Senate Bill 6: Privatization of Liquor Stores - Article 1

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The message in the bottle is clear: Pa. shouldn't privatize liquor sales

BY REP. KEVIN MURPHY
Published: Feb. 18, 2011, 9:15 a.m.

Before I took the oath of office in 2009, I was a state employee with the state auditor general's office tasked with auditing the state liquor stores. As such, I have a unique perspective and intricate knowledge of how these stores operate.

I am vehemently opposed to privatizing our state liquor stores and, as a member of the House Liquor Control Committee, I will fight to push back this proposal. From my previous work experience, I know that the state stores run efficiently. In addition, there are many reasons — not the least of which is that these stores bring in far too much revenue to the commonwealth — for them not to be sold without vigorous debate.

A one-time injection of money for the sale of the PLCB stores to private industry is foolish to say the least as PLCB has brought in an average of $393.4 million annually during the last four years plus $104.3 million in sales tax, according to state Treasurer Rob McCord's second quarter 2010-11 report. This is a net profit for Pennsylvania taxpayers after all expenses, including salaries and benefits, have been paid. The PLCB also provides family-sustaining jobs to more than 4,000 people.

The proposal to sell appears to be shortsighted and reckless and does not generate real recurring revenue for the state in the long run, but rather the opposite. In addition, I believe proponents' numbers for the sale of PLCB stores are flawed and dramatically skewed in favor of privatization and could have been manipulated to justify a flawed policy decision and are at the least, certainly outdated.

They refer to the Price Waterhouse study "Privatization Analysis of the Pennsylvania Wine & Spirits Industry" that was completed more than a decade ago in 1997. The Price Waterhouse study provides no current evidence of facts or statistics that would support Gov. Tom Corbett's and House Majority Leader Mike Turzai's claim that the sale would generate $2 billion in revenue in 2011.

What's more, public reports were published by Price Waterhouse that its audit used by supporters of privatization was flawed and hence scaled its original sales estimate from $600 million, as originally stated, down to $230 million.

Further, to get $2 billion, the 850 licenses foreseen by privatization supporters would have to bring an average of more than $2.3 million. But this feat has not been achieved by any other state. For example: New Jersey licenses average $250,000; West Virginia's closer to $200,000.

Our bottom line: We control the sale of alcohol to protect the public as opposed to Big Business, which is only looking out for its bottom line. Many of these large corporations that have already expressed an interest in bidding for licenses are the biggest beneficiaries of the Delaware loophole, which allows them to pay no corporate income tax in Pennsylvania. This significantly decreases revenue for the commonwealth while jeopardizing already overburdened taxpayers.

According to a September 2010 study by the Marin Institute, "as states become more desperate for revenue, a booming alcohol business could overshadow the protection of public health and economic stability."

State control of alcohol sales also benefits the public's health. Residents in states that control liquor sales consume less spirits and less alcohol in general than in license states. States that control liquor sales also have much less underage drinking than private- store states.

Pennsylvania has the seventh-lowest rate of underage drinking in the country. It is inexplicable to consider putting trained professionals out of work who ensure that minors and visibly intoxicated people throughout Pennsylvania cannot purchase alcohol.

With private companies seeking to increase profit margins, powerful corporations and misguided politicians nationwide are promoting plans to eliminate state control of alcohol sales, promising better prices and selection in return for what I believe would be significantly less alcohol regulation.

Further, according to Rep. Turzai's House Bill 2350 of 2010, privatizing our state stores would further burden local taxpayers by requiring local police to bolster state police efforts for liquor control enforcement. Also, educational programs discouraging underage drinking provided by the PLCB would fall to local taxpayers or no longer exist. Finally, promoting public safety is a core function of state government.

Politicians should stop using alcohol regulation as a bully pulpit for calling for smaller government; alcohol is regulated because it is potentially harmful.

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