

HOUSE BILL NO. 14

INTRODUCED BY DRISCOLL, GOULD, HARRINGTON,
GARCIA, LYNCH, NELSON, D. BROWN

IN THE HOUSE

March 26, 1986

Introduced and referred to
Committee on Business and
Labor.

Fiscal Note requested.

Fiscal Note returned.

March 27, 1986

Committee recommend bill do
pass as amended. Report
adopted.

Bill printed and placed on
members' desks.

Second reading, do pass.

Third reading, passed.

Transmitted to Senate.

IN THE SENATE

March 28, 1986

Introduced and referred to
Committee on Business and
Industry.

March 29, 1986

Committee recommend bill be
concurrred in as amended.
Report adopted.

Second reading, concurred in.

Third reading, concurred in.
Ayes, 46; Noes, 4.

Returned to House with
amendments.

IN THE HOUSE

March 29, 1986

Received from Senate.

Second reading, amendments
concurred in.

Third reading, amendments
concurred in.

Sent to enrolling.

Reported correctly enrolled.

agent or employees.

(c) Once established, a store may not be closed by the department unless:

(i) the store is not operating at a profit; and

(ii) the closure is approved by the legislature at the next regular session of the legislature following the department's announcement of intent to close the store.

(3)(2) The department may from time to time fix the prices at which the various classes, varieties, and brands of liquor may be sold, and prices shall be the same at all state stores."

NEW SECTION. Section 2. The narrative to the appropriations for the Department of Revenue, in Section A of Section 17, House Bill 500, Laws of 1985, at page 20 of the enrolled bill and page 1780 of the 1985 Montana Session Laws, is amended to read:

"Liquor Division proprietary funds necessary to maintain adequate inventories of liquor and wine and to operate the state liquor operation are appropriated. During the 1987 biennium, the Division shall attempt to return at least 13 percent of a profit on net sales. Net sales are gross sales less discounts and all taxes collected. The Division shall limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses may not include product costs,

1 ~~freight-charges, or expenses allocable to other divisions or~~
2 ~~licensing-bureau expenses.~~

3 The Division retains full authority to determine store
4 operating hours ~~and the number and location of stores and~~
5 ~~employees. Nonprofitable or marginally profitable state~~
6 ~~stores shall be closed or converted to agency stores in an~~
7 ~~orderly manner. Agency stores shall be closed if the~~
8 ~~Division considers them marginally profitable and other~~
9 ~~state stores or agencies are located within a reasonable~~
10 ~~distance."~~

11 NEW SECTION. Section 3. Severability. If a part of
12 this act is invalid, all valid parts that are severable from
13 the invalid part remain in effect. If a part of this act is
14 invalid in one or more of its applications, the part remains
15 in effect in all valid applications that are severable from
16 the invalid applications.

17 NEW SECTION. Section 4. Effective date -- retroactive
18 applicability. This act is effective on passage and approval
19 and applies retroactively, as that term is used in 1-2-109,
20 to occurrences after December 31, 1985.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB014, Version: as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

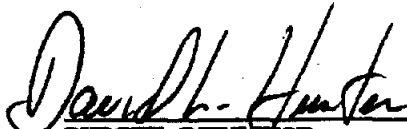
An act preventing the closure of liquor stores operated by the Department of Revenue unless a store is not operating at a profit and such closure has been approved by the legislature in regular session; deleting certain provisions in HB 500 related to liquor stores; providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

- (1) Revenue estimates for liquor profits returned to the general fund for the state liquor operation are \$5.319 million in FY 1986 and \$5.174 million in FY 1987. Liquor excise and license taxes are separate from these profit estimates.
- (2) Under current law, 7 liquor stores would be closed resulting in a savings due to store closures during the current biennium of \$562,100. This savings will result in an equal amount of profits returned to the general fund.
- (3) No liquor stores would be closed under the proposed legislation during the current biennium.
- (4) The language deletion in the proposed legislation on pages 2 and 3 relating to limits on operational expenses would not affect prudent management practices that attempt to minimize costs.
- (5) It is assumed that other expense reduction options of the Division such as reducing commission costs, reducing hours, and changing pricing structures for liquor are not affected by this legislation. If the legislation does impact these options, the fiscal losses would be increased an additional \$1.387 million.

FISCAL IMPACT:

The proposed legislation will decrease liquor store profits returned to the general fund by \$90,800 in FY 1986 and \$471,300 in FY 1987, for a total decrease during the biennium of \$562,100.

