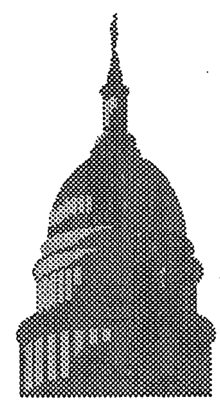
REPORT



STATE OF MAINE

TASK FORCE ON ALCOHOLIC BEVERAGE SALES

VOLUME I

December 1, 1995

TABLE OF CONTENTS

VOLUME I

EXECUTIVE SUMMARY i

REPORT:

I. Background 1

A. History of alcoholic beverage control in Maine 1

B. The national scene 1

C. The most recent legislative session 2

D. Task Force 3

E. Task Force Decisions 3

II. Summary of Maine's current alcoholic beverage system 5

III. Task Force Recommendations 6

IV. Fiscal impacts 17

APPENDICES

A. Legislation Establishing the Task Force

B. Task Force Members

C. Responses to Legislation

D. Statistics -- Charts

E. Comparison Chart

F. Recommended Legislation

The Task Force on Alcoholic Beverage Sales was staffed by the Bureau of Alcoholic Beverages and Lottery Operations. Requests for copies of this report or information about the Task Force on Alcoholic Beverages Sales should be directed to Bureau of Alcoholic Beverages and Lottery Operations, State House Station 8, Augusta, Maine, (207) 287-3721.

REPORT
OF THE
TASK FORCE ON ALCOHOLIC BEVERAGE SALES

EXECUTIVE SUMMARY

Since the repeal of prohibition in 1934, the State of Maine has been the sole authorized wholesale and retail provider of alcoholic beverages in the State.[1] Recent years have seen the State's role move away from the direct provision of wholesale and retail services with the contracting for bailment warehouse services and gradual partial replacement of state retail liquors stores with agency stores. The Task Force on Alcoholic Beverage Sales was proposed by the Governor and created by the Legislature to consider the question of whether and to what extent the State should cease to be involved in the sales and distribution of alcoholic beverages.

The Task Force met 11 times over the summer and fall of 1995. It considered plans for privatization submitted by the Bureau of Alcoholic Beverages and Lottery Operations (BABLO) as well as proposals submitted by several other groups and individuals interested in the alcoholic beverage system in Maine.

The Task Force makes the following recommendations.

A. The Task Force recommends that the State move as expeditiously as possible to close all state liquor stores with the goal of completing that process by August 31, 1996.

   1. Before a state store may be closed, there must be at least one reselling agency store within a 10 mile radius of the store being closed.

   2. The Task Force recommends that the State provide retraining and outplacement assistance to displaced state employees. Assistance should

[1] A note is necessary about terminology used in this report. The State of Maine is involved in the wholesale and retail sale of spirits and fortified wines. Because the legislation establishing this Task Force uses the term "alcoholic beverages" to refer to spirits, this report also refers to those products as alcoholic beverages. Although the term is sometimes used more broadly to also include beer and wine, beer and wine are not included in this report unless otherwise indicated.

be consistent with assistance that is being made available to other dislocated state employees in connection with the work of the Productivity Realization Task Force.

B. The Task Force recommends that the transition to full privatization of wholesale and distribution functions be completed by February 1, 1998.

C. There should be no limit on the number of agency stores beginning April 1, 1996. Requirements in current law regarding proximity to existing stores should be eliminated. Proximity requirements regarding churches and schools should be retained.

D. Agency Network

1. The Task Force recommends that any agent what is federally registered as a wholesale dealer be allowed to resell to another agent or to an on-premise licensee.

2. The Task Force recommends that reselling agents be required to register with the Bureau of Liquor Enforcement to aid enforcement.

3. The Task Force recommends that the Bureau of Alcoholic Beverages and Lottery Operations be permitted to develop wholesale purchase discounts that may be made available to reselling agents.

4. The Task Force recommends retaining the current requirement that agency stores stock at least 100 codes and that, in municipalities with a population greater than 6,000, that the minimum stock value maintained must be at least $10,000.

5. The Task Force recommends that license fees be changed to reflect the new privatized structure.

6. The Task Force recommends removing all limitations on product and price advertising.

7. The Task Force recommends that reselling agents be required to sell at the same price to any other licensee.

8. The Task Force recommends that all agents be required to maintain at least $5,000 wholesale value of edible merchandise, excluding alcoholic beverages and tobacco.

E. The Task Force recommends that the current system for establishing a state store retail price be kept until the final state retail store is closed. After all state store closings, during the transition and following full privatization, the State will determine the wholesale price for sale of liquor to agency stores. The price should be calculated to include a markup on the F.O.B. warehouse price that will ensure maintenance of revenues.

F. The Task force makes the following recommendations with regard to deliveries from the warehouse

1. The Task Force recommends that during the transition to full privatization, the State may authorize the warehouse to distribute to on-premise licensees on the same basis as to agency stores.

2. During the transition, transportation costs should be charged separately and not included in the wholesale price.

G. The Task Force recommends that BABLO's role during the transition to a privatized system be to ensure control, manage wholesaling activities, manage the transition to full privatization, manage the contract for warehousing and distribution, and to collect revenues.

H. The Task Force recommends that BABLO's role following transition (2/1/98) to a privatized system will consist primarily of oversight and revenue management:

I. The Task Force recommends that funds be appropriated for 4 additional liquor enforcement agents in the Bureau of Liquor Enforcement.

J. The Task Force recommends that, when privatization is complete, the liquor-related functions of the State Liquor and Lottery Commission be repealed.

REPORT
OF
THE TASK FORCE ON ALCOHOLIC BEVERAGE SALES

I. BACKGROUND

A. History of alcoholic beverage control in Maine

Alcoholic beverages have always held an ambiguous place in American culture. Appreciated for their powers of refreshment, merriment and relaxation; alcoholic beverages have also been reviled for their capacity to distract and corrupt.

Maine has held a special place in the history of government regulation of alcoholic beverages. Home of Neal Dow, the "father of prohibition," Maine was the first state in the nation to outlaw the sale of alcoholic beverages in 1851. Alcohol was the focus of one of the 19th and early 20th centuries' most populist social activist movements resulting in the adoption of the 18th Amendment to the United States Constitution which became effective in 1920 and which prohibited the sale, manufacture, transportation and importation of liquor.

Prohibition generated its own social problems, however. American culture still holds vivid memories of the back woods still, the speakeasy and Al Capone. Proving somewhat ineffective and decidedly unpopular, the 18th Amendment was repealed by the 21st Amendment in 1933. Maine repealed prohibition in 1934, and the State has been involved in the sale of alcoholic beverages ever since. In more recent years, proposals have been made to remove the State from the sale of alcoholic beverages. In the 1970s the Legislature reviewed the question and decided that the State should continue in its monopoly role. In the 1980s gubernatorial proposals that called for the State to cease alcoholic beverage operations were not enacted.

B. The national scene

Maine is one of 19 control jurisdiction (18 states and Montgomery County, Maryland). A control state is one in which a government monopoly takes ownership of the alcohol at the wholesale level and oversees its distribution. Control state systems are generally characterized by state price setting, wholesale functions and retail distribution. Increasingly, states are moving to agency retail outlets or private outlets which take the state's place in the retail sale role and bailment warehouses, which permit wholesale operations to be conducted more efficiently. In recent years several control states have privatized the retail sales of alcoholic beverages, usually in an attempt to reduce state costs. Iowa, Montana and West Virginia are notable examples.

C. The most recent legislation session

1. Budget proposal.

The most recent biennial budget bill, **LD 706, An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 1996 and June 30, 1997**, proposed to take the State completely out of liquor sales operations beginning in State fiscal year 1996-97. This proposal was eventually dropped from the budget bill and the Governor submitted a separate bill calling for a study of the issue.

2. LD 1514.

The Governor's bill, **LD 1514, Resolve, Establishing the Task Force on Alcoholic Beverage Sales** was considered by the Joint Standing Committee on Legal and Veterans Affairs which reported favorably on the study. The legislation was enacted by the full Legislature, signed by the Governor and designated Chapter 54 of the Resolves of 1995. A copy of Chapter 54 is provided in Appendix A.

> Chapter 54 directs the Task Force to investigate a variety of issues related to the consideration of the question of whether, and to what extent, the State should cease to be involved in the sales and distribution of alcoholic beverages. (See Appendix C. for the responses of the Task Force to the questions posed in Chapter 54.) The Resolve authorizes the Task Force to obtain staffing assistance from the Bureau of Alcoholic Beverages and Lottery Operations and the Department of Administrative and Financial Services. The Department of the Attorney General was directed to provide legal assistance.
>
> The Task Force was directed to consider information developed and presented by affected groups, including, but not limited to, employees, distributors and agency stores. It was required to submit a report on its work by December 1, 1995 to the Commissioner of Administrative and Financial Services for transmittal to the Governor and to the Joint Standing Committee on Legal and Veterans Affairs of the Legislature. The Task Force was directed to provide a draft legislative proposal to implement

its recommendations and an indication of the financial implications of each aspect of the proposed legislation.

D. The Task Force

1. Membership. Chapter 54 establishes a Task Force of 11 members. A list of members and their appointing authorities are listed in Appendix B.

2. Procedure. The Task Force met 11 times in Augusta. It received information and briefings from staff, the Bureau of Alcoholic Beverages and Lottery Operations, the Bureau of Liquor Enforcement and a large number of interested persons and groups, including state employees, representatives of current warehouse and trucking contractors, large and small agency liquor stores, distillers, prospective distributors and the Substance Abuse Services Commission.

E. Task Force Discussions

1. The first conceptual plan. Early in its deliberations, the Task Force identified its primary goal as to determine the feasibility of privatizing the sale of alcoholic beverages in Maine taking into consideration the following two objectives:

- Maintaining revenue neutrality; and
- Maintaining adequate State control to discourage illegal activity and maintain reasonable consumption.

The Task Force asked the Bureau of Alcoholic Beverages and Lottery Operations and the Bureau of Liquor Enforcement to prepare information about the impact of closing state liquor stores and replacing them with agency stores. A conceptual plan was presented by the bureaus on September 7th and formed the basis for the early discussions of the Task Force. Opportunities were provided by the Task Force for all parties interested in the plan to comment on its aspects. Several parties submitted alternative proposals and suggestions for modifications.

Following initial discussions, the Task Force approved the following motion:

> **MOVED:** That the Task Force undertake to develop an implementation plan for the closing of all state liquor stores in putting a privately-based delivery system in place for

those stores. That the plan include not only retail operations but wholesale aspects, with an implementation date no sooner than January 31, 1998. and that the plan maintain strong controls.

2. The second plan. The second plan was submitted by the Bureau of Alcoholic Beverages and Lottery Operations on October 19, 1995. It provided a proposal for the privatization of alcoholic beverage sales in Maine that contained elements intended to ensure adequate state control of the distribution of alcoholic beverages and to maintain at least a level income to the State in the form of alcoholic beverage revenues. The plan provided for the orderly transition to complete contracting of service provision relating to the sale of alcoholic beverages by February 1998 and removed the limitation on the number of retail agency outlets in the year 2002. It was intended to maintain revenues from the sale of alcoholic beverages at current levels. The plan envisioned the implementation, by February 1998, of a vertically integrated private wholesale distribution system under contract with the State. All aspects of the wholesale system would be handled by a private contractor, with the State's role being to monitor and manage the contract and to collect revenues. The plan moved operations and sales to the private sector and was intended to enhance small business growth. It preserved Maine as a "control state," ensuring equitable distribution and responsible consumption, and preserved the revenue flow to the State. The plan was intended to ensure that Maine's businesses and consumers have a wide choice of variety of alcoholic beverages at a competitive price.

3. Alternative plan. During the course of the Task Force's discussion on the transitional plan, an alternative approach for the privatization of alcoholic beverage sales was presented. Rothschild Group, Inc., a New York investment banking company, presented materials to the Task Force indicating that the State could market its alcoholic beverage business through the public offering of securities. The Task Force makes no recommendations regarding the Rothschild proposal.

II. Summary of Maine's current alcoholic beverage system

Currently, Maine is a control state, maintaining a wholesale monopoly on the sale of liquor and retail control with the only authorized retail outlets being state stores or private stores licensed as agents of the State. There are currently 28 state stores and 192 agency stores. All liquor sold in Maine must pass through the State contracted bailment warehouse operated by a private contractor under the State's control. The Bureau of Alcoholic Beverages and Lottery Operations orders all liquor from suppliers who have the obligation to keep the warehouse adequately stocked at the supplier's direct expense. State and agency liquor stores order from BABLO's merchandising department which directs the packaging of orders by the warehouse and shipment by a private contracted transport company. The State collects payment from state and agency stores. In fiscal year 1994-95, the State received $69,756,700 in gross sales. The net revenue from the sale of alcoholic beverages, after deducting the cost of goods, state administrative costs and the expenses of running state stores, is transferred to the State's General Fund as revenue. By law the State is required to set prices to produce revenue that is equal to at least an average 65% markup over the F.O.B. warehouse price of the liquor. In fiscal year 1994-95, the amount of liquor consumer tax revenue transferred to the General Fund was $20,113,714. In addition to the liquor tax, the State collects and transfers the alcohol premium tax to the General Fund. The alcohol premium tax is $1.25 per proof gallon. The amount of premium tax transferred to the General Fund in fiscal year 1994-95 was $1,657,515. Although revenues from the alcohol premium tax are transferred to the General Fund, 28-A M.R.S.A. §1703 requires that an amount equal to alcohol premium revenues be appropriated to the Office of Substance Abuse. See Appendix D for a financial summary of alcoholic beverage operations for fiscal years 1993-94 and fiscal year 1994-94.

The State Liquor and Lottery Commission establishes which products may be listed for sale in Maine. The State establishes a retail price for liquor that is sold in state stores. The retail price equals the cost the State pays for the liquor, which includes the bailment warehouse costs, plus the State's markup and the alcohol premium tax. Agency stores purchase liquor at 8% below the state retail price. Agency stores were traditionally required to sell liquor at the same price charged in state stores; however, as a result of recent legislation, agency stores may now charge more than the state retail price. The State operates one discount store in Kittery where lower prices are charged to attempt to deter Maine citizen's from purchasing large amounts of liquor in New Hampshire where prices are lower and to attract seasonal visitors. The markup in the Kittery discount store averages approximately 40%.

III Task Force Recommendations

The plan adopted by the Task Force for privatization of alcoholic beverage sales follows the basic pattern of the second bureau plan with changes and variations adopted by the Task Force. The decisions of the Task Force are reflected in the following recommendations.

A. The Task Force recommends that the State move as expeditiously as possible to close all state liquor stores with the goal of completing that process by August 31, 1996.

The State first became involved in the retail sale of alcoholic beverages when the State decided to legalize the sale of alcoholic beverages following adoption of the 21st Amendment to the United States Constitution in 1933. At that time the State adopted a system that established the State as the sole purveyor of spirits and wine with malt beverages being sold by the private sector. Since the privatization of the sale of table wine in 1971 and the licensing of the first agency store in 1976, the State has gradually increased the involvement of the private sector in retail sales of alcoholic beverages. Agency stores were originally authorized to fill a need to provide efficient access in rural areas; however, in the last five years, the number of agency stores has risen rapidly as state stores have been closed in response to legislation generated by a need to achieve budget savings.

Currently, the State operates 28 retail liquor stores including a discount store in Kittery. A 29th store is authorized, but the state store in Fairfield was closed in 1995 when the property owner terminated an "at will" lease. An additional discount store was authorized in 1993 for Saco, but progress on opening that store has been delayed by litigation and other circumstances. Agency stores currently number 192, with additional agency store applications still under consideration to replace recently closed state stores. In State fiscal year 1994-95, retail sales of spirits by state stores equaled $18,392,200. Exact figures for sales by agency stores are not available because records of agency store sales are not collected by the State. Sales by the BABLO merchandising department to agency stores in fiscal year 1994-95 equaled $26,001,900. Sales by state liquor stores to agency stores were $18,364,300.

Until September 29, 1995, agency stores were required to sell liquor at the same price charged in state stores. As a result of legislation enacted during the First Regular Session of the 117th Legislature, agency stores may now charge more (but not less) than the state retail price.

While the State's dual interests in generating revenue and maintaining control of distribution of spirits has been well served by a state monopoly on the retail and wholesale marketing of liquor, the trend toward increasing numbers of agency stores has demonstrated that retail sales can be completely privatized without sacrificing those goals. As long as the State determines its markup, it can maintain a level revenue stream. While there still remain persons who believe that private retailers will have less incentive to maintain vigilance to protect against illegal sales, the experience with current agency stores has not demonstrated this problem. The Task Force believes that with adequate law enforcement and with the threat of license revocation, possible criminal sanctions and disruptions to an owner's business, private retailers will have adequate incentive for vigilance.

The Task Force recommends that actions be taken to close the remaining 28 stores as rapidly as possible. The Task Force believes that it is feasible to close all state store by August 31, 1996 if emergency legislation authorizing the closings is enacted by April 1, 1996.

