REPORTS OF THE COMMITTEE
ON LEGAL AFFAIRS
ON ITS STUDY OF
THE EQUALIZATION OF LIQUOR PRICES

<u>Senate</u>

Melvin A. Shute
Richard R. Charette
Paul E. Violette

<u>House</u>

Harold R. Cox
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Dan A. Gwadosky
John McSweeney
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Robert N. Soulas
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INTRODUCTION

The Joint Standing Committee on Legal Affairs, pursuant to directive of the Legislative Council, undertook a study of the equalization of liquor prices, conducted during the 1981 interim. A subcommittee was formed to meet with interested parties, state officials and members of the public. The subcommittee was composed of the following legislators:

Senate	House
Sen. Melvin A. Shute, Chairman	Rep. Francis J. Perry
Sen. Paul E. Violette	Rep. Dana S. Swazey
	Rep. Robert N. Soulas
	Rep. Courtney E. Stover
	Rep. Warren F. Studley

The subcommittee held one formal meeting on September 9, 1981, at 10:00 A.M. in Room 134 of the State House in Augusta. A subsequent meeting of the full committee to address this and other issues was held on December 17, 1981, in Room 134 of the State House. Each meeting was announced in the Weekly Legislative Calendar and was open to the public.

The committee heard testimony from Mr. Guy Marcotte, Director of the Bureau of Alcoholic Beverages, and from other parties. Printed information from Liquor Commission Annual Reports, industry tabulations and the Maine Christian Civic League were also received and distributed.

At the conclusion of the study, a majority of the committee concluded that the price of liquor should be equalized throughout the state, and a minority concluded there should be no such equalization. The majority votes were divided over two alternative proposals; thus, there are 3 reports.

REPORT "A" (1 member): Recommends that liquor prices be equalized throughout the state, and that those prices be set by the State Liquor Commission. Accompanied by bill, Appendix III.

REPORT "B" (6 members): Recommends uniform liquor prices, effective on January 1, 1983. The State Liquor Commission is authorized to conduct a market study to determine an optimum level of prices. Accompanied by bill in Appendix IV.

REPORT "C" (6 members): Recommends the maintenance of the present system, which authorizes the existence of a 75% "consumers' tax," with the exception of a single discount retail liquor outlet, presently located at Kittery.

REPORT "A"
OF THE COMMITTEE ON LEGAL AFFAIRS
ON ITS STUDY OF
THE EQUALIZATION OF LIQUOR PRICES

The members of the committee voting in favor of this report recommend that the price of liquor should be equalized throughout the state at levels determined by the State Liquor Commission. The rationale for this recommendation is as follows.

I. The Case for Equality

The retail sale of liquor in Maine is a state-operated monopoly, except in the limited area of agency stores, where the state still retains price and other controls. The unique relationship of the state to this retail business gives rise to a duty to treat all Maine citizens with equal fairness.

The establishment of disparate pricing structures in different geographic areas is an indisputable breach of that duty. Whether one believes lower retail prices to be a benefit or a liability to a community or region, it is clear that such a system as presently exists distributes that boon or burden discriminatorily.

Many members of the Legislature have heard repeated complaints about the system which charges residents and tourists in one small corner of the state some 25% less than the price paid by citizens in the remainder of the state. Indeed, the confessed response of many of those constituents has been to avoid frequenting the Kittery store even on those rare occasions where the opportunity does present itself. The willingness to pay a slightly higher price in the Portsmouth store is often a direct response by Maine people to the unfair and unjustifiable discrimination.

II. Effect on Revenues and Consumption

A standard response to the proposition that liquor prices should be equalized throughout the state has been to assert that any action in that direction would inevitably result in drastic losses to the General Fund, increases in personal consumption, or both. In listening to testimony and reviewing the facts presented to us, we found no firm support for these contentions.

The proposal we recommend would leave actual price-setting authority to the State Liquor Commission, with prices to be uniform statewide. From the testimony of Mr. Marcotte of the Bureau of Alcoholic Beverages, it appears that prices under such an arrangement would tend to be set somewhere between the present "regular" and "discount" prices.

