

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

LIQUOR CONTROL COMMITTEE  
PUBLIC HEARING

MAIN CAPITOL BUILDING  
ROOM B-31  
HARRISBURG, PENNSYLVANIA

MONDAY, JANUARY 24, 2022  
10:00 A.M.

PRESENTATION ON  
CONSTITUTIONAL AMENDMENT TO PRIVATIZE THE SALE OF LIQUOR

BEFORE:

HONORABLE CARL WALKER METZGAR, MAJORITY CHAIRMAN  
HONORABLE DANIEL J. DEASY, MINORITY CHAIRMAN  
HONORABLE RUSS DIAMOND  
HONORABLE VALERIE S. GAYDOS  
HONORABLE BARRY J. JOZWIAK  
HONORABLE JOE KERWIN  
HONORABLE ABBY MAJOR  
HONORABLE NATALIE MIHALEK  
HONORABLE JIM RIGBY  
HONORABLE GREG ROTHMAN  
HONORABLE BRIAN SMITH  
HONORABLE CRAIG T. STAATS  
HONORABLE JESSE TOPPER  
HONORABLE DAVID M. DELLOSO  
HONORABLE MANUEL GUZMAN  
HONORABLE MARYLOUISE ISAACSON  
HONORABLE MALCOLM KENYATTA (VIRTUAL)  
HONORABLE ANITA ASTORINO KULIK  
HONORABLE STEVEN R. MALAGARI  
HONORABLE MARK ROZZI  
HONORABLE THOM WELBY  
HONORABLE REGINA G. YOUNG

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*Pennsylvania House Of Representatives  
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

\* \* \*

(See submitted written testimony and handouts online.)

## P R O C E E D I N G S

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1  
2  
3 MAJORITY CHAIRMAN METZGAR: Hour of 10 o'clock  
4 having arrived, I now call the House Liquor Control  
5 Committee to order for a public hearing on the  
6 Constitutional Amendment To Privatize The Sale Of Liquor.  
7 I'd now like to recognize the Minority Chairman, Dan Deasy  
8 for some opening comments.

9 MINORITY CHAIRMAN DEASY: Should we do roll call?

10 MAJORITY CHAIRMAN METZGAR: Sure. We could do  
11 roll call. If Lisa would do the roll?

12 (The roll was taken)

13 MAJORITY CHAIRMAN METZGAR: Quorum being present,  
14 I now recognize Minority Chairman Dan Deasy.

15 MINORITY CHAIRMAN DEASY: Thank you, Chairman.

16 Good morning, everybody. Great to be here.  
17 Today we will have a hearing on privatization. Throughout  
18 the past -- obviously there's a lot of new members on the  
19 Committee who have not been here in the past, but we've had  
20 a number of privatization bills come up. And while I  
21 personally and some of our Democratic members have not  
22 supported them, we have had bills which outline specific  
23 provisions for selling -- the wholesale and retail business  
24 of wine and spirits.

25 We had testifiers that represented a wide array

1 of interests, perspectives, and positions. In 2011, House  
2 Bill 11, we actually had a speaker at the time, Mike  
3 Turzai, come and take questions and -- all questions, and  
4 it was a very informative hearing from what I understand.  
5 We had the Commonwealth Foundation; ISSU; Victory Brewing;  
6 the Auditor General Jack Wagner at that time; David Trone,  
7 President of Wine & More; John Cape, the Managing Director  
8 of Public Financial Management, to answer questions; as  
9 well as Roland Zullo, who is a Research Scientist on  
10 Privatization from the University of Michigan, who provided  
11 analysis on HB-11.

12 In 2013, we had HB720. And the State Troopers  
13 Association was here; Liquor Control -- LCB was here, as  
14 well as Fraternal Order of Police -- all in opposition --  
15 Mothers Against Drunk Drivers, the Council Rock Coalition  
16 for Healthy Youth.

17 Then there was another hearing in May of 2013 --  
18 the Malt Beverage Distributors Association; Jacquin's, who  
19 obviously represents a big number of jobs in the  
20 Philadelphia area; PA Wine Association; PA Beer Alliance;  
21 XTL, which is a logistics company which handles the  
22 wholesale distribution; as well as the Lieutenant Governor,  
23 who testified on behalf of the Governor at that time. All  
24 in all, there was a total of 21 testifiers. Most  
25 prominently, the prime sponsor -- who's here again --

1 fielded all questions. Where do these organizations stand  
2 on the current proposal? Have we asked them? Or do we  
3 assume that their position is the same as previous  
4 privatization bills from 10 years ago? A lot has changed  
5 in that time.

6 Today, we're here for a meeting on a proposal  
7 that we didn't even get language until Friday, to hear  
8 testimony that was only predetermined by the majority  
9 through invite only. Despite repeated attempts by my  
10 office and by public request to testify, the Commonwealth  
11 Prevention Alliance, a group that represents alcohol abuse  
12 and prevention, have once again been shut out of this  
13 conversation today. Why do we not get an opportunity to  
14 hear from them? They submitted their testimony -- their  
15 request in a timely manner. Are we concerned only to hear  
16 about those who would benefit from the proposal? Why is  
17 the narrative so small? If this is a public hearing, why  
18 are we limiting the public from speaking?

19 Lastly, I do have a question procedurally. Since  
20 this meeting failed to meet the requirements of the five-  
21 day notice of a public hearing, Rule 50, I want to make  
22 sure that the stenographer is getting paid today because  
23 that would be one of the ramifications of not having  
24 adequate notice for a meeting. So I care about  
25 employees -- all these employees in the room including the

1 stenographer -- so I want an assurance that she will get  
2 paid even though the meeting was not timely filed.

3           Again, I don't know how this meeting will move  
4 forward. We haven't gotten testimony. Nobody sends us the  
5 testimony ahead of time. There's no reason for that. We  
6 were elected by 60,000 people as well. We deserve the same  
7 materials before a meeting as anybody else.

8           With that said, I do have two questions. One,  
9 will there be -- how many hearings will there be on this  
10 proposal? And two, will all members be afforded the  
11 opportunity to ask questions equally?

12           MAJORITY CHAIRMAN METZGAR: Thank you for your  
13 comments, Minority Chair Deasy.

14           As to the question of the Rule 50 requirements  
15 and the five-day notice, we have confirmation from the CORE  
16 legal counsel saying that we have in fact properly  
17 sunshined with five-day notice, as the date of the hearing  
18 counts. Additionally, my office provided notice of this  
19 hearing the day before it was sunshined by the Chief  
20 Counsel's office. We too respect the rules in my office,  
21 and we can only do our part. If I can't get the Chief  
22 Counsel to sunshine it until the next day after we provide  
23 that notice and they still say that it's five days' notice  
24 and we're in compliance, that's all that we can do. So I  
25 think we can dispense with that issue and the drama

1 surrounding a stenographer pretty quickly.

2 With regard to the testimony that's going to be  
3 provided today, obviously it's not one-sided. I think that  
4 our very first lead testimony is going to be adamantly  
5 opposed, adamantly opposed, to this choice for the voters.

6 That brings me to another issue. I don't relish  
7 being here in the form of proposing a constitutional  
8 amendment. You know, I've read some articles recently that  
9 lament that the legislature has been using this mechanism  
10 to get an agenda done. But this is the product of an  
11 executive branch that will not work with the legislature,  
12 that ignores the will of the people through its elected  
13 legislature. This is the reason why we have been forced  
14 down the path over and over and over again of trying to  
15 take our case directly to the people of Pennsylvania.

16 And that's what today is about. We're asking the  
17 people of Pennsylvania whether they're going to continue  
18 down the path that we're on with the system that we have,  
19 or if we're going to go a different path. That's what the  
20 nature of this hearing is. And I'm glad that Chairman  
21 Deasy pointed out that we've had no less than 21 different  
22 witnesses testify with regard to the issue of liquor  
23 privatization. We have ample testimony out there, and I  
24 encourage all the members to review that testimony. If  
25 it's changed and someone wants to make note of that -- that

1 their position has changed since the testimony was given in  
2 that particular group -- I'm anxious to hear that. But  
3 today we're hearing both sides of the issue. And we have  
4 again a plethora of testimony about this issue over the  
5 years.

6 And I think that it's not -- today is not about  
7 the mechanics of what happens if the liquor system in  
8 Pennsylvania is privatized. Today is a day where we ask  
9 the question of should the voters get to decide that issue.  
10 Should we entrust them to do that, and are they able to do  
11 that? And that's going to be the question that we're going  
12 to ask today. And I'm anxious to hear it.

13 And so without further ado, I -- for what purpose  
14 does Ms. Isaacson intervene?

15 REPRESENTATIVE ISAACSON: Sorry. Not trying to  
16 be an intervention. I would like to make a motion, which I  
17 believe is in order and so --

18 MAJORITY CHAIRMAN METZGAR: And what is your  
19 motion?

20 REPRESENTATIVE ISAACSON: Well, I appreciate your  
21 remarks. I'm sorry that you --

22 MAJORITY CHAIRMAN METZGAR: Please make your  
23 motion.

24 REPRESENTATIVE ISAACSON: Sure. Due to the fact  
25 that we are talking about amending the Constitution on a



1 bill that was only introduced four days ago and the  
2 previous topics of the bill -- the question at hand was  
3 legislative initiatives that were thousands of pages long  
4 in previous years and there's no time to digest it and that  
5 we're trying to make sure that we make an informed decision  
6 considering most people in this legislature were not here  
7 in 2011 or 2013 and none of the co-sponsors of either of  
8 those bills --

9 MAJORITY CHAIRMAN METZGAR: Ms. Isaacson, what's  
10 your motion?

11 REPRESENTATIVE ISAACSON: -- are on this -- my  
12 motion, please, is going to be that we postpone this  
13 hearing to two weeks from today, which would be -- February  
14 7th would be the date certain. And certainly we would want  
15 the maker of the bill, as is usually customary, to be the  
16 first testifier so that we can have an open discussion  
17 amongst members on what it is we're voting for before we  
18 even take testimony from outside parties that don't even  
19 know what --

20 MAJORITY CHAIRMAN METZGAR: The motion has been  
21 made.

22 REPRESENTATIVE ISAACSON: --they are doing and --

23 MAJORITY CHAIRMAN METZGAR: Is there a second to  
24 the motion? The Chairman seconds the motion. Chairman  
25 Deasy seconds the motion.

1           REPRESENTATIVE ISAACSON: And now we're allowed  
2 to discuss?

3           MAJORITY CHAIRMAN METZGAR: The maker of the  
4 motion is permitted discussion.

5           REPRESENTATIVE ISAACSON: Thank you. And I was  
6 trying to make sure that I was able to get the information  
7 in. I'm not trying to necessarily be adversarial starting  
8 out. I would really rather that we do go through a  
9 legislative process because the size of these bills and  
10 this topic of amending our Constitution, which is where you  
11 define government and enshrine people's rights -- we don't  
12 use the Constitution to prohibit things or change a branch  
13 of government. Since that is what's being proposed and we  
14 are talking about handing over our legislative duties and  
15 oversight and getting rid of them, perhaps we could  
16 postpone and plan constructively between both parties that  
17 we plan a good hearing where we can have a discussion  
18 regarding amending the Constitution on this issue, as well  
19 as hearing from the maker of the bill. And then, after we  
20 have a better idea of which of the gazillion proposals that  
21 have been proposed over the year, we're dealing with, then  
22 perhaps we can have information coming from other parties  
23 that are affected by this.

24           And so my motion is just to postpone this for a  
25 couple weeks until we're back in session so that everybody

1 can get their head around what we're trying to do here,  
2 since we just got this language four days ago. And I would  
3 certainly like to hear from all interested parties that are  
4 on your proposed list today, and I would look forward to  
5 hearing from the maker of the bill. So I would hope that  
6 people would try and be supportive so that everybody could  
7 be educated on this and not just listen to testimony that  
8 was given before they were even lawmakers themselves.

9 Thank you.

10 REPRESENTATIVE TOPPER: Mr. Chairman?

11 MAJORITY CHAIRMAN METZGAR: Representative  
12 Topper?

13 REPRESENTATIVE TOPPER: This is an informational  
14 meeting. The rules for quorum are different. This is not  
15 a voting meeting, and so I do not believe it's appropriate  
16 that any votes be taken for this in any regard. That is  
17 not the subject of why the roll call is taken. The rules  
18 for informational hearing in the House are clearly  
19 different than that of a voting meeting. I don't believe a  
20 vote is in order.

21 REPRESENTATIVE ISAACSON: It was a motion to  
22 postpone.

23 REPRESENTATIVE TOPPER: But that requires a vote.  
24 Right. And this is not a voting meeting. The rules for  
25 quorum are different. This is an informational hearing.

1 There is no motion to postpone that's in order.

2 MAJORITY CHAIRMAN METZGAR: Mr. Topper, please  
3 suspend. We're not going to argue this matter. And, you  
4 know, frankly I'm no parliamentarian and I really don't --  
5 you know, I'll entertain your vote if you would like. I  
6 would encourage the members to vote in the negative, and  
7 let's move forward with the hearing so that we can do just  
8 what the gentlelady is asking for, which is to gather  
9 information.

10 So I would expect no further procedural maneuvers  
11 because I frankly don't think that they're in order anyway,  
12 but we're pretty confident in our vote that we'll continue  
13 and move forward with it. So again, I encourage the  
14 members to vote in the negative.

15 Lisa, would you please do the roll?

16 (The vote was taken, 9 Yes, 10 No)

17 MAJORITY CHAIRMAN METZGAR: Meeting is adjourned.  
18 Just kidding.

19 I now recognize Representative Mihalek for some  
20 initial comments.

21 REPRESENTATIVE MIHALEK: Good morning, everyone.

22 Thank you, Mr. Chairman, for convening this  
23 hearing today to hear from a variety of testifiers on the  
24 concept of privatizing the sale of alcohol in the  
25 Commonwealth of Pennsylvania, 88 years after the end of

1 Prohibition, and the question of whether or not to take  
2 that concept straight to the Pennsylvania voters.

3           Back in the era of Prohibition, serving in the  
4 Governor's Mansion was Governor Gifford Pinchot, an ardent  
5 prohibitionist who ran his political campaign on the idea  
6 that alcohol was the root of all evil in America. He  
7 routinely made requests to the legislature for increases to  
8 the funding available to go after Prohibition lawbreakers  
9 and considered it a personal insult to be offered any  
10 alcoholic beverages, even before Prohibition. When  
11 Roosevelt won on a pro-repeal ticket in 1932, Pinchot was  
12 rather displeased, labeling liquor as a moral wrong and an  
13 economic mistake. The question of repeal was ultimately  
14 posed to the voters, and in 1933, Pennsylvanians  
15 overwhelmingly voted for the repeal of the 18th Amendment.  
16 It was a three-to-one margin. A disappointed Pinchot  
17 quickly got to work, creating a state monopoly on the sale  
18 of liquor that would be tightly regulated and in his own  
19 words discourage the purchase of alcoholic beverages by  
20 making it as inconvenient and expensive as possible.

21           Eighty-eight years later, his legacy lives on.  
22 While privatization efforts have been discussed in  
23 Harrisburg over the decades, I can't think of a more  
24 relevant time to reignite this discussion. Over the past  
25 two years, Pennsylvania has endured two pandemics, COVID-19

1 and the pandemic of government overreach. We have seen  
2 time and again how one person's will imposed upon the  
3 residents of this Commonwealth feels like an erosion of  
4 democracy. And we have seen countless examples where our  
5 government has inserted its control in far too many aspects  
6 of our everyday lives. Maintaining law and order, the  
7 protection of individual liberties, infrastructure,  
8 education, and the promotion of economic activity are the  
9 core functions of government. Selling alcohol is not on  
10 that list. It would seem to me that the government  
11 monopoly on liquor is an anti-consumer relic borne out of  
12 one man's disdain for the consumption of alcohol.

13           Last May, we posed several questions to the  
14 Pennsylvania voters on what they believe the appropriate  
15 role of government should be. And they said yes to  
16 restoring a balance of power. My proposal seeks to answer  
17 a more specific question regarding the role of government,  
18 and simply put, should the government of this Commonwealth  
19 be engaged in the sale of liquor?

20           I look forward to the testimony today on whether  
21 or not the General Assembly should ultimately let the  
22 voters decide this simple question.

23           Thank you, Mr. Chairman.

24           MAJORITY CHAIRMAN METZGAR: Thank you, Natalie.

25           So I would like to remind the testifiers that are

1 here today that in this committee, we don't have you read  
2 the testimony that was submitted, that we have you give a  
3 brief synopsis of your position and then we open it up for  
4 questions of the members, as we believe that questions are  
5 the most important aspect of the hearing. Additionally,  
6 we're going to try and move things along. We have an  
7 ambitious agenda today, and so we plan to limit members to  
8 one question per panel.

9           The first panel that we have offering testimony  
10 today is the United Food and Commercial Workers 1776. And  
11 testifying today is Wendell Young, IV, the President of  
12 that organization. He is joined today by Chris Naylor.  
13 However, it's my understanding that Chris will not be  
14 offering testimony.

15           So without further ado.

16           MINORITY CHAIRMAN DEASY: I just want to be  
17 clear. I had asked the Chairman whether the sponsor would  
18 field questions, and the answer is no. So just --

19           MAJORITY CHAIRMAN METZGAR: The answer was not  
20 no. Mr. Deasy is misstating my answer. My answer was --  
21 and I think if he's an honest gentleman he'd say my answer  
22 was -- not today.

23           MINORITY CHAIRMAN DEASY: Not today. Okay. You  
24 did. Absolutely. You did.

25           MAJORITY CHAIRMAN METZGAR: So.

1           MINORITY CHAIRMAN DEASY: I perceived that as no,  
2 but yeah.

3           MAJORITY CHAIRMAN METZGAR: I think there's a big  
4 difference there.

5           MINORITY CHAIRMAN DEASY: Is there a commitment  
6 to have other hearings where we will hear that testimony?

7           MAJORITY CHAIRMAN METZGAR: There's no  
8 commitments today other than we're going to hear from Mr.  
9 Young.

10          MINORITY CHAIRMAN DEASY: Okay. Appreciate it.

11          MAJORITY CHAIRMAN METZGAR: President Young?

12          MR. YOUNG: Chairman Metzgar, Chairman Deasy,  
13 members of the Committee, thank you for inviting me today  
14 to talk about an issue that (indiscernible - away from  
15 microphone) to talk about for a long time.

16                 Before I get into my comments, I do want to  
17 introduce some people who came with me today. In the  
18 building today are about 150 members of UFCW Local 1776.  
19 Most of them work in the liquor stores. They are part-time  
20 and full-time clerks, store managers who are in our Union.  
21 They are people who are your constituents, your voters,  
22 your friends, your neighbors. Their kids are on the  
23 ballfield with your kids, basketball game, going to the  
24 schools that your kids (indiscernible - away from  
25 microphone) and just want to convert this asset into more



1 profits for themselves. They have a much different  
2 lifestyle than those people.

3 But I thought about the terms that were used by  
4 the primary sponsor, and I thought about her career as a  
5 lawyer and a prosecutor. So I looked up accessory in a law  
6 dictionary. And it says "also called accessory before the  
7 fact, a person who, though not present during the  
8 commission of a felony, is guilty of having aided and  
9 abetted another who committed the felony." And special  
10 interest, I also looked up. "Body of persons, corporation,  
11 or industry that seeks or receives benefits or privileged  
12 treatment, especially through legislation." My members are  
13 neither of those, and it's disrespectful to treat them that  
14 way. I take it as the connotation was intended. All  
15 right?