1. **Before a state store may be closed, there must be at least one reselling agency store within a 10 mile radius of the store being closed.**

   The Task Force recognizes that closing state stores without adequate alternative retail outlets could cause serious disruption in localities where no other store is available. In order to minimize the potential for disruption in the availability of product and the revenue stream to the State, the Task Force recommends that a state store not be closed unless there is a reselling agency store or an agency store that has applied to be reselling store within a 10 mile radius of the store being closed unless BABLO finds that there is adequate alternative access for small agency stores and on-premise licensees. The Bureau of Liquor Enforcement should give first priority to licensing agency stores in those localities affected by the 10 mile requirement.

2. **The Task Force recommends that the State provide retraining and outplacement assistance to displaced state employees. Assistance should be consistent with assistance that is being made available to other dislocated state employees in connection with the work of the Productivity Realization Task Force.**

   The Task Force recognizes that employees of the Bureau of Alcoholic Beverages and Lottery Operations have dedicated many years in valuable service to the People of Maine. The Task Force heard stories of employees who went above and beyond their job descriptions to provide service to their customers and protect the interests of the State. The Task Force also recognizes that privatizing the State's alcoholic beverage business will result in the loss of jobs for most of those employees. The Task Force recommends that the State do whatever is possible within available resources to assist dislocated employees in seeking and securing alternative employment. State efforts should include, at a minimum, the following provisions.

1. The Bureau of Alcoholic Beverages and Lottery operations should mail information to all employees regarding transition plans and outplacement programs available to assist displaced employees with emphasis on the unique needs of BABLO employees

2. BABLO should conduct regional sessions for employees to provide information and answer questions about the transition and outplacement options.

3. BABLO employees should be given hiring priority for new liquor enforcement positions if they meet the qualifications for the job and other requirements of the position.

BABLO has already indicated to the Task Force an intention to follow through with the first two efforts. The Bureau of Liquor Enforcement has indicated to the Task Force that the third provision is agreeable to them.

B. The Task Force recommends that the transition to full privatization of wholesale and distribution functions be completed by February 1, 1998.

Currently, the State exercises control over all wholesale functions in the alcoholic beverage system.

- **Warehouse services.** The State contracts with Fore River Distribution Center in Portland for bailment warehouse services. Suppliers of alcoholic beverages are expected to maintain adequate inventories in the warehouse. Products in the warehouse remain the property of the supplier until they are removed from inventory to be shipped to state or agency stores.

- **Transportation services.** The State contracts with SPC Transport Co. of Portland for distribution to state and agency stores.

- **Other wholesale level services.** Ordering, merchandising and billing are handled by the merchandising department of the Bureau of Alcoholic Beverages and Lottery Operations in Augusta. As the initiator of returnable container deposits under the returnable container laws, the State is responsible for disposal of returnable containers. It contracts with a private company to pick up and dispose of those returnable containers.

The Task Force believes that it is possible to achieve efficiencies and improvements in the alcoholic beverage system by contracting for complete service delivery by private service providers of the wholesale functions in a manner that takes advantage of an integrated delivery system. If the State contracts for a single integrated private provider to perform the functions currently being performed, or separately contracted for, by the State, it is anticipated that savings can be achieved not only in the cost of performing the functions, but especially from the greater flexibility that the private sector has to keep pace with developing technologies in merchandising and data management. Through contracting for a single provider of wholesale services, the greatest efficiencies can be achieved and the State can maintain an element of control that is important to the dual goals of maintaining revenues and ensuring responsible consumption.

The Task Force believes that February 1, 1998 is the appropriate date for the transfer to the private sector of the wholesale functions currently being performed by the State. This date permits the current contracts for warehousing and transportation to be honored until they expire and permits time for BABLO to develop performance standards and complete the process of contracting for a single integrated provider.

C. There should be no limit on the number of agency stores beginning April 1, 1996. Requirements in current law regarding proximity to existing stores should be eliminated. Proximity requirements regarding churches and schools should be retained.

Currently, there are 192 agency stores. The number varies slightly as new agency stores are licensed or existing stores give up their licenses. New agency stores are licensed by the Bureau of Liquor Enforcement. Stores may not be located within 3.5 miles of an existing state liquor store or an agency store that was licensed before May 1. 1993. The bureau is authorized to replace state liquor stores closed after July 1, 1990 with 3 agency stores if they are located within 10 miles of the closed state liquor store.

The Task Force believes that limitations on the numbers and location of agency stores should be removed. In order for the most effective operation of a private market in liquor sales, free competition should be encouraged in order to foster product availability and reasonable prices. The Task Force recommends the repeal of any limitations on the number and proximity of agency stores effective with the passage of legislation. Limitations in current law on location of agency stores in the immediate vicinity of schools and churches should be retained.

D. Agency network

Under current law, a store licensed as an agency store may sell to retail customers, on-premise licensees or to other agency stores. Some agency stores have begun to seek and maintain a sizable portion of their business from resale to on-premise licensees and other, smaller agents.

An agency store wishing to resell liquor to an on-premise licensee or another agency must have be federally registered as a wholesale dealer.

1. **The Task Force recommends that any agent that is federally registered as a wholesale dealer be allowed to resell to another agent or to an on-premise licensee.**

   The Task Force considered proposals that would have established two layers of agency stores with different licensing requirements for agency stores that wanted to resell to other agency stores and to on-premise licensees. The Task Force decided not to make this distinction because requiring a larger inventory for reselling agents might result in reduced service to rural areas if smaller stores were not able to bear the expense of becoming a reselling agent. That could result in on-premise licensees in an area not having reasonable access to product in a timely manner.

2. **The Task Force recommends that reselling agents be required to register with the Bureau of Liquor Enforcement to aid enforcement.**

   Although there would be no additional licensing requirements for a reselling agent, the Task Force recommends that registration with the Bureau of Liquor Enforcement be required so that the State can keep track of the flow of alcoholic beverages in the marketplace in order to enforce the law relating to liquor sales and ensure that all revenue is paid and reported appropriately.

3. **The Task Force recommends that the Bureau of Alcoholic Beverages and Lottery Operations be permitted to develop wholesale purchase discounts that may be made available to reselling agents.**

   Currently, agents and on-premise licensees in rural areas may buy their supplies of liquor from state stores. Sales in fiscal year 1994-95 by state stores to agency stores and licensees total $25,362,600 compared to total state store sales of $43,754,800. With the closing of state stores, customers in an area where there is no reselling agency store may initially experience difficulty obtaining supplies at a reasonable price within a reasonable vicinity. Wholesale purchase discounts may be necessary to encourage agency stores to engage in reselling. Discounts might also help to increase the availability of products and permit reselling agents to make products available for lower prices. If wholesale discounts are granted, the Task Force recommends, for ease of administration, that they be applied to all products sold to a reselling agent not just those products actually resold.

4. **The Task Force recommends retaining the current requirement that agency stores stock at least 100 codes and that, in municipalities with a population greater than 6,000, the minimum stock value maintained must be at least $10,000.**

   The current requirement, specified in the Rule 14.2 of the Bureau of Liquor Enforcement, should be retained in order to ensure adequate product availability in agency stores. The Task Force considered requiring a larger number of codes or creating categories of agents with different requirements. It also considered using brands as a criterion rather than codes. It concluded that the current requirement should remain in effect.

5. **The Task Force recommends that license fees be changed to reflect the new privatized structure.**

Currently, agency stores are required to bid for a first year license. For a bid to replace a state store, the bid must equal at least 1% of the taxable retail sales of the store being closed. Requiring the 1% minimum to replace current stores would generate bid minimums ranging from $1,883 (Bridgton) to $39,046 (Kittery). To establish or replace an agency store, the minimum bid is $2,000. Renewal of a license costs $300. With removal of the limitation on the number of agency stores, the bid requirement no longer serves any purpose. The Task Force recommends that the limitation be eliminated and that license fees be adjusted to reflect the increased value of an agency store license and equity between new stores and existing stores which have had to pay at least $2,000 for their first license.

The Task Force recommends the following license fee structure.

New license	Annual Fee
Basic retail license (fewer than 3 cash registers)	$2,000

Basic retail license (3+ cash registers)	$3,000
Reselling agents	$4,000

Renewal license

All categories	$1,000 less than for new license

The two levels of recommended fees for a basic retail license reflect that the agency license has a higher value to businesses with three or more cash registers because those businesses are likely to be larger businesses with a higher volume of sales. The higher fee for reselling agents reflects the additional value of the ability to resell and balances the wholesale discount that may be available to these agency stores. The fee increase would take effect with the effective date of legislation. Persons currently holding an agency store license would be considered renewals and would pay the renewal fee when their current license expires.

6. The Task Force recommends removing all limitations on product and price advertising.

In a privatized market, competition cannot work effectively unless the consumer has access to information to compare prices in making buying decisions. Controls on advertising were originally imposed in order to ensure that consumption would not be artificially inflated by advertising claims. This goal can be met in other ways without restricting the consumer's access to pricing and product information and the private store's ability to compete for business.

7. The Task Force recommends that reselling agents be required to sell at the same price to any other licensee.

The Task Force makes this recommendation to ensure that product is available to nonreselling agency stores and to on-premise licensees on an equal basis. Prohibiting price discrimination ensures that all retail agents that are not reselling agents will be treated equally and have an equal opportunity to compete for retail business.

8. The Task Force recommends that all agents be required to maintain at least $5,000 wholesale value of edible merchandise, excluding alcoholic beverages and tobacco.

Current rules of the Bureau of Liquor Enforcement require that agency stores maintain at least $1,000 of merchandise other than that allowed by the agency store license. Raising that amount to $5,000 and restricting eligible merchandise to edible merchandise ensures that persons holding agency licenses are not businesses whose sole purpose is to sell liquor. Increased requirements are in line with increases in license fees and consistent with the expectation of an increased value of an agency license.

E. The Task Force recommends that the current system for establishing a state store retail price be kept until the final state retail store is closed. After all state store closings, during the transition and following full privatization, the State will determine the wholesale price for sale of liquor to agency stores. The price should be calculated to include a markup on the F.O.B. warehouse price that will ensure maintenance of revenues.

Currently, at the time inventory is removed from the warehouse to be shipped to state and agency stores, the State's markup is applied to determine the list price of the product. Liquor is sold for the State list price in state stores. Sales by the State to agency stores are made at 8% less than the listed price. Before September 29, 1995, agency stores were required to sell liquor for the state list price. Since that date, agency stores may sell at prices higher than the state list price, but they may not charge less than the list price.

By law, the State must sell liquor at a price that produces an overall amount of tax not less than 65% based on the delivered case cost F.O.B. the warehouse (28 M.R.S.A. §1651). The amount of markup on each type of product varies depending upon complicated formulas developed over time by the Bureau of Alcoholic Beverages and Lottery Operations and the State Liquor and Lottery Commission. Some products may be marked up as much as 90%. Products at the discount store in Kittery are marked up an average of approximately 40%. The actual overall sustained markup is also affected by periodic sales price reductions. Under the system being recommended by the Task Force, the State would establish a markup calculated to maintain revenues to the State at current levels. The actual amount of the markup may vary depending upon the impact of the new system on overall sales.

When the State is no longer in the retail liquor business, there is no longer any need for the State to establish a state store retail price for liquor. Removing this requirement means that agency stores will be able to charge any price for liquor. The current minimum of the State store retail price would be eliminated. The removal of price requirements should make the system more competitive and result in lower prices for the consumer. The State can protect its revenue stream by determining the wholesale price.

F. The Task force makes the following recommendations with regard to deliveries from the warehouse

1. **The Task Force recommends that during the transition to full privatization, the State may authorize the warehouse to distribute to on-premise licensees on the same basis as to agency stores.**

   Currently, on-premises licensees may not purchase directly from the warehouse. They must purchase from state or agency stores.

   The Task Force believes that on-premises licensees should be treated no differently than agency stores with regard to wholesale purchasing. An on-premises licensee who can meet the requirements for purchase from the warehouse should be able to do so. It is anticipated that permitting this treatment will not adversely affect the sales of agency stores because there are not many on-premise licensees who purchase in sufficient volume to meet warehouse requirements. A minimum case order should be required and the warehouse would sell full cases only. It is intended that freight rates would be uniform statewide, ensuring the same cost of goods for purchasers in remote parts of the State as for those located close to the warehouse.

   Following full privatization, the integrated wholesale contractor would be free to distribute to any licensees as it determines advisable consistent with the performance standards developed by BABLO.

2. **During the transition, transportation costs should be charged separately and not included in the wholesale price.**

Currently transportation costs are paid by the State to the transportation contractor. Transportation costs, which totaled approximately $394,873 in fiscal year 1994-95, are treated by the State as an expense that reduces the amount of net revenue transferred to the General Fund. The Task Force believes that transportation costs should be paid by the purchaser of the product rather than the State. Transportation costs should be applied uniformly by volume or price but not by distance, so that purchasers pay the same transportation costs for the same product whether they are close to the warehouse or far away.

G. The Task Force recommends that BABLO's role during the transition to a privatized system be to ensure control, manage wholesaling activities, manage the transition to full privatization, manage the contract for warehousing and distribution, and collect revenues.

The Task Force recommends that during the transition phase, BABLO should work as diligently as possible with all aspects of the alcoholic beverage system to transfer to the private sector as many of the details of the operation as possible without interfering with the implementation of full privatization on February 1,

1998. Pending the transfer of functions, BABLO will need to maintain sufficient staff until at least February 1998 to carry out the following responsibilities:

1. **Manage current wholesaling activities.** Until complete privatization on February 1, 1998, BABLO will need to continue performing the wholesale functions of order processing, merchandising and billing. During the transition BABLO should pursue the possibilities for improved efficiencies through contracting with existing or new service providers of wholesaling functions. During the transition, BABLO should not enter into any contract that would extend beyond February 1, 1998 that might interfere with contracting with a single integrated provider after that date.

2. **Manage closing of state stores**. The Task Force recommends that BABLO begin immediately after enactment of implementing legislation to close the remaining 28 state liquor stores. Closing stores will require the management of termination of existing store leases, liquidation of inventory and equipment and lay-offs of personnel.

3. **Plan and develop standards for transition to future (after 2/1/98) service provider contract(s) to ensure a safe, harmonious and complete transition to full privatization**. Between the enactment of implementing legislation and the full privatization of wholesale services, BABLO will need to develop the expectations of a private provider, establish contract performance standards and manage the process of bidding on the contract.

4. **Coordinate new agent setups.** It will be necessary to ensure that new agency store licensees receive the products that they need to set up a new store and to ensure that they are efficiently incorporated into the existing merchandising system of BABLO.

5. **Manage revenues.** It will be necessary for BABLO to establish the markup over F.O.B. warehouse price that is necessary in order to ensure that the State maintain an adequate stream of revenue from liquor sales. Revenues will need to be collected from suppliers, processed, accounted for and transferred to the General Fund.

H. The Task Force recommends that BABLO's role following transition (2/1/98) to a privatized system consist primarily of oversight and revenue management:

Beginning in February 1998, under the recommendations of the Task Force, the State will be completely removed from the direct delivery of services in the wholesale and retail sale of liquor. Its major activities will be listing products, determining wholesale prices, oversight and revenue management. It will be necessary at that point to maintain a small state presence to manage and oversee the performance of the private contractor(s) filling the wholesale sales and distribution roles formerly filled by BABLO and state employees. It is estimated that these functions could be performed with five employees. Continuing State activities after February 1, 1998 will need to include the following.

- **Contract management.** The State should manage the contract for centralized and vertically integrated warehousing service that will manage inventory, receive orders, perform merchandising, package orders and provide timely delivery to agents and on-premise licensees.

- **Revenue management.** The State will need to manage the collection of revenue from alcoholic beverage sales. In order to perform this function the State will need to set the wholesale price and maintain data on alcoholic beverage sales; process returns and audit collections. In order to ensure maintenance of a level amount of revenue, it will be necessary for the State to calculate annually the amount of markup necessary to generate adequate revenues. The State will need to maintain a database of information that will permit the calculation of the appropriate amount of tax.

I. The Task Force recommends that funds be appropriated for 4 additional liquor enforcement agents in the Bureau of Liquor Enforcement.

Currently, liquor enforcement officers throughout the State have approximately 400 premises to inspect annually for compliance with liquor licensing and enforcement statutes and rules. It is anticipated that with the changes in licensing eligibility recommended by the Task Force there will be an increase in the total number of agency stores. Additional licensing and enforcement personnel will be needed to make yearly inspections to ensure that the new agency stores are maintaining licensing requirements as well as to enforce any other rules and regulations in regard to the stores' operations.

It is recommended that the number of enforcement personnel be increased in the following areas in order to oversee the operation and the inspection of agency stores for compliance.

Bangor area	1 enforcement officer
Augusta area	1 enforcement officer
Portland area	2 enforcement officers

J. The Task Force recommends that, when privatization is complete, the liquor-related functions of the State Liquor and Lottery Commission be repealed.

