



Pennsylvania Tavern Association

Pennsylvania Licensed Beverage Association

**Pennsylvania Tavern Association
Testimony on Senate Bill 1287
Senate Law & Justice Committee Hearing
January 24th, 2012
Presented By Amy Christie, Executive Director**

Thank you Chairman Pippy, Chairman Ferlo, and members of the Senate Law and Justice Committee for hearing testimony today regarding Senate Bill 1287.

We are the Pennsylvania Tavern Association, Pennsylvania's Licensed Beverage Association, established in 1941. Our membership consists of thousands of licensees across the Commonwealth & we are the non-profit, statewide association exclusively representing the interests of retail licensees. Our licensees employ over 100,000 Pennsylvania citizens annually, and are loyal charitable contributors to our local communities.

Although you will hear today from other groups concerning SB 1287 as a whole, we would like to focus on the language in the bill that speaks directly to "flexible pricing". This provision directly impacts retail licensees and consumers alike resulting in higher prices on most commonly bought items from the Pennsylvania Wine and Spirits Stores.

Simply put, the ability for flexible pricing by the PLCB allows for a higher or lower mark-up than the currently approved 30% on wine and spirit products. As we have heard in previous hearings on the subject of flexible pricing, the PLCB claims they can raise much more revenue if they were able to charge more than 30% mark-up on lower priced well items, while selling more bottles of higher-priced items by lowering the mark-up. Wine and spirits are naturally a mandatory overhead for our small business owners and the lower-priced well items are very integral parts of our businesses. An increase over the already 30% mark-up only increases the cost of conducting business in an already fragile time for our industry. Businesses closing, and employees losing good-paying jobs due to increasing already overly-taxed overhead will do little to help the economics of the Commonwealth.

Considering consumers and licensees are paying the 30% mark-up, 18% Johnstown Flood Tax, a bottle-handling fee, and 6% sales tax on every bottle of wine or spirits from the State Stores, we oppose the flexibility portion of this bill if it results in an increase over the 30% mark-up. Pennsylvania is already one of the highest in the United States when it comes to amount of taxes placed on a bottle of wine or spirits. The Pennsylvania Tavern Association would request a reduction or elimination in taxes already placed on products rather than employing flexible pricing above the current 30% mark-up that increase product prices even more. In using the same logic, we feel that the reduction or elimination of taxes such as the Johnstown Flood Tax may also increase revenue to the PLCB by preventing the very common “border bleed” by Pennsylvania consumers and encourage them to keep their dollars in state for wine and spirit products. This practice could also encourage more entertainment dollars spent in small retail-licensed businesses resulting in the survival of an industry and the future employment of the many Pennsylvania

citizens we employ on an annual basis, while selling even more State Store products.

As we speak to the flexible pricing aspect of Senate Bill 1287 and the goal of the PLCB to use the tool to generate more revenue, we would be amiss in not also commenting on the PLCB's LTMF conversion rate from a flat fee to percentage on each unit of product. As the recent price increases on 313 of the PLCB products take affect, the conversion from flat LTMF fee to percentage LTMF fee also take affect on every product that receives a price increase beginning 2012. This is also a method that the PLCB is using to increase revenue, and also results in higher prices per bottle. The difference here is that the higher-priced items would generate more on the LTMF percentage fee rather than the lower-priced products. We believe this to be contradictory to the flexible pricing plan that changes neither the work or effort of getting each bottle of product on to the State store shelves, but is a way to make up any differences lost on higher priced items that may be marked below the standard 30% mark-up.

The Pennsylvania Tavern Association applauds the PLCB on many of its' endeavors and plans to modernize the system. While procurement and personnel practices may indeed help make better use of the funds generated by the PLCB, we do not believe that reaching further in to pockets of our small business owners (30% of the PLCB's customers) results in a sound economic initiative.

Thank you for your time and attention to this testimony.