16 And I'm going to go through a few more things  
17 that have been said by the primary sponsor and Senator  
18 Regan about our members and this system. So the first  
19 thing is this whole issue -- we just heard the primary  
20 sponsor talk about it -- about this two-page bill to change  
21 the Constitution. The actual question is two sentences and  
22 less than 25 words. And Representative Isaacson has  
23 already shown you some documents, but I'm not going to go  
24 back 88 years because I think it's a waste of time to talk  
25 about what Governor Pinchot did and said. Because this

1 system is not the system created out of Prohibition. It  
2 changed a lot. In fact, the biggest single period of time  
3 with the most change, for those here old enough to  
4 remember, was during the Governor Casey administration,  
5 where the old-fashioned counter stores were rapidly  
6 replaced by modern, friendly, self-service stores.

7 But let's just pick up in modern history, where  
8 most of us remember. This is the Price Waterhouse study  
9 done during the Ridge administration dated 1997. You all  
10 remember that for all approximately seven years of his  
11 administration, privatization was front and center. This  
12 is not the bill; this is just the analysis of the bill to  
13 help answer questions about what it would mean. This is  
14 the choice being put before the voters. They're not given  
15 a choice because they have no idea what the plan is.

16 If you go to 2011, Representative Turzai's  
17 efforts, this is the actual bill. It's 99 pages and 28,000  
18 words. I can only assume from the comments I've read from  
19 Senator Regan and the primary sponsor here that they're  
20 looking for something like this. This actually grew in  
21 size, as hearings were held including the first hearing  
22 where Representative Turzai was the presenter on the pro  
23 side, with amendments. Because the more hearings they had,  
24 the more they learned that this was not such an easy thing  
25 to do and that the talking points they were given by some

1 people in the industry and folks like the Commonwealth  
2 Foundation just turned out to be plain old not true.

3           This is the analysis by PFM of that 2011 bill. I  
4 don't know if you noticed here -- if you're keeping  
5 track -- it's a lot bigger. It's more than double the  
6 size. If you were to have a question for the voters to  
7 understand and you were to actually have a plan of what you  
8 were going to do, this is what you would have to put in  
9 front of them to help them understand what they're voting  
10 on. There is no choice here. There's no decision you're  
11 giving the voters, talking about a concept.

12           Later in 2013, House Bill 790 -- as I said, it  
13 got larger over time -- Representative Turzai's latter  
14 effort -- 209 pages, 62,000 words. That's just the bill  
15 itself. And there were amendments to that too. All right?  
16 That compared to this is the choice.

17           But we don't even know if this is what it is.  
18 It's a little hard coming here today to talk about what it  
19 is that we're against when the primary sponsor actually  
20 hasn't put anything up, but we get a clue from the talking  
21 points in the media and co-sponsorship memo and some other  
22 things. So I want to talk a little bit about those issues.

23           This is a costly system. There's no cost to the  
24 taxpayer. That's a quote, this is a costly system. That's  
25 why we got to get rid of it. There's no cost to the

1 taxpayer. This delivers over \$800 million in economic  
2 benefit to Pennsylvania and pure profit of close to 300  
3 million -- 265 million this past year. After paying all  
4 expenses including the pension liabilities, it does not --  
5 you know. Some of you are on appropriations committees.  
6 You don't appropriate one penny to the PLCB. It actually  
7 delivers money to other places including State Police, drug  
8 and alcohol programs, local municipalities, the Treasury  
9 itself, and direct transfers. It is beyond a  
10 misrepresentation to say that. But we were all raised, you  
11 never use the word lie.

12           The next is supposed increase in profits. I  
13 think it was Senator Regan that said that in a number of  
14 his quotes, "supposed increase." Well, the record's pretty  
15 clear. I mean, you all have the information. It's on the  
16 PLCB's website. It's in our annual report. It's provided  
17 to the Appropriations Committee and this Committee and the  
18 Senate Law and Justice Committee of the finances. And they  
19 go back quite a few years -- 1933. And it's pretty clear.  
20 There is a consistent incremental increase year after year.  
21 It's a very reliable source of income, as well as increased  
22 income.

23           Now, the first governor to try and privatize in  
24 my lifetime was Governor Shapp, a Democrat, towards the end  
25 of his administration. And it was theorized that he wanted

1 to run for higher political office, and it was a good way  
2 to raise money, privatize the system. Some consultants out  
3 of Wharton University said that the system was going to be  
4 broke within a few years; it continued to make more money.  
5 Governor Thornburgh said the same thing; he was wrong. And  
6 Governor Ridge said the same thing; he was wrong. Mike  
7 Turzai started out telling you the system was bankrupt and  
8 it would be a burden on the taxpayers within two years.  
9 No. It's made more money, more profit, every year. And if  
10 someone can't look at this financial statement and the more  
11 detailed ones provided right on the PLCB's website and see  
12 that, then I would suggest that maybe their own prowess in  
13 the area of understanding financial statements is the issue  
14 and not the PLCB.

15 Failed to disclosed more than 1 billion in  
16 pension liabilities. I think it was Senator Regan who said  
17 that, but I think it's been parroted by others. Failed to  
18 disclose. And I actually met with the primary sponsor,  
19 Representative Mihalek, about this and gave her a heads-up  
20 last year about, you know, I hear what you're saying and  
21 it's not true and here's where you can find the  
22 information. Yet she continues to repeat it, and people  
23 pick up the talking points. I guess it's one of these  
24 things that if you say something enough over and over  
25 again, people believe it's true. But actually, again, you

1 go to the annual report, which has been distributed to all  
2 of you every year. You go to the website. It's very easy  
3 to find on the website, their financials. But more  
4 importantly, they send all this over and they testified  
5 before the Appropriations Committee. So again, one of  
6 those things that is beyond just a misrepresentation; it  
7 just isn't true.

8           The liabilities are also long-term liabilities.  
9 They're not the kind of debt that means you're bankrupt or  
10 broke. Most of you have mortgages; you know what I mean.  
11 You have an asset that secures it, and it's a long-term  
12 liability and it doesn't mean you're bankrupt or broke.  
13 For anybody to try and convolute this into -- conflate this  
14 into saying that the system is broke, again, doesn't  
15 understand basic accounting principles.

16           This is another question. The only way this  
17 becomes a cost -- oh, I'm sorry. So the pension liability  
18 does become an issue. The only way it becomes an issue is  
19 if you get rid of the system. Because then those  
20 liabilities have to be paid for. Now, some of the folks  
21 from the industry here, they don't want to pay for it. In  
22 fact, there's no other bill ever presented -- the ones I  
23 showed you and any time before that -- that would have them  
24 covering those liabilities. Republican Senator McIlhinney  
25 brought that out best in one of the last hearings held on

1 this subject, where he acknowledged that this would cost  
2 the Pennsylvania taxpayers \$24 million or more a year every  
3 year for 30 years if that bill had been passed, the last  
4 one I showed you. \$24 million a year for every year  
5 because there was nothing in there that had the industry  
6 picking up the tab for that.

7 One of the other things that has been popular to  
8 say lately is that they fail to disclose their arbitrary  
9 markups. This is a favorite of Senator Regan's and others.  
10 But again, that's not true either. You see, under Acts 39  
11 and 85, the PLCB is required to give you a report every  
12 April 1st on the pricing. In fact, here's the last one.  
13 I've distributed it to you before today's hearing, but the  
14 PLCB distributes it to both the House and Senate  
15 Committee -- the Law and Justice Committee and the Liquor  
16 Committee here -- every year. In fact, you're obligated  
17 under that act to call hearings on the subject every year.  
18 And you haven't done that. The current leadership in both  
19 chambers has decided not to do that. All right?

20 So it's rather disingenuous when this report was  
21 actually addressed directly to Senator Regan, Senator  
22 Brewster, Representative Metzgar, Representative Deasy --  
23 and we know they received it -- for Senator Regan's press  
24 comments, his op-eds, and his letter to all his colleagues  
25 expressing support for this says that those things are

1 being withheld from them. Again, it's more than just  
2 disingenuous or misrepresentative; it's I believe a  
3 deliberate falsehood.

4           The other issue related is, again, Senator  
5 Regan's insistence that the PLCB refuses to disclose any  
6 information about their leases. That's all public  
7 information. It's in the annual report, it's in the  
8 financials, and every lease is approved at a public hearing  
9 in the PLCB. Again, just not true. But they repeat to say  
10 it despite being advised differently.

11           And then another quote, "The state-run business  
12 is a very expensive one to operate, and touting its profits  
13 is laughable and disturbing." So this is something I've  
14 testified over 40 years about. So let's compare the PLCB  
15 to the private sector, and let's see how they're doing. So  
16 here I just pulled up a couple samples, and I went on  
17 recently and got these numbers from some financial reports.  
18 One, in the liquor industry, the average net profit for a  
19 standalone liquor store in this country is 8.1 percent.  
20 Don't confuse it with gross -- net profit, 8.1 percent.  
21 The thing is, there's not as many of them around anymore  
22 because of the consolidation by supermarkets, convenience  
23 stores, and big box stores. But where they are standalone  
24 stores is 8.1. Walmart runs at about 3 percent or less a  
25 year -- runs between a point and a half and 3 percent a



1 year net profit. Target -- these are all players big in  
2 liquor. These are the ones that are going to get most of  
3 this stuff if you privatize it. Target runs about three  
4 and a half to 4.2 in recent years -- last three years.  
5 Albertsons -- second largest grocery store chain in the  
6 nation and in other states has liquor in their aisles and  
7 here has it through the wine expansion and the beer  
8 expansion. They run about 1.5 percent net profit. Kroger,  
9 1.93 percent average in the last handful of years.  
10 Costco -- over the last 10 years, it's ranged from 1.7  
11 percent to 2.56 percent, not necessarily in that order; it  
12 goes up and down. And the PLCB consistently comes in at or  
13 above 10 percent and right now is running -- and  
14 consistently for years now -- at about 13, 14 percent per  
15 year. That's hardly a company or an organization that  
16 could be described as "laughable and disturbing." We do a  
17 very good job because of the leveraging and the efficiency  
18 that comes with one place to distribute, to retail, and to  
19 wholesale. Great advantages there.

20 And I do believe -- and you'll have testimony I  
21 think about this or you'll ask questions about it -- in the  
22 last two years, the PLCB hasn't had a price increase. Now,  
23 that doesn't mean some manufacturers haven't increased  
24 prices; PLCB hasn't with the pandemic.

25 Now, some people may go check the math on my net

1 percent on the profit on the PLCB and say, well, it's  
2 really only about 12 percent. Well, you need to consider  
3 that if this were private sector, they wouldn't be making  
4 payments to the Pennsylvania State Police or to the grants  
5 that you require them to do or to the drug and alcohol  
6 programs. So when you add those numbers back in, it's  
7 actually 13 to 14 percent. They best everybody in their  
8 class that has publicly available information.

9           They also do a great job in another way. There's  
10 about 600 stores. The total items that you can access  
11 through the system is over 66,000 items. Think about it.  
12 66,000 items. The listed portfolio -- that's the number of  
13 items that's on their regular list for their retail  
14 stores -- is 5,165. I'm going right from the annual  
15 report. And the limited purchase items, another 7,887.  
16 And the special order catalog, which is for the licensees,  
17 mostly restaurants and bars for things that are unique that  
18 you wouldn't normally find in a liquor store is 53,000  
19 items. There is not a system anywhere in this country --  
20 not Total Wines, not Costco, no one else -- who has that  
21 extensive of a list of products available. And the stores  
22 here -- the average store stocks almost 2,500 items. The  
23 premium collection stores, over 4,000 items. The average  
24 small store -- and there are small stores in our system  
25 because of the demographics of the community and population

1 demographics -- about 900 items.

2 Well, let's take a look at what the private  
3 sector has because there's been an issue made by the  
4 primary sponsor about convenience and all that. Well, if  
5 the primary sponsor had driven just a little ways west into  
6 either Ohio or West Virginia -- I know because I represent  
7 workers in Kroger, in CVS, in both of those states -- if  
8 you were to go visit our store in, for example,  
9 Steubenville or St. Clairsville in Ohio, you'll find --  
10 guess what? A separate register for alcohol. You'd have  
11 to go actually purchase it as separate. And it's in an  
12 enclosed area in the store, not the open kind we have here  
13 with the PLCB. It's a box within a box. And they only  
14 stock a couple hundred items -- that's it -- compared to  
15 the PLCB.

16 It gets worse when you go to what happens to be  
17 the only liquor store for some smaller towns. So if you go  
18 to Moundsville over in West Virginia, you'll find what  
19 happened there. They have about 150 items in that CVS.  
20 It's a little couple hundred square feet, not much bigger  
21 than a small office for one person, and one person's in  
22 there cooped up at a cash register, and that's where you  
23 get your stuff. And they only have 150 to 200 items. That  
24 is what you find outside of the big supermarket in the more  
25 populated areas. And it's like that all around the

1 country, folks.

2           So this idea that it's some sort of, like,  
3 nirvana and where it's private it's always better, it's  
4 not. And let's just look at what happened to states who  
5 left Prohibition and created systems similar to  
6 Pennsylvania -- in fact, almost identical -- and what  
7 happened. Now, this may sound like a long time ago, but  
8 the opening comments from the primary sponsor went back 88  
9 years. I'm not going to go that far. Iowa privatized.  
10 What did they find? They lost revenue from day one on both  
11 wine and spirits and for quite a few years, and they ended  
12 up with higher prices and higher taxes. West Virginia came  
13 after them. Same thing. In fact, West Virginia's revenue  
14 experience was so bad that it took 25 years before the  
15 revenue came back up to the level it was prior to  
16 privatization.

17           And let's talk about the most recent one that was  
18 unfolding just as Representative Turzai was launching his  
19 privatization effort in 2011, Washington State. Now, they  
20 had already evolved to where we are now with some private  
21 enterprise involved in, like, some wine in some other  
22 stores. So when they did a voter referendum there and they  
23 didn't tell the voters what to expect, people thought those  
24 talking points from people like our primary sponsor here is  
25 what they were going to get. No. What they got -- and the

1 evidence is overwhelming, which is why you should have  
2 hearings -- they got higher taxes to make up for lost  
3 revenues and amongst the most expensive wine and spirits in  
4 the nation, not just the year or two that followed but to  
5 this day -- 15 to 30 percent more expensive. Now, I think  
6 if you put that on the ballot question -- in order to have  
7 a little more convenience and the private sector run it,  
8 would you pay more taxes, higher prices, and less  
9 selection -- I'll go for that ballot referendum any day.

10           But you're not being honest with people, putting  
11 up this that tells them nothing about what they're going to  
12 get when all this information here confirms what I just  
13 said. Because the Price Waterhouse study during the Ridge  
14 administration, the people who wrote that study came into  
15 hearings at the end of it and admitted that their study was  
16 flawed in outcomes because information had been withheld  
17 from them and the assumptions given by the Ridge  
18 administration were faulty. The PFM study, they brought me  
19 in in August of 2011 to review the final draft. I sat  
20 there with a couple of my staff and chewed it up and spit  
21 it out in a few minutes. They didn't release the final  
22 draft until October. They had to go back and redo their  
23 math. Do you know why? Same thing. The administration  
24 and Representative Turzai's office limited the scope to  
25 avoid them counting the bigger costs of unwinding the

1 system. So it gave a false impression there was money to  
2 be made on their proposal. There wasn't. It was a loser.  
3 They also were not able to calculate -- they were given  
4 false assumptions on what the ongoing costs -- they assume  
5 that sales and costs -- costs would go up and sales would  
6 remain relatively flat, which has never happened in the  
7 history of this system.

8 So when you look at what hearings have produced  
9 in the past on this issue, what you'll find is that me nor  
10 my members are accessories or special interests that have  
11 derailed or prevented the will of the people. What you'll  
12 find is that the hearing process that our Constitution  
13 provides for -- for legislative process -- brought out  
14 facts and information that the peddlers of privatization  
15 either didn't know what they didn't know about or weren't  
16 willing to admit. And the Chambers failed to produce the  
17 votes, and ultimately the Governor failed to sign.

18 In fact, some of you, since you weren't here back  
19 then, might not remember this, but the final polling during  
20 Representative Turzai's efforts -- and I believe it was  
21 Franklin & Marshall did it towards the end of the  
22 process -- showed that as more people learned more about  
23 what privatization would do, plurality of the voters  
24 actually was against privatization in independent polling.  
25 Not paid for by me. Not paid for by the Commonwealth

1 Foundation or anybody who had skin in the game. And I  
2 found that that was very rewarding to go through those  
3 hearings because people learned a lot about it. I had many  
4 people including Republicans say they didn't understand a  
5 lot of this until the hearings occurred.

6 So I think if you look at what's happened in the  
7 states that actually privatized from a system like ours,  
8 it's one of those things that you start to question, you  
9 know, what it is you're really asking for and beware of  
10 what you're asking for. Because if the ballot question  
11 said, as I've already said, you know, higher taxes --  
12 because you're going to have to make up that revenue from  
13 somewhere.

14 Now, here's one I like. And, you know, with all  
15 the excited stuff going on out there in politics, you know,  
16 there's a lot of issues here. But one of them is, you  
17 actually defund police. There's tens of millions of  
18 dollars that go every year right out of the revenues of  
19 this system to the police. Right? I can see the signs in  
20 the building now. Why is Representative Mihalek trying to  
21 defund police and increase crime? I mean, these are the  
22 things that no one's taking -- you have to make up for that  
23 somehow in your budget as you go through this.

24 So I've covered a lot of ground. I've sent, I  
25 think, 18 different documents to you including some of the

1 ones I've referenced here. A lot of people are going to  
2 tell you how this is going to work; it's all going to be  
3 just fine. But the fact is, everywhere else that has done  
4 this, it hasn't worked out just fine. You will have to  
5 fill the gap in revenue. Every one of those other places  
6 ended up with higher taxes, higher liquor taxes, higher  
7 liquor prices. Even in our experiment here with wine  
8 expansion, in most of those stores, that wine costs more  
9 than it does at the PLCB except for some special order  
10 items and some things that were bought on a discount. And  
11 even in those stores, they only carry a fraction of what  
12 our PLCB stores carry.

13 Jobs. There's close to 6,000 employees of the  
14 PLCB -- 5,887 I think in the last report. There's another  
15 about 700 people that are Teamsters that work in two of the  
16 warehouses here in Pennsylvania. And there are building  
17 trades employees that are under contract with  
18 contractors -- that work for contractors that do work for  
19 the PLCB across the state. So you're talking about 7 or  
20 8,000 jobs that'll be impacted.

21 And another thing. PFM. The sponsor's own firm  
22 that wanted privatization, PFM, confirmed in their own  
23 study -- read it -- is that very few people will find  
24 employment in the private sector who replaces this. Why?  
25 It's pretty simple. You saw it with wine. They didn't



1 build new stores; they just reorganized the existing shelf  
2 space and redeployed the people into those jobs. And  
3 therefore, the unemployment costs to the State Unemployment  
4 Fund are going to have to be taken into account.