Over the last several years the liquor related functions of the State Liquor and Lottery Commission (until 1994, the State Liquor Commission) have been diminishing. Following the transfer of licensing functions to the Department of Public Safety in 1994, the primary liquor-related function of the Commission that remains is that of listing products that will be sold by the State and determining the retail price at state liquor stores. When wholesale functions are completely privatized, there will no longer be a need for these roles. The other liquor related functions of the commission relate to oversight of the Bureau of Alcoholic Beverages and Lottery Operations and its operation of state liquor stores.

The Task Force recognizes that the past and present members of the commission have served diligently to protect the interests of the People of the State of Maine in what has sometimes been a very sensitive position. The Task Force is especially appreciative of the assistance provided to it by commission members; however the Task Force concludes that concurrent with full privatization of wholesale and retail activities, there would be little for the commission to oversee. Its liquor-related functions could be performed by the Commissioner of Administrative and Financial Services and by the Joint Standing Committee on Legal and Veterans Affairs of the Legislature. This recommendation would not change the Commission's functions with regard to lottery operations.

IV. Fiscal impacts

A. The recommendations of the Task Force are intended to maintain revenue neutrality with regard to State income from the sale of spirits.

With the closing of state liquor stores, there is no longer any reason for the State to set a retail price for liquor; however, in order to maintain revenue neutrality, it will be necessary for the State to calculate a tax that will produce similar revenue. The Task Force recommends that, at least in the early stages of privatization, revenue be calculated as a percentage of F.O.B. warehouse cost. This system is similar to the one currently used to determine the State "markup" to achieve a retail price. Basing revenues on the current system should be administratively simple and provide fewer surprises for taxpayers and consumers. Future policy makers may want to consider whether it makes sense to base revenue on some other standard, such as volume (as with the current beer and wine excise tax and the alcohol premium tax) or sales price.

The intent of the plan is to maintain revenue neutrality. The State currently receives $20-21 million annually from the sale of spirits (not including the alcohol premium tax). This amount is the amount of gross receipts from the State's sale of spirits reduced by the cost of the goods and the cost of running state operations. With implementation the closing of state liquor stores in 1996 and the full contracting of wholesale functions in 1998, State costs will be significantly reduced. The Task Force recommends that the State's markup be reduced by the amount of savings to maintain revenue neutrality. The relationship between price and sales volume is a sensitive one, especially with the attractively priced New Hampshire market as a competitor. If the State does not reduce its markup, prices for spirits are likely to rise and sales and revenues are likely to decline. The impact on overall revenues is unclear. Reducing the state's markup to maintain revenue neutrality will help to maintain market stability

B. Effect on required allocations

BABLO receives its funding through allocations from the Alcoholic Beverage Fund. Reductions in the amount needed to fund the Bureau increase the amount that is available for transfer from the Alcoholic Beverage Fund to the General Fund

1. Currently effective allocations from the Alcoholic Beverage Fund:

	FY 96	FY 97
Positions		
Legislative count	(130.5)	(130.5)
Other count	(7.5)	(7.5)
Personal Services	$5,203,901	$5,201,274
Capital Expenditures		
All Other*	3,001,650	3,083,542
TOTAL	$8,205,551	$8,284,816

* All other includes $710,000 cost of contract for disposal of returnable containers

(These figures reflect allocations made in the First Regular Session of the 117th Legislature. They do not reflect any adjustments implemented as a result of the recommendations of the Productivity Realization Task Force.

2. Revised allocations

It is estimated that the following amounts will be necessary to fund BABLO during and after the transition. These figures are initial estimates and may be subject to minor revisions as more detailed budget analysis is applied.

	FY 97	FY 98	FY 99
Positions			
Legislative count	(12)	(10)	(5)
Other count			
Personal Services	$2,730,000	$ 420,000	$ 250,000
Capital Expenditures	50,000		
All Other*	1,800,000	810,000	810,000
TOTAL	$4,580,000	$1,230,000	$1,060,000

* All other includes $710,000 cost of contract for disposal of returnable containers

3. Liquor enforcement

In addition to changes in allocations for BABLO, appropriations for the Bureau of Liquor Enforcement will need to be increased as follows to fund 4 new recommended enforcement positions.

	FY 96-97 and continuing
Positions	(4)
Personal Services	$142,000
Capital Expenditure	68,000
All Other	40,000
TOTAL	$250,000

C. One time impacts

It is anticipated that there will be one-time impacts on the State from the following:

i.	Gain/loss from inventory sales	$(108,300)
ii.	Personnel reduction expense	(1,500,000)
iii.	Salvage income	47,500
iv.	Leasehold restoration	(30,000)
v.	Data processing systems upgrade	(50,000)

Subtotal	$(1,640,800)
5% contingency	(82,040)
TOTAL	$(1,722,840)

D. License fees

The Bureau of Liquor Enforcement estimates that increases in agency liquor store license fees will result in an increase in fee revenues to the General Fund of $399,000 in fiscal year 1996-97 and $339,000 in fiscal year 1997-98. Changes in license fees are difficult to estimate because it is difficult to project how many agency licenses will be sought under the new licensing system.

APPENDIX A

Legislation Establishing the Task Force

APPROVED

JUN 5 '95

BY GOVERNOR

CHAPTER

54

RESOLVES

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-FIVE

H.P. 1075 - L.D. 1514

Resolve, Establishing the Task Force on Alcoholic Beverage Sales

Emergency preamble. Whereas, Acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the task force created by this legislation needs to begin its work as soon as possible to deal with the complexity of its charge and to meet the reporting date; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore, be it

Sec. 1. Task force established. Resolved: That there is established the Task Force on Alcoholic Beverage Sales, referred to in this resolve as the "task force." The task force shall study and report its recommendations regarding the following matters:

1. The feasibility of closing all retail state-operated liquor stores and replacing them with licensed agency stores, including:

A. The number of replacement agency stores to be approved and the maximum number, if any, of agency stores to be licensed;

B. The financial implications of the staff reductions in closing the state stores;

C. The financial implications of the increased volume of wholesale discounts;

D. The financial implications of retail price control;

E. Whether current revenues from liquor sales can be maintained under an agency store system; and

F. The adequacy of the public's liquor selection options under an agency store system;

2. The discount liquor stores, including:

A. Analysis of the revenue streams from the discount stores to determine options that will retain a revenue-neutral or revenue-enhanced environment, including closing, expanding or maintaining the discount stores; and

B. Whether the State can compete with New Hampshire's pricing policy if the discount stores are discontinued;

3. Alcohol distribution, including:

A. The costs and pricing structures associated with various delivery systems to all alcohol outlets; and

B. Whether a significant increase in agency stores would have a financial impact on the State's revenue stream;

4. The State's present activity as liquor wholesaler, including:

A. The effects of various wholesaling options on the State's revenue stream; and

B. Options for delivery to agency stores;

5. The feasibility of an option for present employees to own and operate those liquor stores presently operated by the State;

6. Any improvements needed in the State's record-keeping systems and procedures; and

7. Any changes to the statutes regarding the Bureau of Alcoholic Beverages and Lottery Operations; and be it further

Sec. 2. Membership. Resolved: That the task force consists of the following 11 members:

1. The chair, appointed by the Governor;

2. The Director of the Bureau of Alcoholic Beverages and Lottery Operations;

3. A state employee who currently works in a state-operated liquor store, selected by the state liquor store employees through their bargaining agent;

4. One member representing the Bureau of Liquor Enforcement appointed by the Commissioner of Public Safety;

5. A commissioner from the State Liquor and Lottery Commission appointed by the chair of that commission;

6. Four members of the Joint Standing Committee on Legal and Veterans Affairs, 2 members appointed by the President of the Senate and 2 members appointed by the Speaker of the House of Representatives; and

7. Two members appointed by the Commissioner of Administrative and Financial Services.

All appointments must be made within 30 days of the effective date of this resolve; and be it further

Sec. 3. Meetings. Resolved: That the task force may meet as often as necessary; and be it further

Sec. 4. Public involvement. Resolved: That the task force shall consider information developed and presented by affected groups, including, but not limited to, employees, distributors and agency stores; and be it further

Sec. 5. Staffing. Resolved: That the task force may utilize the staff resources of the Bureau of Alcoholic Beverages and Lottery Operations and the Department of Administrative and Financial Services for clerical, administrative and research services. The Department of the Attorney General shall provide legal assistance as requested by the task force; and be it further

Sec. 6. Report. Resolved: That the task force shall submit to the Commissioner of Administrative and Financial Services for transmittal to the Governor and the Joint Standing Committee on Legal and Veterans Affairs, by December 1, 1995, a report on its work and a draft legislative proposal to implement its recommendations. The draft legislation must be accompanied by a report on the financial implications of each aspect of the proposed legislation and the related revenues and costs associated with each; and be it further

Sec. 7. Compensation. Resolved: That the task force members who are Legislators are entitled to receive legislative per diem and expenses, as defined in the Maine Revised Statutes, Title 3, section 2, for each day's attendance at meetings of the task force. The members of the task force who are neither employees of the State nor Legislators are entitled to a per diem and expenses equal to the legislative per diem and expenses.

Emergency clause. In view of the emergency cited in the preamble, this resolve takes effect when approved.

APPENDIX B

Task Force Members

TASK FORCE MEMBERS

Member Authority	Representing	Appointing
Peter G. Hastings, Chair		Governor
Edwin W. Bowden	State Liquor and Lottery Commission	Commission Chair
Rep. John T. Buck	Joint Standing Committee on Legal and Veterans Affairs	President of the Senate
Rep. Nancy Chizmar	Joint Standing Committee on Legal and Veterans Affairs	Speaker of the House
Rep. Charles D. Fisher	Joint Standing Committee on Legal and Veterans Affairs	Speaker of the House
Eben B. Marsh	Director, Bureau of Alcoholic Beverages and Lottery Operations	Legislation
John S. Martin	Bureau of Liquor Enforcement	Commissioner of Public Safety
Sen. Albert G. Stevens, Jr.	Joint Standing Committee on Legal and Veterans Affairs	President of the Senate
Jack J. Sullivan III		Commissioner of Administrative and Financial Services
Suzanne J. Webb		Commissioner of Administrative and Financial Services
Jack Wiseman	Liquor store employees	Employee bargaining agent

APPENDIX C

Responses to Legislation

APPENDIX C

RESPONSES TO LEGISLATIVE DIRECTIONS TO THE TASK FORCE ON ALCOHOLIC BEVERAGE SALES

Resolves of 1995, chapter 54, establishing the Task Force on Alcoholic beverage Sales, directed the Task Force to respond to seven issues with regard to Maine's alcoholic beverage system. Although the main body of the Task Force report contains discussions of those issues in the context of the Task Force's recommendations, the same information is presented in this Appendix in the format presented in the legislation. The Task Force was asked to consider the following issues. (The legislation is quoted in bold and within quotation marks. The Task Force's responses are in italics.)

"1. The feasibility of closing all retail state-operated liquor stores and replacing them with licensed agency stores. including"

The Task Force finds that it is possible to close the remaining 28 liquor stores and replace those stores with agency stores. The Task Force believes that it would be possible to complete the closing of state stores as early as five months following the effective date of implementing legislation with the following condition. In order to ensure an orderly transition and to ensure that there will not be a serious disruption in the availability of retail liquor outlets, the Task Force recommends that a state store not be closed in an area where there is no agency store within a 10 mile radius until an agency store has been licensed in that area that is either a reselling agency or has applied to be a reselling agency. If a reselling agency is not available, BABLO would be able to close the state store if it finds that reasonable access is otherwise available. This recommendation is made in order to protect the interest of the consumer in maintaining access to spirituous liquors and to ensure that there are not significant disruptions in the revenue stream to the State from spirituous liquors. In order to complete the closing of state liquor stores as expeditiously as possible, the Task Force recommends that the Bureau of Liquor Enforcement give first priority in the licensing process first to applications from licensees to serve those areas where state stores would be closed and where there are currently no agency stores and second priority to other areas where state stores are being closed.

"A. The number of replacement agency stores to be licensed;"

The Task Force recommends that there be no limitation on the number of agency stores that may be licensed.

There are currently approximately 192 agency stores licensed in Maine.. Current law provides for a replacement ratio of 3 stores for each state store that *is closed. Applications for licenses are made to the Bureau of Liquor Enforcement which decides which applicants will receive a license based upon statutory and regulatory criteria. Actual experience has been that the replacement ratio has averaged about 2.6 agency stores licensed for each closed state store. Some locations are highly sought after. Other, less desirable locations do not receive the full number of available bids.*

Placing a limit on numbers means the State must sometimes choose from among similarly qualified applicants for a license when more than one application is received for an opening. License fees, liquor inventory requirements and other inventory requirements should be sufficient to ensure that only serious applicants are licensed and keep numbers of agency stores at reasonable levels.

"B. The financial implications of the staff reductions in closing the state stores;"

		Estimated amounts
Savings from closing state stores:		
Personal services	FY 97	$2,471,274*
	FY 98 (est.)	4,781,274
	FY 99 (est.)	4,951,274
Other store expenses	FY 97	$1,283,542
	FY 98 (est.)	2,273,542
	FY 99 (est.)	2,273,542
Salvage income	FY 97	47,500
Costs of closing state stores:		
(Unemployment, payment for accrued vacation time, retirement system, etc.)		(1,500,000)
Loss from inventory sales		(108,300)
Leasehold restoration		(30,000)

* Includes $1,500,000 adjustment needed to pay one time costs of laying off employees.

"C. The financial implications of the increased volume of wholesale discounts;"

Currently, agency stores must buy liquor from the State. They may order directly through the State's merchandising department or they may purchase at a state liquor store. Agency stores purchase liquor for 8% less than the State's *retail prices. On-premise licensees may purchase from state stores at the State's retail price or at agency stores for no less than the State's retail price.*

With full privatization as recommended by the Task Force, the State will no longer be establishing a retail price for liquor; therefore, no discount to agency stores will be necessary. Agency stores will be paying a wholesale price for their purchases. Under Task Force recommendations, the overall price would be similar to what is paid currently. The Task Force does recommend that the State be permitted to grant discounts from the wholesale price to reselling agencies (i.e. those with a federal wholesale registration who have registered with the Bureau of Liquor Enforcement and paid a license fee as reselling agencies). Limited discounts may be necessary to encourage agency stores to take on the additional tasks of reselling to other agents and to on-premise licensees. The amount of the State's markup would be calculated to produce revenue neutrality taking into consideration any discount to reselling agencies.

The financial impact of limited wholesale discounts is difficult to determine. The purpose of limited discounts assumes that agency licensees need financial incentive to take on the additional costs and obligations of providing service to on-premise licensees and smaller agency stores that currently purchase liquor from state liquor stores. While limited wholesale discounts appear to reduce the amount of revenue to the State, if discounts encourage better service and help to keep the retail price lower, increased sales will balance the amount of the discount. The Task Force recommends that BABLO determine the amount of discounts to be allowed with the overall goal of maintaining or exceeding current revenues.

"D. The financial implications of retail price control;"

The financial implications of retail price control are difficult to determine. Prior to September 29, 1995, the State determined the retail price of liquor, whether it was purchased at state or agency stores. (A reduced price was calculated for the discount store at Kittery.)

Beginning September 29, 1995, agency stores were permitted to charge more (but not less) than the State retail price. Anecdotal reports to the Task Force were than agency stores were generally tending to increase the price of liquor. The most commonly reported average was than agency stores were moving from the previously mandated 8% markup to a 12% markup.

The Task Force recommends completely removing retail price controls. It is too early to know what the impact of agency price increases will be on *revenue. It is hoped that competition will help to keep increases in retail prices minimal.*

"E. Whether current revenues from liquor sales can be maintained under an agency store system;"

The Task Force believes that current revenues can be maintained with the closing of state retail stores and their replacement with a totally private agency network. This would be accomplished by permitting BABLO to establish a markup in setting a wholesale price that would produce level amounts of revenue.

"F. The adequacy of the public's liquor selection options under an agency store system;"

Currently the State Liquor and Lottery Commission has listed approximately 1500 codes. State liquor stores generally stock 750 to 800 codes. Agency stores generally stock 100 to 200 of codes.

The Task Force recommends that the State continue to list products for sale in a manner similar to current listing procedures and that suppliers be expected to maintain the wholesale availability of listed products comparable with current availability.

The Task Force recommends retaining the current retail inventory requirements for licensing of agency stores (i.e., 100 codes, or in towns with a population of more than 6000, $10,000 in value). While the impact of closing state stores on selection options is not clear, the Task Force believes that popular brands will be readily available. Less popular brands may be more difficult to find, but, if a market exists, there will be sufficient incentive for a private supplier to make the product available.

"2. The discount liquor stores, including:

A. Analysis of the revenue streams from the discount stores to determine options that will retain a revenue-neutral or revenue-enhanced environment, including closing, expanding or maintaining the discount stores; and"

Total sales of the Kittery discount store in fiscal year 1994-95 amounted to $5.446 million. This compares with total sales of all state stores $43.754 million and total overall (wholesale and retail) sales of $69.756 million.