A. Higher prices at Kittery. By raising the prices at Kittery, some loss of revenue to New Hampshire stores might be anticipated. In the extreme case, where the price is equalized at current statewide levels, the Kittery store might no longer be viable, according to Mr. Marcotte's testimony. However, even under that scenario, it is unclear whether the state stands to lose any significant amount of revenue, since many purchases would continue to be made in Maine at higher prices (See Appendix I).

Thus, it is fair to assume that the proposal would, if present prices were maintained, result in a loss of revenue to the state of far less than two million dollars; indeed, the state might experience an increase in revenue despite decreased sales.

B. Lower prices statewide. If prices statewide were reduced to those charged at Kittery, one rough approximation shows a loss of no more than $3.7 million, even assuming no increase in consumption (See Appendix II). That estimate, although of limited reliability due to assumptions required to sustain it, may be instructive of the fact that potential losses of revenue may be less than some would argue.

If prices statewide were set at some intermediate level between the present Kittery discount and the generally prevailing price level, a slight decrease in revenues from reduced mark-up would be anticipated. The amount of reduced revenue per unit would depend upon the degree of price reduction. At the same time, there would presumably be an offsetting increase in sales. Thus, any loss in revenue should be minimized.

At the same time, we found no evidence that any increased sales would reflect a significant increased actual demand for alcoholic beverages. Rather, any increase might simply reflect the fact of the broader competition with other markets; i.e., as the price is reduced in Maine, the incentive to travel to other liquor outlets would decrease.

Indeed, it is the policy of the state both to derive revenue from and to control consumption of alcoholic beverages. Under the proposal, this policy is incorporated into the provision governing pricing of liquor.

CONCLUSION

It is the opinion of these members of the Legal Affairs Committee that there should be one level of liquor pricing throughout the state, in order to assure fair and equal treatment of all Maine citizens.

It is further our opinion that the price levels should be determined in Maine liquor stores in the same manner that is employed in many other so-called "control" states, i.e., by the agency charged with the operation of the state's retail

liquor operations. This approach encourages both responsible and responsive marketing.

Finally, we propose that the policy of the state to obtain revenue while controlling consumption be the cornerstone of the new pricing policy.

Thus framed, we believe this proposal represents a fair and sound approach, which can be implemented without substantial loss of revenue or significant increases in actual consumption.

Sen. Melvin A. Shute

REPORT "B"
OF THE COMMITTEE ON LEGAL AFFAIRS
ON ITS STUDY OF
THE EQUALIZATION OF LIQUOR PRICES

Those committee members in favor of Report "B" on this study recommend that liquor prices be equalized throughout the state at a level to be determined by the Legislature. We propose that the accompanying proposal, embodied in L.D. be adopted.

We concur in the analysis propounded in Report "A" calling for a uniform statewide pricing policy. We dissent to that report only insofar as it recommends the delegation of the pricing power to the State Liquor Commission. There are two bases for this disagreement: constitutionality and policy.

1. Constitutionality. Maine's constitution provides in Article IX, §9, as follows:

§9. Power of taxation

> Section 9. The Legislature shall never, in any manner, suspend or surrender the power of taxation.

Presently, the mark-up on retail sales of liquor by the state is determined by law, under 28 M.R.S.A. §451, entitled "Consumers' tax." The heading of that section serves to illuminate the fact that, in this state, the pricing of liquor is a revenue-producing function in the nature of a tax. Unlike cases where departments are given authority to set rates, e.g., in some licensing laws, the purpose of this provision is strictly to garner revenues to supplement the General Fund. As this is the case any proposed surrender of legislative authority in this area runs at least the risk of being found void under the state constitution.

While other states have delegated the price-setting power to executive agencies, it is not clear that the respective constitutions of those states carry the bold mandate of our own Article IX, §9.

2. Policy. Beyond the constitutional issue, we are not convinced that the Legislature should abandon its central role in the critical area of the price-setting function. Under present statutes, the Legislature and this committee are intimately involved in all major policymaking areas of the state's liquor business. Examples of this relationship include the following:

(A) 28 MRSA §3 et seq.: Detailed statutory provisions concerning the conduct of the liquor business, including hours, acceptance of checks, and means of entrance.