 3/26/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

PRIMARY SPONSORTAT

Fiscal Note for HB014
as introduced

HB014
As Introduced
March 26, 1986
Page 2

LONG-RANGE EFFECT OF PROPOSED LEGISLATION:

The proposed legislation will eliminate the Department of Revenue's legislative mandate and therefore its management ability to maintain fixed profit goals for the general fund. If current trends of declining liquor sales and declining profits returned to the general fund continue, the proposed legislation could significantly reduce liquor operation profits.

TECHNICAL OR MECHANICAL DIFFICULTIES:

Current law specifically defines the amount of money that the Liquor Division is to attempt to return to the general fund as profit. The proposed legislation does not define what the Division is expected to use to determine profits or the time-frames within which an individual store's profit is to be measured.

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 14

INTRODUCED BY DRISCOLL, GOULD, HARRINGTON,
GARCIA, LYNCH, NELSON, D. BROWN

A BILL FOR AN ACT ENTITLED: "AN ACT PREVENTING THE CLOSURE
OF LIQUOR STORES OPERATED BY THE DEPARTMENT OF REVENUE
UNLESS A STORE IS NOT OPERATING AT A PROFIT AND SUCH CLOSURE
HAS BEEN APPROVED BY THE LEGISLATURE IN REGULAR SESSION;
DELETING PROVISIONS RELATING TO THE DEPARTMENT OF REVENUE'S
APPROPRIATION SETTING FORTH PROFIT REQUIREMENTS, LIMITS ON
OPERATIONAL EXPENSES, AND AUTHORITY FOR STORE CLOSURES;
PROVIDING THAT THE DEPARTMENT OF REVENUE MAY NOT CHANGE THE
RATE OF COMMISSIONS PAYABLE FOR THE OPERATION OF AGENCY
LIQUOR STORES UNTIL JULY 1, 1987, TO ALLOW THE 50TH
LEGISLATURE TO EXAMINE THE ISSUE OF AGENCY STORE
COMMISSIONS; AMENDING SECTION 16-2-101, MCA, AND SECTION 17,
HOUSE BILL 500, LAWS OF 1985; AND PROVIDING AN IMMEDIATE
EFFECTIVE DATE, AND A RETROACTIVE APPLICABILITY DATE, AND A
TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 16-2-101, MCA, is amended to read:

"16-2-101. Establishment and closure of state liquor
stores -- kinds and prices of liquor. (1) (a) The department
shall establish and maintain one or more stores, to be known

as "state liquor stores", as the department finds feasible
for the sale of liquor in accordance with the provisions of
this code and the rules made thereunder.

(2)(b) The department shall enter into an agency
agreement or employ the necessary help to operate said
stores and shall designate the duties to be performed by the
agent or employees.

(c) Once established, a store may not be closed by the
department unless:

(i) the store is not operating at a profit; and OR
(ii) the closure is approved by the legislature at the
next regular session of the legislature following the
department's announcement of intent to close the store.

(3)(2) The department may from time to time fix the
prices at which the various classes, varieties, and brands
of liquor may be sold, and prices shall be the same at all
state stores."

NEW SECTION. Section 2. The narrative to the
appropriations for the Department of Revenue, in Section A
of Section 17, House Bill 500, Laws of 1985, at page 20 of
the enrolled bill and page 1780 of the 1985 Montana Session
Laws, is amended to read:

"Liquor Division proprietary funds necessary to
maintain adequate inventories of liquor and wine and to
operate the state liquor operation are appropriated. During

the 1987 biennium, the Division shall attempt to return at least--13--percent--of a profit on net sales. Net sales are gross sales less discounts and all taxes collected. The Division--shall--limit--operational--expenses--of--the--liquor merchandising system to not more--than--15--percent--of--net sales--Operational--expenses--may--not--include--product--costs, freight--charges,--or--expenses--allocable--to--other--divisions--or licensing--bureau--expenses.

The Division retains full authority to determine store operating hours and--the--number--and--location--of--stores--and employees. Nonprofitable--or--marginally--profitable--state stores--shall--be--closed--or--converted--to--agency--stores--in--an orderly--manner--Agency--stores--shall--be--closed--if--the Division--considers--them--marginally--profitable--and--other state--stores--or--agencies--are--located--within--a--reasonable distance. AND LOCATION OF STORES AND EMPLOYEES.
NONPROFITABLE STATE STORES MAY BE CONVERTED TO AGENCY STORES IN AN ORDERLY MANNER."