The Task Force considered estimates of sales loss to out-of-state jurisdictions. Estimates ranged from $6 million to $40 million. The Task Force is unable to determine which estimates are most reliable. The interrelated nature of price and out-migration of sales is obvious but difficult to quantify. It is also difficult to *predict what the impact of additional discount stores might be on consumer behavior. The Task Force concluded that the loss of liquor sales to New Hampshire is only part of a larger problem caused by New Hampshire's strategy of attempting to maximize its revenue by under-pricing or under-taxing compared to its neighbors. Maine is not in a very good position to be able to compete with that strategy. Because the Task Force decided early in its deliberations to pursue an alternative that would result in the closing of all state retail stores, it did not attempt to evaluate estimates of the potential impact of additional discount stores.*

"B. Whether the State can compete with New Hampshire's pricing policy if the discount stores are discontinued:"

New Hampshire sells liquor at its state liquor stores with approximately 40% markup compared to an average of 68% in Maine. Various estimates of the amount of sales lost by Maine purchasers buying in New Hampshire ranges from $6 million to $40 million. Maine operates one discount store in Kittery near the New Hampshire border in an attempt to capture Maine purchasers headed for the lower prices in New Hampshire as well as seasonal visitors traveling to Maine from other locations. Another discount store has been authorized by the Legislature for Saco; however, progress on opening that store has been delayed by litigation and other complications. Many observers maintain that the inconvenient location of the Kittery store and antagonism from residents of other parts of the State who feel unfairly treated by not having a closer discount store contribute to the Kittery store being a poorer than hoped for performer in the effort to recapture sales to Maine residents in New Hampshire.

The Task Force concluded that New Hampshire attempts to maximize purchases of liquor by out-of-state residents through its pricing and marketing schemes. Liquor is just one aspect of New Hampshire's efforts to take advantage of its location to attract out-of-state business. Maine would be better off to attempt to address this situation as a matter of comprehensive public policy rather than focus on disparities in the price of liquor alone.

"3. Alcohol distribution; including:

A. The costs and pricing structures associated with various delivery systems to all alcohol outlets; and"

The Task Force discussed various alternatives for moving liquor products from the warehouse to the purchaser. Alternatives include:

- *The current state contract with a single shipper for all deliveries*

- *Contacting for transportation as part of an integrated effort to combine various wholesale functions in one contractor*

- *Permitting shipping by any method the purchaser authorizes including common carriers and "mail" type*

- *Permitting purchasers to pick up products purchased at the warehouse.*

The Task Force concluded that during the transition to full privatization, it would be preferable to rely on the current contract for transportation services. Shipping costs should be billed to the purchaser based upon uniform rates that do not vary because of distance from the warehouse Permitting unlimited access to the warehouse for deliveries would be administratively burdensome and overly complicate processing by the warehouse and by the state merchandising department. It would also result in reduced information regarding the location and ownership of liquor, unduly complicating enforcement efforts.

Following the transition to full privatization, the private provider of wholesale services should be able decide within the parameters of the private market and the contract requirements how delivery should be accomplished. As a function of its oversight role, the State should, as part of the contracting process, establish performance standards for distribution.

"B. Whether a significant increase in agency stores would have a financial impact on the State's revenue stream;"

It is estimated that replacing state stores with agency stores according to the recommendations of the Task Force will maintain a revenue stream about equal to that provided by the current system. It is estimated that more than one agency store will be licensed for every state store that closes; however, agency stores generally maintain less inventory and sell less than state stores. Fewer agency stores could mean less revenue to the State. Higher numbers of agency stores may result in marginal increases in revenues through improved accessibility and greater competition between stores; however, if the number of agency stores becomes too high, system inefficiencies could result in some failures, and unfortunate dislocations are possible if licenses are dropped or businesses fail. With the Task Force's recommendations, it is anticipated that an efficient balance will be maintained in the number of agency stores so that sales volume and revenues will remain even. In addition, the method of calculating the State's markup is intended to produce neutrality.

"4. The State's present activity as liquor wholesaler, including:"

The State maintains a monopoly as a liquor wholesaler. As a wholesaler the State determines which products will be listed for sale, places orders with suppliers and pays for goods received, manages the storage and distribution of spirits, bills agency stores for purchases and collects and manages all income from the sale of spirits.

The state's activity as a wholesaler of alcoholic beverages includes contracting for the provision of warehouse and delivery services. The State currently has two contracts for the provision of these services. A contract with Fore River Distribution Center in Portland covers warehouse facilities. A contract with SPC Transport of Portland covers the distribution of liquor from the warehouse to state and agency stores. Both contracts expire January 31, 1998. Other wholesale functions are performed by the merchandising department of the Bureau of Alcoholic Beverages and Lottery Operations.

The Task Force believes that the State should continue to maintain control of the alcoholic beverage system with privatization of service delivery in order to achieve maximum efficiency and protect the State's ability to collect revenue from alcoholic beverage activity. The Task Force believes that the State should honor its contracts for warehouse and trucking services until they expire in 1998. At that time the State should contract for an integrated wholesaling provider who would provide all wholesale services for the State, including inventory management, order processing, billing, merchandising, packaging of orders and delivery of orders to agents and on premises licensees.

"A. The effects of various wholesaling options on the State's revenue stream: and"

The Task Force considered several options for the provision of wholesale liquor activities including:

1. *Maintaining current state merchandising and ordering activities;*

2. *A 3-tier system similar to that currently operating for beer and wine with no state involvement other than regulation; and*

3. *Retaining state control while contracting for the private provision of all wholesaling services.*

The Task Force chose option 3 as the best method of providing the efficiencies of private enterprise while ensuring that the State is able to regulate and keep track of liquor sold in the State and to maintain a steady revenue stream. Option 1 would provide the most State control but retain inefficiencies caused by operating a business within the restrictive parameters of state government. Option 2 provides the most private control but creates barriers to *the State's need to monitor the flow of the liquor business. Option 3 balances both these goals.*

"B. Options for delivery to agency stores;"

The task force explored several options for delivery of liquor to agency stores. In addition to the current single carrier system, the Task Force looked at permitting unlimited pick up from the warehouse and delivery by the carrier of the purchaser's choice. The Task Force concluded that the most efficient way to provide low cost transportation to agency stores was for the State to contract for a single carrier as part of an integrated contract. Pick-up at the warehouse would continue to be permitted under special circumstances.

The Task Force discussed whether delivery should be provided from the warehouse to on-premises licensees. It concluded that such delivery should be provided under the same conditions as apply to agency stores. While delivery to on-premises licensees might detract some from agency business, most licensees would not have the volume of sales to justify direct purchases from the warehouse.

"5. The feasibility of an option for present employees to own and operate those liquor stores presently operated by the State;"

The Task Force recognizes that state employees currently employed in the operation of state stores may be well qualified to own and operate agency stores. With an open agency network, those employees are eligible to apply and be licensed as an agency store. The State should make training and other nonfinancial assistance available to employees wishing to pursue an agency license as well as to employees seeking other types of career changes. This assistance should be on the same basis as that provided to other state employees being dislocated by government restructuring.

"6. Any improvements needed in the State's record-keeping systems and procedures; and"

The Task Force believes that the State must make changes in its data processing systems in order to provide up-to-date management of activities to provide efficiency in wholesaling activities during and after the transition to complete privatization by February 1, 1998. Activities conducted after that date such as enforcement, revenue management and contract management will require efficient access to reliable data. It is estimated that an allocation $50,000 would be sufficient to accomplish the necessary upgrading.

"7. Any changes to the statutes regarding the Bureau of Alcoholic Beverages and Lottery Operations"

In the course of reviewing Title 28-A of the Maine Revised Statutes, the Task Force discovered two historical anomalies that should be corrected

Commission/Bureau of Liquor Enforcement. *Chapter 410, Part ZZ of the Public Laws of 1993 moved the functions of licensing and enforcement and beer and wine taxation and the Bureau of Liquor Enforcement from the jurisdiction of the State Liquor Commission to the Department of Public Safety; however, statutory language was not amended to reflect the change. Unallocated language in Part ZZ provided that "...To the extent necessary for the Bureau of Liquor Enforcement to perform duties of the transferred functions, references in Title 28-A to the 'commission'. or the State Liquor Commission are deemed to refer to the Bureau of Liquor Enforcement." Many references remain in Title 28-A to "the commission" with regard to functions that are now performed by the bureau. This confusion is made even more difficult as new language has been enacted using correct references to the "bureau" in the midst of incorrect references to "the commission." The Task Force recommends that the language in Title 28-A be updated to correctly reflect the responsibilities of two entities. The legislation recommended by the Task Force includes these changes.*

Liquor/Lottery Commission. . *Chapter 410, Part XX of the Public Laws of 1993 combined the functions of the State Liquor Commission and the State Lottery Commission into the State Liquor and Lottery Commission effective April 1, 1994. The Commissioner of Administrative and Financial Services was directed to submit a plan, including statutory language, necessary to accomplish the change to the Second Regular Session of the 116th Legislature. It appears to the Task Force that this language was never submitted. Consequently, Title 5 (listing of boards and commissions), Title 8 (lottery statutes) and Title 28-A (liquor statutes) still appear to authorize two separate commissions although the two commissions were, in fact, combined in 1994 and have operated since that time as a single commission as required by Chapter 410. The Task Force recommends that statutes be updated to correctly reflect the combination of the two commissions. The corrections are included in the draft of legislation to implement the recommendations of the Task Force. (The Task Force is recommending repealing the liquor-related functions of the commission on February 1, 1998. The legislation recommended by the Task Force includes provisions to implement this recommendation.)*

Appendix F of this volume contains a draft of legislation to accomplish the substantive recommendations of the Task Force. The draft included in Appendix F does not include the housekeeping changes necessary to update the statutes to reflect the changes made in unallocated language in 1994, because those provisions make no substantive changes in law. These changes are numerous and of limited interest. They will be submitted to the Legislature and printed in the *bill introduced to implement the recommendations of the Task Force. Limited copies have been printed as Volume II of this report. Volume II was submitted to the Governor, the Legal and Veterans Affairs Committee of the Legislature, the Commissioner of Administrative and Financial Services, the Attorney General's Office and the Law and Legislative Reference Library. A copy is also available for inspection and copying at the Bureau of Alcoholic Beverages and Lottery Operations*

APPENDIX D

Statistics - Charts

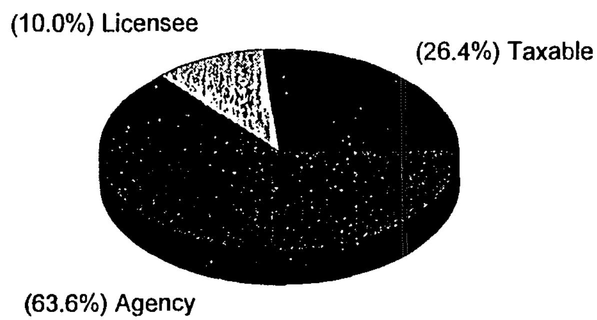
Department of Administrative and Financial Services
Bureau of Alcoholic Beverages
COMPARATIVE STATEMENT OF OPERATIONS

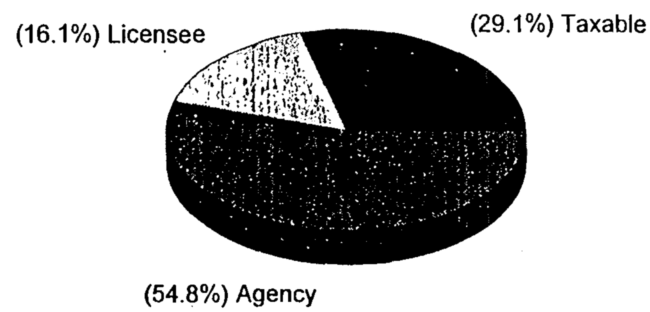
For Fiscal Years ending June 30, 1995 & 1994

	1995	1994	% Change - 1994 - 1995
Sales: *			
Retail (Taxable)	$17,955,211.59	$20,706,608.94	-13.29%
Licensee	6.832,070.41	11,488,502.60	-40.53%
Wholesale (at list price)	47,092,444.22	42,470,035.36	10.88%
Less: Wholesale Discount (8%)	(3.767,395.54)	(3,478,246.00)	8.31%
Gross Sales	68,112,330.68	71,186,900.90	-4.32%
Less: Returns	(13,188.79)	(41,297.41)	-68.06%
Net Sales	68,099,141.89	71,145,603.49	-4.28%
Cost of Goods Sold:	40.557,783.92	42,036,771.97	-3.52%
Gross Income from Sales	**27,541,357.97**	**29,108,831.52**	**-5.38%**
Store and Selling Expenses:			
Store Operations	4,769,975.27	4,760,123.04	0.21%
Store Supervision	163,740.22	175,919.99	-6.92%
Store Maintenance & Repair	80,982.12	62,940.02	28.67%
Store Freight Expense	214,195.92	246,924.12	-13.25%
Agency Freight Expense	157,131.42	149,138.35	5.36%
Warehousing	35.066.64	45.587.89	-23.08%
Total Store and Selling Expenses	5,421,091.59	5,440,633.41	-0.36%
Gross Income Less Selling Expenses	**22,120,266.38**	**23,668,198.11**	**-6.54%**
Admin and Other Departmental Expenses			
General Administration:			
Data Processing	111,653.83	89,281.42	25.06%
Bottle Redemption	683,854.31	792,718.72	-13.73%
Commission Expense	13,011.18	7,813.79	66.52%
Accrued Vacation Expense	265.434.20	0.00	N/A
All Other Administrative expenses	540,894.45	463,905.82	16.60%
Merchandising Dept Expenses	195,380.17	151,684.75	28.81%
Accounting Dept Expenses	196,324.16	181,833.82	7.97%
Total Administrative Expenses	2,006,552.30	1,687,238.32	18.93%
Net Income from Operations	**20,113,714.08**	**21,980,959.79**	**-8.49%**
Other Income:			
Premium Tax on Sales	1,657,514.59	1,772,200.77	-6.47%
Miscellaneous Income	14,511.74	1,872.54	674.98%
Total Other income	1,672,026.33	1,774,073.31	-5.75%
Total Income from Operations:	**21,785,740.41**	**23,755,033.10**	**-8.29%**
Net Income Reassigned (Licensing)	0.00	(5,347.35)	
NET TRANSFERRED	**$21,785,740.41**	**$23,749,685.75**	**-8.27%**
Gross income to Sales Percentage	40.44%	40.91%	-1.15%

* *Sales shown NET of Premium Tax.*

Department of Administrative and Financial Services
Bureau of Alcoholic Beverages
COMPARATIVE SALES ANALYSIS FOR FISCAL YEARS 1995 & 1994





	FY 95
Taxable	$17,955,211.59
Licensee	6,832,070.41
Agency	43,325,048.68
	$68,112,330.68

	FY 94
Taxable	$20,706,608.94
Licensee	11,488,502.60
Agency	38,991,789.36
	$71,186,900.90

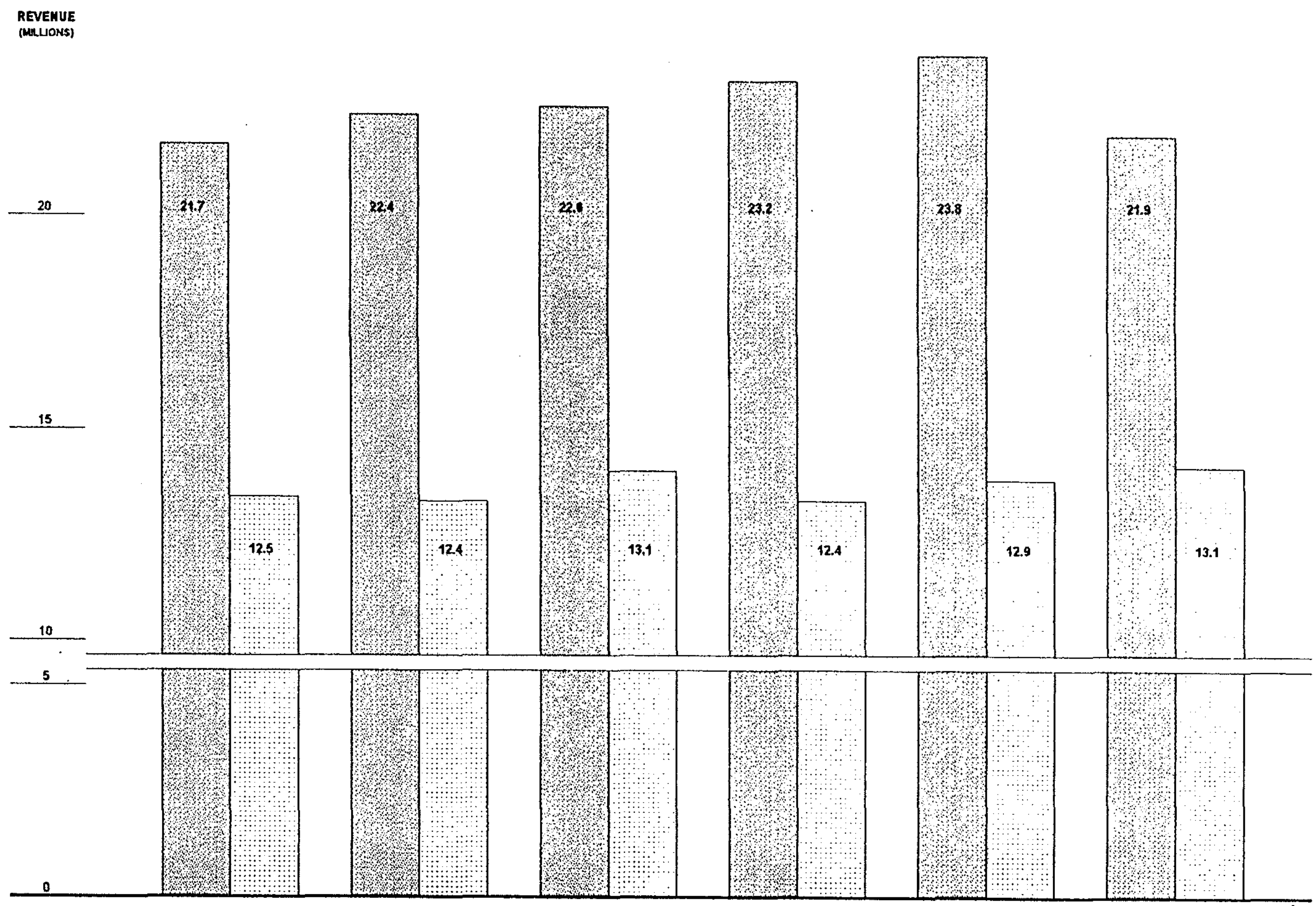
MBAB&LO: LIQUOR SALES & GROSS PROFIT, FISCAL 1995
000 OMITTED
SOURCE: FIN STMNT, FY95

