

A. Keith Wagner, Deputy Commissioner
West Virginia Alcohol Beverage Control Admin.

During the 1990 Legislative Session Governor Gaston Caperton introduced legislation which privatized the current state owned retail liquor stores. The legislation was approved and the administration set upon a plan to bid these stores into privately owned franchises. There were many options which were to be considered. How many stores, where would the franchise be located.

In the original plan, present location of a state owned store and population would determine the store location. The original bidding process was open with no restrictions as to how many franchises one entity could own. Market zones were created according to the sales of the local store and population. There were no minimum bid requirements.

The legislation allowed for the establishment of a Retail Licensing Board, which was representative of each of the three congressional districts and ex officio members, the Secretary of Tax and Revenue and the Commissioner of the Alcohol Beverage Administration.

The intent of the legislation was to be a reduction of the size of government and to give the private sector opportunities in obtaining the franchises.

During the Fiscal Year of 1991, there were 3 bidding processes. The Retail Licensing Board determined that 98 retail zones would be established which included 214 stores that would be made available to bid. The state realized \$15, 222,615 in the bidding of the retail franchises during that fiscal year. Below are a comparison of expenditures for the last fiscal year of state owned stores as to the first fiscal year of privately owned franchises.

<u>1989 State Owned Stores</u>		<u>1993 State Wholesale Operation</u>	
Gross Revenues	\$60,762,037	Gross Revenues	\$48,187,432
Net Profit	\$ 6,352,676	Net Profit	\$ 7,467,401
Salaries	\$ 7,963,594	Salaries	\$ 1,970,174
Benefits	\$ 2,407,931	Benefits	\$ 852,483
Building Rent	\$ 1,976,543	Building Rent	\$ 383,839
General Revenue Transfers	\$ 2,050,000	General Revenue Transfers	\$ 6,500,000

FY 2006 Operations

Gross Revenues	\$69,455,937
Net Profit	\$11,400,235
General Revenue Transfers	\$11,508,649

The original franchises were for a period of 10 years and during the legislative session of 1999 new legislation was created to re-bid the franchises once again. There were changes as to the original bid in 1991. Some of the changes were as follows:

Market Zones were kept basically the same.

Franchises were grouped as class A, multiple locations, example, an A-4 would allow one owner to have 4 locations within the zone, such as Rite Aid may have multiple stores in Charleston, so they could have 4 of those stores with liquor if they were in the designated zone. A class B store would be for a single store within the zone.

A minimum bid price was developed, this was a formula involving sales in the store for the past 10 year period.

Preferential Bidding mechanism was installed in order to give current franchise holders an opportunity to obtain their businesses.

On the 1999 rebid the state realized a profit of \$21 million being transferred to the state general revenue fund.

PROBLEMS

It is the opinion of the Commissioner that in the next rebid, 2010, we should concentrate on bidding of stores not just franchises.

In some of our most growth areas, convenience stores hold most of our licenses. Their space is very limited and a variety is not offered to the public.