5 But there is no magic here that all these people  
6 are just going to go down the street to whoever the  
7 licensees are and get jobs. PFM said it. You don't have  
8 to take my word for it. In fact, almost everything I say,  
9 now and in the past -- you can read my past testimony from  
10 2011 and 2013 -- is all backed up by the people who wrote  
11 the studies to push for privatization. They confirmed it.

12 So I urge you to have hearings. Thoroughly vet  
13 this, as our Constitution requires the legislation to be  
14 vetted so that the facts from the fiction can be separated.  
15 So that if you're going to go to the voters and say, I  
16 support this for this reason, that you actually know what  
17 you're talking about. Because a lot of people think they  
18 know a lot about liquor, but they don't. There is a  
19 difference between the talking points that people  
20 distribute to some of you and the facts and the data. And  
21 I ask you to pay attention to the facts and data. Because  
22 if you don't, you're going to cost a lot of people jobs in  
23 Pennsylvania. You're going to cause a revenue shortfall.  
24 You're going to cause the price of alcohol to go up and the  
25 taxes on alcohol. It's all in the PFM study. Look at it.

1           Now --

2           MAJORITY CHAIRMAN METZGAR: Thank you, Mr. Young.

3           MR. YOUNG: If I can, one last thing.

4           So by putting out this question, some people I  
5 guess avoid the responsibility for what comes next in those  
6 18 months that you have to come up with a deal. Think  
7 about -- I negotiate contracts for a living. A lot of  
8 them. Think about the leverage dynamic and what happens  
9 there. You pass this, and you have 18 months to come up  
10 with something. Something that hasn't happened here in 88  
11 years and certainly not in any of our lifetimes. All those  
12 licensees can sit back because you're not going to have all  
13 the liquor stores close and not have liquor and the  
14 wholesale operation close. Right now, they're willing to  
15 do things to get you to move legislation through a process  
16 that they can make money on. They're going to be able to  
17 sit back because you have nowhere else to go except those  
18 licensees if you can't work it out. And that is going to  
19 be on their terms. You're reversing the leverage and the  
20 dynamic. I don't know why any of you would ever do that.

21           Thank you.

22           MAJORITY CHAIRMAN METZGAR: Thank you, Mr. Young.

23 I appreciate that testimony. I think you mentioned him  
24 about 10 times by my count, so it is a pleasure to note  
25 that we have the Chairman of the Law and Justice Committee,

1 Senator Mike Regan, here in the room with us today. Thank  
2 you for attending.

3 MR. YOUNG: I'd be happy to answer any questions.

4 MAJORITY CHAIRMAN METZGAR: All right. Thank  
5 you. And the first question we have is from Representative  
6 Mihalek.

7 REPRESENTATIVE MIHALEK: Good morning, Mr. Young.  
8 I'm glad to see you here today. I hope you're doing well.

9 You provided us with some very helpful statistics  
10 regarding revenue and taxes and inventory and the monetary  
11 contribution from the Liquor Control Board. Are you here  
12 on behalf of the PLCB today or the United Food Workers?

13 MR. YOUNG: Well, my members work for the PLCB,  
14 and their jobs are at stake by your proposal, so I'm here  
15 supporting the system and their jobs.

16 REPRESENTATIVE MIHALEK: So I'm going to list a  
17 series of bills -- and many you've discussed and brought  
18 paper copies with you -- that were introduced in recent  
19 sessions. For the record, can you just please state if the  
20 UFCW has supported or opposed them? Act 39?

21 MR. YOUNG: Opposed.

22 REPRESENTATIVE MIHALEK: The bill to eliminate  
23 the prohibition on selling gasoline and alcohol at the same  
24 location?

25 MR. YOUNG: Opposed.

1 REPRESENTATIVE MIHALEK: Cocktails to go?

2 MR. YOUNG: No. No. No. We supported a  
3 compromise that had bipartisan support on that.

4 REPRESENTATIVE MIHALEK: The elimination of the  
5 separate register at the grocery and convenience stores?

6 MR. YOUNG: We oppose it.

7 REPRESENTATIVE MIHALEK: Raising the --

8 MR. YOUNG: It's a big mistake. Do you want to  
9 hear why?

10 REPRESENTATIVE MIHALEK: I don't. Raising the  
11 number --

12 MR. YOUNG: Of course you don't. Thank you. Of  
13 course you don't.

14 REPRESENTATIVE MIHALEK: If the subject matter of  
15 this hearing were different, I certainly would. If we were  
16 debating that bill today, I would certainly consider what  
17 you have to say, since you have 40 years of advocacy and  
18 experience in this arena.

19 REPRESENTATIVE GUZMAN: Point of order, Mr.  
20 Chairman.

21 MAJORITY CHAIRMAN METZGAR: We're going to  
22 continue the line of questioning. Thank you.

23 REPRESENTATIVE MIHALEK: Raising the number of  
24 bottles of wine to be sold at grocery --

25 MR. YOUNG: Opposed.

1           REPRESENTATIVE MIHALEK:  -- and convenience  
2 stores?  Expanding the spirit sales into private outlets?

3           MR. YOUNG:  Opposed.

4           REPRESENTATIVE MIHALEK:  Allowing the sale of the  
5 low-ABV drink in a private outlet -- low-ABV spirit drink,  
6 like a High Noon?

7           MR. YOUNG:  Alcohol by volume?  Yeah.  Opposed.

8           REPRESENTATIVE MIHALEK:  So none of those changes  
9 seem to be earth-shattering in the grand scheme of things.  
10 If the UFCW isn't supporting these very small consumer-  
11 focused changes and it continues to block any effort by the  
12 General Assembly to actually get some small reforms done,  
13 shouldn't we allow the voters to weigh in?

14          MR. YOUNG:  You're not -- your proposal doesn't  
15 allow the voters to weigh in on any of those issues or the  
16 larger issues that your two sentences, less than 25 words  
17 say.  So it is disingenuous to sit here and say, shouldn't  
18 you let the voters decide?  You're not giving them a choice  
19 between this and something else.  You're not giving them a  
20 choice, Representative Mihalek.  And, you know, what I  
21 would say is, why do you distrust the voters with  
22 explaining to them what it is you're really proposing?

23          REPRESENTATIVE MIHALEK:  So --

24          MR. YOUNG:  Why do you distrust them?

25          REPRESENTATIVE MIHALEK:  The question is simple.

1 Should government be engaged in the sale of alcohol?

2 MR. YOUNG: Well, that's a philosophy issue. And  
3 I can tell you, I've testified often about this. When  
4 folks sitting in your chair proposing privatization pivot  
5 to philosophy because they don't want to talk finance and  
6 facts, it means they don't have anything better to offer.

7 REPRESENTATIVE MIHALEK: We can talk about  
8 finance and facts. Do you think the voters of Pennsylvania  
9 aren't capable of deciding this issue?

10 MR. YOUNG: Not when you don't give them a  
11 choice. And you're not giving them a choice.

12 REPRESENTATIVE MIHALEK: I mean, it's --

13 MR. YOUNG: It's not possible. Do you vote on  
14 legislation here without knowing what's in the bill?

15 MAJORITY CHAIRMAN METZGAR: Representative--

16 MR. YOUNG: Why would you expect them to do the  
17 same?

18 MAJORITY CHAIRMAN METZGAR: Representative  
19 Mihalek, I would ask that you try and wrap up your question  
20 here with the next one.

21 REPRESENTATIVE MIHALEK: Sure. I'll switch gears  
22 here. In 2017, the UFCW was fined by the State Ethics  
23 Commission for failure to report money spent in political  
24 ads in efforts to defeat many of the bills that I had just  
25 discussed. How much money from union dues have you devoted

1 just in the last five years to political ads?

2 MR. YOUNG: We devote a lot of money towards  
3 protecting our members' jobs. And if you looked at the  
4 full record on that Ethics Commission issue, you'll find  
5 that there was an extensive investigation and filing that  
6 parroted exactly what came out of the Commonwealth  
7 Foundation's own printing. Somebody in the Ethics  
8 Commission thought they had something they didn't. And at  
9 the end of the day, we paid a small administrative penalty  
10 for something that got filed here instead of here on the  
11 wrong date. But we had filed those reports consistently  
12 throughout the entire process.

13 We never hid from what we were spending. In  
14 fact, we're more transparent than I believe lots of parts  
15 of government talked about in the media all the time  
16 because we file LM reports with the federal government that  
17 shows every penny we spend and where it gets spent. We  
18 also file different reports here in Pennsylvania, many  
19 reports. And out of all those many reports, something  
20 accidentally got here instead of there. That was -- at the  
21 end of the day, they dropped about 99 percent of what they  
22 were accusing us of because they found that it wasn't  
23 correct what they were accusing us of.

24 REPRESENTATIVE MIHALEK: So in the interest of  
25 transparency then, how much have you spent in the last five

1 years on political ads?

2 MR. YOUNG: We will get you a follow-up to this  
3 because I don't know the exact amount, but let me be clear.  
4 One of the issues in that ethics thing is, they thought  
5 that everything we spent -- like me coming here to  
6 testify -- was political and legislative. I have a  
7 contract with the Commonwealth of Pennsylvania. In that  
8 contract is language that says it is the obligation of me  
9 and the Commonwealth representatives to come here and  
10 engage with elected officials and agency officials on  
11 anything that has to do with -- anything that can have an  
12 impact on our members' jobs. That makes it  
13 representational. And it's a representational function.  
14 I'm not here today in a political function. And if I run  
15 an ad that says that your bill is terrible for these  
16 reasons -- because I'm trying to protect my members'  
17 jobs -- that's a representational charge.

18 REPRESENTATIVE MIHALEK: Okay. As far as  
19 representational charges are concerned, how much do you  
20 plan to spend against me in political ads for introducing  
21 this initiative?

22 MR. YOUNG: Everything we can.

23 REPRESENTATIVE MIHALEK: Thank you, Mr. Young.

24 MAJORITY CHAIRMAN METZGAR: Representative  
25 Malagari?



1           REPRESENTATIVE MALAGARI: Thank you, Mr.  
2 Chairman. Thank you to our testifiers for being here.  
3 Thank you, Wendell, and thank you, Chris.

4           So you mentioned about pensions, and your workers  
5 are covered under a collective bargaining agreement. I'm  
6 pretty familiar with collective bargaining agreements,  
7 having gone through one myself as a Teamster. And they  
8 receive a state pension; is this correct?

9           MR. YOUNG: They do. Our members that work at  
10 the PLCB are covered by the same state pension plan that  
11 most state workers are.

12          REPRESENTATIVE MALAGARI: Can you elaborate a  
13 little bit more for some of the members in the room on your  
14 point about the cost to the taxpayers -- we're all  
15 taxpayers in this room -- in those pension and  
16 postemployment benefits if your members were eliminated?

17          MR. YOUNG: There is no cost. If the system  
18 continues, there's no cost at all because all costs of the  
19 system including the employees' salaries, benefits, and  
20 future retirement benefits are covered out of the operating  
21 revenues before the distributions back to the State. So  
22 there's not one penny of cost to the taxpayers. The only  
23 time the pension issue becomes a problem is if the PLCB  
24 were put out of the business of wholesaling and retailing  
25 and lost its revenue source. That would trigger the need

1 for the taxpayers to pick up the bill. And so it's only a  
2 problem if Representative Mihalek is successful here.

3 REPRESENTATIVE MALAGARI: You mentioned real  
4 quick I think before in your testimony how much that would  
5 be to the taxpayer if the system were to go away. What  
6 would that cost be again?

7 MR. YOUNG: So in -- I believe it was 2015 was  
8 the hearing? 2015 was the hearing in the Senate Law and  
9 Justice Committee where there was actual on the record  
10 testimony from Senator McIlhinney, a Republican himself,  
11 who was in favor of privatization but recognized the  
12 problem the way that particular privatization bill was put  
13 together because it would trigger an obligation for the  
14 taxpayers to fund \$24 million a year for 30 or more years.  
15 And that was the number then. I suspect you would have to  
16 get an updated number, but I doubt it's any less than that  
17 today; it might actually be more.

18 REPRESENTATIVE MALAGARI: So we would have to  
19 take that money out of appropriation from somewhere else --

20 MR. YOUNG: Yes, you would.

21 REPRESENTATIVE MALAGARI: -- to dedicate toward  
22 that?

23 MR. YOUNG: Yes. And --

24 REPRESENTATIVE MALAGARI: So maybe the community  
25 where I live in would not get the money that's supposed to

1 go to them to pay for a certain program or pay for more  
2 roadwork or pay for more infrastructure, as we'd spoke  
3 about of one of the core functions of government.

4 MR. YOUNG: Well, I understand right now that  
5 there's a little bit of a surplus in the Treasury, but I've  
6 also read, like all of you have, about just a few years  
7 down the road around the time this initiative would be  
8 wrapping up that that's not necessarily the case. So I  
9 would venture to say that if that turns out to be true and  
10 you terminated the Wine and Spirits retail and wholesale  
11 operations that you would have to pass a tax increase to  
12 fund the cost of unwinding the PLCB.

13 Because I want to remind folks -- and I'm a  
14 little sketchy. I didn't re-review these numbers, but I  
15 have pretty decent recall. In the final bill that  
16 Representative Turzai was putting forward, he was claiming  
17 we'd get about -- I think the final numbers PFM said would  
18 be about \$1.3 million to the benefit of the State if we  
19 privatized. But that was over four years. The problem  
20 was, the cost to unwind the system not including the  
21 pension obligation, not including the unemployment costs  
22 and the loss of the multiplier effect of thousands of jobs,  
23 was larger. So it was a net loser from the moment you  
24 privatized. So these are all costs that would have to be  
25 made up somewhere out of the then-budget when that time

1 comes.

2 REPRESENTATIVE MALAGARI: Thank you.

3 MAJORITY CHAIRMAN METZGAR: Representative  
4 Gaydos?

5 REPRESENTATIVE GAYDOS: Thank you, Mr. Chair.  
6 And thank you, Mr. Young, for testifying. I appreciate  
7 your passion on behalf of your members.

8 You talk a lot about the profitability of the  
9 stores and your concern about a revenue shortfall for the  
10 State. To be honest, it seems to me that you're more  
11 concerned with the State's addiction to alcohol perhaps  
12 than actually doing the right thing -- or, in my opinion,  
13 the right thing. But, you know, what makes you think that  
14 your employees won't get jobs when or if the liquor stores  
15 are privatized? I mean, it just seems to me that they  
16 would be the first ones with their skillset to be picked up  
17 by the stores that privatize.

18 MR. YOUNG: Well, let me try and take it in the  
19 order that you said. First of all, I've been doing this  
20 for literally more than 40 years now. I started testifying  
21 on this issue before I was old enough to drink myself. And  
22 as a person that went into grocery stores at age 16 and  
23 became a member of this union and elected shop steward at  
24 18, I was very active in my union and this was one of the  
25 issues I was very active around. So I have a lifelong time

1 at this. It's not something I just picked up because of  
2 this recent bill that was submitted.

3 And I've looked at a lot of research and a lot of  
4 studies over the years. And the revenue is important  
5 because I do understand that if the system doesn't make  
6 money, it's the fastest ticket to shut down the system. So  
7 our union, fighting both Democrats and Republicans at  
8 times, has been in the forefront of trying to modernize  
9 this system my entire adult life. If you look at some of  
10 the modernization events that have happened over the time,  
11 most of what's happened we played a big role in developing  
12 and writing. Our union back in the '70s was hiring  
13 consultants from around the country to come in and help  
14 advise the then board members and governors about what  
15 could be done to make it profitable. Because we always  
16 understood that if it's not profitable, it's not  
17 sustainable. And it's those false arguments by Governor  
18 Shapp, Ridge, Thornburgh, and Corbett and Representative  
19 Turzai and others here in this room today that the system's  
20 broke and going broke; it's going to be a burden on the  
21 taxpayers. It's always been the spark for some of this  
22 kind of stuff. None of those things were ever true, and  
23 they're not true today.

24 So I work very hard with our members, with the  
25 folks here now and past people in their shoes, to try and

1 make the system be the best it can to be responsible but  
2 have the convenience, the access, the selection.

3           And I also bring another breadth of knowledge --  
4 depth of knowledge I didn't mention earlier. Now, I'm Vice  
5 President of my international union. We represent 1.3  
6 million workers around the country, and most of them work  
7 in retail. And those other states also handle liquor.  
8 I've taken the time to go visit those places and meet with  
9 those unions and employers, some of the same employers I  
10 deal with here. It's not what people are trying to present  
11 to you.

12           So that's where that passion comes from about the  
13 system and its profitability. I know it needs to be  
14 profitable for these jobs and those pensions to be paid  
15 for. Because even when they retire, those pensions need to  
16 be paid for in the future or legislatures are going to be  
17 coming in, saying now we need to cut those benefits that  
18 they earned all their life.

19           And for those folks -- you saw some of them here.  
20 There were more of them here earlier; they were asked to  
21 leave to make room for other people, and they're out in the  
22 building. Many of them count their service to this system  
23 in decades. You have a profitable system that serves the  
24 customers here better than most other states in all  
25 measures. Why would we want to put them out of work?

1           REPRESENTATIVE GAYDOS: But should the State be  
2 making a profit on the backs of people? I mean, on one  
3 hand, you know, you argue that -- you brag about  
4 profitability, so maybe prices should be even cheaper.

5           MR. YOUNG: I'm not sure I understand that  
6 question.

7           REPRESENTATIVE GAYDOS: You brag about the  
8 profitability. So why shouldn't prices then --

9           MR. YOUNG: I also brag about the work they do.  
10 I mean, they're --

11           REPRESENTATIVE GAYDOS: There's two different  
12 things. Those are two different things: the people and  
13 the customers.

14           MR. YOUNG: No. I'm talking about the employees.  
15 I constantly brag about what they do. I mean, they've had  
16 a very tough time in the past two years during this  
17 pandemic. I'm not sure any of you know what it's like  
18 without a pandemic to work in a liquor store, a place that  
19 sells just liquor. What it's like when those drunks come  
20 in in the morning or late at night on Thursdays, Friday  
21 nights, and what they do for each one of you and your  
22 families every day. I'm very proud of what they do. And  
23 they do it responsibly, and they do it in a way that also  
24 respects the bottom line so it can be the gift that keeps  
25 giving.

1           REPRESENTATIVE GAYDOS: So my question then is  
2 what makes you think that -- with those skill sets that if  
3 and should the liquor store system privatize, why would  
4 they not -- be incapable of getting a job.

5           MR. YOUNG: We have Act 39 and 85 to prove what  
6 I'm saying because those retailers, and I represent the  
7 workers at the retailers that got a lot of those wine shops  
8 and beer shops, they didn't hire anybody else to do it.  
9 They just reallocated the workforce within the walls.  
10 That's it.

11           So don't take my word for it. PFM said the same  
12 thing in the study. They looked at what happened in  
13 privatization in other states. Those employers will not  
14 need them so they won't hire them except for a few  
15 exceptions.

16           I'll give you an example. In our Ardmore store  
17 we have a guy named Rob Peters. Now, I always go to Rob  
18 because it's close to where I live and I've known Rob a  
19 long time. There's others like him all across the state.  
20 But he's the wine specialist. You know what? He's the  
21 kind of guy that's already had people come to him, I'm  
22 certain of it. I can't testify on his behalf, and he's  
23 testified in past hearings.