SUMM95AB
8-22-95

SALES: STORE	#	SALES TO AGENCIES WHSLE GROSS	WHSL DISC	WHSLE RETURN	WHSL NET	% STR	OTHER SALES LICENSE	% STR	RETAIL	% STR	(1) TOTAL SALES	COST of GOODS	%SLS	GROSS PROFIT	% SLS	STORE EXPENSES	%SLS	NET REV PER STR	% SLS	BUREAU OV'HD	TPL NET PER STR	BOTTLES SOLD
LEWISTN	1	260.9	20.9	0.1	239.9	18.73%	328.4	25.64%	712.5	55.62%	1,280.9	709.3	55.38%	571.6	44.62%	181.5	14.17%	390.1	30.46%	44.8	345.3	132.2
PTLNDstJn	4	878.0	70.2	2.2	805.6	38.69%	544.6	26.16%	731.9	35.15%	2,082.1	1,172.7	56.32%	909.4	43.68%	244.8	11.76%	664.6	31.92%	72.9	591.7	206.9
AUGUSTA	5	706.6	56.5	0.9	049.2	46.13%	38.1	2.71%	720.1	51.17%	1,407.3	797.6	56.68%	609.7	43.32%	192.3	13.66%	417.4	29.66%	49.3	368.1	149.2
BNGRpikn	7	638.1	51.0	0.1	587.0	39.94%	366.4	24.93%	516.4	35.13%	1,469.8	828.7	56.38%	641.1	43.62%	145.2	9.88%	495.9	33.74%	51.4	444.5	137.4
HOULTON	8	343.7	27.5	0.0	316.2	31.68%	89.2	8.94%	592.8	59.39%	998.2	558.9	55.99%	439.3	44.01%	133.9	13.41%	305.4	30.60%	34.9	270.5	105.5
BNGRmall	9	531.6	42.5	0.1	489.0	37.22%	266.9	20.32%	557.8	42.46%	1,313.7	739.0	56.25%	574.7	43.75%	189.2	14.40%	385.5	29.34%	46.0	339.5	133.4
WATRVLL	12	802.5	64.2	0.1	738.2	61.25%	22.9	1.90%	444.3	36.86%	1,205.3	691.7	57.39%	513.6	42.61%	146.8	12.18%	366.8	30.43%	42.2	324.6	122.6
ROCKLND	13	1,080.8	86.5	0.0	994.3	43.83%	249.7	11.01%	1,024.2	45.15%	2,268.3	1,283.1	56.57%	985.2	43.43%	176.2	7.77%	809.0	35.67%	79.4	729.6	215.9
ELSWRTH	14	2,642.8	211.4	1.7	2,429.7	73.72%	190.8	5.79%	675.4	20.49%	3,295.9	1,911.1	57.98%	1,384.8	42.02%	245.8	7.46%	1,139.0	34.56%	115.4	1,023.6	343.5
CALAIS	16	1,057.5	84.6	0.0	972.9	66.70%	174.4	11.96%	311.4	21.35%	1,458.7	841.0	57.65%	617.7	42.35%	174.9	11.99%	442.8	30.36%	51.1	391.7	171.5
BELFAST	17	558.4	44.7	0.0	513.7	42.25%	166.5	13.69%	535.7	44.05%	1,216.0	686.9	56.49%	529.1	43.51%	117.6	9.67%	411.5	33.84%	42.6	368.9	128.4
SKOWHGN	20	374.1	29.9	0.8	343.4	32.66%	178.7	17.00%	529.2	50.34%	1,051.3	589.1	56.04%	462.2	43.96%	136.8	13.01%	325.4	30.95%	36.8	288.6	109.8
OLD OR BH	21	665.0	53.2	0.0	611.8	47.65%	421.9	32.86%	250.3	19.50%	1,283.9	728.6	56.75%	555.3	43.25%	133.2	10.37%	422.1	32.88%	44.9	377.2	138.4
OLD TWN	26	757.1	60.6	0.0	696.5	54.84%	151.9	11.96%	421.6	33.20%	1,270.0	725.0	57.09%	545.0	42.91%	109.2	8.60%	435.8	34.31%	44.4	391.4	142.1
CARIBOU	27	767.0	61.4	4.1	701.5	50.40%	205.1	14.74%	485.1	34.85%	1,391.8	791.6	56.88%	600.2	43.12%	151.7	10.90%	448.5	32.22%	48.7	399.8	157.7
BRNSWCK	35	1,175.6	94.0	0.0	1,081.6	51.91%	279.2	13.40%	723.0	34.70%	2,083.8	1,186.7	56.95%	897.1	43.05%	220.9	10.60%	676.2	32.45%	72.9	603.3	199.7
FARMGTN	41	976.7	78.1	1.5	897.1	59.90%	150.5	10.05%	450.1	30.05%	1,497.7	858.6	57.33%	639.1	42.67%	139.5	9.31%	499.6	33.36%	52.4	447.2	153.5
BRIDGTN	42	570.1	45.6	0.0	524.5	59.28%	172.0	19.44%	188.3	21.28%	884.8	507.0	57.30%	377.8	42.70%	100.7	11.38%	277.1	31.32%	31.0	246.1	100.5
PRSQ ISL	45	305.9	24.5	0.0	281.4	24.70%	176.5	15.49%	681.5	59.82%	1,139.3	634.2	55.67%	505.1	44.33%	146.4	12.85%	358.7	31.48%	39.9	318.8	113.6
DAMSCTA	51	850.1	68.0	0.2	781.9	60.10%	130.8	10.06%	388.2	29.84%	1,300.9	745.9	57.34%	555.0	42.66%	146.1	11.23%	408.9	31.43%	45.5	363.4	127.1
DOV-FOX	65	362.8	29.0	0.1	333.7	46.68%	63.7	8.91%	317.5	44.41%	714.9	405.3	56.69%	309.6	43.31%	99.4	13.90%	210.2	29.40%	25.0	185.2	76.0
BREWER	66	4.1	0.3	0.0	3.8	0.38%	213.0	21.27%	784.7	78.35%	1,001.5	545.9	54.51%	455.6	45.49%	138.1	13.79%	317.5	31.70%	34.1	283.4	96.6
KENNBNK	70	342.5	27.4	1.0	314.1	26.08%	622.4	51.67%	268.1	22.26%	1,204.5	671.2	55.72%	533.3	44.28%	109.7	9.11%	423.6	35.17%	42.2	381.4	105.9
FAIRFLD	72	892.1	71.4	0.0	820.7	76.67%	10.7	1.00%	239.0	22.33%	1,070.5	622.2	58.12%	448.3	41.88%	119.4	11.15%	328.9	30.72%	37.5	291.4	117.2
NO WINDM	76	265.5	21.2	0.1	244.2	22.52%	244.5	22.55%	595.5	54.92%	1,084.3	602.4	55.56%	481.9	44.44%	98.0	9.04%	383.9	35.41%	37.9	346.0	104.3
AUBURN	84	1,260.9	100.9	0.0	1,160.0	61.84%	218.5	11.65%	497.2	26.51%	1,875.7	1,077.0	57.42%	798.7	42.58%	173.7	9.26%	625.0	33.32%	65.6	559.4	195.6
MEXICO	85	249.6	20.0	0.1	229.5	25.31%	199.2	21.97%	478.0	52.72%	906.6	504.9	55.69%	401.7	44.31%	110.6	12.20%	291.1	32.11%	31.7	259.4	83.2
PLNDngle	87	0.0	0.0	0.0	0.0	0.00%	183.3	33.27%	367.7	66.73%	551.0	300.3	54.50%	250.7	45.50%	139.0	25.23%	111.7	20.27%	19.3	92.4	52.7
SUB TTL EX KIT		19,320.0	1,546.5	13.1	17,761.4	46.36%	6,059.8	15.82%	14,487.6	37.82%	38,308.7	21,715.9	56.69%	16,592.8	43.31%	4,220.6	11.02%	12,372.2	32.30%	1,340.8	11,031.4	3,920.4
KITTERY	34	655.3	52.4	0.0	602.9	11.07%	938.5	17.23%	3,904.6	71.70%	5,446.0	3,441.4	63.19%	2,004.6	36.81%	763.3	14.02%	1,241.3	22.79%	190.6	1,050.7	506.8
TOTAL STORES		19,975.5	1,598.0	13.2	18,364.3	41.97%	6,998.3	15.99%	18,392.2	42.03%	43,754.8	25,157.3	57.50%	18,597.4	42.50%	4,984.2	11.39%	13,613.2	31.11%	1,531.4	12,081.8	4,427.0
MDSE DPT & OTHEF		28,262.9	2,261.1	0.0	26,001.9	100.00%	0.0	0.00%	0.0	0.00%	26,001.9	15,400.3	59.23%	10,601.6	40.77%	1.8	0.01%	10,599.8	40.77%	910.0	9,689.8	2,755.6
TOTAL SALES		48,238.4	3,859.1	13.2	44,366.2	63.60%	6,998.3	10.03%	18,392.2	26.37%	69,756.7	40,557.6	58.14%	29,199.0	41.86%	4,986.0	7.15%	24,213.0	34.71%	2,441.4	21,771.6	7,182.6
OTHER BUREAU		0.0	0.0	0.0	0.0		0.0		0.0		14.5	0.0		14.5				14.5			14.5	
TOTAL BUREAU		48,238.4	3,859.1	13.2	44,366.2		6,998.3		18,392.2		69,771.2	40,557.6		29,213.5		4,986.0		24,227.5		2,441.4	21,786.1	7,182.6
COST OF GOODS					26,277.5		3,935.7		10,344.6		40,557.6											
GROSS PROFIT					18,088.7	61.95%	3,062.6	10.49%	8,047.6	27.56%	29,199.0											
GP AS % SALES					40.77%		43.76%		43.76%		41.86%											

(1): TOTAL SALES = EX OF SALES TAX, BUT INCLUDING PREMIUM TAX (TOTAL PREMIUM TAX, BUREAU = $1,667.5)
NOTE: SUM OF COLUMNS/LINES MAY VARY SLIGHTLY FROM LINE ENTRIES BECAUSE OF ROUNDING

NET STATE REVENUE FROM THE SALE, TAXATION & LICENSING OF ALCOHOLIC PRODUCTS



YEAR:	FY90	FY91	FY92	FY93	FY94	FY95
TOTAL COMBINED REVENUE (MILLIONS):	$34.2	$34.8	$35.6	$35.7	$36.7	$35.0

SOURCES OF REVENUE:

	FY90	FY91	FY92	FY93	FY94	FY95
BUREAU ALCOHOLIC BEV:	$21.7	$22.4	$22.6	$23.2	$23.8	$21.9
LIQUOR ENFORCEMENT:	$12.5	$12.4	$13.1	$12.4	$12.9	$13.2

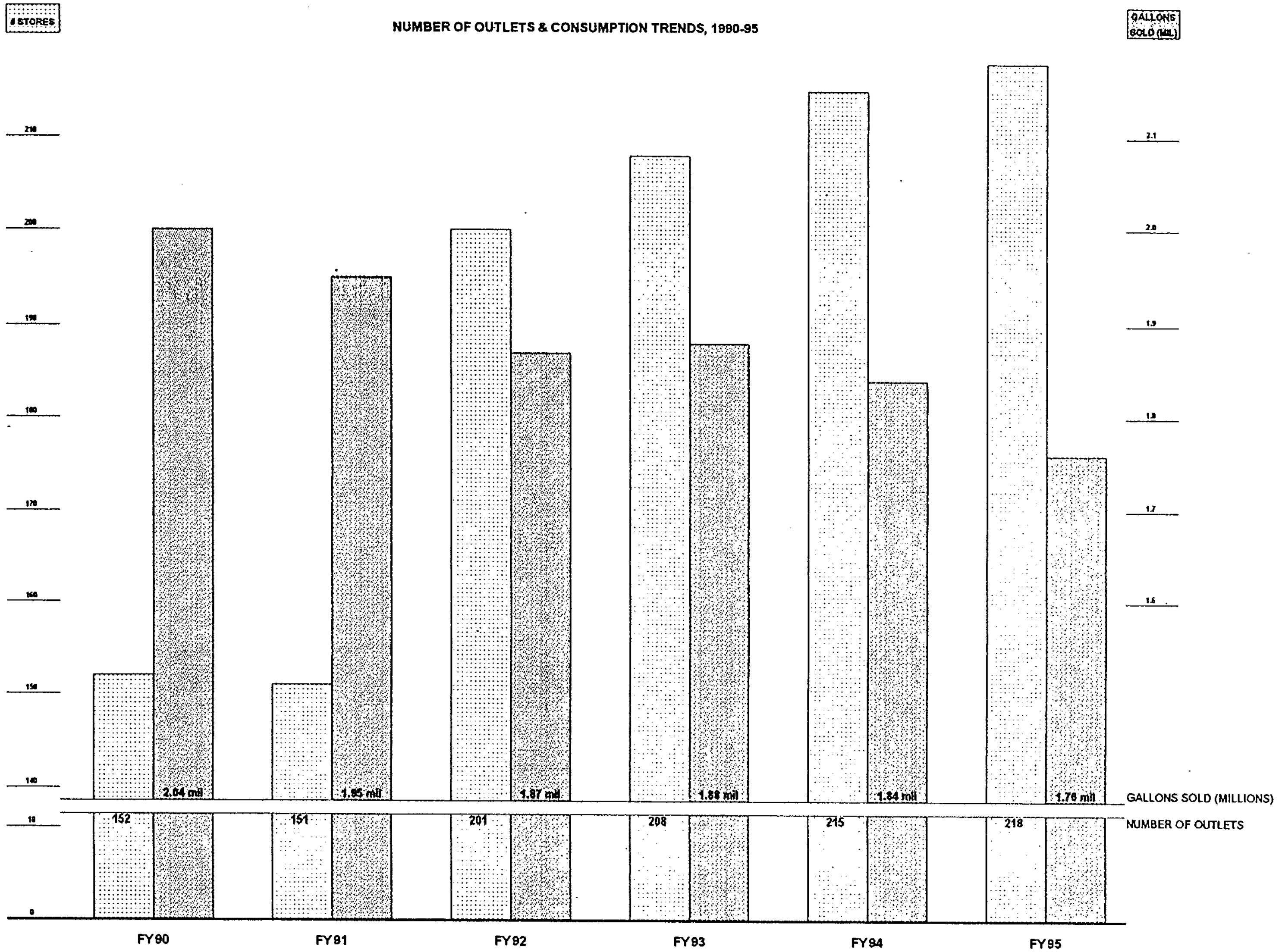
REVENUE FROM THE BUREAU OF ALCOHOLIC BEVERAGES IS DERIVED FROM THE SALE OF SPIRITS IN STATE AND AGENCY LIQUOR STORES

REVENUE FROM LIQUOR ENFORCEMENT IS DERIVED FORM FEES AND TAXES ON BEER AND WINE AND LICENSE FEES FROM AGENCY STORES, BARS, RESTAURANTS, ETC.

NOTE: BUREAU INCOME INCLUDES AND ADJUSTMENT OF -$900.0k IN FY92 AND +$900.0k IN FY93 (COST OF GOODS ADJUSTMENT PER FINANCIAL STATEMENTS). ABOVE TOTALS MAY VARY SLIGHTLY BECAUSE OF ROUNDING.

