

MAINE STATE LEGISLATURE

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L.D. 1706

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DATE: 3/27/96

(Filing No. H-863)

MAJORITY
LEGAL AND VETERANS AFFAIRS

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
117TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1244, L.D. 1706, Bill, "An Act to Implement the Recommendations of the Task Force on Alcoholic Beverage Sales"

Amend the bill by striking out the title and substituting the following:

'An Act to Amend the Laws Relating to Alcoholic Beverage Sales'

Further amend the bill by striking out all of the emergency preamble.

Further amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

'Sec. 1. 28-A MRSA §2, sub-§2-A is enacted to read:

2-A. Alcohol bureau. "Alcohol bureau" means the Bureau of Alcoholic Beverages and Lottery Operations within the Department of Administrative and Financial Services.

Sec. 2. 28-A MRSA §401-A, sub-§1, as enacted by PL 1991, c. 528, Pt. Z, §2 and affected by Pt. RRR and enacted by c. 591, Pt. Z, §2, is repealed.

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Sec. 3. 28-A MRSA §401-A, sub-§1-A is enacted to read:

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1-A. State store locations. The alcohol bureau shall operate state liquor stores for the retail sale of liquor in the following municipalities. The alcohol bureau may not operate a state liquor store in any municipality not designated in this section.

A. In each of the following municipalities, the alcohol bureau shall operate one state liquor store:

(1) Portland;

(2) Augusta;

(3) Houlton;

(4) Bangor;

(5) Waterville;

(6) Rockland;

(7) Ellsworth;

(8) Calais;

(9) Belfast;

10) Skowhegan;

11) Old Town;

12) Caribou;

13) Kittery;

14) Brunswick;

15) Farmington;

16) Bridgton;

17) Presque Isle;

18) Damariscotta;

19) Dover-Foxcroft;

20) Kennebunk;

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- 2 21) North Windham;
- 4 22) Auburn; and
- 6 23) Mexico.

8 **Sec. 4. 28-A MRSA §453-C** is enacted to read:

10 **§453-C. Package liquor store license**

12 The bureau may issue a package liquor store license to a
14 person who wishes to operate an agency liquor store to sell
16 spirits, malt liquor and wine to be consumed off the premises.
18 The bureau may issue the package liquor store license only to an
20 applicant who qualifies for an agency liquor store license, a
22 Class VI license and a Class VII license. The fee for a package
24 liquor store license is the sum of the fees for an agency liquor
26 store license, a Class VI license and a Class VII license. A
package liquor store licensee enjoys all the privileges and is
subject to all the restrictions, limitations and requirements
associated with an agency liquor store license, a Class VI
license and a Class VII license. A person may apply for a
package liquor store license only upon initial application for an
agency liquor store license or upon renewal of an agency liquor
store license.

28 **Sec. 5. 28-A MRSA §1651**, as amended by PL 1995, c. 181, §§1
30 and 2, is further amended to read:

32 **§1651. Consumers' tax**

34 **1. State liquor tax.** Except as provided in subsection 2,
36 the ~~commission~~ alcohol bureau shall determine and set the price
38 at which to sell all spirits and fortified wine that will produce
40 a state liquor tax of not less than 65% 62% based on the
42 delivered case cost F.O.B. liquor warehouse.

44 C. The ~~commission~~ alcohol bureau shall add any cost to the
46 State related to handling containers returned for refund
48 pursuant to Title 32, section 1863-A to the established
50 price without markup.

52 **2. Special pricing situations.** The ~~commission~~ alcohol
54 bureau may set prices at different levels in the following
56 special situations.

58 C. Notwithstanding the other provisions of this section,
60 with approval of the Commissioner of Administrative and
62 Financial Services, the ~~commission~~ alcohol bureau may reduce
64 the price of discontinued items of liquor. The reduced

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2 price may not be less than the actual cost of the discontinued liquor items.