24           But you know, he's put his whole life into this.  
25 He likes what he's doing. He does a great job. He's well



1 known, not only in the Ardmore community but from far  
2 around. You call Rob, he's going to get you that top  
3 bottle of wine that you want to impress somebody with. He  
4 will find that for you in these lists. And that's what he  
5 likes to do. Why should you be sitting here saying to him  
6 get out of here over philosophy?

7 REPRESENTATIVE GAYDOS: Well, no one's saying get  
8 out of here. You're actually making my point is that --

9 MR. YOUNG: I don't think so.

10 REPRESENTATIVE GAYDOS: -- these folks are  
11 incredibly capable and whether they're in a privatized  
12 system or a non-privatized system, I --

13 MR. YOUNG: It didn't happen. My answer is --  
14 with the wine privatization that's occurred here, it didn't  
15 happen. The management consultant that this Chamber hired  
16 said it won't happen. I told you it wouldn't happen. And  
17 we saw it with wine privatization. It didn't happen.

18 MAJORITY CHAIRMAN METZGAR: Representative  
19 Diamond.

20 REPRESENTATIVE DIAMOND: Thank you, Mr. Chairman.

21 Thank you, Mr. Young, for coming. I do  
22 appreciate your advocacy on behalf of the United Food and  
23 Commercial Workers and I appreciate your perspective in  
24 advocating for them.

25 But I mean you mentioned a couple times here that

1 you actually represent grocery store workers, as well as  
2 the liquor store workers.

3           So given the fact that your organization also  
4 represents grocery store workers, and the grocery stores  
5 themselves have mostly supported attempts at privatization  
6 and customer convenience (indiscernible) legislation, do  
7 you believe that represents a conflict of interest for your  
8 organization, pitting the interests of one group of workers  
9 you represent against the other group of workers you  
10 represent?

11           MR. YOUNG: No, not at all. And so let me give  
12 you an example. You know, some of those employers  
13 obviously during some of these more recent privatization  
14 efforts have said to me, you know, we'd like to work  
15 something out with you. If I were to go down that road  
16 with them, for me to stand down and not oppose  
17 privatization, and if I were to do that and throw these  
18 folks under the bus, I think that would be a clear  
19 conflict. But I've never done that.

20           What I have done is advocated for these members  
21 even if someone else was offering some other things to do  
22 otherwise. I've never done that. I represent all of our  
23 members with the same passion.

24           I can tell you though that if you were to go  
25 through our Giant Eagle stores in the west or our ACME or

1 ShopRite stores in the west and go visit -- and I'd welcome  
2 any of you to come with me. I'd be happy to do this with  
3 you, okay? And you walk around and you meet the employees  
4 that are working in those wine and beer parts of the  
5 stores, they weren't new jobs that were created. They were  
6 someone else in the store.

7           Maybe it was a produce manager or a grocery  
8 manager that had been in that other job for a long time --  
9 very good at what they were doing but they had another  
10 person that they could move up and move this person over  
11 because they had the right skills to manage a department.  
12 You know, it gave upward mobility opportunities or lateral  
13 moves to our members. But we looked very carefully as this  
14 got implemented. We didn't get more members in those  
15 stores as a result of the wine and beer shop. It was just  
16 a reallocation of shelf space.

17           They took out products throughout the store in a  
18 reset process that didn't move as fast, that they maybe  
19 could reduce facings, and they just reallocated space and  
20 human resources.

21           REPRESENTATIVE DIAMOND: Okay. So I mean just  
22 the wine system in the grocery stores is a little bit  
23 different than what we're talking about here. We're  
24 talking about not having state stores, okay? That's what  
25 would be the result of this constitutional amendment.

1           So in that scenario, you're not taking one small  
2 sliver of the product that state stores are selling and  
3 putting it into those grocery stores. They would basically  
4 have the upper hand in getting all of that product. And  
5 then would that not create a great demand for your workers  
6 that you represent to just shift from working for the state  
7 to working for the private sector and you could still  
8 represent them?

9           MR. YOUNG: So here's what happened in Iowa, West  
10 Virginia, and it's a little more complicated what happened  
11 in Washington State but it's not a whole lot different.

12           First of all, think if the numbers that I gave  
13 you about the amount of items carried in the PLCB, right,  
14 the number of items per store. Costco, Target, Walmart --  
15 they're never going to carry that many items. They don't  
16 now in other states. Not going to do it here.

17           Since privatization, it doesn't happen in Iowa.  
18 It doesn't happen in West Virginia. And Ohio also went  
19 through privatization, which resulted in amongst some of  
20 the highest prices around. Their selection's also limited.

21           You go into our stores in Ohio, they don't have  
22 anywhere near -- they have a fraction of the selection of  
23 the product that our stores -- our regular stores here in  
24 Pennsylvania have. In fact, our small stores have more  
25 products than their bigger departments.

1           So there's not going to be that demand for all  
2 those people. If right now, if today you were shutting  
3 down the retail operations of the PLCB and you moved  
4 spirits into all those licensees, about 1,500 of them right  
5 now, that have the wine and beer expansion license, they're  
6 just going to have a little less of the current beer and  
7 wine and maybe some cookies and crackers and move things  
8 around. And they're not going to hire any new staff and  
9 they're not going to carry as much as our current liquor  
10 stores.

11           And your consumers are going to say how come I  
12 can't get the stuff I got and how come it costs so much  
13 more now? In fact, if you go back to some of the testimony  
14 from the various hearings held under the Representative  
15 Turzai thing, people from Wegmans; I think it it was  
16 Giant -- not Giant Eagle -- Giant; and this other guy who I  
17 don't even know who he was but we were delighted he showed  
18 up -- some expert in the wine and spirits business laid out  
19 perfectly well for everybody in this committee how  
20 expensive it is in other states because they don't have one  
21 place to go buy and they don't have the leveraging of the  
22 price and the distribution and warehousing.

23           In fact the one quote from, I think it was a  
24 Wegmans official, said we -- in New Jersey and New York, we  
25 can't touch the stuff for how cheap it's available here.

1 We can't touch it.

2 REPRESENTATIVE DIAMOND: All right. Thank you,  
3 Mr. Young. I disagree with your speculation about the  
4 future but I do appreciate your testimony and being willing  
5 to answer questions.

6 MR. YOUNG: Thank you.

7 REPRESENTATIVE DIAMOND: Thank you, Mr. Chairman.

8 MAJORITY CHAIRMAN METZGAR: Representative Young.

9 REPRESENTATIVE YOUNG: Washington State went  
10 through this process 10 years ago. What are your thoughts  
11 on that process and whether it delivered on behalf of the  
12 voters?

13 MR. YOUNG: Oh, there's huge buyer remorse in  
14 Washington State and polling to back that up -- independent  
15 polling. You know, Washington State did kind of like what  
16 Representative Mihalek wants you to do here is put together  
17 a voter referendum. By the way, it was -- the primary  
18 driver of that was Costco. They spent over \$20 million in  
19 six months to help get that initiative passed.

20 But what they didn't tell the voters is what was  
21 going to happen next. And what happened was what happened  
22 in all the other examples. You know, when you split the  
23 system up the price pressures moved up. They had to enact  
24 taxes -- they were amongst the highest in the nation of  
25 both wine and spirits to make up -- because the one thing

1 that Washington was smart about was making sure it was  
2 revenue neutral. So you've ended up with not only the  
3 highest taxes in the nation for wine and spirits but you've  
4 ended up with prices that are 15 to 30 percent higher than  
5 what they used to be and amongst the highest in the entire  
6 nation.

7 It's very well documented, and it's not something  
8 that just happened for a short time as an anomaly. It's  
9 continued since they did this now 10 years ago.

10 MAJORITY CHAIRMAN METZGAR: Representative  
11 Guzman.

12 REPRESENTATIVE GUZMAN: First off, thank you, Mr.  
13 Young, for being here today and I appreciate you being here  
14 and your members. I'm also looking forward to the day that  
15 the prime sponsor of the bill is able to answer questions  
16 on this bill, as well.

17 MR. YOUNG: Me, as well. Thank you.

18 REPRESENTATIVE GUZMAN: So Mr. Young, you noted  
19 in your testimony just how complex of an issue this is and  
20 I'd like for you to speak a little bit more on that. So  
21 can you give us a sample of some of the important issues  
22 that the public should be aware of in a Constitutional  
23 Amendment-posed question that they would most likely see on  
24 the ballot?

25 MR. YOUNG: Well, I think I've tried to cover

1 that, and I'll try and go a little further into it. So  
2 you're being asked a question here in this ballot question,  
3 just simply do you want it privatized or not? And the way  
4 it's structured, it then has an 18-month period following  
5 passage by the voters for the Legislature to figure out  
6 what to do.

7           You know, the Legislature's been trying to figure  
8 out what to do for a long time. This is one of the last  
9 bills. This is the analysis of that bill -- just the  
10 analysis, right? This is not what's being put in front of  
11 the voters. It would be impossible to package this up on a  
12 ballot question. And so it really shows what lack of trust  
13 you have for the voters to put this kind of question before  
14 them because you're not giving them an option. There is no  
15 option here without telling them the facts of what's in it.

16           Nobody sitting in these seats -- in your seats  
17 would ever vote for a bill without knowing what's in the  
18 bill. And it's not the way our Constitution was intended.

19           But what are some of the consequences? Well, you  
20 know, I've already talked about -- you know, you don't have  
21 to take my word for it. Look at the PFM study. It lays  
22 out in detail why taxes will go up, why prices will go up,  
23 why selection will go down, and why thousands of jobs will  
24 be lost. Don't take my word for it. You may disagree, any  
25 of you, about what I'm saying. It may not be the beliefs



1 you've developed in your head, but you're wrong. PFM,  
2 Price Waterhouse both document that. And they were on the  
3 side of privatization.

4 But there are other things that are in some of  
5 the studies that have been entered into evidence before.

6 One of the issues that's happened in every state  
7 when you compare whether a state that went from a public  
8 system to a private system, here or in Canada, or other  
9 countries in Europe, or whether you just compare two  
10 similar places like in Canada some of the Provinces, they  
11 have subdivisions within the Province where some are  
12 private and some are public, much like our system here.

13 And when you compare them, there's other things.  
14 There's what are called social harms. Now, some people are  
15 going to call me a snowflake here and talk about how oh,  
16 you know, they're saying the sky's falling and society's  
17 doomed. No. Society is not doomed. I've never said that.

18 But there are costs to freeing up alcohol on a  
19 larger scale. More kids will get their hands on it. More  
20 drunks will get their hands on it. There will be increased  
21 cost in terms of lives, in terms of healthcare and  
22 hospitalizations. There will be criminal justice system  
23 costs. They're not the costs that you're going to see in  
24 these reports from PFM and Price Waterhouse but there's  
25 people who have done peer-reviewed and published studies

1 all across the country and other countries that support  
2 that. And those costs are very significant. All right?

3 Now, here's what's interesting. When we had the  
4 hearings before, people on the side of privatization  
5 brought experts in. Not one of them ever showed a peer-  
6 reviewed published study. In fact, one kept promising us  
7 it was in peer review but it never did get published.

8 You know, peer review is the gold standard of  
9 researchers where other researchers scrutinize things to  
10 make sure there's no bias in the results. Kind of like  
11 what the legislative process is supposed to do, right?  
12 Everything I've ever submitted or others have submitted  
13 here to show those social harms were peer-reviewed and  
14 published research.

15 So these are very real things that have real cost  
16 to lives, healthcare, criminal justice system.

17 REPRESENTATIVE GUZMAN: So it definitely sounds  
18 like it's not a simple yes or no question and a very  
19 complex issue that deserves hearings to hear those  
20 particular points and how this particular constitutional  
21 amendment could potentially impact a variety of other  
22 issues.

23 But finally, Mr. Young, and I'll pass on --

24 MR. YOUNG: I agree.

25 REPRESENTATIVE GUZMAN: -- I'll pass on to my

1 other colleagues here in a second, so you're here  
2 representing your members because your members can't speak  
3 for themselves at the present moment. Could you talk to us  
4 a little bit more about the human cost of something like  
5 this? I mean, you talked about 6,000 jobs, potentially, at  
6 risk at the height of the COVID-19 pandemic that we're  
7 still currently facing as a country.

8           Could you talk a little bit more about the  
9 mindsets of your members and how they feel with this effort  
10 being proposed, and you know, potentially they may all be  
11 losing their jobs here in the next one to two years. And  
12 could you speak a little bit more about that human cost and  
13 how that may be weighing on your members' minds and on your  
14 mind as you're speaking on behalf of your members today?

15           MR. YOUNG: Yeah. I'm really proud that there's  
16 a lot of examples in my career as a union representative  
17 where we were able to either somehow leverage an outcome to  
18 avoid a shutdown of a facility, big or small, or a chain of  
19 stores. But there's also times where it just wasn't  
20 salvageable.

21           I don't know how many of you spent much time,  
22 whether it's a plant that's closing, large or small, or a  
23 retail chain -- and spent much time with the men and women.  
24 In my case, you know, I started with this union. I mean, I  
25 was hanging around this union before I was old enough to

1 work. I was born into the family, so to say, and you know,  
2 I was volunteering for everything.

3 I grew up with a lot of these people. I've known  
4 them since they were teenagers, a lot of them, whether they  
5 work here or ACME or elsewhere. It's very hard, and I'll  
6 just give you one example. When A&P went through their  
7 last bankruptcy and seeing all those people lose their jobs  
8 was very hard. We worked like hell to get everyone of them  
9 a job somewhere else and it took time but we eventually  
10 did.

11 But in the meantime, what it does to their lives,  
12 not being able to pay mortgages, being evicted from  
13 apartments, losing their healthcare, having to spend down  
14 the savings that they were counting on for their  
15 retirement.

16 And you know, the real challenge for our members  
17 here at the PLCB is they faced this all the time for the  
18 last more than 40 years now because every couple years --  
19 sometimes in between every couple years, people in this  
20 building, usually with wrong information, and for whatever  
21 reason, are trying to put them out of work. And they go to  
22 work despite that.

23 Imagine the morale problems. Imagine what it's  
24 like trying to figure out, you know, can I send my kid to  
25 college or not or is this bill going to pass or not? Can I

1 commit to another year at Penn State or Temple or  
2 Westchester or Bloomsburg?

3 Think of what it's like for them. It's not just  
4 a once in a while thing. It's been pretty non-stop for 40  
5 years now. And despite that they go to work and they do a  
6 good job.

7 And I'll give you a simple example. You probably  
8 all recall about 8, 10 -- about 8 -- 7, 8 years ago, the  
9 onslaught of Chinese fake Pennsylvania driver's licenses.  
10 Do you remember that? I think a lot of you remember that,  
11 right? So our kids could get them for a couple hundred  
12 bucks online, right from China. They were hard to detect.

13 Yeah, we blew that wide open. Not the bars. Not  
14 the restaurants. It was our members, these folks. Some of  
15 them right here in this room, some out in the hallway and  
16 around the building. Because they figured it out. They  
17 were the first ones to figure it out, especially around the  
18 college campuses. And what they did is, as they were  
19 rejecting them, they were calling down the street to the  
20 next stores in every direction and saying this kid with  
21 this color shirt driving this car is on the way in because  
22 we just rejected him, right?

23 Now, they were not legally authorized to take  
24 those cards but it was happening at such a rapid pace so  
25 fast that they started confiscating the cards. You know

1 what? The private sector didn't do that here in  
2 Pennsylvania. They didn't do it at all. You think ACME's  
3 going to call Wegmans and say here's what's out there.  
4 They don't know who to call over there, right?

5 But this happens all the time. This morning,  
6 Patrice (ph) was in here. She had to give up her seat, by  
7 the way. She's from the Easton store. Anybody who knows  
8 the area, it's the last store right before the bridge. You  
9 can walk right over the bridge into New Jersey, right?  
10 They constantly reject people -- kids and intoxicated  
11 people who walk right across the bridge, get what they  
12 want, and walk back and flaunt it walking past the store --  
13 including people who are intoxicated.

14 They work really hard at this. They don't get  
15 the respect they deserve because they're labeled as public  
16 employees, as accessories, as special interests. It's  
17 wrong. I resent it. I'm proud of what they do and you  
18 should be too.

19 MAJORITY CHAIRMAN METZGAR: Thank you, Mr. Young.  
20 Hey, just to briefly -- your testimony has now exceeded an  
21 hour and we want to get all the questions in that we can,  
22 so my ask of you would be to try and make your responses as  
23 concise as possible so that we can get through  
24 everything --

25 MR. YOUNG: No one's ever accomplished that.

1 MAJORITY CHAIRMAN METZGAR: Well, you're very  
2 verbose. I agree with you. And I always find it  
3 enlightening; however, we really do need to get going on  
4 to, so --

5 MR. YOUNG: I understand. I appreciate it.

6 MAJORITY CHAIRMAN METZGAR: Representative  
7 Delloso.

8 REPRESENTATIVE DELLOSO: Thank you, Mr. Chair.

9 Thank you, Brother Young, for testifying. Thank  
10 you for bringing to light the over 700 teamster jobs that  
11 would be lost in this debacle, not to count the tradesmen  
12 that service our stores.

13 I'm fortunate. If my new district comes out the  
14 way the maps were proposed I'll have three wine and spirits  
15 shops in my district, and I'm certainly not in favor of  
16 putting those three stores out of business nor will my  
17 constituency, I believe.

18 But in the spirit of the Chairman's directive to  
19 shorten your answers, does this system cost us anything in  
20 the Legislature?

21 MR. YOUNG: It does not cost the taxpayers a  
22 penny. There's not one penny of allocation from this  
23 Legislature to support the operations of the PLCB, the jobs  
24 of my members, the AFSME members that work at the PLCB, the  
25 teamsters in the warehouses, or the non-represented staff

1 at the PLCB and executives. This system pays 100 percent  
2 for itself.

3 REPRESENTATIVE DELLOSO: If there were to be --  
4 if this ballot referendum were to make it -- this  
5 constitutional referendum were to make it, at that point  
6 what's the cost to the Legislature? What's the cost to the  
7 state of Pennsylvania? I mean, I know you'd have to  
8 ballpark it but --

9 MR. YOUNG: So I can only go -- because I don't  
10 have a proposal in front of me because the primary sponsors  
11 refuse to discuss it or put -- to do the -- has refused to  
12 do the hard work of actually putting a proposal together --

13 MAJORITY CHAIRMAN METZGAR: Mr. Young --

14 MR. YOUNG: -- and having it --

15 MAJORITY CHAIRMAN METZGAR: I've got to -- you  
16 know, she has put a proposal out there. It may not be the  
17 proposal that you like but you can't continue to impart  
18 that kind of --

19 MR. YOUNG: I understand. I'll take that back.

20 MAJORITY CHAIRMAN METZGAR: You've got to reel  
21 that back in.

22 MR. YOUNG: I reel that back in.

23 So I guess what I'm trying to say is without a  
24 bill and the time to analyze a bill by both sides, you  
25 can't put a number on it. But you can be informed by past



1 efforts. And while they all have differences, they also  
2 have some similarities.

3 And the cost to the Commonwealth in terms of loss  
4 of revenue from all the different pockets will be in the  
5 billions if anything that comes out of this looks like  
6 anything in our adult lifetime that's been proposed. And  
7 the taxpayers will have to make that up.

8 REPRESENTATIVE DELLOSO: You know, unfortunately,  
9 taxpayers shouldn't be on the hook for that. We shouldn't  
10 be casting aside these good jobs and we shouldn't be  
11 casting aside the ancillary workers that work alongside of  
12 it.

