

Penn. Liquor Board Urged to Boost Markup on Wine, Liquor Prices

PETER JACKSON, Associated Press

HARRISBURG, Pa. (AP) — The Pennsylvania Liquor Control Board's finance director is advocating that the agency increase its markup on liquor and wine to counter higher expenses.

In an internal memo obtained by The Associated Press, August Hehemann proposed that the markup be raised from 30 percent, the rate that has stood since 1993, to 35 percent.

He said the agency's net income is expected to shrink in the fiscal year that started July 1, to \$96 million from \$121 million in the previous year largely due to double-digit increases in expenses such as pensions, health care and computer upgrades postponed from prior years.

"The decline in net income is attributed to operating expense growth of 11.8 percent, which is almost four times the rate of planned growth in sales," he wrote in the July 30 memo, which laid out issues for a private board discussion before its regular public meeting that day.

Chairman Joseph "Skip" Brion said Tuesday the three-member board discussed Hehemann's analysis as part of an annual financial review, but that there's no proposal before the board to increase the markup. He says he regards any such action as a last resort.

"There's always been a discussion about the last time the markup was increased," he said in a telephone interview. "From my perspective at this point in time, it's not a viable option."

The issue of the markup rate comes amid a high-profile legislative stalemate over the future of Pennsylvania's state-controlled liquor system.

Last year, the House passed a bill backed by Gov. Tom Corbett to privatize the liquor and wine sales by selling 1,200 new private store licenses, allowing thousands of bars, restaurants and grocery stores to begin selling bottles of wine. It also set a timetable for ending state involvement in wine and liquor shipments and sales.

In the Senate, a bill to liberalize beer sales and loosen restrictions on wine and spirits is bottled up in a committee.

The PLCB says it contributed more than \$512 million to the state treasury in 2012-13, the latest numbers available, including \$311 million from the liquor tax,

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\$121 million from the sales tax and an \$80 million transfer to the state's General Fund.

A spokesman for House Majority Leader Mike Turzai, a staunch privatization advocate, said figures in the memo conflict with PLCB's claim that its financial condition is sound.

"If accurate, to me it shows that the PLCB has been misleading itself, the Legislature and the public," said the spokesman, Steve Miskin. "They've always pooh-poohed any suggestions that they're not making the money that they claimed to be."

Matthew Brouillette of the Commonwealth Foundation, another privatization backer, said the memo shows the state-controlled liquor system "is not a cash cow for the commonwealth."

Wendell V. Young IV, head of the largest state-store employee union, said he's not convinced the system of more than 600 state stores needs to raise the markup, but that they could remain competitive with most neighboring states even if the rate were increased.

"The PLCB's finances look pretty good year after year," Young said.

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