(B) 28 MRSA §153: Limitations on "special" (agency) stores, with mandatory review of store closings by the Legal Affairs Committee.

(C) 28 MRSA §451: Statutorily sets the amount of "consumers' tax" and limits discount operations to a single store.

CONCLUSION

While the expertise and experience of the administrators of the state store system would be invaluable in determining an appropriate price structure, we conclude that it should be the responsibility of the Legislature to make final decisions. Pricing, no less than other matters of policy, is distinctly within the province of the Legislature.

In line with this analysis, we believe that the "consumers' tax" on alcoholic beverages, like other taxes based upon the value of the property, should be assessed fairly and equally throughout the state. Thus, the mark-up on liquor, at whatever level set by the Legislature, should be uniform among all retail outlets of the state.

Robert N. Soulas
Rep. Robert N. Soulas

Dana S. Swazey
Rep. Dana S. Swazey

Harold R. Cox
Rep. Harold R. Cox

Courtney E. Stover
Rep. Courtney E. Stover

Robert D. Treadwell, Sr.
Rep. Robert D. Treadwell, Sr.

Francis J. Perry
Rep. Francis J. Perry

REPORT "C"
OF THE COMMITTEE ON LEGAL AFFAIRS
ON ITS STUDY OF
THE EQUALIZATION OF LIQUOR PRICES

Those committee members in favor of Report "C" on this study recommend that no change be made in the law which presently allows the operation of a single discount store, located at Kittery.

Our recommendation is based upon the following observations:

1. Optimal revenues. The committee heard testimony that indicates the present system provides optimal revenues to the state through a procedure of high mark-up and lower volume. By comparison, New Hampshire is a state with a tradition of vastly higher sales without a correspondingly higher return to the state's general fund. The following table, derived from industry sources, illustrates the fact.

	1979		1978	
	GROSS SALES ($1000)	NET PROFIT ($1000)	GROSS SALES ($1000)	NET PROFIT ($1000)
New Hampshire	$130,223	$27,427	$126,043	$27,631
Maine	56,520	19,301	54,624	19,079
Maine: % of N.H.	43.4%	70.4%	43.3%	69%

SOURCE: Distilled Spirits Council of the U.S., Inc. (DISCUS), '79 Public Revenues from Alcohol Beverages (1981), pp. 44,54.

When looking at the overall picture of maximizing revenues while controlling consumption, the present system compares extremely favorably to our neighboring state, as is shown in the following table.

	1979		1978	
	Total Liquor Sales, Fees, & Taxes Revenue	Consumption (1000's of wine gals.)	Total Liquor Sales, Fees, & Taxes Revenue	Consumption (1000's of wine gals.)
New Hampshire	32,409	4,452	32,532	4,687
Maine	32,160	2,275	31,747	2,195
Maine: % of N.H.	99.2%	51%	97.6%	46.8%

SOURCES: [Revenues] DISCUS, '79 Public Revenues from Alcohol Beverages (1981), pp. 44, 54. [Consumption] DISCUS, Annual Statistical Review 1980 (1981), p. 37.

The conclusion to be reached from these tables seems clear to us: Maine's present system of marketing and regulating alcohol provides about the same contribution to revenues as New Hampshire receives with about half of the volume of sales.

The next points seem equally apparent. Lowering prices statewide means lower revenues, higher consumption, or both. Increasing Kittery prices to the level charged elsewhere in Maine, on the other hand, results in the inability of that store to compete with nearby New Hampshire outlets, and thus a loss in revenue to this state of anywhere up to the total Kittery store revenues, which in recent years have approximated two million dollars annually.

2. Control of consumption. The figures in the previous section graphically demonstrate the effectiveness of present pricing policy in controlling consumption. What may be further noted here is that the existence of a single discount store in Kittery, at least in theory, provides increased revenues without substantially increased consumption, because the higher sales at that store represent purchases that otherwise would have been made in New Hampshire. Thus, most of the higher sales at Kittery aren't attributable to increased demand at the Southern tip of Maine, but simply to the recapture of sales that otherwise would be lost to New Hampshire.

By comparison, if prices were lowered in areas which do not border on low-price jurisdictions such as New Hampshire, much of any increase in sales would presumably be attributable to increased demand, created by the price reduction.