13 And that's all I have, Mr. Chair.

14 MAJORITY CHAIRMAN METZGAR: Representative Rozzi.

15 REPRESENTATIVE ROZZI: Thank you, Mr. Chairman.

16 I had a question but you did answer it, so I have  
17 pretty much a comment and a concern about what is really  
18 going to happen in rural Pennsylvania.

19 You talked about West Virginia. My daughter's a  
20 student down at West Virginia University, Morgantown. I  
21 get a chance to go down. I've been to Kroger. But I also  
22 do trout fishing down there. And the moment I leave the  
23 town and I go into those small towns, and you said some of  
24 these small towns may have a good selection, but I've been  
25 at so many small towns in West Virginia where you walk in

1 that store and you have about four different types of beer  
2 to buy and maybe six different bottles of booze to buy.  
3 One time I went fishing there and I had to drive almost an  
4 hour just to get alcohol.

5 So I think that is something that we have to  
6 bring to the attention of our constituents here in  
7 Pennsylvania that if you do live in rural Pennsylvania you  
8 pretty much are screwed.

9 MR. YOUNG: If I could very briefly comment on  
10 that? We had a lot of testimony about this issue in the  
11 previous efforts. You know, most of us who travel, we  
12 don't go to the kind of places Representative Rozzi just  
13 spoke about. We go to the tourist destinations, the bigger  
14 cities. And we might see in those other states some  
15 examples of the private sector that are rare, not what's  
16 common throughout the rest of those states.

17 You don't have to go far. You can drive off of  
18 any one of our borders and get away from the densely  
19 populated places, and you're going to see what  
20 Representative Rozzi just said. And so you don't have to  
21 take my word for it. It's there.

22 But in Pennsylvania, even the smallest store  
23 stocks 900 or more items, and most of the stores are closer  
24 to the average stores. There's not a system like that in  
25 the country anywhere that serves all the constituents

1 including the rural areas, as well, and the prices in  
2 Pennsylvania are the same.

3 So in those other states in those rural areas,  
4 you're also paying a lot of money for some of the cheapest,  
5 lowest-level brands and qualities. That doesn't happen in  
6 Pennsylvania. It doesn't matter what part of Pennsylvania  
7 you're in. You're paying the same price in the PLCB.

8 REPRESENTATIVE ROZZI: Thank you.

9 MAJORITY CHAIRMAN METZGAR: I have a question for  
10 you, Mr. Young.

11 MR. YOUNG: Yes.

12 MAJORITY CHAIRMAN METZGAR: Actually, I'm just  
13 kind of trying to finish this off. I'm the last question  
14 for you and then we're going to bring the Board up here.

15 But I guess I'm perhaps a little bit confused.  
16 So you tell us it's profitable, correct?

17 MR. YOUNG: Yes. It is profitable.

18 MAJORITY CHAIRMAN METZGAR: It's safe?

19 MR. YOUNG: Yes.

20 MAJORITY CHAIRMAN METZGAR: The system as it  
21 exists now? It's convenient?

22 MR. YOUNG: Yes.

23 MAJORITY CHAIRMAN METZGAR: Okay. It has great  
24 access and the selection and pricing are good, correct?

25 MR. YOUNG: Amongst the best in the nation.

1 MAJORITY CHAIRMAN METZGAR: Amongst the best. So  
2 I'm just wondering why wouldn't you want to put this to the  
3 voters? If it is all of those things, why wouldn't you  
4 just say --

5 MR. YOUNG: Because you're --

6 MAJORITY CHAIRMAN METZGAR: -- let the voters do  
7 it?

8 MR. YOUNG: It's really simple. You're not  
9 giving them the choice. You're not showing them what  
10 you're replacing it with. That's no choice. It's a  
11 popularity contest. It's a philosophical question. It  
12 implies by the very statements from those who are moving  
13 and behind this that it's going to accomplish certain  
14 things but they have no evidence to show that. The only  
15 evidence that does exist shows the exact opposite.

16 MAJORITY CHAIRMAN METZGAR: Every one of these  
17 members that are sitting in front of you today has to go  
18 through that same popularity contest -- a choice every time  
19 we're on the ballot, every two years. That's what we do  
20 every time. And so why wouldn't you want this for your --

21 MR. YOUNG: And the reason --

22 MAJORITY CHAIRMAN METZGAR: -- own people?

23 MR. YOUNG: And the reason you do that, I don't  
24 think I have to say it here, is because under our  
25 constitution we have a legislative process that is intended

1 to vet especially difficult complex issues just like this.

2 You're not giving a choice to the voters.

3 Actually, the way I see this, you don't trust the voters to  
4 let them know what you're really selling them. You know,  
5 to me, you're -- it's kind of like being -- you know, like  
6 in the old-style movies of the West. You know, it's kind  
7 of like the person in front of horse and wagon selling the  
8 magic elixir that's going to cure all their problems, but  
9 everyone knows it really doesn't.

10 MAJORITY CHAIRMAN METZGAR: So if we would vote  
11 to allow the voters to have a choice, we don't trust them?

12 MR. YOUNG: You're not giving them a choice. The  
13 choice you're giving them is to send you back to figure  
14 something out in the next 18 months. I think that if you  
15 really want to give the voters a choice, tell them what  
16 that thing is and try and put that before them because  
17 that's what it would look like.

18 And that's why, in my opinion, you're not doing  
19 it. You don't want to give them the choice. You want them  
20 to vote for something without them knowing what the  
21 alternative is.

22 MAJORITY CHAIRMAN METZGAR: Okay. You know, the  
23 Legislature -- you know, I find that sometimes it works  
24 only under pressure, not best under pressure. So that 18-  
25 month deadline would be some deadline.

1           But hey, thank you for coming today. We really  
2 appreciate your time.

3           And I invite the Pennsylvania Liquor Control  
4 Board to come forward.

5           MR. YOUNG: Thank you very much for letting me  
6 take the time and I'd be happy to come back as many times  
7 as you like to talk more about this.

8           MAJORITY CHAIRMAN METZGAR: I have no doubt you  
9 would.

10          MR. YOUNG: Thank you.

11          MAJORITY CHAIRMAN METZGAR: It's a pleasure to  
12 welcome the Pennsylvania Liquor Control Board, Tim Holden,  
13 the Chairman; Mike Negra, a board member, virtually; and  
14 Mary Isenhour, our board member here.

15          And I would like to remind the Members and all of  
16 our testifiers that are both at the table and in waiting  
17 that obviously this is a strong issue, something we need to  
18 vet, and we're taking ample time to do that.

19          And when the hour of roll call vote for the House  
20 comes we will go at ease briefly and then return after the  
21 roll call vote during that first break to finish the  
22 hearing.

23          Without further ado, Chairman Holden.

24          CHAIRMAN HOLDEN: Okay. Thank you, Chairman  
25 Metzgar, Chairman Deasy, and Members of the Committee.

1           Thank you for inviting us here today, but I must  
2 say that we're not going to have a lot to offer. I mean,  
3 Member Negra and myself have both served in the Corbett and  
4 the Wolf administration. Member Isenhour came on board in  
5 the Wolf administration.

6           And it was made perfectly clear to us by both of  
7 those administrations that we should not get involved in  
8 the political fray. It's our job to administer and execute  
9 the will of the General Assembly and the Governor. And we  
10 do that and we work with both sides of the aisle and we  
11 will continue to work both sides of the aisle.

12           But the political question of what is the proper  
13 policy is to be determined by the General Assembly and the  
14 Governor or, as you're proposing in this hearing, a  
15 constitutional amendment.

16           So we are not going to get into the political  
17 fray. I'm not going to make any political comments on the  
18 side -- one side or the other. The only thing I can talk  
19 about in my opening remarks is things that we are actually  
20 doing right now such as the mission of the Pennsylvania  
21 Liquor Control Board is to responsibly sell wine and  
22 spirits as a retailer and a wholesaler, regulate  
23 Pennsylvania's alcohol industry, promote alcohol education  
24 and social responsibilities, and maximize financial returns  
25 for the benefits of all Pennsylvanians.

1           And Mr. Young, he'll talk about our numbers. I  
2 think I should put on record, just for background, the  
3 current numbers that the Pennsylvania Liquor Control Board  
4 are executing right now.

5           Last year, we were able to generate \$2.91 million  
6 in sales and taxes. The agency returned \$764 million to  
7 the general fund that helped Pennsylvanians finance  
8 schools, health and human service programs, law  
9 enforcement, public safety initiatives among the public  
10 services. Included \$415 million in liquor tax, \$163  
11 million in state sales tax, 185 million in transfer of the  
12 general fund -- to the general fund.

13           The PLCB also provided support for other state  
14 and local beneficiaries: 29.2 million to the Pennsylvania  
15 State Police Bureau of Liquor Control Enforcement, 5.3  
16 million to the Department of Drug and Alcohol Programs, 9.6  
17 million received by Philadelphia and Allegheny counties in  
18 local sales tax, and 1.8 million in license fees returned  
19 to municipalities.

20           So right now, I want to thank our employees, as  
21 well, because we lived through two tough years, as  
22 everybody has, due to this pandemic. But through it all we  
23 came out of it and we're still being very, very supportive  
24 to the general fund, and I think the employees are doing a  
25 great job.



1           But as far as taking any position on this  
2 proposed constitutional amendment, we will not do that  
3 under the advice that we have received from two  
4 administrations.

5           And at this time (indiscernible) Mike Negra has  
6 anything to say.

7           MR. NEGRA: Thank you, Mr. Chairman. Can  
8 everyone hear me? I assume you can.

9           I totally agree. We are nonpolitical. I think  
10 that in your statement, Mr. Chairman, you said that we are  
11 a resource for the legislative body, and we are. And it is  
12 a complex issue. I think Mr. Young's absolutely correct.  
13 There are other complex issues that have been done by the  
14 legislative body. I would look forward to the opportunity  
15 to go over all of those issues. I can't speak one way or  
16 another whether it would be financially beneficial to the  
17 Commonwealth to privatize or not to privatize, again.

18           But laying out the numbers in front of this body,  
19 that's our job. And we have a number of excellent  
20 employees in the Northwest Office Building that can assist  
21 us in that. I don't mind taking taking a lead, along with  
22 the two of you and assisting any which way that we can,  
23 whether that's privatizing just retail, whether it's  
24 privatizing wholesale, or both. It's up to them.

25           And as you eloquently stated, you know, we're

1 there to help, but we're not here to make decisions when it  
2 comes to -- from a political nature. So we're on the same  
3 page, and thank you.

4 CHAIRMAN HOLDEN: Member Isenhour.

5 MS. ISENHOUR: Sorry --

6 I have nothing to add to that other than if you  
7 would have asked me 10 years ago if I would be nonpolitical  
8 in anything I would have thought you were nuts. But --

9 CHAIRMAN HOLDEN: Ditto.

10 MS. ISENHOUR: -- I have tried very hard since  
11 2015, to do what my job is and in this job, it's to do  
12 whatever the Legislature -- the Governor says we need to  
13 do.

14 MAJORITY CHAIRMAN METZGAR: Board Members, I  
15 thank you.

16 And Ms. Isenhour, I can imagine what your  
17 testimony would be if it were unrestrained, so.

18 MS. ISENHOUR: I have some personal opinions for  
19 the Board.

20 MAJORITY CHAIRMAN METZGAR: Chairman Deasy.

21 MINORITY CHAIRMAN DEASY: Thank you very much.  
22 Appreciate you all being here. I think I can speak for  
23 Chairman Metzgar. We're a little jealous, being able to  
24 sit in a nonpolitical position. They look pretty  
25 comfortable over there. But thank you for being here.

1 I'll try to move this along.

2 With regards to Act 39 of 2016, it statutorily  
3 requires that there be a wine and spirits wholesale and  
4 retail privatization commission. That was part of that  
5 legislation and there were certain appointees from the  
6 various caucuses.

7 From what I understand, Chairman Holden, you  
8 would have been a member of that commission?

9 CHAIRMAN HOLDEN: Yes. I would. I guess I am  
10 but we've never met.

11 MINORITY CHAIRMAN DEASY: And that's my point,  
12 and we've had this discussion before when we talked about  
13 the various modernization issues -- that the commission has  
14 never met. The House Democrats appointed their members --  
15 the House -- the Senate Democrats have but not the -- the  
16 Republicans have not appointed, who are taking the lead as  
17 the majority party should.

18 So obviously that commission did not recommend a  
19 constitutional amendment, correct?

20 CHAIRMAN HOLDEN: Correct. We've never met.

21 MINORITY CHAIRMAN DEASY: Again, I think this  
22 goes along policy and procedure. And I know Representative  
23 Mihalek, one of her issues was more bottles -- more wine  
24 bottles at the grocery store, and maybe that's something  
25 that this commission could talk about and we negotiate.

1           I just think that this constitutional amendment  
2 is such a drastic measure to take. I think if that  
3 commission had been put in place there's some compromise,  
4 kind of like a budget process. Are there some things that  
5 you guys could be doing a better job of? Sure. And maybe  
6 hearing from some employees who are in the store every day  
7 could provide that insight or we could hear that testimony.  
8 And I would love to see that commission take place before  
9 we do something drastic.

10           And I do have one other question, or I guess it's  
11 a comment. Part of that, as well, is the pricing hearing.  
12 That came out of Act 39, as well?

13           CHAIRMAN HOLDEN: Yeah.

14           MINORITY CHAIRMAN DEASY: That is an annual  
15 hearing?

16           CHAIRMAN HOLDEN: We have not met annually, yes.

17           MINORITY CHAIRMAN DEASY: Again, that is a --

18           CHAIRMAN HOLDEN: We have occasionally.

19           MINORITY CHAIRMAN DEASY: That is not our  
20 responsibility. That needs to be taken care of to make  
21 sure we -- to say that there's an arbitrary process, blah,  
22 blah, blah, and to go on about pricing and not have the  
23 hearing is disingenuous, in my opinion. So hopefully we  
24 will have that hearing this year as we are annually  
25 required to. So that's all I have. Thank you.

1 MAJORITY CHAIRMAN METZGAR: Representative  
2 Mihalek.

3 REPRESENTATIVE MIHALEK: Good morning, Chairman  
4 Holden.

5 CHAIRMAN HOLDEN: Good morning.

6 REPRESENTATIVE MIHALEK: Thanks for being here  
7 with us today.

8 Mr. Young brought up the concept of border bleed  
9 as he told a story about teenagers crossing the bridge over  
10 in Easton, PA. So over 30 percent of the population of  
11 this Commonwealth resides in the southeastern portion of  
12 the state, which borders three states who don't have a  
13 government monopoly on liquor. Can you provide us with  
14 some information, whether forecasted or anticipated loss of  
15 revenue due to border bleed?

16 CHAIRMAN HOLDEN: We do not believe that the  
17 border bleed is as extensive as some people say it is.  
18 Look, we're not going to compete with Delaware on alcohol,  
19 cars, washing machines. It happens. But we do not believe  
20 that it's a large problem, and we also go to great lengths  
21 to make sure our stores in Pennsylvania in the border areas  
22 are as modeled as they can possibly be the best for the  
23 consumer. We try to prioritize those stores.

24 REPRESENTATIVE MIHALEK: So would you disagree  
25 with the studies out there that show that it's between a

1 \$200- and \$250 million loss due to border bleed on an  
2 annual basis?

3 CHAIRMAN HOLDEN: I don't think it -- I can't  
4 agree or disagree with that. I've never seen that.

5 MR. NEGRA: I've never seen the study.

6 CHAIRMAN HOLDEN: Excuse me, Representative  
7 Negra? Member Negra?

8 MR. NEGRA: Yes, Mr. Chairman, I've never seen  
9 that study.

10 CHAIRMAN HOLDEN: Yeah.

11 MR. NEGRA: And if there was a study, it was a  
12 long time ago, but I've heard talk of it. But any such  
13 study like that has not been shared with me and I don't  
14 think either of you, as well.

15 CHAIRMAN HOLDEN: No.

16 MS. ISENHOUR: No. I've never seen one.

17 REPRESENTATIVE MIHALEK: Oh, I'll be happy to  
18 share the study with you.

19 And I don't know -- I know we've discussed the  
20 stenographer earlier, but I just want to make sure that  
21 it's noted that the Chairman sought advice and counsel from  
22 Mr. Young, our prior testifier.

23 CHAIRMAN HOLDEN: No, no, no. I didn't. Our  
24 chief executive --

25 MR. DEMKO: I offered --

1           CHAIRMAN HOLDEN:  -- Michael Demko.

2           REPRESENTATIVE MIHALEK:  Okay.

3           CHAIRMAN HOLDEN:  So I was talking to our chief  
4 counsel.

5           REPRESENTATIVE MIHALEK:  Thank you.

6           CHAIRMAN HOLDEN:  I talked to Mr. Young in my  
7 prior life many times, believe me.

8           REPRESENTATIVE MIHALEK:  So your agency is  
9 involved with alcohol education and enforcement.  Are you  
10 able to comment, you know, any statistic since Act 39 was  
11 passed as to alcohol-related fatalities or alcohol-related  
12 crimes either increasing or decreasing?

13           CHAIRMAN HOLDEN:  No.  I'm unable to.  I know how  
14 much of an investment we make but as far as increase or  
15 decrease in drunk driving or criminal activity, I am  
16 unable.

17           Member Isenhour points out that's probably an  
18 appropriate question for the LCE -- for the state police --  
19 Liquor Code Enforcement.

20           REPRESENTATIVE MIHALEK:  Sure.  Thank you.

21           MAJORITY CHAIRMAN METZGAR:  Thank you.

22           Representative Malagari.

23           REPRESENTATIVE MALAGARI:  Thank you, Mr.  
24 Chairman, and thank you Chairman Holden and to the members  
25 of the board, as well, for being here for your testimony.

1           You touched on it real briefly. I wanted to just  
2 make sure I got some clarity in this. So how much is fully  
3 collected in license fees? Because I think I got the  
4 number for what's returned to local municipalities, which  
5 is 1.8 million, but how much is actually collected in total  
6 of license fees?

7           And just to be very clear, if you need to go the  
8 gentleman to the left of Mr. Young for questions, we'll  
9 make sure that Mr. Young doesn't actually get involved.

10           MR. NEGRA: Well, I might -- may I say something?

11           REPRESENTATIVE MALAGARI: Sure.

12           MR. NEGRA: It's a lot less over the last year  
13 during the pandemic. We waived the license fees. Okay, so  
14 I think, you know, before that I'd venture to guess it was  
15 somewhere between 11 and 15 million, but I'm really not  
16 sure.

17           But we did waive license fees over the past year.  
18 I think that was done in the first quarter of -- well, I  
19 guess it was for '21 is when we waived it. And because of  
20 cycles, we won't begin collecting fees again until, I  
21 guess, July 1.

22           CHAIRMAN HOLDEN: So 1.8 million in license fees  
23 to the municipalities, correct.

24           REPRESENTATIVE MALAGARI: To the municipalities,  
25 correct, returned back.



1 CHAIRMAN HOLDEN: Yes.

2 REPRESENTATIVE MALAGARI: So I guess we'd have to  
3 go with maybe 2019 numbers because -- or maybe 2020 was a  
4 collection year, but --

5 MS. ISENHOUR: I think, as I recall, we collected  
6 them up until probably --

7 MAJORITY CHAIRMAN METZGAR: Ms. Isenhour, will  
8 you please speak into the microphone.

9 MS. ISENHOUR: Sorry. I believe we suspended  
10 collections in the early summer, so to get a full picture  
11 would probably be going back to 2019.

