

Leggett Considering Privatization of County Liquor Stores

County executive says he has "no idea" how much Sunday liquor sales will net.

By Sean Sedam | Email the author | November 11, 2010

Montgomery County Executive Isiah Leggett said Wednesday that he plans to explore privatizing the county's liquor stores.

"I looked at that when I was on the County Council, years ago. And I've asked for a review of it now," Leggett said during an interview with Patch editors at the Executive Office Building in Rockville.

The comments came a day after an announcement that Leggett (D) had issued an executive order calling for a six-month pilot program to add Sunday hours at the 24 county-owned liquor and wine stores.

Leggett served on the council from 1986 to 2002.

"What I saw, at least at that point in time, did not suggest to me that there would be a great economic benefit for [privatization]," he said.

Montgomery County regulates the wholesale distribution of beer, wine and spirits to more than 900 licensees.

In September, Virginia Gov. Bob McDonnell (R) proposed privatizing retail and wholesale liquor sales in his state. McDonnell cited projections that privatization would give the state a one-time revenue boost of \$458 million, which he proposed be used for transportation projects.

But Virginia lawmakers — Democratic and Republican alike — balked at the idea, citing projections that said the state would bring in \$47 million less each year under the proposal.

On Wednesday, the Washington Examiner reported that McDonnell has hired a financial management company to take a fresh look at the state's options.

"[Bob McDonnell] went out with a rather bold proposal to [privatize state liquor stores] and he's having to step back somewhat because the critics don't see the economic benefit that he's talked about, both short-term and long-term," Leggett said on Wednesday.

Weighing the county's options

The choice for Montgomery County, Leggett said, would be between selling-off the Department of Liquor Control's assets, including inventory and warehouses, for a one-time windfall and then collecting "small franchise fees of a couple million dollars a year vs. getting \$28 [million] to \$30 million every year. [It] doesn't seem to me that it's a very good bargain for the taxpayers.

"So I need to be convinced that that makes sense economically. And I haven't seen a model or program that someone has come to me to say that this makes sense economically."

The county collects about \$28 million net profit from liquor sales each year, he said.

Leggett said he would ask the Department of Liquor Control to study the privatization issue and the pros and cons of Sunday sales after the six-month Sunday sales trial concludes in May.

"I want to combine all those questions in together," he said.

Sunday hours at county liquor stores begin Nov. 21. The council will adopt its fiscal 2012 budget in late May.

Divided along party lines

At a County Council candidate debate on Oct. 20 in Rockville an audience member asked if the county should "get out of the liquor business."

"Absolutely," said Robin Uncapher, of Bethesda, one of four Republicans to lose a bid for one of the council's at-large seats. "What are we doing in the liquor business?"

Brandon Rippeon, a Republican from Darnestown, agreed, calling the revenue the county makes from liquor "a drop-in-the-bucket compared to what we could contribute if we didn't have the expenses of stores, employees."

It is unclear whether profits from an extra day of sales each week will outpace overhead costs enough to make Sunday sales financially beneficial to the county, Leggett said on Wednesday.

It will cost \$15,000 to \$20,000 more per week to open the stores on Sundays, he said.

"So we have to make up that difference," he said.

Liquor sales revenue funds county programs, Councilman Marc L. Elrich (D) of Takoma Park said during last month's debate.

"I think it's a good social control and it makes money for the county," he said, adding that his friends "don't vex over a \$145 bottle of wine. The kinds of wine that we drink, they're readily available and they're in stock."

Elrich said he is "not interested" in seeing private liquor stores in Montgomery County like those in Prince George's County, which he called "magnets for trouble."

Council President Nancy M. Floreen (D) of Garrett Park said during the debate that she does not support privatization, adding that the county "is using some liquor revenues to fund transportation improvements."

The unknown impact of Sunday sales

Leggett said Wednesday that the Sunday sales are not intended to help close a \$14 million gap in the fiscal 2012 budget that was left when voters on Election Day rejected a fee for ambulance service.

The announcement of the Sunday sales said they were "being introduced more as a customer-friendly, consumer convenience initiative" than as a revenue-maker.

Asked how much he thinks Sunday sales will add to the county's coffers, Leggett said: "I have no idea. And that's why I didn't put any monies in the budget to reflect a program changing the liquor sales to Sunday."

At a time when the economy is struggling to rebound from the Great Recession, liquor sales are down, Leggett said.

The most optimistic projections are that the extra day of sales would bring in another \$1 million a year, he said.

"This is only a pilot for six months," Leggett said. "We'll evaluate it. And then after the evaluation I'll make a recommendation about what we should do long-term. But right now we simply do not know."