MAINE BUREAU OF ALCOHOLIC BEVERAGES, TRENDS, SALE OF SPIRITS

NUMBER OF OUTLETS & CONSUMPTION TRENDS, 1990-95



NUMBER OF LIQUOR OUTLETS:	FY90	FY91	FY92	FY93	FY94	FY95
STATE STORES	72	71	48	42	29	28
AGENCY STORES	80	80	155	166	186	190
TOTAL LIQUOR OUTLETS	152	151	201	208	215	218

TRENDS: ALTHOUGH THE NUMBER OF OUTLETS HAS INCREASED FROM 152 TO 218, CONSUMPTION/SALES SHOW A STEADY DECLINE OF +/-3% PER YEAR

TEMPORARY INCREASES IN CONSUMPTION/SALES OFTEN APPEAR WHEN NEW AGENCIES ARE OPENED (FY's 92-94, ABOVE). THESE INCREASES ARE THE RESULT OF INITIAL INVENTORY PURCHASES BY THE NEW AGENTS AND DO NOT APPEAR TO HAVE ANY LONG TERM IMPACT ON THE OVERALL DOWN-TREND IN THE CONSUMPTION/SALE OF SPIRITS.

APPENDIX E

Comparison Chart

TRANSITION TO FULL PRIVATIZATION
RECOMMENDATIONS OF THE TASK FORCE ON ALCOHOLIC BEVERAGE SALES

CURRENT SYSTEM:	TRANSITION	FULL PRIVATIZATION (2/1/98)
1. 3-tier system Supplier Private Wholesale State with bailment warehouse Retail State stores/ agency network Suppliers own inventory; State takes ownership when product removed from inventory	1. 3-tier system Supplier Private Wholesale State with bailment warehouse Retail Agency stores Suppliers own inventory; State takes ownership when product removed from inventory for purpose of shipping to agency stores or on-premise licensees	1. 3-tier system Supplier Private Wholesale State with integrated contractor Retail Agency stores Suppliers own inventory; State takes ownership when product removed from inventory for purpose of shipping to agency stores or on-premise licensees
2. State functions Determines which products will be listed Places orders with suppliers Takes orders from state and agency stores Directs shipments by warehouse and trucking company Tracks shipments from warehouse to stores Manages contract with bailment warehouse Manages contract with trucking company Manages contract for disposable containers Determines state retail price Bills agency stores Collects payments from agency stores Operates State retail stores Receives income of state stores Reports data to central data processing and accounting	2. State functions Determines which products will be listed Places orders with suppliers Takes orders from agency stores and on premise licensees Directs shipment by warehouse and trucking company Tracks shipments to warehouse and stores Manages contract with bailment warehouse Manages contract with trucking company Determines wholesale price Bills agency stores Collects payment from agency stores Transfers revenue Closes State stores as rapidly as possible when there is a reselling agency store within 10 mile radius or other adequate access Reports data to central data processing and accounting Establishes performance standards and manages RFP and bidding process for integrated contract to be in place by 2/1/98	2. State functions Determines what products will be listed Determines wholesale price Manages contract with integrated wholesaler Collects and transfers revenue Reports data to central data processing and accounting

CURRENT SYSTEM:	TRANSITION	FULL PRIVATIZATION (2/1/98)
3. Contracted functions Bailment warehouse Transportation Disposal of returnable containers	3. Contracted functions Bailment warehouse Transportation Disposal of returnable containers Other functions (to be determined by BABLO) that will enhance efficiency and are consistent with the goal of full integrated contract on 2/1/98	3. Contracted functions -- integrated contractor Provides warehouse services Provides transportation to agency stores and on-premise licensees Places orders with suppliers Takes orders from agency stores and on-premise licensees Processes orders and shipments Bills purchasers Provides data to State
4. Splitting cases Warehouse sells full cases only State stores and agency stores split cases	4. Splitting cases Warehouse sells full cases only Reselling agency stores split cases	4. Splitting cases Cases may be split by both warehouse and agency stores
5. Shipping Single contract carrier for delivery from warehouse to agency stores and State stores Minimum purchase required Full cases only Carrier bills State State folds cost into operating expenses Weekly delivery	5. Shipping Single contract carrier for delivery from warehouse to agency stores State may authorize sale and delivery to on-premise licensees on same basis as to agency stores Minimum purchase required Full cases only Delivery costs are separately itemized; not included in State markup?	5. Shipping Part of integrated wholesale contract Shipping terms specified in BABLO performance standards and as determined by the integrated contract Minimum cases required
6. Pick-up from warehouse Agents can purchase and pick-up full cases (with permission from BABLO)	6. Pick-up from warehouse Agency stores can purchase and pick-up full cases (with permission from BABLO)	6. Pick up from warehouse Integrated contractor decides
7. Net tax revenue (including premium tax) FY 1995 $21,785,740	7. Net revenue (including premium tax) (estimated) FY 1996-97 $22,000,000	7. Net revenue (including premium tax) BABLO directed to determine markup over F.O.B warehouse price to generate level revenue BABLO manages possible discounts

CURRENT SYSTEM:	TRANSITION	FULL PRIVATIZATION (2/1/98)
8. State liquor consumer tax Law requires - at least 65% average maintained markon Actual - 68%± average maintained markon BABLO collects as part of price at which the liquor is sold by the State.	8. State consumer liquor tax BABLO establishes markup over F.O.B. warehouse cost of liquor BABLO collects as net of wholesale sales	8. State liquor consumer tax BABLO establishes markup over F.O.B. warehouse cost of liquor BABLO collects as net of wholesale sales
9. Retail network 28 State stores 3 agency:1 State store replacement ratio 190 agency stores	9. Retail network State stores closed by August 31, 1996 No limit on number of agency stores 190 increasing to ??? agency stores (numbers dictated by market)	9. Retail network No limits on number or proximity of agency stores. Market dictates number.
10. Agency store inventory requirements Liquor inventory 100 codes or, in towns with population greater than 6,000, $10,000 value Other inventory $1,000 compatible merchandise	10. Agency store inventory requirements Liquor inventory Same as current Other inventory $5,000 wholesale value edible merchandise, excluding tobacco products and alcoholic beverages	10. Agency store inventory requirements Liquor inventory Same as current Other inventory $5,000 wholesale value edible merchandise, excluding tobacco products and alcoholic beverages
11. State system efficiency improvements Improvements being explored	11. State system efficiency improvements Improved data management system needed by BABLO BABLO will work with private providers and contractors for the private provision of any services that can be handled more efficiently privately unless doing so will interfere with full integrated privatization 2/1/98	11. State system efficiency improvements Improved data management system needed by BABLO To be coordinated with system of integrated contractor and agency stores.
12. Price State stores -- state sets retail price. Price includes transportation costs.	12. Prices Same as current till all state stores are closed After all state stores closed: BABLO sets wholesale price from warehouse based on F.O.B. warehouse cost plus the state markup. Transportation costs separately itemized BABLO may provide discounts to reselling agency stores	12. Prices State sets wholesale price from warehouse based on F.O.B. warehouse cost plus transportation costs plus the state markup, plus premium tax; State receives payment for product from purchasers and pays integrated contractor as negotiated by contract for services provided BABLO may provide discounts to reselling agency stores

CURRENT SYSTEM:	TRANSITION	FULL PRIVATIZATION (2/1/98)
Agency stores Purchase at 8% less than state retail price Must sell at State retail price or higher	Agency stores No control of prices charged by agency stores	Agency stores No control of prices charged by agency stores
13. Licenses Replacing State store -- Minimum bid 1% of sales of replaced store Replacing agency store and new stores -- Minimum bid $2,000 Renewals -- $300	13. Licenses Original license: Basic retail license) $2,000 (fewer than 3 cash registers Basic retail license (3+ cash registers) $3,000 Reselling agents $4,000 Renewals $1,000 less than original	13. Licenses same as during transition
14. Returned bottles State, as initiator of deposit has responsibility for disposal State contracts with private company to pick up and dispose of returnable containers Freight pick-up expense FY 1995 $710,765	14. Returned bottles State, as initiator of deposit has responsibility for disposal State may contract with private company to pick up and dispose of returnable containers	14. Returned bottles State, as initiator of deposit has responsibility for disposal State will contract for pick up and disposal of returnable containers
15. Employee assistance Not applicable	15. Employee assistance 1. BABLO will mail information to all employees regarding transition plans and outplacement programs available to displaced employees with emphasis on the unique needs of BABLO employees. 2. BABLO will conduct regional sessions for employees to provide information and answer questions about transition and outplacement options. 3. BABLO employees should be given hiring priority for new liquor enforcement positions if they meet the qualifications for the job and other requirements of the position.	15. Employee assistance same as during transition (if applicable)
16. Strategies for recovering N.H. sales Discount store(s) Sales promotions	16. Strategies for recovering N.H. sales BABLO authorized to provide sales volume discounts	16. Strategies for recovering N.H. sales BABLO authorized to provide sales volume discounts Lower state margin through more efficient handling of system and better product promotion

CURRENT SYSTEM:	TRANSITION	FULL PRIVATIZATION (2/1/98)
17. Discount stores Kittery Saco (in litigation)	17. Discount stores Kittery closed along with other state stores Saco plans discontinued	17. Discount stores None
18. BABLO budget for alcoholic beverages FY 96* FY 97* Positions Legislative count (130.5) (130.5) Other count (7.5) (7.5) Personal Services $5,203,901 $5,201,274 Capital Expenditures All Other** 3,001,650 3,083,542 TOTAL $8,205,551 $8,284,816 * Amounts appropriated by 1st Reg. Session of 117th Legislature. Amounts do not include any subsequent adjustments. ** All other includes $710,000 cost of contract for disposal of returnable containers	18. BABLO budget for alcoholic beverages FY 96 FY 97 Positions Legislative count no change (12) Other count Personal Services $2,730,000** Capital Expenditures 50,000 All Other* 1,800,000 TOTAL $4,580,000 * All other includes $710,000 cost of contract for disposal of returnable containers ** Includes cost of laying-off employees	18. BABLO budget for alcoholic beverages FY 98 FY 99 Positions Legislative count (10) (5) Other count Personal Services $ 420,000 $ 250,000 Capital Expenditures All Other* 810,000 810,000 TOTAL $1,230,000 $1,060,000 * All other includes $710,000 cost of contract for disposal of returnable containers
19. BLE additional appropriations	19. BLE additional appropriations FY 96 FY 97 Positions (4) Personal Services $142,000 Capital Expenditures 68,000 All Other 40,000 TOTAL $250,000	19. BLE additional appropriations Continuing

1101sxs
11/21/95

APPENDIX F

Recommended Legislation

NOTE: *Appendix F of this volume contains a draft of legislation to accomplish the substantive recommendations of the Task Force. The draft included in Appendix F does not include the housekeeping changes necessary to update the statutes to reflect the changes made in unallocated language in 1994, because those provisions make no substantive changes in law. These changes are numerous and of limited interest. They will be submitted to the Legislature and printed in the bill introduced to implement the recommendations of the Task Force. Limited copies have been printed as Volume II of this report. Volume II was submitted to the Governor, the Legal and Veterans Affairs Committee of the Legislature, the Commissioner of Administrative and Financial Services, the Attorney General's Office and the Law and Legislative Reference Library. A copy is also available for inspection and copying at the Bureau of Alcoholic Beverages and Lottery Operations.*

An Act to Implement the Recommendations of the Task Force on Alcoholic Beverage Sales

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Task Force on Alcoholic Beverage Sales has recommended that the State remove itself as expeditiously as possible from the retail sale of alcoholic beverages; and

Whereas, the schedule recommended by the Task Force requires statutory changes to become effective sooner than 90 days following adjournment in order to permit the closing of state liquor stores and the licensing of agency liquor stores; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now therefore,

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

Sec. 1. 5 MRSA §281. 3rd paragraph is amended to read:

The department shall coordinate financial planning and programming activities of departments and agencies of the State Government for review and action by the Governor, prepare and report to the Governor and to the Legislature financial data and statistics and administer under the direction of the State Liquor Commission the laws relating to legalized alcoholic beverages within this State. The department consists of the bureaus and organizations referenced in section 947-B, ~~and the State Liquor Commission, except the Bureau of Liquor Enforcement and the State Lottery Commission~~ the Bureau of Alcoholic Beverages and Lottery Operations and the State Liquor and Lottery Commission.

Sec. 2. 5 MRSA §12004-E, sub-§3 is repealed.

Sec. 3. 5 MRSA §12004-G, sub-§14 is amended to read:

14. Finance	State Liquor and Lottery Commission	Legislative Per Diem	~~8~~ 5 MRSA ~~§351~~ 283-A

A. The ~~chairman shall~~ chair may receive no more than $5,000 per year, including per diem and expenses.

B. The other board members ~~shall~~ may each receive no more than $3,500 per year, including per diem and expenses.

C. On February 1, 1998 the State Liquor and Lottery Commission shall be known as the State Lottery Commission.

Sec. 4. 5 MRSA §283-A is enacted to read:

§283-A. State Liquor and Lottery Commission

1. Commission. The State Liquor and Lottery Commission , established by Title 5, section 12004-G, subsection 14, consists of 5 members who must be citizens and residents of this State. Members are appointed by the Governor, subject to review by the joint standing committee of the Legislature having jurisdiction over legal affairs and to confirmation by the Legislature. No more than 3 members of the commission may members of the same political party.

2. Chair. The commission shall elect a chair from among its members.

3. Eligibility of members. No person is eligible for appointment as a member of the commission or as an employee of the commission, who:

A. **Interest in corporation.** Has any connection with, official professional or otherwise, or who owns any stock in a corporation interested either directly or indirectly in the manufacture or sale of liquor; or

B. **Violation of state or federal law.** Has been convicted or adjudicated guilty of violating any state or federal law regulating the manufacture, sale or transportation of liquor.

This subsection is repealed February 1, 1998.

4. Terms; vacancies. Members of the commission serve 3-year terms. Vacancies must be filled for the unexpired term in the same manner as the original appointment.

5. Meetings. The commission shall meet at the call of the chair and at least once each month with the director.

6. Quorum. No action of the commission is binding unless taken at a meeting at which at least 3 of the 5 members are present and vote in favor of the action.

7. **Compensation.** Members of the commission are compensated as provided in Title 5, chapter 379. Members may not be compensated for more than 25 meetings per year, except for the chair who may be compensated for up to 30 meetings per year.

8. **Removal.** A member of the commission may be removed by the Governor on the address of both branches of the Legislature or by impeachment.

9. **Name.** Beginning February 1, 1998, the commission shall be known as the State Lottery Commission.

Sec. 5. 8 MRSA §371, sub-§2 is amended to read:

2. **Commission.** "Commission" means the ~~State Lottery Commission~~ commission established by Title 5, section 283-A.

Sec. 6. 8 MRSA §373 is repealed.

Sec. 7. 8 MRSA §374, sub-§5 is amended to read:

5. **Wildlife lottery game.** No later than January 30, 1996, the ~~Maine State Lottery Commission~~ commission, in consultation with the Maine Outdoor Heritage Fund Board, shall develop and initiate a wildlife lottery game designed to raise funds for the Maine Outdoor Heritage Fund established pursuant to Title 12, chapter 714. The ~~Maine State Lottery Commission~~ commission shall provide the net proceeds of this wildlife lottery game to the Maine Outdoor Heritage Fund annually. The ~~Maine State Lottery Commission~~ commission shall change the wildlife game ticket periodically throughout the year.

Sec. 8. 17 MRSA §324 is amended to read:

§324. Games of chance prohibited at "Beano" locations

No "Beano" game shall by conducted at any location where any lottery or other game of chance is conducted, nor shall any lottery or other game of chance be conducted during the period of one hour before the conduct of any "Beano" game at the specific location of ~~said~~ the "Beano" game, except that the following lotteries may be conducted during the period of one hour before the conduct of "Beano" games~~:~~.

1. ~~Maine State Lottery~~ State lottery tickets. Lottery tickets issued by the ~~Maine State Lottery Commission~~ commission established in title 5, section 293-A may be sold when a valid license certificate issued by ~~said~~ the commission is properly displayed~~;~~.

2. Raffles. Raffle tickets may be sold in accordance with chapter 14~~,~~.

3. Lucky seven. Lucky seven or similar sealed tickets may be sold when that game of chance is licensed by the Chief of the State Police and when a valid license certificate is properly displayed. Notwithstanding the other provisions of this section and section 312, Lucky seven games may be conducted during the period beginning 2 hours before and ending 2 hours after any "Beano" game.

A. Notwithstanding any other rule, Lucky seven or other similar sealed tickets may be sold that have a sale value of $1 or less.

For purposes of this section, "location" ~~shall mean~~ means that location specified in the location permit.

Sec. 9. 28-A MRSA §2, sub-§§2-A and 8-B is enacted to read:

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

8-B. Commission. "Commission" means the State Liquor and Lottery Commission established by section 5, section 283-A. This subsection is repealed February 1, 1998.

Sec. 10. 28-A MRSA §2, sub-§32 is repealed.