NEW SECTION. SECTION 3. CHANGE PROHIBITED IN RATE OF COMMISSIONS PAYABLE FOR OPERATION OF AGENCY LIQUOR STORES --
LEGISLATIVE CONSIDERATION. TO FACILITATE LEGISLATIVE
EXAMINATION OF THE OPERATION OF AGENCY LIQUOR STORES, THE
DEPARTMENT OF REVENUE MAY NOT CHANGE THE RATE OF COMMISSIONS
PAYABLE FOR SUCH OPERATIONS UNTIL JULY 1, 1987. ALL SUCH
COMMISSIONS MUST REMAIN IN EFFECT AS THEY WERE ON JANUARY 1,

1986.

NEW SECTION. Section 4. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 5. Effective date -- retroactive applicability -- TERMINATION. (1) This act is effective on passage and approval and applies retroactively, as that term is used in 1-2-109, to occurrences after December 31, 1985.
(2) THIS ACT TERMINATES ON JULY 1, 1987.

-End-

HOUSE BILL NO. 14

INTRODUCED BY DRISCOLL, GOULD, HARRINGTON,

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A BILL FOR AN ACT ENTITLED: "AN ACT PREVENTING THE CLOSURE OF LIQUOR STORES OPERATED BY THE DEPARTMENT OF REVENUE UNLESS A STORE IS NOT OPERATING AT A PROFIT AND SUCH CLOSURE HAS BEEN APPROVED BY THE LEGISLATURE IN REGULAR SESSION; DELETING PROVISIONS RELATING TO THE DEPARTMENT OF REVENUE'S APPROPRIATION SETTING FORTH PROFIT REQUIREMENTS, LIMITS ON OPERATIONAL EXPENSES, AND AUTHORITY FOR STORE CLOSURES; PROVIDING THAT THE DEPARTMENT OF REVENUE MAY NOT CHANGE THE RATE OF COMMISSIONS PAYABLE FOR THE OPERATION OF AGENCY LIQUOR STORES UNTIL JULY 1, 1987, TO ALLOW THE 50TH LEGISLATURE TO EXAMINE THE ISSUE OF AGENCY STORE COMMISSIONS; AMENDING SECTION 16-2-101, MCA, AND SECTION 17, HOUSE BILL 500, LAWS OF 1985; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AND A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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"16-2-101. Establishment and closure of state liquor stores -- kinds and prices of liquor. (1) (a) The department shall establish and maintain one or more stores, to be known

as "state liquor stores", as the department finds feasible for the sale of liquor in accordance with the provisions of this code and the rules made thereunder.

(b) The department shall enter into an agency agreement or employ the necessary help to operate said stores and shall designate the duties to be performed by the agent or employees.

(c) Once established, a store may not be closed by the department unless:

(i) the store is not operating at a profit; and OR

(ii) the closure is approved by the legislature at the next regular session of the legislature following the department's announcement of intent to close the store.

(2) The department may from time to time fix the prices at which the various classes, varieties, and brands of liquor may be sold, and prices shall be the same at all state stores."

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the 1987 biennium, the Division shall attempt to return at least ~~13 percent of a profit on~~ net sales. Net sales are gross sales less discounts and all taxes collected. The Division ~~shall limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses may not include product costs, freight charges, or expenses allocable to other divisions or licensing bureau expenses.~~

The Division retains full authority to determine store operating hours ~~and the number and location of stores and employees. Nonprofitable or marginally profitable state stores shall be closed or converted to agency stores in an orderly manner. Agency stores shall be closed if the Division considers them marginally profitable and other state stores or agencies are located within a reasonable distance.~~ AND LOCATION OF STORES AND EMPLOYEES. NONPROFITABLE STATE STORES MAY BE CONVERTED TO AGENCY STORES IN AN ORDERLY MANNER.

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SESSION; ~~DELETING PROVISIONS RELATING TO THE DEPARTMENT OF~~
~~REVENUE'S APPROPRIATION SETTING FORTH PROFIT REQUIREMENTS,~~
~~LIMITS ON OPERATIONAL EXPENSES, AND AUTHORITY FOR STORE~~
~~CLOSURES;~~ PROVIDING THAT THE DEPARTMENT OF REVENUE MAY NOT
CHANGE THE RATE OF COMMISSIONS PAYABLE FOR THE OPERATION OF
AGENCY LIQUOR STORES UNTIL JULY 1, 1987 1986, TO ALLOW THE
50TH JUNE SPECIAL SESSION OF THE 49TH LEGISLATURE TO
EXAMINE THE ISSUE OF AGENCY STORE COMMISSIONS; PROVIDING FOR
THE DEVELOPMENT OF A LIQUOR DIVISION RECOVERY PLAN TO BE
SUBMITTED FOR CONSIDERATION BY THE JUNE SESSION; AMENDING
SECTION 16-2-101, MCA, AND SECTION 17, HOUSE BILL 500, LAWS
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~~NEW SECTION. Section 2. The narrative to the~~
~~appropriations for the Department of Revenue, in Section A~~
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~~the enrolled bill and page 1780 of the 1985 Montana Session~~
~~Laws, is amended to read:~~