4 E. Notwithstanding the other provisions of this section,
6 the ~~commission~~ alcohol bureau may establish special prices
8 on certain listed liquor items to be made available to the
10 consumer at all state stores. These special prices ~~must~~ may
not be lower than the price established for the same listed
item at the 2 discount state liquor stores authorized under
section 403.

12 F. Spirits sold under section 606 may be sold at prices
14 established under section 606.

16 G. Notwithstanding the other provisions of this section,
18 the ~~commission~~ alcohol bureau may reduce, at the expense of
the broker or supplier, the price of those test-market items
that fail to meet set minimum gross profit standards after a
3-month period.

20 **3. Applicability of tax.** Taxes on spirits imposed by the
22 State do not apply to sales of spirits by manufacturers, bottlers
and rectifiers holding licenses from the ~~commission~~ alcohol
24 bureau:

- 26 A. To any instrumentality of the United States;
- 28 B. To any vessel of foreign registry;
- 30 C. To industrial establishments for use as an ingredient in
the manufacture of food products; or
- 32 D. For use as an ingredient in the manufacture of
34 commodities which that by reason of their nature cannot can
not be used for beverage purposes.

36 **4. Net revenue deposited to General Fund.** The ~~commission~~
38 alcohol bureau shall deposit all net revenue derived from the tax
under this section to the credit of the General Fund.

40 **Sec. 6. Close 5 state liquor stores.** The Department of
42 Administrative and Financial Services, Bureau of Alcoholic
Beverages and Lottery Operations shall take any necessary action
44 to close the following state liquor stores by January 1, 1997:

- 46 1. Store #1 in Lewiston;
- 48 2. Store #7 in Bangor (Perkins Street store);
- 50 3. Store #21 in Old Orchard Beach;

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2 4. Store #66 in Brewer; and

4 5. Store #87 in Portland (Northgate).

6 The Bureau of Alcoholic Beverages and Lottery Operations shall cease all efforts to open a liquor store in Saco.

8 **Sec. 7. Plan for efficiency improvements.** The Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations shall provide to the joint standing committee of the Legislature having jurisdiction over legal and veterans affairs by January 1, 1997, a report specifying how the bureau is achieving or will achieve the following goals. The report must include all necessary statutory changes to achieve these goals:

16 1. Establishment of mechanisms or procedures to ensure that reasonable efforts are made to negotiate sales prices with suppliers of spirits so that those savings can be passed on to retail and wholesale consumers;

22 2. Establishment of mechanisms or procedures to ensure that state liquor stores do not process orders from on-premise liquor licensees on behalf of agency liquor stores;

26 3. Placement of Megabucks machines in all state liquor stores and designation of all state liquor stores as outlets for instant lottery tickets carrying a minimum of 8 games;

30 4. Establishment of mechanisms or procedures to ensure that input is routinely sought from at least one employee who works in a state liquor store on product listings and delistings and on consumer needs and requests;

34 5. Reduction of processing fees charged to suppliers for adding new items to the state product listing;

38 6. Establishment of mechanisms or procedures to ensure a wide selection of liquor products, to improve the test marketing system and to improve product education for employees;

42 7. Reintroduction of the special pricing allowance under which price reductions offered by suppliers are matched by the bureau and passed on to retail and wholesale customers;

46 8. Elimination of all liquor-related functions of the State Liquor and Lottery Commission;

48 9. Movement of the state liquor store in Kittery to a more accessible location on the main thoroughfare;

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2 9. Movement of the state liquor store in Kittery to a more accessible location on the main thoroughfare;

4 10. Establishment of mechanisms or procedures to ensure that stock is distributed equitably among state liquor stores and not merely according to the arbitrary store numbering system; and

8 11. Establishment of mechanisms or procedures to permit state liquor store employees to transfer stock between stores.

10 **Sec. 8. Regional store system.** No later than August 1, 1996, the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations shall establish a system of 6 regions for distribution of liquor among state liquor stores. In each region, the bureau shall designate a state liquor store to serve as a regional warehouse.

18 **Sec. 9. Allocation.** The following funds are allocated from the Alcoholic Beverage Fund to carry out the purposes of this Act.