Sec. 11. 28-A MRSA §4, sub§1 ¶A, as enacted by PL 1995, c. 46, §1 and c. 159, §1, is repealed and the following enacted in its place:

A. Licensees may not sell liquor on Sunday between the hours of 6 a.m. and 9 a.m.

Sec. 12. 28-A MRSA §6 is amended to read:

28A § 6. Form of advertising restricted

1. Advertising form subject to commission authorization. No person may advertise liquor other than spirits within the State, except in the form specifically authorized by the commission. Radio, television, billboards, signs, newspapers, magazines and periodicals may carry advertising subject to the rules of the commission.

1-A. Advertising permitted. Except as otherwise provided in this section, the bureau may not adopt rules prohibiting the advertising of spirits within the State.

1-B. Advertising that is fraudulent, misleading, illegal or likely to encourage illegal behavior. The bureau may adopt rules restricting advertising that is fraudulent, misleading, illegal or that the bureau determines is likely to encourage illegal behavior.

~~**2. Commission may adopt rules governing advertising brand names in local option areas.** The commission may adopt rules restricting the advertising of any type of liquor by brand names during the period when such sales are prohibited in any municipality which has voted in any particular local option election against the sale of all types of liquor.~~

3. Use of picture or representation of State House prohibited. No person may use or display a picture or other form of representation of the State House for advertising liquor.

Sec. 13. 28-A MRSA c. 3 is repealed and the following enacted in its place:

CHAPTER 3-A

ADMINISTRATION AND ORGANIZATION

§81. State Liquor and Lottery Commission

The State Liquor and Lottery Commission has the following duties.

1. Oversight of Bureau of Alcoholic Beverages and Lottery Operations. The commission shall monitor the operation of the alcohol bureau in its administration of the laws relating to the sale of spirits under this Title.

2. Advice. The commission shall advise the director of the alcohol bureau regarding the administration of the functions of the alcohol bureau. The commission may advise the Governor and the Legislature regarding issues relating to the operation of the alcohol bureau and the administration of the laws relating to the sale of spirits.

This section is repealed February 1, 1998.

§82. Bureau of Liquor Enforcement

The bureau shall establish policies and rules concerning the administration and the enforcement of the liquor laws under its jurisdiction. The bureau shall:

1. **General supervision.** Enforce the laws relating to the manufacture, importation, storage, transportation and sale of all liquor and administer those laws relating to licensing and the collection of taxes on malt liquor and wine;

2. **Rules.** Adopt rules not inconsistent with this Title or other laws of the State for the administration, clarification, execution and enforcement of all laws concerning liquor and to help prevent violations of those laws. The observance of these rules is a condition precedent to the issuing or renewing of any license to sell liquor. The rules adopted by the commission prior to May 1, 1993 are adopted by the bureau;

3. **Licensing.** Issue and renew all licenses as provided by this Title and hold licensing hearings;

4. **Prevent sale to minors and others.** Prevent the sale of liquor by licensees to minors and intoxicated persons;

5. **Appeals.** Review all appeals from the decisions of municipal officers. The bureau shall appoint a hearings officer to conduct appeal hearings. Except as provided in section 805, the decision of the chief is final. The hearings officer for the bureau is the Director of the Liquor Licensing and Tax Division.

The hearings officer may conduct hearings in any licensing matter pending before the bureau. The hearings officer shall, after holding the hearing, file with the bureau all papers connected with the case and report the findings to the chief. The chief shall render a final decision based upon the record of the hearing.

The hearings officer may administer oaths and issue subpoenas for witnesses and subpoenas duces tecum to compel the production of books and papers relating to any license question in dispute before the bureau or to any matter involved in a hearing. Witness fees in all proceedings are the same as for witnesses before the Superior Court and must be paid by the bureau, except that, notwithstanding Title 16, section 253, the bureau is not required to pay the fees before the travel and attendance occur;

6. **Food servicing organizations.** Adopt rules permitting food servicing organizations that cater to passengers on international flights and cruises to purchase wine and malt liquor from wholesale outlets or distributors as long as the wine and malt liquor are resold for consumption during international travel. Food servicing organizations include ship chandlers as long as the wine and malt liquor are resold to vessels of foreign registry for consumption after those vessels have left port. Food servicing organizations are not subject to section 2, subsection 15;

7. **Recommend revocation of licenses.** Recommend to the Administrative Court that it suspend or revoke, in accordance with sections 802, 803 and 1503, any license issued pursuant to this Title or the rules adopted under this Title; and

8. Publish laws and rules. Publish a compilation containing this Title, other laws concerning liquor and all rules adopted under this Title every 4 years.

A. The bureau shall supply a copy of the compilation to every new licensee at no charge.

B. The bureau shall notify all licensees of changes in the law and rules within 90 days of adjournment of each regular session of the Legislature.

(1) The bureau shall supply a copy of the new laws and rules at no charge when requested by licensees.

(2) The bureau shall supply a copy of the new laws and rules to persons other than licensees for a reasonable fee.

C. The bureau may charge a reasonable fee for the compilation to cover the cost of producing the compilation to persons other than licensees.

§83. Bureau of Alcoholic Beverages and Lottery Operations

1. Bureau of Alcoholic Beverages and Lottery Operations; rules. The alcohol bureau shall manage the wholesale distribution of spirits to agency liquor stores and on-premises licensees. The alcohol bureau may establish rules and procedures for the administration of the state liquor laws under its jurisdiction. The day-to-day activities of the alcohol bureau are under the supervision of the Commissioner of Administrative and Financial Services and the director of the alcohol bureau.

2. Listing of items. The bureau shall determine which items will be listed for sale in the State. Products listed must be made available by the supplier from wholesale inventory.

3. Pricing. The alcohol bureau shall determine the wholesale price of all products. Prices shall be based on the F.O.B. warehouse price and shall be calculated to produce the revenue from the sale of spirits that is required by section 1651-A and section 1703. The alcohol bureau may provide price discounts to reselling agency liquor stores if it determines that discounts are necessary to provide adequate customer access. The alcohol bureau may adopt pricing strategies directed at discouraging out-of-state sales.

4. **Notice to delist or stop purchases.** Before any item listed by the alcohol bureau is discontinued or delisted or before the alcohol bureau issues any order to stop purchases of any item listed, the alcohol bureau shall give the vendor of the items reasonable written notice of its intention to delist or stop purchase of the items;

5. **Enter into contracts.** Subject to any applicable laws relating to public contracts, The alcohol bureau may enter into contracts or agreements and establish contract performance standards for:

A. The wholesale purchase of alcoholic beverages; and

B. The operation of wholesale distribution of spirits, including but not limited to;

(1) Ordering;

(2) Storage;

(3) Merchandising;

(4) Transportation;

(5) Billing

(6) Handling of returnable containers; and

(7) Data management.

6. **Investigate and recommend changes.** Carry on a continuous study and investigation of the sale of alcoholic beverages throughout the State and the operation and administration of state activities and recommend and the Commissioner of Administrative and Financial Services any changes in the laws or rules and methods of operation that are in the best interest of the State.

7. **Annual report.** The alcohol bureau shall make an annual report to the Governor of its activities and of the amount of liquor license fees collected by the bureau, together with other information it considers advisable or that the Governor requires.

8. **Public meetings.** The alcohol bureau may hold public meetings each year at various locations within the State for the

purpose of outlining operations under the liquor laws, receiving suggestions and disseminating information to the public.

§84. Director of the Bureau of Alcoholic Beverages and Lottery Operations

The director of the alcohol bureau or the director's designee shall:

1. Manage sale of alcoholic beverages. Manage the sale of alcoholic beverages to agency stores and licensees in accordance with applicable laws and rules and provide for the operation of wholesale distribution of spirits;

2. Act as chief administrative officer of bureau. Act as chief administrative officer of the alcohol bureau, having general charge of the office and records and employ such personnel as may be necessary to fulfill the purpose of this Title. The personnel must be employed with the approval of the Commissioner of Administrative and Financial Services and subject to the Civil Service Law;

3. Act as executive secretary. Act as executive secretary of the commission. This subsection is repealed February 1, 1998;

4. Confer with commissioner. Confer regularly as necessary or desirable and not less than once a month with the Commissioner of Administrative and Financial Services on the operation and administration of the Bureau of Alcoholic Beverages and Lottery Operations and make available for inspection by the Commissioner of Administrative and Financial Services, upon request, all books, records, files and other information and documents of the alcohol bureau;

5. Certify revenues and expenses. Certify monthly to the Treasurer of State~~,~~ and the Commissioner of Administrative and Financial Services a complete statement of the revenues and expenses for licenses issued by the Bureau of Liquor Enforcement and liquor sales for the preceding month and, subject to the approval of Commissioner of Administrative and Financial

Services, submit an annual report that includes a complete statement of the revenues and expenses for licenses and liquor sales to the Governor and the Legislature, together with recommendations for changes in this Title; and

§ 85. Inventory and working capital

1. Net profits shall be general revenue. The net profits of the alcohol bureau from operations pursuant to this Title are general revenue of the State.

2. Inventory. The alcohol bureau may keep and have on hand a stock of spirits and fortified wine for sale, the value of which, when priced for resale, must be computed on the delivered case cost F.O.B. liquor warehouse filed by liquor vendors. The inventory value must be based upon actual cost for which payment may be due and may not at any time exceed the amount of working capital authorized. Spirits and fortified wine may not be considered in the inventory until payment has been made for them. The alcohol bureau shall buy spirits directly and not through the State Purchasing Agent. All spirits must be free from adulteration and misbranding.

3. Authorized working capital. The maximum permanent working capital of the alcohol bureau for operations pursuant to this Title is established at $1,500,000 and permanent advances up to this amount may be authorized by the Governor upon recommendation of the director of the alcohol bureau with the approval of the Commissioner of Administrative and Financial Services. The permanent working capital of the alcohol bureau may be supplemented by temporary loans from other state funds upon recommendation of the director of the alcohol bureau and by approval of the Commissioner of Administrative and Financial Services and the Governor.

§86. Conflict of interest

In addition to the limitations of Title 5, section 18, any member of the commission or any employee of the commission, the Bureau of Alcoholic Beverages and Lottery Operations, or the bureau may not accept directly or indirectly any samples, gratuities, favors or anything of value from a manufacturer, wholesaler, wholesale licensee or retail licensee or any representative of a manufacturer, wholesaler, wholesale licensee or retail licensee under circumstances which might reasonably be construed as influencing or improperly relating to past, present or future performance of official duties.

§87. Eligibility of employees

No person is eligible for employment with the alcohol bureau or the bureau who:

1. Interest in corporation. has any connection with, official professional or otherwise, or who owns any stock in a corporation interested either directly or indirectly in the manufacture or sale of liquor; or

2. Violation of state or federal law. has been convicted or adjudicated guilty of violating any state or federal law regulating the manufacture, sale or transportation of liquor.

Sec. 14. 28-A MRSA c. 9, 15 and 17 are repealed

Sec. 15. 28-A MRSA §452, 1st sentence is amended to read:

The ~~commission~~ bureau shall adopt rules for the ~~selection~~ licensing and operation of agency liquor stores.

Sec. 16. 28-A MRSA §452-A is enacted to read:

§452-A. Requirements for agency liquor store license

In addition to other requirements provided by law and by rule of the bureau, the following requirements apply to agency liquor stores.

1. Location. The bureau may not license an agency store:

A. In a municipality or unincorporated place unless the municipality or unincorporated place has voted in favor of the operation of agency liquor stores under local option provisions; or

B. Within 300 feet of any public or private school, church, chapel or parish house.

The distance must be measured from the main entrance of the liquor store to the main entrance of the school, school dormitory, church, chapel or parish house.

2. Liquor inventory. The agency liquor store shall maintain a minimum inventory of spirits of at least 100 codes. In municipalities with a population of 6,000 or more, the minimum inventory of spirits is $10,000.

3. Other inventory. The agency liquor store shall maintain an inventory of edible merchandise, not including alcohol or tobacco products, with a wholesale value of at least $5,000.

4. Reselling agency liquor stores. Agency liquor stores that have a federal wholesale registration must register with the bureau as reselling agency liquor stores.

Sec. 17. 28-A MRSA §§ 453, 453-A and 453-B are repealed and the following enacted in its place:

§453-C. Issuance of agency liquor store license

The bureau shall issue a license for an agency liquor store within a municipality or unincorporated place by the following procedure.

1. Information to applicants. The bureau shall provide all applicants with the necessary information for the establishment of an agency liquor store.

2. Notice to municipality. Upon receipt of all applications for an agency liquor store license in a municipality and at least 15 days before issuing a license, the bureau shall notify the municipal officers of that municipality of the proposed location of each applicant.

3. Investigation. The bureau shall conduct an investigation of each applicant to determine whether the proposed facility meets the requirements for licensing under this Title.

4. Issuance. The bureau shall issue a license to each applicant that the bureau determines meets the requirements of this Title.

5. Denial of application. The bureau shall notify any applicant denied a license of the reasons for the denial by certified mail to the mailing address given by the applicant in the application for an agency liquor store license.

6. Aggrieved applicants. Any applicant aggrieved by a decision made by the bureau may appeal the decision by filing a complaint with the Administrative Court and serving a copy of the complaint upon the bureau. The complaint must be filed and served within 15 days of the mailing of the bureau's decision.

§453-D. Prices charged by a reselling agency liquor store

A reselling agency liquor store must use the same pricing structure for all sales to agency liquor stores and to on-premises licensees.

§453-E. License fees

License fees for agency liquor stores are as follows.

1. Basic agency liquor store; fewer than 3 cash registers. The initial fee for a basic agency liquor store license for a store with fewer than 3 cash registers is $2,000.

2. Basic agency liquor store; 3 or more cash registers. The initial fee for a basic agency liquor store license for a store with 3 or more cash registers is $3,000.

3. Reselling agency liquor stores. The initial fee for a reselling agency liquor store license is $4,000.

4. Renewals. The fee for renewal of any agency liquor store license is $1,000 less than the initial fee.

Sec. 18. 28-A MRSA §454 is repealed.

Sec. 19. 28-A MRSA §455 is amended to read:

Agency liquor stores must buy their liquor ~~from the commission~~ as directed by the alcohol bureau under section 606.

Sec. 20. 28-A MRSA §458 are amended to read:

28A § 458. Renewal of agency liquor store license; selection of alternate licensee

1. Application by store. The holder of an agency liquor store license shall apply annually to the ~~commission~~ bureau for renewal of that license. An application for renewal must be submitted on a form prepared by the bureau.

2. Review by ~~commission~~ bureau. In reviewing applications for renewal submitted under subsection 1, the ~~commission~~ bureau shall consider the following criteria:

A. The applicant's sales and inventory of liquor;

B. The applicant's sales and inventory of groceries and related items;

C. Any changes in the location of or renovations to the applicant's premises;

D. Any customer complaints of poor service against the applicant's store;

E. Any violations of liquor laws by the applicant; and

F. Records of any bad checks rendered to the commission or bureau.

~~**3. Rejection of application; selection of alternate licensee.** If the commission denies an application for renewal of an agency liquor store license, the commission may select an alternate licensee in accordance with the criteria set forth in sections 453, 453-A and 453-B. If the alternate licensee held an agency liquor store license in the past, the commission may consider any of the applicable criteria set forth in subsection 2 in considering whether to license the alternate agency liquor store.~~

4. Purchase of store merchandise by State. If the ~~commission~~ bureau does not renew the agency liquor store license, the ~~commission shall purchase~~ alcohol bureau shall arrange for the purchase from the agency liquor store of all resalable spirits held in inventory by the agency liquor store. The purchase price is the cost at which that agency liquor store could purchase the spirits from the alcohol bureau ~~purchased the spirits from the commission~~, minus 10% of that cost.

5. Aggrieved applicant. Any agency liquor store licensee aggrieved by a decision of the ~~commission~~ bureau not to renew an agency liquor store license may appeal the decision by filing a complaint with the Administrative Court and serving a copy of that complaint on the ~~commission~~ bureau. The complaint must be filed and served within 15 days of notification of the agency liquor store licensee by the ~~commission~~ bureau that the license will not be renewed.

Sec. 21. 28-A MRSA §460 to 463 are enacted to read:

28A § 460. Purchase of liquor in agency liquor stores; purchase from commission

1. Methods of payment. This subsection governs the methods of payment permitted for purchases of liquor from agency liquor stores and for purchases of liquor from the alcohol bureau by agency liquor stores.

A. An agency liquor store may accept payment for liquor purchases by cash, check or major credit card.

B. A licensee buying liquor as directed by the alcohol bureau must pay in cash or by check.

C. In addition to the methods of payment permitted in paragraph C, an agency liquor store, when approved by the alcohol bureau, may pay for liquor purchased as required by the alcohol bureau by mailing a check for payment as required by the alcohol bureau when notified of the amount due or upon receiving a liquor delivery. Payments that are mailed must be received or postmarked within 3 days of receipt of a liquor delivery or notification of the amount due.