It should be the continued policy of the State of Maine to control consumption of alcoholic beverages while maintaining an optimal level of revenue from the liquor trade.

3. Equity and fairness. This issue involves two questions: whether the present pricing scheme creates an inequitable situation between regions of the state, and if so, whether such disparate treatment is justifiable.

On the first point, it is clear that Maine residents living within some undefined radius of Kittery have a greater opportunity to buy liquor at a discount than do residents of, for example, Bangor. The existence of a discount store at Kittery means that those individuals may go to the Kittery store and purchase liquor at a substantially lower price than they would pay at any other Maine State Liquor Store. However, it is equally evident that, even without the Kittery discount outlet, those same people would have no more than 20 extra miles to travel in order to obtain a similar low price in a New Hampshire store. Thus, any inequity apparent in the Kittery discount operation is minimized by the inherent inequity engendered in the operation of discount outlets across Maine's border. The discount at Kittery, rather than creating an inequity, simply minimizes the loss which the entire state would suffer from failure to compete with New Hampshire.

Even so, proponents of change allege that the single discount store represents an inequity to Maine citizens from other parts of the state, who cannot regularly benefit from lower liquor prices. We believe that any such inequity is justifiable. The trade-off is between mathematical equality in pricing and the operation of a controlled liquor distribution system which best serves the state. If, as we have argued above, the present sys-

tem maximizes revenues while controlling demand, and the Kittery store primarily diverts revenues from Concord to Augusta without substantially increasing demand, then the entire state--from Kittery to the St. John River -- benefits in terms of revenue and control.

CONCLUSION

We, the undersigned members of the Legal Affairs Committee, recommend that price equalization not be a primary goal of the liquor stysem. Furthermore, the Legislature should maintain its vigilant oversight and control of the liquor business, including the price-setting function.

If the present system needs change, it is in the direction of more effective competition with New Hampshire within the constraints of a policy of low volume sales. Changing the Kittery location to increase its accessibility, better directional signs, and credit card acceptance are some possibilities in this regard. Equalizing the price of liquor throughout the state, by contrast, promises only lower revenues and higher costs which will have a negative impact on all citizens of the State of Maine.

Paul E. Violette
Sen. Paul E. Violette

John McSweeney
Rep. John McSweeney

Richard R. Charette
Sen. Richard R. Charette

Dan Gwadosky
Rep. Dan Gwadosky

Warren F. Studley
Rep. Warren F. Studley

James T. Dudley
Rep. James T. Dudley

OPTION #1: RAISE KITTERY PRICES (OR, ELIMINATE KITTERY STORE).[1]

The first option would be to repeal the provision allowing the operation of a discount store at Kittery. According to Mr. Marcotte of the Bureau, based upon the history of the store and the proximity of the competition in New Hampshire, this would probably result in making the store unprofitable.

Loss in revenue. Without a more detailed study, it is impossible to tell the precise impact on revenue of the closing of the Kittery discount store. Using a crude analysis, we can take as given that all sales previously made at Kittery will be made outside of Maine or not at all; this results in a loss of revenue to the State of 100% of Kittery's net income, or in the neighborhood of $2 million each year. (See Table 1)

TABLE 1
INCOME AND SALES AT KITTERY STORE, 1979-81

	1981	1980	1979
NET INCOME	$2,274,307.93	$1,874,764.78	$1,720,258.09
NET SALES	8,158,339.35	7,626,521.20	6,849,893.03
INCOME AS % OF SALES	27.9%	24.6%	25.1%

Gain in revenue. The opposite assumption would be that all sales made previously at Kittery will be made elsewhere in Maine. Since the price elsewhere in Maine is not at the Kittery discount, an increase of revenues would be anticipated. Table 2 shows the differential rates of gross return on the investment in inventory. Basically, it shows that Kittery sales gross about 38% over cost, while all other stores gross about 72%, or almost double the Kittery figure.