20 1996-97

22

24 **ADMINISTRATIVE AND FINANCIAL SERVICES,
DEPARTMENT OF**

26

28 **Bureau of Alcoholic Beverages and
Lottery Operations**

30	Positions - Legislative Count	(-15.0)
	Personal Services	(\$247,315)
32	All Other	(95,288)
34	TOTAL	<hr style="width: 100%; border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> (342,603)

36 Deallocation of funds as a result of the elimination of 2 Store Supervisor positions and one Store Operations Officer position effective August 1, 1996 and the elimination of 4 Retail Store Manager I positions, 4 Assistant Store Manager positions and 4 Retail Store Clerk positions effective December 31, 1996.

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46 **Executive Branch Departments and Agencies -
Statewide**

48 Personal Services 23,940

50 Allocates funds for the unfunded liability

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and retiree health insurance portions of the savings related to position eliminations.

**DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
TOTAL**

(\$318,663)

Sec. 10. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.

1995-96 1996-97

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Executive Departments and Agencies - Statewide

All Other (\$300,000) (\$300,000)

Provides for the deappropriation of funds appropriated by Public Law 1995, chapter 368, Part H, section 2 for training needs, job restructuring initiatives and necessary equipment and technology upgrades.

Bureau of Alcoholic Beverages and Lottery Operations

Alcoholic Beverages - General Operation

All Other \$300,000 \$300,000

Provides funds for technology upgrades in the state liquor stores.

**DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
TOTAL**

_____ _____
\$-0- \$-0-

Further amend the bill by inserting at the end before the statement of fact the following:

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FISCAL NOTE

1996-97

APPROPRIATIONS/ALLOCATIONS

Other Funds (\$318,663)

REVENUES

General Fund \$239,063

This bill will result in net General Fund savings of \$239,063 in fiscal year 1996-97. Net annual General Fund savings in fiscal year 1997-98 and thereafter are estimated to be \$753,000.

The bill deallocate \$342,603 in fiscal year 1996-97 from the Bureau of Alcoholic Beverages and Lottery Operations. A portion of this deallocation, \$221,283, results from the closing of 5 state liquor stores, thereby eliminating 12 positions and store operating costs. This represents a partial year savings, based on closing these stores by December 31, 1996, and is net of employee separation costs. Beginning in fiscal year 1997-98, annual savings are estimated to be \$805,000. The remaining fiscal year 1996-97 deallocation, \$121,320, results from the establishment of a regional liquor distribution system, and will eliminate 2 Store Supervisor positions and one Store Operations Officer position. These savings are also net of employee separation costs. The annual savings from eliminating these positions is approximately \$171,000.

The bill provides an Alcoholic Beverage Fund allocation of \$23,940 in fiscal year 1996-97 to the Department of Administrative and Financial Services, Executive Branch Departments and Agencies-Statewide Account for the unfunded liability and retiree health insurance portions of the savings achieved from these position eliminations.

The resulting net Alcoholic Beverage Fund savings, estimated to be \$318,663 in fiscal year 1996-97, will be transferred to the General Fund as undedicated revenue. Beginning in fiscal year 1997-98, the annualized transfer is estimated to be \$903,000.

This bill includes General Fund appropriations of \$300,000 in each of fiscal years 1995-96 and 1996-97 to the Bureau of

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2 Alcoholic Beverages and Lottery Operations for technology
3 upgrades in state liquor stores. An offsetting deappropriation
4 of \$300,000 in each of those same fiscal years from the
5 department's Executive Departments and Agencies - Statewide
6 account that was established in Public Law 1995, chapter 368 for
7 such purposes is also included. Due to other commitments for
8 these technology funds, it can not be determined if sufficient
9 resources remain for this purpose.