12 REPRESENTATIVE MALAGARI: Okay.

13 CHAIRMAN HOLDEN: So --

14 REPRESENTATIVE MALAGARI: Do you have a figure?

15 CHAIRMAN HOLDEN: -- 34 million pre-pandemic, 21  
16 million post-pandemic.

17 REPRESENTATIVE MALAGARI: So those licensees, 34  
18 million pre-pandemic. How much post again?

19 CHAIRMAN HOLDEN: How much?

20 REPRESENTATIVE MALAGARI: Post-pandemic. Is that  
21 the lower number?

22 CHAIRMAN HOLDEN: 21 million.

23 REPRESENTATIVE MALAGARI: 21 million. Okay.

24 Thank you. Do the license fees alone cover the cost of  
25 regulating over 30,000 licenses in the state?

1           CHAIRMAN HOLDEN: No, sir. It does not.

2           REPRESENTATIVE MALAGARI: So can I ask --

3           CHAIRMAN HOLDEN: We take that out of our state  
4 store fund to offset it.

5           REPRESENTATIVE MALAGARI: Out of the state store  
6 fund, so that's how you would subsidize the administrative  
7 costs?

8           CHAIRMAN HOLDEN: Right.

9           REPRESENTATIVE MALAGARI: Okay. So if that were  
10 to go away -- so would it be accurate then to say that the  
11 PLCB, the retail and wholesale distribution system, if  
12 that's divested of, we're no longer having that, then  
13 undoubtedly license fees will definitely need to increase  
14 significantly to cover that cost?

15          CHAIRMAN HOLDEN: Again, Representative, we're  
16 not going to get into the political fray but we --

17          REPRESENTATIVE MALAGARI: But that's not a  
18 political question, sir. That's a business question.

19          CHAIRMAN HOLDEN: Yeah. I know. And that's  
20 where my answer was going. It's very difficult for us to  
21 comment on anything when we don't know what is being  
22 proposed exactly.

23          REPRESENTATIVE MALAGARI: Understood. You told  
24 me though that the fees are coming from the retail end,  
25 right? And that your license fees currently would not be

1 able to cover that cost?

2 CHAIRMAN HOLDEN: It is not adequate. Yes. We  
3 must go to the state store fund to subsidize it, yes.

4 REPRESENTATIVE MALAGARI: Just we could pretty  
5 much make an assumption then from those statements that you  
6 wouldn't be able to cover those costs on the retail end?

7 CHAIRMAN HOLDEN: We would not. We would not,  
8 no.

9 REPRESENTATIVE MALAGARI: Thank you.

10 CHAIRMAN HOLDEN: Yeah.

11 MAJORITY CHAIRMAN METZGAR: Representative  
12 Gaydos.

13 REPRESENTATIVE GAYDOS: Thank you, Mr. Chair.

14 So Pennsylvania is one of the largest purchasers  
15 of alcohol or liquor in the nation, if not the world. What  
16 is your biggest expense outside of that actual inventory  
17 purchase?

18 CHAIRMAN HOLDEN: I'd imagine our --

19 MR. NEGRA: Personnel.

20 CHAIRMAN HOLDEN: Yes. That's what I thought.  
21 Our leases and our labor cost --

22 REPRESENTATIVE GAYDOS: Okay. And --

23 CHAIRMAN HOLDEN: -- which we fully cover and  
24 which are transparent.

25 REPRESENTATIVE GAYDOS: So if, let's say, a

1       compromise would be to privatize the whole -- or excuse me,  
2       privatize the retail portion but keep wholesale together,  
3       how would that affect the revenue to the state?

4               CHAIRMAN HOLDEN: We don't know. We'd have to  
5       see what it looks like and analyze it.

6               REPRESENTATIVE GAYDOS: Thank you.

7               MR. NEGRA: If I may jump in?

8               CHAIRMAN HOLDEN: Sure.

9               MR. NEGRA: I did an analysis in my first year,  
10       and the numbers don't mean anything now because obviously  
11       Act 39 came in in the middle of it, but it's something that  
12       we could certainly take a look at. But as I remember, that  
13       analysis had us making around 400 million on just  
14       wholesale.

15              But again, the numbers have changed dramatically,  
16       and I don't know that it's relevant to today but I just  
17       wanted to bring up the fact that we have looked at it at  
18       the request of the then chairman, Chairman McElhaney, at  
19       that time.

20              REPRESENTATIVE GAYDOS: I would appreciate if you  
21       can look at those numbers again and if we can get those  
22       results because I think that would be important. I come  
23       from the private sector. Prior to being elected I was in  
24       private sector for 25 years and giving private sector free-  
25       market opportunities is certainly paramount, and that would

1 be something that I would be interested in.

2 CHAIRMAN HOLDEN: Okay. Yes.

3 REPRESENTATIVE GAYDOS: Thank you.

4 MAJORITY CHAIRMAN METZGAR: Representative  
5 Guzman.

6 REPRESENTATIVE GUZMAN: Thank you, Chair Holden,  
7 for being here, and thank you, Chairman, for the  
8 opportunity.

9 It's no secret. I've been very transparent in  
10 this committee of my family's struggles with alcohol  
11 addiction, and I know that a portion of PLCB's proceeds  
12 does go towards the Department of Drug and Alcohol  
13 Prevention.

14 In a hypothetical world where this privatization  
15 effort happens, where does the funding come from to fund  
16 the Department of Drug and Alcohol Prevention?

17 CHAIRMAN HOLDEN: Oh, I can't answer that,  
18 Representative. But I can say we had \$5.3 million PLCB  
19 invested in the Department of Drug and Alcohol Program last  
20 year.

21 REPRESENTATIVE GUZMAN: So we're talking about  
22 \$5.3 million that goes to help prevent families like mine  
23 from suffering from alcohol addiction. So again, the  
24 question is if we go into this privatized market where does  
25 that 5 million come from?

1           CHAIRMAN HOLDEN: The legislation would have to  
2 define it.

3           REPRESENTATIVE GUZMAN: 254598 Walter 2/11Second  
4 question. In terms of the PLCB, does PLCB give preference  
5 to Pennsylvania wineries and distilleries?

6           CHAIRMAN HOLDEN: Absolutely. Every store in the  
7 Commonwealth has a Pennsylvania section where Pennsylvania  
8 wineries and distilleries are given the opportunity to  
9 market their products.

10          REPRESENTATIVE GUZMAN: So in a hypothetical  
11 privatized market would those Pennsylvania farmers and  
12 distilleries have the same access to stores that they do  
13 now?

14          CHAIRMAN HOLDEN: That would be up to whoever the  
15 new retailers are.

16          REPRESENTATIVE GUZMAN: So there's no guarantee  
17 that we can give our Pennsylvania wineries and our  
18 distilleries that they would have equal access to consumers  
19 that they do now?

20          CHAIRMAN HOLDEN: I don't think we can guarantee  
21 anything. We don't know what's going to be on the table.

22          REPRESENTATIVE GUZMAN: Thank you.

23          MAJORITY CHAIRMAN METZGAR: Representative Rozzi.

24          REPRESENTATIVE ROZZI: Thank you, Chairman.

25          Good to see you, Chairman.

1           Based on your annual report, the most profitable  
2 stores are in Philadelphia and Pittsburgh, but you also  
3 have stores in less populous areas where essentially they  
4 are not as profitable and in some cases unprofitable, as in  
5 Saxton and Reynoldsville. Why do you locate stores in  
6 areas --

7           CHAIRMAN HOLDEN: It's -- I'm sorry,  
8 Representative Rozzi.

9           It's our mission to serve the entire  
10 Commonwealth. We have approximately 30, 35 stores that are  
11 unprofitable. But if we were to close them down,  
12 Pennsylvanians would have to drive hour, even longer, to  
13 get to the product. So we keep stores open that are losing  
14 money so Pennsylvanians can get the same product in rural  
15 Pennsylvania that they can get in Philadelphia for the same  
16 price.

17          REPRESENTATIVE ROZZI: Thank you, Chairman. Do  
18 you restrict any online shopping of your products?

19          CHAIRMAN HOLDEN: Restrict, no. Our e-commerce  
20 store, we are very proud of. It was growing pre-pandemic.  
21 We look forward to it growing faster. It was never meant  
22 to be sole source and because of the shutdown we had some  
23 bumps in the road, but it is growing tremendously and we're  
24 very proud of it.

25          REPRESENTATIVE ROZZI: Thank you, Chairman, for

1 being here today.

2 MAJORITY CHAIRMAN METZGAR: Representative Smith.

3 REPRESENTATIVE SMITH: Thank you, Chairman  
4 Holden, for coming today and speaking with us.

5 Do you believe that the PA consumers have enough  
6 access to spirits currently?

7 CHAIRMAN HOLDEN: Absolutely. I think that our  
8 team does a great job of marketing the products and I think  
9 that there's adequate access to spirits in the Commonwealth  
10 of Pennsylvania.

11 REPRESENTATIVE SMITH: On average right now, I  
12 think there's about one store per 10,000 people that live  
13 in Pennsylvania, somewhere in that neighborhood.

14 CHAIRMAN HOLDEN: Currently we have under 600  
15 stores.

16 REPRESENTATIVE SMITH: Yeah.

17 CHAIRMAN HOLDEN: Doing the math, it comes out  
18 that way. We obviously have more in more populated areas.

19 REPRESENTATIVE SMITH: In other states though  
20 that number's like three times that -- the number of  
21 stores. So do you feel this amendment would help to  
22 increase the public in being able to access spirits?

23 CHAIRMAN HOLDEN: I have no comment on the  
24 amendment but I do believe the Pennsylvania Liquor Control  
25 Board has access to spirits for Pennsylvanians.



1           REPRESENTATIVE SMITH: On average, when a state  
2 privatizes the store numbers do increase two to three  
3 times. That's why I asked the question. So there's more  
4 access in other states that are privatized. So that was my  
5 point to my question. Thank you.

6           MAJORITY CHAIRMAN METZGAR: Representative  
7 Isaacson.

8           REPRESENTATIVE ISAACSON: Thank you. And I'm not  
9 going to take up a lot of time here. Thank you, Mr.  
10 Chairman.

11           I appreciated the comments and the information  
12 and facts that you're giving us here today about the system  
13 that's operated on our behalf. I have a question because  
14 we are here to vet -- not to ask your opinion on this bill,  
15 but you're overseen by both the Executive Branch and the  
16 Legislative Branch, correct?

17           CHAIRMAN HOLDEN: That's correct.

18           REPRESENTATIVE ISAACSON: Okay. Those are two  
19 branches of government that are created in the  
20 Constitution. So that's what the Constitution does. It  
21 creates the oversight for your specific agency as it  
22 creates all the branches of government. And obviously, if  
23 people don't like our legislation they go to the third  
24 branch of government. All these things are constitutional  
25 things and obviously that's where we derive our rights.

1 I don't know of any and this is where my question  
2 comes in because it sounds like we're creating something  
3 here. Is there any reference to liquor or anything about  
4 that in the Constitution or is that what we're creating  
5 here? Somehow we're prohibiting something that's not even  
6 something that's addressed or created in the Constitution.  
7 That's what I'm trying -- I'm trying to create a  
8 legislative record just in case we have -- I have no one  
9 else to ask, so I figured I'd ask you. Thanks.

10 CHAIRMAN HOLDEN: I'm not a constitutional lawyer  
11 but I do not believe liquor is referenced.

12 REPRESENTATIVE ISAACSON: Okay. Thank you very  
13 much.

14 MAJORITY CHAIRMAN METZGAR: Representative  
15 Diamond.

16 REPRESENTATIVE DIAMOND: Thank you, Mr. Chairman.  
17 Thank you, Chairman, for coming here, Member  
18 Isenhour, Member Negra.

19 In your testimony, you gave a lot of figures  
20 about how much money the PLCB brings in, how much it  
21 provides in different revenue streams outside, but I'm  
22 looking at that list of revenue streams and it occurs to me  
23 that most of them are obligatory. In other words, like the  
24 taxes you cite: the liquor tax, the sales tax, the local  
25 sales tax, that would be paid no matter who's selling the

1 liquor.

2           The other items that you list, I believe many of  
3 them are statutory obligations for the PLCB, so I really  
4 want to get down to the bottom line here because the bottom  
5 line is always the bottom line, so.

6           And I know that you don't speak to Mr. Young, but  
7 he said that PLCB had \$300 million in profit last year;  
8 maybe that's not the right number. And you listed 181  
9 million in cash transfers to the general fund.

10           So can you just give us a statement on what  
11 exactly was the profit of the PLCB last year and how much  
12 of that was transferred to the general fund? And if the  
13 numbers are not the same, why is it not all being  
14 transferred to the general fund because this is an  
15 operation of the people?

16           CHAIRMAN HOLDEN: We transferred \$185 million to  
17 the general fund last year. We have cash on hand right now  
18 of -- 350 million cash on hand for our operations.

19           MR. NEGRA: I believe our profit was 232 million  
20 last year. And why it wasn't -- all of it transferred  
21 would be the request from the Office of Budget was for  
22 \$185.1 million.

23           REPRESENTATIVE DIAMOND: So in other words, the  
24 General Assembly had room to ask for more then?

25           MR. NEGRA: Yes.

1           CHAIRMAN HOLDEN: Well, we're not inviting it,  
2 but yes.

3           REPRESENTATIVE DIAMOND: Well, I don't know why  
4 you wouldn't invite it because that's what the purpose of  
5 having a state-controlled liquor system is -- to a lot  
6 people that I talk to is to provide revenue to the state.  
7 So why aren't we putting all that revenue towards the  
8 general fund?

9           Thank you, Mr. Chairman.

10          CHAIRMAN HOLDEN: Well, we have operating  
11 expenses. You know, we have administrative costs.

12          REPRESENTATIVE DIAMOND: I certainly understand  
13 that but that's never included in profit. Profit is  
14 profit. I've been in business for 30 years myself. Profit  
15 is what you take home. I don't know who's taking anything  
16 home and I don't expect anybody to be at the PLCB, but  
17 profit is profit. When somebody says profit that means  
18 free and clear of every other expense -- free and clear of  
19 every other expense.

20          And if the purpose of having a state liquor  
21 system is to provide revenue out of the profit from the  
22 liquor system then all that profit ought to be turned over  
23 to the General Assembly.

24          I understand holding onto funds to meet day-to-  
25 day operations. I understand that. But if someone's

1 telling me something's profit you can't qualify it by  
2 saying well, we have this, we have -- no. If it's profit  
3 it is profit. It's free and clear after all other  
4 obligations.

5 So with that, thank you, Mr. Chairman.

6 MAJORITY CHAIRMAN METZGAR: Representative  
7 Delloso.

8 REPRESENTATIVE DELLOSO: Thank you, Mr. Chair,  
9 and thank you, Chairman, for your testimony.

10 We heard from the UFCW about job loss. I guess  
11 my question to you is simple. If something like this were  
12 to go through, who comes out of it with a job or does  
13 everyone lose their job?

14 CHAIRMAN HOLDEN: Again, it depends on how the  
15 bill is -- what's in the bill. What are the contents of  
16 the bill? So it's very difficult to say. As Mr. Young  
17 mentioned, we have close to 6,000 employees currently. How  
18 many of them would survive? We have no way of accurately  
19 answering that. I'm sure there would still be  
20 administrative needs that would have to be controlled by  
21 the state and possibly some other things, depending if it's  
22 wholesale or retail, or both.

23 I mean, there's a lot of questions that we can't  
24 answer, and we don't want to look foolish but we don't have  
25 anything in front of us.

1           REPRESENTATIVE DELLOSO: Well, simple question,  
2 like the LEA -- the Liquor Enforcement Agents --

3           CHAIRMAN HOLDEN: Yeah.

4           REPRESENTATIVE DELLOSO: -- work for the state  
5 police. How are they funded and would they be funded? Is  
6 there a mechanism to fund them or are we going to have to  
7 find a way to fund that?

8           CHAIRMAN HOLDEN: Very good question. We  
9 currently provide \$29.2 million to the Pennsylvania State  
10 Police for liquor enforcement. Where that would come from,  
11 you'd have to designate where. You'd have to appropriate  
12 it.

13          REPRESENTATIVE DELLOSO: So there could be a  
14 direct cost to the Legislature?

15          CHAIRMAN HOLDEN: It's not going to -- it won't  
16 be coming from the state store fund.

17          REPRESENTATIVE DELLOSO: Yeah. Thank you for  
18 your testimony.

19          That's all I have, Mr. Chair.

20          MAJORITY CHAIRMAN METZGAR: We have one last  
21 question and then we're going to go at ease to go to the --  
22 two questions, I suppose.

23          Representative Major, quickly if you could.

24          REPRESENTATIVE MAJOR: Thank you, Mr. Chairman,  
25 and thank you, Chairman, for your testimony.

1           You mentioned that you provide \$5.3 million in  
2 alcohol education. I was curious how much money you spend  
3 on marketing considering that you have no --

4           CHAIRMAN HOLDEN: I believe it was \$7 million  
5 last year -- \$7 million last year.

6           REPRESENTATIVE MAJOR: Okay. Considering that  
7 you have no real competition in the market, could that  
8 money be better used elsewhere?

9           CHAIRMAN HOLDEN: Well, we're competing for  
10 disposable income. So yes, we advertise.

11          REPRESENTATIVE MAJOR: Okay. Thank you.

12          MAJORITY CHAIRMAN METZGAR: Chairman Deasy.

13          MINORITY CHAIRMAN DEASY: I appreciate it. Thank  
14 you for being here.

15          My question is in regard to -- if you could  
16 clarify this Johnstown Flood Tax, the 18 percent? So if  
17 the PLCB would go away, the Johnstown Flood Tax, \$415  
18 million annually, goes away. How would we as a  
19 legislature -- we would have to vote to increase or to  
20 start a new tax to replace -- to replenish the coffers?  
21 How's that work?

22          CHAIRMAN HOLDEN: Well, again, and this is all  
23 hypothetical.

24          MINORITY CHAIRMAN DEASY: Yeah.

25          CHAIRMAN HOLDEN: But I would think if there

1 were -- if the PLCB went out of business and the retail  
2 business and there were new retailers, the Commonwealth  
3 would receive the 6 percent tax.

4 MINORITY CHAIRMAN DEASY: And that's it?

5 CHAIRMAN HOLDEN: I don't believe, unless  
6 designated, that you would get the 18 percent, the  
7 Johnstown Flood Tax.

8 MINORITY CHAIRMAN DEASY: Okay. Just curious.  
9 Thank you. Appreciate it.

10 MAJORITY CHAIRMAN METZGAR: I have two questions.  
11 First, whenever Representative Mihalek asked you a question  
12 regarding the competition in the southeast area, you  
13 mentioned about we can't compete with Delaware, whether  
14 it's washing machines, liquor, whatever. I guess my  
15 question to you is why so flippantly dismiss that we can't  
16 compete?

17 CHAIRMAN HOLDEN: Well, they have no sales tax.

18 MAJORITY CHAIRMAN METZGAR: I agree with you. I  
19 guess that's my question.

20 CHAIRMAN HOLDEN: Mr. Chairman, I just meant to  
21 say, it's not just liquor. You just can't compete with  
22 Delaware. People buy things there because they don't have  
23 to pay a sales tax.