TABLE 2
NET SALES & COST OF GOODS SOLD
KITTERY & ALL OTHER, 1979-1981

KITTERY	1981	1980	1979
NET SALES	$8,158,339.35	$7,626,521.20	$6,849,893.03
COST OF GOODS SOLD	5,621,921.92	5,523,639.41	4,935,420.64
GROSS INCOME	$2,536,407.43	$2,102,881.79	$1,914,472.39
NET SALES AS % OF COST OF GOODS	145.1%	138.0%	138.8%
ALL OTHER	1981	1980	1979
NET SALES	$56,262,977.55	$52,460,179.93	$49,642,905.39
COST OF GOODS SOLD	32,046,907.15	30,591,862.13	28,679,140.51
GROSS INCOME	$24,216,070.40	$21,868,317.80	$20,963,764.88
NET SALES AS % OF COST OF GOODS	175.6%	171.5%	173.1%

If all goods sold at Kittery, as represented by the cost of goods sold, were sold at prices prevailing elsewhere, sales would reflect the higher mark-up. The approximate increase in gross sales for recent years would be as follows:

Year Ending 6-30	Projected Sales[2] -	Kittery Sales	= Increase in Sales
1979	$8,543,213	$6,849,893	$1,693,320
1980	9,473,041	7,626,521	1,846,520
1981	9,872,095	8,158,339	1,713,756

These figures represent all types of sales in non-Kittery stores, - retail, wholesale to licensees and wholesale to agency stores.

In order to determine the effect on revenues of these sales figures, it must be determined what sort of revenue would be generated by such sales. This would of course depend on the ratio of wholesale to retail sales and various cost and expense factors. Table 3 illustrates comparable data for Kittery and all other stores.

TABLE 3
INCOME AS A FUNCTION OF SALES
KITTERY & ALL OTHER STORES, 1979-81

	1981	1980	1979
KITTERY			
NET INCOME	$2,274,307.93	$1,874,764.78	$1,720,258.09
NET SALES	8,158,339.35	7,626,521.20	6,849,893.03
INCOME AS % OF SALES	27.9%	24.6%	25.1%
ALL OTHER			
INCOME LESS SELLING EXPENSES	$19,832,271.55	$17,904,184.59	$17,580,422.16
NET SALES	56,262,977.55	52,460,179.93	49,642,905.39
INCOME AS % OF SALES	35.2%	34.1%	35.4%

Using these figures and the figures above, indicating the sales figures for the same volume of liquor at higher, non-discount prices, a very crude estimate of total potential increases in revenue could be made, as follows:

	Increase in former Kittery Sales	X	Income as % of Sales	=	Approx.increase in non-Kittery Income	Excess Over Kittery Income
1979	$8,543,213		0.354		$3,024,297.40	$1,304,039.40
1980	9,473,041		0.341		3,230,306.90	1,355,542.10
1981	9,872,095		0.352		3,474,977.40	1,200,669.47

An unfortunate drawback to the analysis above is that, even assuming equal consumption, some estimate must be made of the breakdown of that consumption among the 3 types of sales-retail, wholesale to licenses and wholesale to agency stores. The additional sssumption in the foregoing section has been that sales would maintain their previous pattern in non-Kittery stores. In the "real world," however, we might expect the bulk of displaced Kittery sales to take place only in retail sales - either at state stores or through agency stores - and so the distribution would be different. These figures do not account for that factor.

NOTES

1 All figures used in the analysis either appear in or are derived from, "State of Maine, Bureau of Alcoholic Beverages, Financial Statements" for appropriate years.

2 "Projected sales" here was computed by the following formula:

COGS X NS% = PROJECTED SALES

where "COGS" represents the cost of goods sold at the Kittery store for the given year; "NS%" is the net sales figure of all other stores than Kittery, expressed as a percentage of COGS (See Table 2).

Prepared by William E. Saufley, Office of Legislative Assistants, for use of the Joint Standing Committee on Legal Affairs, 110th Maine Legislature, subcommittee for the 1981 Interim Study on the Equalization of Liquor Prices Throughout the State.

OPTION #2: DISCOUNT OPERATIONS AT ALL STORES

The second option would be to reduce prices throughout the State to those charged at the Kittery store. Analysis in this area is even more problematic than in the previous option, since no market data is available which describes the impact on sales such a price reduction would have. Intuitively, we would expect statewide sales to increase, but not to the level of activity experienced in the Kittery store.