10 The savings generated by position eliminations will be
11 offset by a reduction of General Fund revenue of \$79,600 in
12 fiscal year 1996-97. The conversion of certain retail and
13 licensee sales to wholesale sales, which result from the state
14 store closures, will reduce transfers to the General Fund. Since
15 current law restricts the development of replacement agency
16 stores, this loss will not be offset by bids to open new agency
17 stores or from a one-time inventory effect. Beginning in fiscal
18 year 1997-98, annual General Fund revenue will be reduced by
19 approximately \$150,000 from wholesale discount costs.

20 The bill also authorizes the alcohol bureau to reduce the
21 wholesale price to 62%. If the markup is reduced, the net effect
22 of reduced revenue offset by increased sales can not be
23 determined.

24 The additional costs to provide a plan for efficiency
25 improvements to the Legislature by January 1, 1997 can be
26 absorbed by the Bureau of Alcoholic Beverages and Lottery
27 Operations utilizing existing budgeted resources. The fiscal
28 impact of achieving the goals that will be addressed in the plan
29 can not be determined at this time.'

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STATEMENT OF FACT

32 This amendment, which is the majority report of the Joint
33 Standing Committee on Legal and Veterans Affairs, strikes and
34 replaces the bill. This amendment:

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1. Closes 5 state liquor stores;

36

2. Establishes a package liquor store license permitting
37 sales of spirits, wine and malt liquor at a fee that is the sum
38 of the individual licenses to sell spirits, wine and malt liquor;

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3. Requires the Department of Administrative and Financial
40 Services, Bureau of Alcoholic Beverages and Lottery Operations to
41 provide to the joint standing committee of the Legislature having
42 jurisdiction over legal and veterans affairs by January 1, 1997,
43 a report specifying how the bureau is achieving or will achieve
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2 the following goals. The report must include all necessary
statutory changes to achieve these goals:

4 A. Establishment of mechanisms or procedures to ensure that
reasonable efforts are made to negotiate sales prices with
6 suppliers of spirits so that those savings can be passed on
to retail and wholesale consumers;

8 B. Establishment of mechanisms or procedures to ensure that
state liquor stores do not process orders from on-premise
10 liquor licensees on behalf of agency liquor stores;

12 C. Placement of Megabucks machines in all state liquor
stores and designation of all state liquor stores as outlets
14 for instant lottery tickets carrying a minimum of 8 games;

16 D. Establishment of mechanisms or procedures to ensure that
input is routinely sought from at least one employee who
18 works in a state liquor store on product listings and
delistings and on consumer needs and requests;

20 E. Reduction of processing fees charged to suppliers for
adding new items to the state product listing;

22 F. Establishment of mechanisms or procedures to ensure a
wide selection of liquor products, to improve the test
24 marketing system and to improve product education for
employees;

26 G. Reintroduction of the special pricing allowance under
which price reductions offered by suppliers are matched by
28 the bureau and passed on to retail and wholesale customers;

30 H. Elimination of all liquor-related functions of the State
Liquor and Lottery Commission;

32 I. Movement of the state liquor store in Kittery to a more
accessible location on the main thoroughfare;

34 J. Establishment of mechanisms or procedures to ensure that
stock is distributed equitably among state liquor stores and
not merely according to the arbitrary store numbering
36 system; and

38 K. Establishment of mechanisms or procedures to permit
state liquor store employees to transfer stock between
stores;

40 4. Moves \$300,000 in fiscal year 1995-96 and \$300,000 in
42 fiscal year 1996-97 from money appropriated last year for
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2 technology upgrades to the Bureau of Alcoholic Beverages and
Lottery Operations for technology upgrades in state liquor stores;

4 5. Requires the Bureau of Alcoholic Beverages and Lottery
Operations, by August 1, 1996, to establish a system of 6 regions
6 for distribution of liquor among state liquor stores. In each
region, the bureau shall designate a state liquor store to serve
8 as a regional warehouse for the region. Under the regional
system, the following positions are eliminated: one Store
10 Operations Officer and 2 Retail Store Supervisors;

12 6. Adds a fiscal note and allocation to the bill; and

14 7. Changes the title of the bill and removes the emergency
preamble and emergency clause.

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