"Liquor Division proprietary funds necessary to

REFERENCE BILL

HB 14

maintain--adequate--inventories--of--liquor--and--wine--and--to
 operate--the--state--liquor--operation--are--appropriated;--During
 the--1987--biennium,--the--Division--shall--attempt--to--return--at
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The--Division--retains--full--authority--to--determine--store
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COMMITTEE OF THE 49TH LEGISLATURE TO DEVELOP A LIQUOR
DIVISION RECOVERY PLAN FOR CONSIDERATION BY THE JUNE 1986
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(2) THIS ACT TERMINATES ON JULY 1, 1987 1986.

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"Liquor Division proprietary funds necessary to

CORRECTION (IN TITLE)

CORRECTED HB 14
REFERENCE BILL

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 2 operate the state liquor operation are appropriated. During
 3 the 1987 biennium, the Division shall attempt to return at
 4 least 13 percent of a profit on net sales. Net sales are
 5 gross sales less discounts and all taxes collected. The
 6 Division shall limit operational expenses of the liquor
 7 merchandising system to not more than 15 percent of net
 8 sales. Operational expenses may not include product costs,
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 12 operating hours and the number and location of stores and
 13 employees. Nonprofitable or marginally profitable state
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 15 orderly manner. Agency stores shall be closed if the
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 24 EXAMINATION OF THE OPERATION OF AGENCY LIQUOR STORES, THE
 25 DEPARTMENT OF REVENUE MAY NOT CHANGE THE RATE OF COMMISSIONS

1 PAYABLE FOR SUCH OPERATIONS UNTIL JULY 1, 1987 1986. ALL
 2 SUCH COMMISSIONS MUST REMAIN IN EFFECT AS THEY WERE ON
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 11 DEPARTMENT OF REVENUE SHALL WORK WITH THE REVENUE OVERSIGHT
 12 COMMITTEE OF THE 49TH LEGISLATURE TO DEVELOP A LIQUOR
 13 DIVISION RECOVERY PLAN FOR CONSIDERATION BY THE JUNE 1986
 14 SPECIAL LEGISLATIVE SESSION.

15 NEW SECTION. Section 5. Effective date -- retroactive
 16 applicability -- TERMINATION. (1) This act is effective on
 17 passage and approval and applies retroactively, as that term
 18 is used in 1-2-109, to occurrences after December 31, 1985.

19 (2) THIS ACT TERMINATES ON JULY 1, 1987 1986.

-End-

STANDING COMMITTEE REPORT

PAGE 1 of 2

March 28 1986

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 14

third reading copy (blue)
color

Respectfully report as follows: That HOUSE BILL No. 14
be amended as follows:

1. Page 1, line 7.
Following: "PROFIT"
Strike: "AND"
Insert: "OR"

2. Page 1, lines 8 through 11.
Following: "LEGISLATURE" on page 8
Strike: remainder of line 8 through "CLOSURES" on line 11

3. Page 1, line 14.
Following: "JULY 1,"
Strike: "1987"
Insert: "1986"
Following: "TO ALLOW THE"
Strike: "50th"
Insert: "JUNE SPECIAL SESSION OF THE 49TH"

4. Page 1, line 16.
Following: "COMMISSIONS;"
Insert: "PROVIDING FOR THE DEVELOPMENT OF A LIQUOR DIVISION
RECOVERY PLAN TO BE SUBMITTED FOR CONSIDERATION BY THE JUNE
SESSION;"

5. Page 2, line 12.
Following: "next"
Strike: "regular"

~~XXXXXX~~

~~XXXXXXXXXX~~

(continued page 2)

Chairman.

6. Page 2, line 18 through line 18, page 3.
Strike: section 2 in its entirety
Renumber: subsequent sections

7. Page 3, line 24.
Following: "JULY 1,"
Strike: "1987"
Insert: "1986"

8. Page 4, line 8.
Insert: "NEW SECTION. Section 4. Recovery plan. The department of revenue shall work with the revenue oversight committee of the 49th legislature to develop a liquor division recovery plan for consideration by the June 1986 special legislative session."
Renumber: subsequent section

9. Page 4, line 12.
Following: "JULY 1,"
Strike: "1987"
Insert: "1986"

As amended, be concurred in



SENATOR MIKE HALLIGAN

HB14