2. Checks not honored on presentation; consequences. If any check is not honored on presentation or if an agency liquor store fails to pay for liquor as prescribed in subsection 1, the bureau shall withhold any license not issued or immediately take back the license if already issued, voiding that license until such time as the check or invoice is paid in full, together with the cost of the check failure or collection procedure. The alcohol bureau or the bureau may order that person to make all payments to the alcohol bureau or to bureau by cash, certified check or money order for a period not to exceed one year.

28A § 461. Business hours

Agency liquor stores may be open for the sale and delivery of liquor between the hours of 6 a.m. and 1 a.m. in municipalities and unincorporated places that have voted in favor of the operation of agency liquor stores under local option provisions. Notwithstanding any local option decisions to the contrary, agency liquor stores may be open from noon Sunday to 1 a.m. the next day

28A § 462. Sales to minors or intoxicated persons

No agency liquor store may sell liquor to a minor or to a visibly intoxicated person.

28A § 463. Closed in cases of riots; hurricanes; flood

The Governor or the bureau may, in cases of riots, hurricanes and floods, order any or all agency liquor stores to close.

Sec. 22. 28-A MRSA §606 is amended to read:

28A § 606. ~~Liquor bought from commission~~ Purchase of spirits; sale to government agencies

~~**1. Purchase of liquor.** Subject to the restrictions provided in subsection 1-A, a person licensed to sell spirits must purchase liquor from a state or agency liquor store. This subsection does not apply to public service corporations operating interstate.~~

~~A.~~

~~**1-A. On-premises licensees; purchase from agency store.** A person licensed to sell spirits for consumption on the premises may purchase spirits from an agency liquor store only in accordance with this subsection.~~

~~A. The sale price of spirits sold to a licensee under this subsection must equal the price for which a licensee would purchase liquor at a state store.~~

~~B. Upon completion of a transaction, the agency liquor store and the on-premise licensee shall each retain a copy of the licensee order form.~~

~~C.~~

~~D.~~

~~**1-B. Price of sales to agency liquor stores.** The commission shall sell spirits to agency liquor stores for 92% of the retail sales price set in accordance with chapters 65 and 67.~~

1-C. Purchase of spirits Agency liquor stores and on-premise licensees must buy spirits from the alcohol bureau or from a reselling agency liquor store.

2. On-premise retailers must report purchases. All persons licensed to sell liquor to be consumed on the premises shall report all liquor purchases to the ~~commission~~ bureau on forms provided by the ~~commission~~ bureau .

3. Prospective licensees may order liquor in advance. Upon approval of the ~~commission~~ bureau, persons who have been issued a license, effective at a future date, may order liquor in advance of the effective date of the license and may advertise the effective date.

~~**4. Discount for agency liquor stores.** The commission shall sell spirits to agency liquor stores for a price of 8% less than the real price established for the state liquor stores.~~

5. Sale to government instrumentalities. The ~~commission~~ bureau may ~~sell~~ authorize the sale of spirits to approved government instrumentalities within the State. The ~~commission~~ alcohol bureau shall set the price which must be approved by the Governor.

6. Sale to airlines and ferry services for consumption outside the State. The ~~commission~~ bureau may ~~sell~~ authorize the sale of spirits not for consumption within the State to airlines and ferry services or their agents as authorized by the ~~commission~~ bureau. The ~~commission~~ alcohol bureau shall set the price which must be approved by the Governor.

7. **Premium must be collected.** Nothing in this section ~~may be construed to permit the commission to sell~~ permits the sale of spirits without collecting the entire premium assessed under chapter 65.

~~**8. No maximum limit on price.** An agency store may sell liquor at any price equal to or higher than the retail sales price set in accordance with chapters 65 and 67.~~ (ENACTED PL 1995, c. 53, §1)

Sec. 23. 28-A MRSA §710 is amended to read:

28A § 710. Advertising signs

1. **Advertising outside of licensed premises.** No person, except wholesale licensees and certificate of approval holders, may advertise or permit to be advertised, by more than one sign, on the outside of any licensed premises, or on any building, ground or premises under ~~his~~ that person's control and contiguous or adjacent to the licensed premises:

A. The fact that the licensee has liquor or any brand of liquor for sale;

B. The price at which liquor is sold by the licensee; or

C. Any other advertisement which indicates any reference to liquor.

2. **Advertising inside of licensed premises.** A licensee may display no more than one sign inside the licensed premises, where it may be seen from the outside, advertising the fact that the licensee has liquor for sale. The sign may not be more than 750 square inches in total area.

3. **Exception.** Subsection 1 does not prohibit the display of signs advertising sponsorship of specific sporting events and cultural events or sponsorship of a transportation system for transporting the public as long as the signs are not displayed on a licensed establishment as defined in section 2, subsection 15. Signs on a licensed establishment advertising sponsorship may be displayed with prior bureau approval.

The bureau shall adopt rules implementing this subsection.

This section does not apply to advertising of spirits.

Sec. 24. 28-A MRSA §1651 is repealed and the following enacted in its place:

§1651-A. State liquor tax

1. Amount of tax. The alcohol bureau shall determine the amount of markup and set a wholesale price for all spirits and fortified wine that the alcohol bureau determines will produce the amount of revenue to be transferred to the General Fund that substantially equals the amount transferred in fiscal year 1994-95. The alcohol bureau may adjust the amount of markup and wholesale prices as necessary to produce the required revenue.

2. Special pricing situations. The alcohol bureau may set prices at different levels in the following special situations.

A. With approval of the Commissioner of Administrative and Financial Services, the alcohol bureau may reduce the price of discontinued items of liquor. The reduced price may not be less than the actual cost of the discontinued liquor items.

B. The commission may establish special sales prices on certain listed liquor items. The reduced price may not be less than the actual cost of the discontinued liquor items.

C. Notwithstanding the other provisions of this section, the commission 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.

3. Applicability of tax. Taxes on spirits imposed by the State do not apply to sales of spirits by manufacturers, bottlers and rectifiers holding licenses from the bureau:

A. To any instrumentality of the United States;

B. To any vessel of foreign registry;

C. To industrial establishments for use as an ingredient in the manufacture of food products; or

D. For use as an ingredient in the manufacture of commodities which by reason of their nature cannot be used for beverage purposes.

4. Net revenue deposited to General Fund. The alcohol bureau shall deposit all net revenue derived from the tax under this section to the General Fund.

Sec. 25. 28-A MRSA §2073, sub-§3, ¶¶ B to F are amended to read:

B. For-hire carriers and contract carriers, authorized by the Department of Public Safety, may transport liquor to ~~state~~ agency liquor stores, to liquor warehouses, to licensees, to purchasers of liquor at ~~state~~ agency liquor stores and from manufacturers to liquor warehouses~~, state~~ agency liquor stores and to the state line for transportation outside the State.

C. Licensees may transport liquor from ~~state~~ agency liquor stores to their places of business.

D. Manufacturers may transport liquor within the State to liquor warehouses and ~~state agency~~ liquor stores~~,~~ to persons authorized under paragraph E and to the state line for transportation outside the State.

E. The ~~commission~~ bureau may permit in writing the importation of liquor into the State and the transportation of liquor from place to place within the State to the following destinations for the specified purposes:

(1) To hospitals and state institutions, for medicinal purposes only, liquor made available to them from stocks of liquor seized by the Federal Government.

(2) To industrial establishments in the State for industrial uses;

(3) To schools, colleges and state institutions for laboratory use only;

(4) To any licensed pharmacist in the State for use in the compounding of prescriptions and other medicinal use, but not for sale by pharmacists unless compounded with or mixed with other substances; or

(5) To any physician, surgeon, osteopath, chiropractor, optometrist, dentist or veterinarian for medicinal use only.

F. The ~~commission~~ bureau may authorize hospitals and state institutions to purchase liquor, for medicinal purposes only, from wholesale licensees and ~~state~~ agency liquor stores. Such authorization must be in writing.

Sec. 26. 28-A MRSA §2075, sub-§§1 and 2 are amended to read:

1. Only the commission may import spirits; exception. Except as provided in this section, no person other than the ~~commission~~ alcohol bureau may import spirits into the State except at the direction of the alcohol bureau.

A. An individual may transport into the State and may transport from place to place within the State spirits for the individual's personal use in a quantity not greater than 4 quarts.

2. Transportation of spirits within the State. No person may transport or cause to be transported any spirits within the State in a quantity greater than 4 quarts unless the spirits were purchased from ~~a state or~~ an agency liquor store.

Sec. 27. 28-A MRSA §2076, sub-§1 is amended to read:

1. Delivery of liquor. Except with the ~~commission's~~ bureau's written permission, no person may knowingly transport to or cause to be delivered to any person other than the ~~commission~~ alcohol bureau any spirits not purchased from ~~a state liquor store or the commission~~ the alcohol bureau.

Sec. 28. 28-A MRSA §§2229 and 2230 are amended to read:

28A § 2229. Disposal of forfeited liquors

1. Court or judge to order forfeited liquor to be turned over to the commission. All ~~liquors~~ spirits declared forfeited by a court under this Title ~~shall~~ must, by order of the court rendering the final judgment, be turned over to the ~~commission~~ alcohol bureau. All malt liquor or wine declared forfeited by a court under this Title must, by order of the court rendering final judgment, be turned over to the bureau. Liquor forfeited under this section must be disposed of in the same manner as abandoned liquor under section 2230..

~~**2. Sale of forfeited liquor by commission.** Except as provided in paragraph A, the commission shall sell forfeited liquor in the state liquor stores throughout the State.~~

~~A. If any liquor is determined by the court to be unfit or unsatisfactory for consumption or retail sale, the court may order the liquor to be destroyed by any officer competent to serve the process on which it was forfeited. The officer shall make the return accordingly to the court.~~

~~(1) The liquor shall be destroyed by pouring it upon the ground or into a public sewer.~~

2-A. Unfit liquor. If any liquor is determined by the court to be unfit or unsatisfactory for consumption or retail sale, the court may order the liquor to be destroyed by any officer competent to serve the process on which it was forfeited. The officer shall make the return accordingly to the court. The liquor shall be destroyed by pouring it upon the ground or into a public sewer.

28A § 2230. Abandonment of liquor

The following provisions govern the procedures for handling abandoned liquor.

1. Bureau as repository. Notwithstanding any other provisions of law, the bureau acts as a repository for all liquor found abandoned in this State.

2. Procedure. A law enforcement agency that takes custody of abandoned liquor shall:

A. Notify the bureau that the agency has taken custody of the abandoned liquor and forward to the bureau the reason for taking custody and a complete list of the quantities and types of liquor in the agency's custody the day the law enforcement agency takes custody or the next regular business day; and

B. Secure the liquor for a period of 30 days, after which time the agency shall transfer the liquor to the bureau. The bureau shall dispose of any malt liquor or wine and shall transfer any spirits to the ~~commission~~ alcohol bureau for sale ~~at state liquor stores~~ or disposal.

3. **Filing a claim.** A person who wishes to file a claim for abandoned liquor must notify the bureau in writing within the 30-day period prescribed in subsection 2, paragraph B and identify the abandoned liquor. If a claim is not made within the 30-day period, the abandoned liquor becomes the property of the State.

Sec. 29. 36 MRSA §172, sub-§1 is amended to read:

1. **Liquor license.** If the taxpayer is a liquor licensee, to the ~~State Liquor Commission~~ Bureau of Liquor Enforcement, which shall construe that liability and lack of cooperation to be a ground for denying. suspending or revoking the taxpayer's liquor license in accordance with Title 28-A, section 707 and chapter 33.

Sec. 30. Closing state liquor stores; transition authority. The Bureau of Alcoholic Beverages and Lottery Operations shall take any action necessary to close all state liquor stores as expeditiously as possible with the goal of having all state liquor stores closed by August 31, 1996. A state liquor store may not be closed unless there is a reselling agency liquor store, or an agency liquor store that has applied for federal wholesale registration, within 10 miles of the state store being closed or unless the Director of the Bureau of Alcoholic Beverages determines that reasonable alternative access is available to persons previously purchasing spirits from the state liquor store being closed. Until all state liquor stores have been closed, the provisions of law applying to state liquor stores on January 1, 1996 continue to apply to the operation of the stores remaining open, and the Bureau of Alcoholic Beverages and Lottery Operations and the Bureau of Liquor Enforcement continue to have authority to act under those laws as if those laws were currently in effect.

Sec. 27. Transition of agency liquor store licenses. The license fees established by the part of this Act enacting Title 28-A MRSA section 453-D apply to any agency liquor store license issued after the effective date of this Act. Agency liquor store licenses in effect on the effective date of this Act continue in effect until the date of their expiration. At the time of renewal the holders of those licenses must pay the fee for a license renewal under section 453-D.

Sec. 31. Transition to integrated contract. The Bureau of Alcoholic Beverages and Lottery Operations shall develop a process to achieve the contacting of wholesale functions of the alcohol bureau by February 1, 1998 to coincide with the expiration of current contracts for the bailment warehouse and for transportation of liquor to state and agency stores. The process must, to the extent feasible, provide for an integrated provider of the following wholesale services: Placing orders with suppliers, processing orders from agency liquor stores and on-premise licensees, storage, inventory management, distribution, billing purchasers and disposal of returnable containers. The process must follow standard state requirements for contracting. During the transition to an integrated contract the Bureau of Alcoholic Beverages and Lottery Operations may authorize distribution from the warehouse to on-premise licensees and provide that transportation costs may be charged to purchasers.

Sec. 32. Assistance to employees. The State of Maine shall provide assistance, within existing programs, to employees who are laid-off as a result of the closing of state liquor stores and the contracting of wholesale liquor functions. Such assistance may include, but is not limited to, retraining, career planning and assistance in obtaining other employment. Laid-off employees must be given preference for liquor enforcement positions created by this Act if they meet the qualifications and requirements of the positions.

Sec. 33. Appropriations. In order to accomplish the purposes of this Act, the following funds are appropriated from the General Fund.

	FY 96-97
DEPARTMENT OF PUBLIC SAFETY	
BUREAU OF LIQUOR ENFORCEMENT	
Positions	(4)
Personal Services	$142,000
Capital Expenditures	68,000
All Other	40,000
Total	$250,000

Provides funds for 4 new liquor enforcement agents.

Sec. 35. Allocations. In order to accomplish the purposes of this Act, the following funds are allocated from the Alcoholic Beverage Fund.

	FY 95-96	FY 96-97
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES		
Bureau of Alcoholic Beverages and Lottery Operations		
Alcoholic Beverages - General Operation		
Positions		
Legislative Count		(-118.5)
Other count		(-7.5)
Personal Services		($2,471,274)
Capital Expenditures		50,000
All Other		(1,283,542)
Total		($3,704,816)

Provides deallocations of funds as a result of closing of state liquor stores. Because stores will be closed gradually with a goal of all stores closing by August 31, 1996, some positions will need to be retained for a portion of the fiscal year.

Emergency clause. In view of the emergency cited in the preamble, the Act takes effect when approved.

Statement of Fact

This bill implements the unanimous recommendations of the Task Force on Alcoholic Beverage Sales.

The bill requires the State to move as expeditiously as possible to close all state liquor stores with the goal of completing that process by August 31, 1996. Before a state store may be closed, there must be at least one reselling agency store within a 10 mile radius of the store being closed.

The Task Force recommends that the transition to full privatization of delivery of wholesale and distribution functions be completed by February 1, 1998 through contracting with a private provider of integrated services. The Bureau of Alcoholic Beverages is directed to develop contract performance standards and manage the bidding process. The State would retain control of approving products that are listed for sale in Maine, determination of the wholesale price, oversight of contracts with private service providers and management of revenue collection. The recommendations of the Task Force are intended to generate the same amount of revenue from the sale of alcoholic beverages as was generated in fiscal year 1994-95.

The bill requires the State to provide retraining and outplacement assistance to displaced state employees. Assistance should be consistent with assistance that is being made available to other dislocated state employees in connection with the work of the Productivity Realization Task Force.

The bill removes limitations on the number of agency stores beginning April 1, 1996. Requirements in current law regarding proximity to existing stores are eliminated. Proximity requirements regarding churches and schools are retained.

The bill provides that any agent that is federally registered as a wholesale dealer would be allowed to resell to another agent or to an on-premise licensee. These reselling agents would be required to register with the Bureau of Liquor Enforcement to aid enforcement. The Bureau of Alcoholic Beverages and Lottery Operations would be permitted to develop wholesale purchase discounts that may be made available to reselling agents. License fees would be changed to reflect the new privatized structure.

The bill removes all limitations on product and price advertising.

The bill provides that during the transition to full privatization, the State may authorize the warehouse to distribute to on-premise licensees on the same basis as to agency stores. Transportation costs would be charged separately and not included in the wholesale price.

The bill provides funds for 4 additional liquor enforcement agents in the Bureau of Liquor Enforcement.

The bill provides that when privatization is complete, the liquor-related functions of the State Liquor and Lottery Commission be repealed.

The bill updates statutory provisions to reflect changes made in Public Law 1993, chapter 410, Parts XX and ZZ regarding the combination of the State Liquor Commission and the State Lottery Commission into the State Liquor and Lottery Commission and the transfer of the licensing and taxation responsibilities to the Department of Public Safety.