Further difficulties are presented by having to calculate the effect of the price reduction on non-retail sales, i.e., wholesale to licensees and wholesale to Agency stores. Unless otherwise provided, these sales would be further discounted below the "Kittery" discount; otherwise, the wholesale price would actually exceed the retail price (which, with reference to Kittery prices, is already the case).

Question : What is the result, if sales remain constant, of reducing prices of all sales except to agency stores to those charged at Kittery? This approach assumes present consumption patterns, and the absence of a discount to licensees (restaurants, etc.). The agency stores, in order to realize some return, would still maintain a discount.

The comparative sales figures would be approximately as shown in Table 4, on the following page.

Assuming that selling expenses remain about constant with past experience, the loss in revenue might be anticipated as shown in Table 5.

TABLE 4

STATEWIDE SALES AT KITTERY PRICES

1981

		Kittery Retail	All Other Stores Retail	All Other Stores Agency
(1)	Cost of Goods Sold	5,621,921.92	$26,377,848.96	$5,669,058.19
(2)	Net Sales:Actual	8,158,339.35	46,797,205.26	9,465,772.29
(3)	Net Sales as % of COGS:Kittery (Agency: less 8%)	145.1%	145.1%	137.1%
(4)	Net Sales at Kittery prices [(1)x(3)]	8,158,339.35	38,278,625.37	7,773,217.22
(5)	Loss in sales [(2)-(4)]	0	8,518,579.89	1,692,555.07

1980

		Kittery Retail	All Other Stores Retail	All Other Stores Agency
(1)	Cost of Goods Sold	$5,523,639.41	$25,171,519.60	$5,420,342.53
(2)	Net Sales: Actual	7,626,521.20	43,629,868.43	8,830,311.50
(3)	Net Sales as % of COGS: Kittery (Agency: less 8%)	138.0%	138.0%	130.0%
(4)	Net Sales at Kittery Prices [(1)x(3)]	7,626,521.20	34,754,464.13	7,050,271.19
(5)	Loss in sales [(2)-(4)]	0	8,875,404.30	1,780,040.31

1979

		Kittery Retail	All Other Stores Retail	All Other Stores Agency
(1)	Cost of Goods Sold	$4,935,420.64	$23,785,625.72	$4,893,514.79
(2)	Net Sales: Actual	6,849.893.03	41,599,754.23	8,043,151.16
(3)	Net Sales as % of COGS: Kittery (Agency: less 8%)	138.8%	138.8%	130.8%
(4)	Net Sales at Kittery Prices [(1)-(3)]	$6,849,893.03	$33,012,179.44	$6,400,250.52
(5)	Loss in sales	0	8,587,574.79	1,642,900.64

*Wholesale sales to licensees are included in this category

TABLE 5

LOSS IN REVENUE FROM
STATEWIDE SALES AT KITTERY PRICES

1981

		Kittery Retail	All Other Stores Retail	All Other Stores Agency
(1)	Net Income at % of Sales	27.9%	35.6%	39.5%
(2)	Net sales (Tab.4)	$8,158,339.35	$38,278,625.37	$7,773,217.22
(3)	Net income at Kittery Prices [(1)x(2)]	2,274,307.93	13,626,543.79	3,072,593.89
(4)	Net income: actual	2,274,307.93	16,659,014.32	3,741,626.32
(5)	Loss in income [(4)-(3)]	0	3,032,470.53	669,032.43

1980

		Kittery Retail	All Other Stores Retail	All Other Stores Agency
(1)	Net Income as % of Sales	24.6%	34.5%	38.0%
(2)	Net sales (Tab.4)	$7,626,521.20	$34,754,464.13	$7,050,271.19
(3)	Net income at Kittery Prices [(1)x(2)]	1,874,764.78	11,973,864.40	2,682,848.50
(4)	Net income: actual	1,874,764.78	15,031,684.19	3,360,209.47
(5)	Loss in income [(4)-(3)]	0	3,057,819.79	677,360.97

1979

		Kittery Retail	All Other Stores Retail	All Other Stores Agency
(1)	Net Income as % of Sales	25.1%	35.8%	38.6%
(2)	Net sales (Tab.4)	$6,849,893.03	$33,012,179.44	$6,400,250.52
(3)	Net income at Kittery Prices [(1)x(2)]	1,720,258.09	11,817,825.07	2,472,326.86
(4)	Net income: actual	1,720,258.09	14,892,037.68	3,106,956.31
(5)	Loss in income [(4)-(3)]	0	3,074,212.61	634,629.45

The consequent loss in income to the State if consumption remains constant and prices statewide are reduced to those at Kittery is in the neighborhood of $3.7 million.

