



Senate of Pennsylvania

Senator Jim Ferlo

38th Senatorial District

MEMO

Date: *August 4, 2011*
To: *All Senators*
From: *Senator Jim Ferlo*
Subject: *Co-sponsorship of legislation for Liquor Control Board Modernization*

In the near future, I will introduce legislation that will provide more flexibility to the Liquor Control Board (LCB) in three key areas to improve the operating efficiency and profitability of the agency. The bill will amend the Liquor Code, which often prevents the LCB from operating at peak performance. The amendment will make the following changes regarding personnel, pricing and procurement:

Personnel:

The bill will amend the powers allocated to the board regarding hiring and the agencies staff structure by removing the Civil Service Act and Administrative Code of 1929 provisions relating to appointment, compensation, and the defining of the powers and duties of managers, officers, inspectors, examiners, clerks and other employees. An employee would not be considered a member of the classified service. Instead, the aforementioned employees would serve at the pleasure of the board and shall be considered a "State employee" as relating to retirement for State employees and officers. The LCB shall also establish a system of classification and compensation for its employees which are consistent with the practices and procedures of other Commonwealth agencies and not subject to provisions of the Administrative Code of 1929.

A section of the Code is removed which subjected officers and employees of the board to the provisions of the Civil Service Act. This would allow the LCB to have the ability to hire employees with the right skill sets in a timely fashion, remove underperforming or insubordinate employees, and establish the right amount of pay and benefits to its employees.

The Board shall adhere to 51 Pa.C.S. Ch. 71 relating to veteran's preference for noncivil service positions.

Protections for current employees are also addressed including:

- All collective bargaining agreements in effect at time of enactment shall remain in effect per the terms of the contract. Future collective bargaining agreements shall be negotiated by the collective bargaining agent for each bargaining unit.
- Employees shall be deemed public employees. Labor relations and collective bargaining shall be governed by the "Public Employee Relations Act" and the Administrative Code of 1929.
- The civil service status of an employee employed at the time of enactment shall remain the same as it was immediately prior for as long as the person remains in the position the person held at time of enactment.

Pricing:

Currently, the LCB feels that it cannot provide flexibility in its pricing due to restrictive language in the Liquor Code requiring "proportional" markups on all of its products. This has been interpreted to mean that a uniform markup must be used on all products regardless of the discount the LCB is able to achieve through, for instance, bulk purchasing, whether the product is very popular and could likely afford to have a slightly higher price, or the product is very high priced and is more difficult to sell, so should be knocked down in price.

The LCB is asking that proportional pricing be removed as a requirement and that the Board be given the flexibility to design pricing structures more reflective of most retail operations. The current proposal would lift these restrictions and give the board the total decision making power on pricing. The LCB estimates that if given this flexibility the agency could increase profitability by \$50 to \$70 million per year.

Procurement:

Lastly, the Liquor Code would be amended to allow the LCB to purchase all goods and services in its sole discretion without following the Commonwealth's Procurement Code and is required to promulgate regulations providing for their own procurement procedures. The bill also grants the LCB to enter into agreements with governmental units of this Commonwealth and other states for the purchase or sale of goods and/or services.

If you would like to co-sponsor this legislation please e-mail Anne Laird Huber at alairdhuber@pasenate.com or call 787-6123.