24 MAJORITY CHAIRMAN METZGAR: So again, why not  
25 have the determination to say can we do this a different



1 way so that we can beat them?

2 CHAIRMAN HOLDEN: I think our prices are  
3 competitive with all our neighboring states. It's just  
4 very difficult to compete with Delaware. I think if you  
5 look at New Jersey, Maryland, New York, Ohio, we are very  
6 competitive.

7 MAJORITY CHAIRMAN METZGAR: One of my criticisms  
8 of the existing system is that there is an inherent  
9 conflict of interest whenever you're trying to both sell  
10 and regulate. One of the things that comes to mind that I  
11 have experienced in my area is that we have these --  
12 they're dry municipalities. You're familiar with the term,  
13 where there's no sales.

14 But an interesting thing has developed where a,  
15 you know, private licensee can't sell in those dry  
16 townships, say the dry township of Snake Spring in Bedford  
17 County, for instance. Yet in moves the Pennsylvania Liquor  
18 Control Board with a state store and sells all of the  
19 liquor that they can possibly find in that dry township  
20 because the rules do not apply to them. What do you make  
21 of that and wouldn't this solve some of those problems?

22 CHAIRMAN HOLDEN: You're telling me that we have  
23 a fine wine and good spirits store in a dry municipality?

24 MAJORITY CHAIRMAN METZGAR: Absolutely.

25 MR. DIAZ: If I could jump in?

1           CHAIRMAN HOLDEN: Here's our chief counsel, Rod  
2 Diaz.

3           MR. DIAZ: There are different ballot questions  
4 so when a municipality is dry it could be dry for different  
5 things. That particular municipality, if it doesn't want a  
6 state store can vote to ban state stores.

7           MAJORITY CHAIRMAN METZGAR: That's not my  
8 understanding, and I could get Representative Topper in  
9 here. He's worked extensively on that issue, but I don't  
10 think that's quite correct.

11           So I guess it begs the larger question is if you  
12 are to police your own issues and you have all of these,  
13 you know, ancillary issues, contracts for procurement  
14 inside -- internally, that no one is overseeing you on,  
15 issues like the dry municipalities, how does the system  
16 continue to work if you're unable to police your own selves  
17 because you are you?

18           CHAIRMAN HOLDEN: Well, who are we -- I think we  
19 do police ourselves. As our chief counsel has said, if  
20 that municipality didn't want us there we wouldn't be  
21 there.

22           MAJORITY CHAIRMAN METZGAR: I think that  
23 information might be inaccurate, but I appreciate your  
24 sentiment.

25           But in any case, I appreciate the Board being

1 here. We do appreciate your staying out of the fray on it.

2 And I will instruct my members to please go to  
3 the floor to do roll call, and we'll be at ease.

4 And I thank you.

5 CHAIRMAN HOLDEN: Are we excused, Mr. Chairman.

6 MAJORITY CHAIRMAN METZGAR: Yes. Thank you --

7 CHAIRMAN HOLDEN: Okay.

8 MAJORITY CHAIRMAN METZGAR: -- very much.

9 (Committee at ease from 12:00 p.m. to 12:24 p.m.)

10 MAJORITY CHAIRMAN METZGAR: I'd like to thank the  
11 Members for returning. If I could call the room to order.  
12 House Liquor Control Committee is no longer at ease, and we  
13 plan to continue with our next panel. If I could, I'd like  
14 to introduce Dave Wojnar and Matt Dogali. Dave Wojnar is  
15 the Senior Vice President and Head of State Public Policy  
16 for DISCUS and Matt Dogali CEO of the ADSA. Thank you both  
17 for coming. And if you -- either of you are ready, please  
18 proceed when ready.

19 MR. WOJNAR: Great. Thank you, Mr. Chairman.

20 David Wojnar with the Distilled Spirits Council. I'll be  
21 submitting joint testimony with Mr. Dogali. For those of  
22 you who don't know, we're on the Distilled Spirits Council,  
23 and A-D-S-A, ADSA is also the American Distilled Spirits  
24 Alliance. And just so people understand on any given  
25 business day, our respective members are competitors, but

1 today we are partners as we join this testimony and provide  
2 this testimony for you. And we represent roughly 90  
3 percent of spirits market share not only in Pennsylvania  
4 but around the country.

5 By way of background, both DISCUS and ADSA  
6 support the control state system. We are good partners  
7 with our control state partners around the country and work  
8 with folks like Iowa and Ohio and West Virginia. And I do  
9 want to take the moment to just kind of set the record  
10 straight in what was said earlier about those states.

11 Iowa, 3.12 million population, they generated  
12 roughly \$452 million in sales with 1,840 stores. Ohio, 11  
13 million population, generated \$1.7 billion in sales,  
14 returned \$900 million back to the state; that's \$800  
15 million went to JobsOhio, the private -- the public private  
16 entity that does job creation. As you may have just read,  
17 they just landed Intel in Ohio and they returned \$100  
18 million to the general fund with only 460 stores.

19 And in West Virginia with a population of 1.7  
20 million they generated \$103 million in sales, returned 24  
21 million to the state with only 181 stores, and they have  
22 private stores every 10 years that go out to bid. This  
23 recent bid cycle generated \$40 million to the state. So I  
24 think it was portrayed earlier that those control states  
25 are not up to par, but that report there from their annual

1 report would suggest otherwise. And I think that's a trend  
2 in a majority of the control states around the country.

3 On the issue of privatization, both ADSA and  
4 DISCUS, we do not take a position on the issue of  
5 privatization. We think, you know, in the control states,  
6 it's up to the legislature, governors, and the citizens to  
7 decide what they want to do, whether they should be a  
8 control or an open state, but that does not preclude us  
9 from providing our input and you know, viewpoint on a given  
10 state, which we do pretty frequently around the country.

11 So in Pennsylvania, there's -- the previous  
12 speaker, Mr. Young, was incredibly articulate. A couple  
13 things that stood out -- and he was spot on -- they are  
14 really, really good at leveraging their monopolistic power,  
15 and under Act 39 that has grown even more so and that  
16 manifests itself on the issue of pricing, which Mr. Dogali  
17 will speak to later on, a little bit later on after I'm  
18 done. But on the issue of retailing -- I just want to  
19 address that issue -- we think the Commonwealth is woefully  
20 underserved, as I -- with only 600 stores per 12 million  
21 population they are less than one store per 10,000 and well  
22 below the national average, which is around three stores  
23 per 10,000, so there is room to grow.

24 It is mindboggling to me to hear that the state  
25 actually operates stores that do not generate a profit. I

1 realize that there's a convenience aspect there and it's by  
2 charter that they're required to do that, but there are  
3 other business models out there in the control state  
4 universe that serve the consumer without a loss with their  
5 retail operations. I can tell you in Ohio, Iowa, West  
6 Virginia all utilize private entities and do it really  
7 well, as I just illustrated.

8           So we think there's room to grow in a state like  
9 Pennsylvania on the retail side of it. And you know, with  
10 the pressure that the PLCB is under -- and this isn't just,  
11 you know, a today issue. This is something that we have  
12 dealt with for many, many is that when the Governor or  
13 Legislature tells the PLCB they have to make a certain  
14 number that puts them under a great deal of pressure. And  
15 without the retail support, without the number of stores to  
16 generate that revenue, they, then, have to turn to pricing  
17 as a way to make that number. And then with Act 39 and  
18 flexible pricing, that gave them an inordinate amount of  
19 power over pricing, over suppliers to essentially do as  
20 they see fit when it comes to negotiating a price.

21           So I know we're pressed for time and I know  
22 there's a lot of folks who want to ask some questions, so  
23 with that I'd like to transition over to Mr. Dogali, who  
24 will share with you his perspective and our perspective on  
25 pricing issues. Thank you.

1 MAJORITY CHAIRMAN METZGAR: Mr. Dogali.

2 MR. DOGALI: Yeah. Thanks, David. And thank you  
3 for giving us the time today to discuss our views on  
4 alcohol sales and distribution in Pennsylvania. I have to  
5 just quickly apologize if you hear any background noise.  
6 They're doing emergency work on the street in front of my  
7 house, but right now it sounds pretty quiet. I'm Matt  
8 Dogali, President of the American Distilled Spirits  
9 Alliance.

10 As David said, we sell products in every state,  
11 control and open, and as is noted in our written testimony  
12 in more detail, our association is extremely proud of the  
13 longstanding support we have for well-run control states  
14 across the United States. Pennsylvania remains an anomaly  
15 for us. Our relationship with the PLCB has become strained  
16 after years of continually squeezing suppliers for more and  
17 more profit, rather than looking internally for operational  
18 efficiencies like other control states.

19 In an effort to be quick today, I'm going to  
20 touch on three key topics from our written testimony: Act  
21 39 flexible pricing, out-of-stock fines, and the  
22 elimination of the SPA program. So Act 39's flexible  
23 pricing continues to be a major issue for us. We've raised  
24 this issue several times in the past. I'll give a quick  
25 example for those in the room that may be unfamiliar.

1 Brand X Vodka selling well in Pennsylvania with a retail  
2 shelf price of 26.99. Out of the blue, PLCB product  
3 manager sends an email to the owner or head of operations  
4 at Brand X Vodka notifying them -- not asking them,  
5 notifying them the shelf price will be increasing \$3 to  
6 29.99. That is \$3 of pure profit per bottle for the PLCB.

7 And normally, the supplier has very limited time  
8 to deal with this notice and change. So Brand X Vodka can  
9 negotiate, but the PLCB is not required to negotiate and  
10 often when they do engage it's not in the supplier's favor.  
11 The Brand X Vodka may offer a discount on the case in an  
12 attempt to keep the shelf price low, but the PLCB can and  
13 has on several occasions accepted the lower case price and  
14 still raised the retail price.

15 There are far too few rules and controls around  
16 flexible pricing in Pennsylvania. The end result has meant  
17 more margin for the PLCB and higher retail price for the  
18 consumer in Pennsylvania. It's not right and it's not fair  
19 for the citizens of the Commonwealth. The PLCB is a  
20 monopoly, and as one they have a responsibility to  
21 consumers in the Commonwealth to have fair and structured  
22 pricing models, not arbitrary price increases.

23 The second point, the PLCB continues to assess  
24 out-of-stock fines. This is very simple. There is a  
25 global pandemic. Supply chains are strained. Every other



1 control state knows this and has suspended out-of-stock  
2 fines, not the PLCB. They're collecting record fines for  
3 supply chain issues outside of our control. They do have a  
4 waiver program. But why do we need all that paperwork?  
5 Why does the PLCB need to have manpower processing all of  
6 that paperwork? We ask again the PLCB suspend the fines  
7 like every other control state until the supply chain  
8 normalizes.

9           Finally, I'd like to talk quickly about the  
10 elimination of special pricing allowances. If Brand X  
11 Whiskey wants to have a sales event around the Kentucky  
12 Derby, under the SPA program, they could've offered a  
13 discount to the consumer to encourage sales of their  
14 whiskey. The sale would be for a limited time that helps  
15 build the brand and it benefits consumers with lower  
16 prices. It's also a common practice in control states and  
17 remains in effect in other markets, yet the PLCB eliminated  
18 it. With the PLCB eliminating the SPA program, Brand X  
19 cannot target an event like the Derby because the PLCB no  
20 longer has to pass any discount offered by the supplier  
21 onto the consumer. They can keep the discount offered by  
22 the supplier as increased margin. How does this benefit  
23 the consumer?

24           So to close we've said before and we'll continue  
25 to say, we would like better opportunities to negotiate in

1 good faith with the PLCB. These continuing issues clearly  
2 show this will require substantial change, which we've  
3 outlined in our written testimony. The bottom line is it  
4 really doesn't have to be this way. And we really do  
5 appreciate your time in bringing your attention to this  
6 matter today. Thank you.

7 MAJORITY CHAIRMAN METZGAR: Chairman Deasy.

8 MINORITY CHAIRMAN DEASY: Thank you. Appreciate  
9 your testimony. Appreciate your patience. I know it's  
10 been a long day. I have a couple just very quick  
11 questions. First, a comment with regard to the pricing  
12 issues that you had talked about. Had we been doing our  
13 due diligence as required and had the pricing hearings  
14 annually, we could vet this process out. I'll just bring  
15 that up. Secondly, these jobs that were created -- you  
16 mentioned West Virginia, I believe, and there was another  
17 state. What is the average salary of those jobs? Do you  
18 have that figure?

19 MR. WOJNAR: Chairman Deasy, I didn't refer to  
20 the jobs. I referred to revenue generated. But I can tell  
21 you in Ohio -- this come in from a text from Jim Canepa,  
22 who is the Chair of the Ohio Liquor Control Board. He  
23 indicated that those private small business operators  
24 average well over \$100,000 a year in annual income.

25 MINORITY CHAIRMAN DEASY: Okay. Last question,

1 and this was a term that's been used throughout this bill  
2 that's been put forth. Special interest, do you guys  
3 consider yourself to be a special interest of the liquor  
4 industry?

5 MR. WOJNAR: We do have an interest. We do have  
6 an interest in working with Pennsylvania. We do have an  
7 interest in working with you, the Legislature, but we have  
8 an interest most importantly with the Pennsylvania  
9 consumer.

10 MR. DOGALI: Yeah. And if it's okay, I'll follow  
11 that up and say that both of our associations are  
12 registered with the IRS as 501(c)(6) trade associations.  
13 And two of the core purposes of 501(c)(6) trade  
14 associations are to represent the collective and to educate  
15 your members. So I'm not going to weigh in on whether or  
16 not we're special interest, but even by IRS code we're  
17 doing what we're supposed to do, which is represent the  
18 collective.

19 MINORITY CHAIRMAN DEASY: No, no, no. And I  
20 certainly respect that. I appreciate the valuable  
21 testimony you bring there. I just wanted that  
22 clarification. That's all. Thank you.

23 MR. WOJNAR: Mr. Chairman, I can create the  
24 argument that we've been here for many years with the same  
25 message and perhaps we're not special enough.

1           MINORITY CHAIRMAN DEASY: I agree. And I'm going  
2 to hammer this point home again to you guys, is had we been  
3 given the opportunity through Act 39, as we statutorily  
4 were supposed to, have this bipartisan commission meet, we  
5 could vet a lot of your issues out. So I again ask the  
6 majority party to please make their appointments to that  
7 commission, so we can begin that work. Thank you.

8           MR. WOJNAR: Mr. Chairman --

9           MINORITY CHAIRMAN DEASY: Yes?

10          MR. WOJNAR: -- I respectfully disagree with  
11 that. The majority party, through Representative Topper,  
12 has filed legislation to repeal flexible pricing. I have  
13 testified on that on multiple occasions --

14          MINORITY CHAIRMAN DEASY: I know that. Yeah.  
15 Yeah.

16          MR. WOJNAR: -- as has Mr. Dogali, so I think we  
17 vetted that issue --

18          MINORITY CHAIRMAN DEASY: I agree.

19          MR. WOJNAR: -- and have used every opportunity  
20 to talk -- to air our grievances in that regard.

21          MINORITY CHAIRMAN DEASY: No, no, no. I agree  
22 and I know Representative Topper -- I think he's here.  
23 We've had those hearings in the past. The pricing hearings  
24 should be an annual event. But through Act 39, a  
25 commission was created, but it has never been met -- it has

1 never met. The majority party has never appointed members.  
2 And a lot of these issues could be vetted out through that  
3 process, so that's my point. So I'm done. Thank you.

4 MAJORITY CHAIRMAN METZGAR: Representative Rigby.

5 REPRESENTATIVE RIGBY: Thank you, Chairman. Gentlemen,  
6 what states are models that we in the Legislature could  
7 look to if voters decide to privatize? And a second part  
8 to that, both states that are fully private and states that  
9 are private in the wholesale level only?

10 MR. WOJNAR: Look, here's the reality. I can't  
11 speak to which one is better than the other. I think each  
12 state has their own, you know, strengths and weaknesses,  
13 but the majority of the states around the country are open.  
14 There are 17 control states, and within those 17 control  
15 states you only have a handful, Utah, Pennsylvania,  
16 Virginia, throw in Alabama where the state runs -- oversees  
17 the retail piece of it. Virginia, 10 years ago they were a  
18 mess, quite frankly, and working with ADSA and -- you know,  
19 we have worked with the legislature and the Virginia ABC  
20 there to help turn that around. So I think there's a lot  
21 of, you know, shining examples especially within the  
22 control state system.

23 The ones that were criticized earlier, Iowa,  
24 Ohio, West Virginia, Maine, those are all -- those are the  
25 gold standards. Michigan, excellent job over there. I

1 look at Ohio. Again, they're generating that level of  
2 retail, and they don't even control the low-proof products.  
3 They do not even control the low-proof products that we  
4 have been begging the Commonwealth for relief on and to get  
5 those low-proof products into other outlets outside the  
6 PLCB stores. So I think there's plenty of examples of what  
7 states are doing well. And I know NABCA is the trade  
8 association for those control states. They're a great  
9 resource. And I bet you the directors of those states  
10 would probably -- would love to testify and provide that  
11 information for you.

12 MAJORITY CHAIRMAN METZGAR: Representative  
13 Malagari.

14 REPRESENTATIVE MALAGARI: Thank you, Mr.  
15 Chairman. And I appreciate our -- I'll take my mask off so  
16 you can actually see me a little bit better. I appreciate  
17 our testifiers as well and appreciate what you're bringing  
18 forward. I do have a question. But before I get into that  
19 question, I did want to ask -- so you mentioned Iowa as an  
20 example. Can you just repeat, with Iowa as your example,  
21 how many stores they had? How many, like, retail outlets?

22 MR. WOJNAR: One thousand, eight hundred and  
23 forty private retail stores that service agency stores.  
24 Iowa still controls the wholesale, but they have private  
25 entities operating their retail, and that was done -- I

1 think that was initiated in the early '80s. And then most  
2 recently, I think it was 2015, the Legislature passed  
3 legislation to allow convenient stores to serve as retail  
4 outlets on behalf of the state.

5 REPRESENTATIVE MALAGARI: Okay. So would --

6 MR. WOJNAR: It's still a control state.

7 REPRESENTATIVE MALAGARI: Would that 1,840 stores  
8 as you mentioned, would that be the equivalent of what our  
9 Fine Wine and Good Spirits stores are here in Pennsylvania?

10 MR. WOJNAR: Yes. No. The proper analogy would  
11 be the R licenses that sell wine. So in Iowa, it's  
12 convenience stores, grocery stores, small mom-and-pop  
13 stores, anybody who essentially has the wherewithal to  
14 apply for a license.

15 REPRESENTATIVE MALAGARI: Okay. So --

16 MR. WOJNAR: Could be beer distributors in  
17 Pennsylvania, could be our licenses, you know --

18 REPRESENTATIVE MALAGARI: So is that number  
19 actually bigger than the 1,840, or is that inclusive of  
20 everything?

21 MR. WOJNAR: No. It's inclusive of all that.

22 REPRESENTATIVE MALAGARI: Okay.

23 MR. WOJNAR: In Pennsylvania, you have 600  
24 stores.

25 REPRESENTATIVE MALAGARI: And you said the

1 revenues in Iowa is \$425 million of their stores for  
2 last --

3 MR. WOJNAR: 452 million is what they generated  
4 in sales with a population of 3.12 million.

5 REPRESENTATIVE MALAGARI: Okay. So a population  
6 of 3.12 million. In the city and county of Philadelphia  
7 and Allegheny County based on 2021 census numbers that came  
8 through recently, you're talking about a population under  
9 that within those two counties, under three million. Now,  
10 that's the entire state of Iowa that you're talking about  
11 is three million. You said 452 million?