Of course, this analysis does not account for changes from a number of factors. One factor which may be particularly significant is that such a statewide price reduction, if not accompanied by increased consumption, might make a number of stores unprofitable to maintain. These stores might have to be closed, thus resulting in further loss.

To some extent, these losses would presumably be recouped by increased consumption or due to an influx of purchases from other markets (tourists, vacationers, and residents of other states and Canada). The extent of recoupment, and the higher costs of increased sales are beyond the capability of this analysis.

Prepared by William E. Saufley, Office of Legislative Assistants, for use by the Joint Standing Committee on Legal Affairs, 110th Maine Legislature, subcommittee for the 1981 Interim Study on the Equalization of Liquor Prices Throughout the State.

"AN ACT to Equalize the Price of Liquor Throughout the State."

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 28 M.R.S.A. §155 is enacted to read:

§155. Prices

1. General prices. The commission shall set prices to be charged for liquor sold in state or agency stores. Prices shall be determined in accordance with generally accepted marketing principles, except that prices shall remain uniform throughout the state, and proper consideration shall be given to the State's interest in controlling consumption.

2. Discount or discontinued items. The commission may, with the approval of the Commissioner of Finance and Administration, reduce the price in all stores of selected or discontinued items from time to time. However, no liquor items may be sold for less than actual cost, and no item may be discontinued for a period of at least 6 months after the item has been listed and on sale in state stores.

3. Revenues. All net revenue derived from liquor sales by the commission shall be deposited to the credit of the General Fund of the State.

Sec. 2. 28 M.R.S.A. §451 as amended by P.L. 1979, c. 307, is repealed, and the following enacted in its place:

§451. Excise tax on wines.

There is levied and imposed an excise tax of 75¢ per gallon, or its metric equivalent, on wines containing more than 14%

alcohol by volume.

Taxes on spiritous or vinous liquors by the State do not apply to spiritous or vinous liquors sold by wholesalers, manufacturers, bottlers and rectifiers holding licenses from the commission to any instrumentality of the United States, or to any vessel of foreign registry, or to industrial establishments for use as an ingredient in the manufacture of commodities which by reason of their nature cannot be used for beverage purposes. The commission is specifically authorized to make such rules and regulations as it deems necessary for carrying out this paragraph.

STATEMENT OF FACT

This bill places the liquor price-setting authority with the State Liquor Commission, rather than setting a statutory mark-up, or "Consumers' tax," as in present law.

Under this bill, the prices determined by the Commission would apply uniformly statewide.

"AN ACT to Equalize the Price of Liquor Throughout the State and to Determine an Appropriate Price Level."

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 28 M.R.S.A. §451, first ¶, last sentence, is repealed.

Sec. 2. 28 M.R.S.A. §451, third ¶, last sentence, as enacted by P.L. 1979, c. 307, is repealed.

Sec. 3. Price equalization; market study. The State Liquor Commission shall conduct a study of the market for state liquor sales with the object of determining an optimal consumers' tax rate under Title 28, section 451, to be applied equally to sales throughout the State. The commission shall report its findings, together with appropriate legislation, to the 111th Legislature in its First Regular Session.

Sec. 4. Effective dates. Section 3 of this Act takes effect 90 days after adjournment of the Second Regular Session. Sections 1 and 2 of this Act take effect on January 1, 1983.

STATEMENT OF FACT

Sections 1 and 2 of this bill repeal the provisions of Title 28, section 451, allowing the establishment of a single discount state liquor store. By virtue of section 4, no discount operation could exist as of January 1, 1983.

Section 3 requires the State Liquor Commission to conduct a market study and report to the next Legislature a recommended tax rate (presently 75%) to be applied to liquor sales in all state liquor stores.