Why privatize?

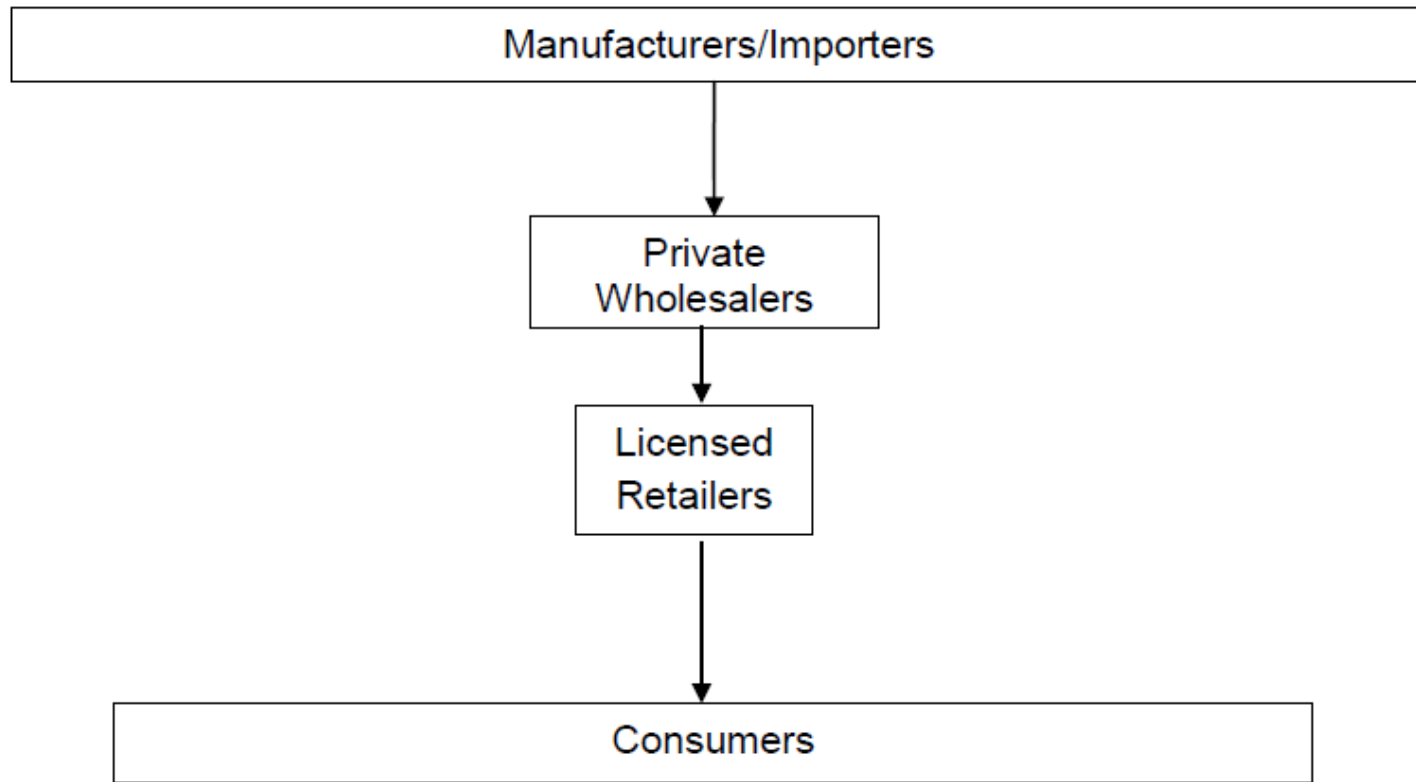
Key points worth noting...

- Customer Satisfaction
 - Better selection
 - More reasonable prices
 - Improved access and customer convenience
- Fiscal Benefits
 - Get out of the people, pension, and storefront business
 - One-time infusion of \$1.5 to \$2 billion
 - Maintain (if not increase) annual revenues through tax reform and lowered administrative costs
- Ending a Government Monopoly and Inherent Conflict of Interest
 - Pennsylvania and Utah are the only complete control states
 - Should the entity that promotes sales of wine and spirits be the same entity that polices those sales?
- Improved Controls and Law Enforcement Supervision of Sales
 - Mandated use of I.D. scanners with age verification software
 - Perform “Age Compliance” checks on all retailers

How would it work?



Turzai Legislation Pennsylvania Wine & Spirits Distribution Structure





Where does it get its funding?

All wine and spirits would be subject to the following reoccurring revenue...

- Gallonage tax
 - \$8.25 to \$12 gallon based on type of liquor and alcohol content
 - 26 other states use this tax for spirits and 35 for wine
- 6 percent sales tax
- Corporate taxes



Where does it get its funding? (cont'd.)

One-time revenue would be generated by...

- Sale of wholesale licenses
 - Based on the value of the portfolio of brands held by the wholesale licensee (done in all but three 'license' states)
- Auctioning off 1,250 retail licenses to the highest responsible bidder with a reserve price based upon the fair market value
 - 750 Class-A licenses (which includes retail outlets with 15,000 or more square feet of total retail space and at least 600 linear feet of shelf space)
 - 500-B licenses (which includes retail outlets with less than 15,000 square feet of space)



Constituent Open Forum



Post Game Wrap-Up

Do you support the privatization of PA's state liquor stores?



1. Yes
2. No
3. Undecided