12 MR. WOJNAR: Yep. They generated 452 million --

13 REPRESENTATIVE MALAGARI: Okay. So for a  
14 population of under what Iowa has -- now, Iowa's a state,  
15 correct? -- so about \$593 million of revenue is generated  
16 in 123 stores, more generation of revenues, less stores.  
17 Why? I thought more stores equals more money.

18 MR. DOGALI: It's speculative but something we  
19 have to look into, but there's --

20 REPRESENTATIVE MALAGARI: Okay.

21 MR. DOGALI: -- obviously lack of competition  
22 because the PLCB is a monopoly, so you can drive sets --

23 REPRESENTATIVE MALAGARI: We're in the southeast.  
24 There's that bleed over remember, too.

25 MR. WOJNAR: Yeah. Representative Logan [sic],



1 one thing that we're not -- you're not factoring in is  
2 the -- what the power that flexible pricing has provided,  
3 so please don't get confused with revenue generated because  
4 what is happening now, as Mr. Dogali indicated, through  
5 flexible pricing is that the PLCB and through their  
6 expertise in leveraging, as Mr. Young indicated, during  
7 that acquisition negotiation, they're able to grab as much  
8 margin as possible from the supplier.

9 So yes, there's revenue being generated, but it's  
10 not solely because of the retail experience. It's because  
11 of the flexible pricing power, and that is why that has  
12 been met with such resistance. And as Mr. Young indicated,  
13 right -- I have it in my notes -- the lack of revenue is  
14 the fastest ticket to getting rid of the system. So that's  
15 why that flexible pricing power is so critical to the  
16 current system right now --

17 REPRESENTATIVE MALAGARI: I think I just proved  
18 that --

19 MR. WOJNAR: -- is that they're able to generate  
20 revenue --

21 REPRESENTATIVE MALAGARI: -- you're not lacking  
22 in revenues.

23 MR. WOJNAR: -- through the negotiation process,  
24 not necessarily through the retail experience.

25 REPRESENTATIVE MALAGARI: I do have another

1 question. So a few months back, you mentioned and  
2 testified at a supply chain issue hearing -- I was present  
3 for that. I think you were actually --

4 MR. WOJNAR: Yes.

5 REPRESENTATIVE MALAGARI: -- online at the same  
6 time with the really cool background that you have now on  
7 the screen.

8 MR. WOJNAR: That doesn't change.

9 REPRESENTATIVE MALAGARI: So during that hearing,  
10 you testified to the disadvantages of working in  
11 Pennsylvania and you kind of mentioned that again today.  
12 Can you just tell us a little bit about how you  
13 circumvented this nationwide issue in other states of the  
14 supply chain issues and all that and how Pennsylvania's  
15 structure has prevented you from servicing the Commonwealth  
16 in the same way?

17 MR. DOGALI: And David, I'll jump in --

18 MR. WOJNAR: Yeah, please.

19 MR. DOGALI: -- but we didn't necessarily  
20 circumvent. I can certainly provide some examples of  
21 interesting measures that companies have taken, but we are  
22 struggling like every other industry to get containers  
23 cleared from port, to get containers into port, to get  
24 containers from point A to point B. There's a shortage of  
25 truck drivers and you name it; there's logistics problems.

1 That said, other states, even states with their own issues,  
2 like North Carolina, have seen how complicated the supply  
3 chain issue is and they've suspended their out-of-stock  
4 fines. Pennsylvania remains the only one that has not.

5 Now, as an example of things that companies have  
6 done, there's one company that has a high end vodka that  
7 was having difficulty clearing containers out of a east  
8 coast port. They actually started to fly the vodka over on  
9 planes to try and get it on the shelves because of consumer  
10 demand, substantially increasing their cost but trying to  
11 serve the consumer. And there's lots of examples like  
12 that. For a while, we couldn't get bottle caps and people  
13 were doing whatever they could to source bottle caps.  
14 Domestic production on bottle caps is quite low, but it's  
15 increased simply because of the difficulty in getting  
16 bottle caps in from overseas.

17 So like everybody, we've had to adapt. It's just  
18 the PLCB hasn't really adapted with us in this moment in  
19 time.

20 REPRESENTATIVE MALAGARI: I can't speak for what  
21 the PLCB does. They were the previous testifiers before we  
22 had to recess for a little bit, but I'm sure they would be  
23 able to answer some of those questions in that meeting that  
24 we should be having coming up to try and talk about some of  
25 this stuff. But I did want to say a lot of those examples

1 that you pointed out were not at fault of the system itself  
2 but more of at fault to the overall global supply chain  
3 crisis that we're going through and not necessarily because  
4 of the way in which we distribute alcoholic beverages  
5 within the Commonwealth. Thank you, Mister.

6 MR. WOJNAR: Representative Logan, if I can just  
7 make one more point on the revenue --

8 REPRESENTATIVE MALAGARI: It's Malagari.

9 MR. WOJNAR: -- in Act 39 --

10 REPRESENTATIVE MALAGARI: Sorry.

11 MR. WOJNAR: I'm sorry. Act 39 with the flexible  
12 pricing. Most recently, Pennsylvania courts ruled that the  
13 PLCB had been collecting illegal fees from restauranters  
14 around Pennsylvania, and they must reimburse -- I think  
15 it's going to be close to 50 to 60 million -- millions of  
16 dollars to those licensees. That's an indication if you  
17 can read -- please read the article -- the news article.  
18 We'll send it to you if you haven't. Please read that  
19 article. I think that sums up what we're dealing with  
20 right now. Those fees should have never been collected.

21 Had they not been collected, you would have a  
22 better, a truer reading of what the revenue that's being  
23 generated right now. So that underscores what I was  
24 talking about that while the retail component is one piece  
25 of it, the collection of fees and the negotiation of prices

1 using their monopolistic power is really the crux of it.

2 Thank you.

3 MAJORITY CHAIRMAN METZGAR: Representative  
4 Gaydos.

5 REPRESENTATIVE GAYDOS: Thank you, Mr. Chair. So  
6 you used the example of the PLCB raising prices on a -- on  
7 vodka by \$3 and that's pure profit. So what happens when  
8 the PLCB raises the prices on a bottle of liquor and what  
9 does that do to the company? In other words, can the  
10 company still sell it to the customer on premise for  
11 whatever price they wish?

12 MR. DOGALI: So it's a great question and no. So  
13 under the pricing formula model, which existed prior to Act  
14 39, there was a set markup that was applied, so the shelf  
15 price that reached the consumer would be known ahead of  
16 time. But now what happens is -- and if you look at any  
17 category, if you look at a vodka, if you look at a whiskey,  
18 there's obviously different price points between the  
19 categories. There's some lower-dollar items, some middle-  
20 tier items, some super premium items. So the suppliers  
21 will try to get a product on the shelf at a particular  
22 price point for that particular brand.

23 And the difficulty is it may initially end up on  
24 the shelf at a desirable price, but if it performs well,  
25 the odds are the PLCB will reach out to the supplier and

1 notify them of a price increase because the PLCB has seen  
2 the sales trends. They see an opportunity to make more  
3 money. So that once the supplier's been notified of the  
4 potential price increase that could move it out of the  
5 category.

6 If you were trying to target the extremely  
7 competitive middle tier in whiskey and they're going to  
8 price you up several dollars, it may make you less  
9 competitive, so you the supplier will attempt to lower your  
10 FOB. You'll say I'll give you a lower case price; please  
11 don't raise the shelf price. The PLCB has no obligation to  
12 do anything. They can take the lower case price you've  
13 offered and they can still raise the retail price. That is  
14 the crux of the problem.

15 REPRESENTATIVE GAYDOS: So it almost sounds like  
16 the PLCB is controlling your business plans.

17 MR. DOGALI: Correct.

18 REPRESENTATIVE GAYDOS: Otherwise known as price  
19 control.

20 MR. DOGALI: It is a monopoly.

21 REPRESENTATIVE GAYDOS: Thank you.

22 MAJORITY CHAIRMAN METZGAR: Representative Kulik.

23 REPRESENTATIVE KULIK: Thank you. I appreciate  
24 hearing all your testimony today and I do recall hearing it  
25 in the past, and it's always good to hear from all of you.

1 But real quick, PLCB currently offers a discount, 10-  
2 percent discount for restaurants off retail price. I think  
3 we're looking to up that to 15 percent. With all the  
4 struggling restaurants currently, if privatization were to  
5 come in, would you be willing to work collaboratively --  
6 excuse me -- with wholesalers to maintain some form of  
7 discount?

8 MR. DOGALI: David, you're muted.

9 MR. WOJNAR: I mean, around the country,  
10 suppliers work with their wholesalers and on-premise and  
11 off-premise partners to make sure that the pricing, you  
12 know, suits those geographic demands, and so I'm sure that  
13 would be the case. It happens in, you know, every other  
14 open state around the country, so I don't see why it  
15 wouldn't here.

16 MAJORITY CHAIRMAN METZGAR: Representative  
17 Delloso.

18 REPRESENTATIVE DELLOSO: Thank you for your  
19 testimony, gentlemen. It may seem like a simple question,  
20 but don't you see an advantage to the plethora of products  
21 that the state liquor control system puts on the shelves?  
22 Don't some of your vendors appreciate the fact that we can  
23 put their product where it otherwise wouldn't be?

24 MR. DOGALI: It's a great question, and the short  
25 answer is yes. We do very well with marketing our products

1 in control states. That's not necessarily what's at  
2 question here. So having more SKUs on the shelf is not a  
3 bad thing. It's a good thing. The difficulty is just  
4 because you have 300 SKUs of your products on the shelf  
5 today doesn't mean tomorrow they're not going to notify you  
6 that 100 of those SKUs are subject to a price increase. So  
7 that --

8 REPRESENTATIVE DELLOSO: But that's some --

9 MR. DOGALI: Sorry. Go ahead.

10 REPRESENTATIVE DELLOSO: Having those products on  
11 the shelf is something that you might not otherwise enjoy  
12 in a different system.

13 MR. DOGALI: It certainly depends. You know, the  
14 21st Amendment created 50 unique markets in the United  
15 States, so it's very difficult to compare market to market.  
16 Even other control states that are as close as possible to  
17 Pennsylvania, like Virginia, certainly have differences.  
18 So states that have independent retail, we generally do  
19 have quite a few SKUs on the shelves. If that independent  
20 retail is more focused on distilled spirit sales, other  
21 out -- beverage outcall sales and states that have a blend  
22 of independent retail and grocery retail, we also do well  
23 in those independent retail stores.

24 Obviously, larger retailers that sell multiple  
25 different types of products have to pick and choose what



1 products they put on the shelf, but they have to do that  
2 for everything. It's not just distilled spirits. So yes,  
3 we do enjoy having a lot of SKUs on the shelf, and yes, it  
4 is beneficial. So David, I don't know if you have anything  
5 to follow.

6 MR. WOJNAR: Yeah. No. I think just one other  
7 thing. You know, in the control states, they have what's  
8 called a listing and de-listing policies, and so in order  
9 to be on those shelves, you have to go through a process.  
10 And you know, make no bones about it whether it's  
11 Pennsylvania or any other state, if the product's not  
12 selling and it's not something the consumer wants, it's not  
13 going to be on the shelf. And if it's an open state, if it  
14 something that the consumer wants and is really popular,  
15 it's going to be on the shelf.

16 So as Mr. Dogali mentioned, there's a huge  
17 benefit to the control states. They do a great job, great  
18 job. And we're not saying -- you know, we're not here to,  
19 you know, diss the PLCB. You know, the current board and  
20 their employees are hard-working folks. I mean, but we've  
21 been here time and time and time again asking for simple  
22 reforms. And I guess, this is another day that we're doing  
23 that.

24 REPRESENTATIVE DELLOSO: Well, if you're not here  
25 to diss the PLCB, then that begs the question that in

1 the -- in places like Washington State, I mean,  
2 organizations, trade associations, Costco, spent millions  
3 of dollars trying to privatize the liquor industry and buy  
4 a ballot question. Do you plan on taking the same  
5 approach? And what are you guys willing to spend to --

6 MR. WOJNAR: On the issue of Washington State,  
7 that ballot initiative, we were neutral. We didn't  
8 participate in this. The only thing that we -- what we've  
9 learned from that experience was that Costco went to the  
10 liquor control board multiple times asking to be part of  
11 their agency store system and were told no. They went to  
12 the Legislature asking to be part of their agency store  
13 system and were told no. And then finally, they went to  
14 the voters and were told yes. How that was achieved and  
15 what they spent or what have you, you know, that was their  
16 decision and the voters of Washington State that was their  
17 decision, but that was just how that played out.

18 REPRESENTATIVE DELLOSO: Well, will you be  
19 neutral in Pennsylvania?

20 MR. DOGALI: Yeah.

21 MR. WOJNAR: Yeah. We don't take a position. As  
22 I stated earlier, we do not take a position on  
23 privatization.

24 REPRESENTATIVE DELLOSO: Thank you. Thank you,  
25 Mr. Chair.

1 MR. DOGALI: And as far as -- oh, I'll just  
2 follow that up briefly. As far as our association's  
3 concerned, it has varied by state. We've either been  
4 neutral or we have been opposed. To my knowledge of my  
5 association, we have never been in favor of privatization.  
6 When we have registered opposed -- I believe we did in  
7 Oregon in 2016 or '17 when they last had a privatization  
8 effort, a large part of that was the decision by our  
9 collective membership that because of the excellent working  
10 relationship that we had with the OLCC that it made sense  
11 to lend support.

12 In Pennsylvania, if we had an excellent working  
13 relationship, we could certainly look at the situation  
14 differently. But at the moment for us, we're -- reason  
15 we're here today testifying jointly with DISCUS is because  
16 we -- while Tim gets along very well with us personally,  
17 the professional relationship is very strained, so it's  
18 very difficult for us to say we would do anything other  
19 than be neutral.

20 MR. WOJNAR: And to piggyback off of that, if  
21 you're asking us would spirit suppliers like to be in  
22 grocery stores like wine is through Act 39, absolutely.  
23 We've been asking for that -- we were asking for that  
24 during the discussion of Act 39 and we've been asking for  
25 that since then. Would we like to see our low-proof RTDs

1 in grocery stores or in beer distributors like the  
2 Legislature did for fermented fruit last legislative  
3 session? Absolutely.

4 MAJORITY CHAIRMAN METZGAR: Representative  
5 Guzman.

6 REPRESENTATIVE GUZMAN: Thank you, Mr. Chair.  
7 And thank you, gentlemen, for your time here this morning.  
8 Gentlemen, would you both say that the liquor system in  
9 Pennsylvania is both complex and intricate?

10 MR. DOGALI: I would say that almost every one in  
11 the United States is, so Pennsylvania is as well.

12 REPRESENTATIVE GUZMAN: David?

13 MR. WOJNAR: Yes. But it doesn't have to be as  
14 complex.

15 REPRESENTATIVE GUZMAN: But you would agree that  
16 it is complex and intricate?

17 MR. DOGALI: Yes.

18 MR. WOJNAR: The pricing piece of it,  
19 absolutely --

20 REPRESENTATIVE GUZMAN: Would you both agree that  
21 solving many of the issues that you highlighted here today  
22 would solving any of those issues be as simple as asking a  
23 yes-or-no question?

24 MR. WOJNAR: I don't know because if I understand  
25 from what I've heard earlier, it would direct the

1 legislature to solve those issues, correct, if I  
2 understood?

3 REPRESENTATIVE GUZMAN: So in terms of this  
4 particular constitutional amendment, again, which is two  
5 pages long, in your opinion, do you believe that this yes-  
6 or-no potential question would solve your immediate  
7 challenges?

8 MR. DOGALI: Yeah. It's an interesting question.  
9 The points that we've raised as our current concerns --  
10 I'm -- I understand you want a yes-or-no answer, but it's  
11 almost impossible because the points that we raised would  
12 evaporate, so we can't really say yes or no.

13 REPRESENTATIVE GUZMAN: So again, a lot of these  
14 points still wouldn't answer the questions that you guys  
15 are currently experiencing in your industry because quite  
16 frankly, we just don't know. Would it be safe to say that?

17 MAJORITY CHAIRMAN METZGAR: Representative  
18 Guzman, you know, we can only ask the question maybe twice,  
19 and you're pushing three times on it. Could you please  
20 wrap it up?

21 REPRESENTATIVE GUZMAN: I'll move on to the crux  
22 of my question, Mr. Chairman. And obviously, as was  
23 stated, you know, there are a lot of complex issues and a  
24 lot of intricacies that still have yet to be answered, and  
25 I don't believe that this constitutional amendment goes

1 anywhere close to answering. And so gentlemen, in your  
2 opinion, do you believe that the legislature should develop  
3 and agree on liquor privatization plan prior to a question  
4 being presented to voters?

5 MR. WOJNAR: No comment on it.

6 MR. DOGALI: Yeah. I'm not comfortable trying to  
7 dictate the path forward of the Legislature. We're just  
8 here to try and discuss the pending and current issues with  
9 the PLCB.

10 REPRESENTATIVE GUZMAN: But in terms of your  
11 membership, in terms of your membership, would you prefer  
12 us to have a plan before we presented this to the voters,  
13 or would you just rather just kind of make this up as we  
14 go, which is --

15 MR. WOJNAR: No. Sir, with all --

16 REPRESENTATIVE GUZMAN: -- kind of the current  
17 track that we're on?

18 MR. WOJNAR: -- due respect, we've provided --  
19 we've tried to provide you for -- with a plan, additional  
20 stores via the R licenses, move the spirit-based RTDs into  
21 additional licenses, fix the flexible pricing issue. How  
22 you all get there, that's your choice.

23 REPRESENTATIVE GUZMAN: With respect, those plans  
24 are not in this bill. Thank you, Mr. Chairman.

25 MR. WOJNAR: They're in other legislation.

1 MAJORITY CHAIRMAN METZGAR: Thank you, gentlemen.  
2 We appreciate your time today, and we thank you for  
3 enduring all of our questions. And I'd like to invite the  
4 next panel to the table. We have Alex Baloga from the  
5 Pennsylvania Food Merchants Association, Zak Pyzik from the  
6 Pennsylvania Restaurant and Lodging Association, and Gene  
7 Barr, the President and the CEO of the Pennsylvania Chamber  
8 of Business and Industry. Thank you, gentlemen, and  
9 whoever would like to lead off please go ahead.

10 MR. BARR: Mr. Chairman, we're going to go by  
11 age, so we're going to start with the youngest here today.  
12 Believe that one. Mr. Chairman, thank you and Chairman  
13 Deasy for the opportunity to appear here today. As noted  
14 I've submitted testimony and will simply, as we've talked,  
15 give you some of the highlights of that. As noted, my name  
16 is Gene Barr. I'm President and CEO and the Pennsylvania  
17 Chamber of Business and Industry. We're the largest broad-  
18 based business advocacy group in Pennsylvania with about  
19 9,500 members representing roughly 50 percent of the  
20 private sector workforce in the Commonwealth. And my  
21 members include many of the members of my colleagues that  
22 are here with me today to talk about this issue.

23 We have had a longstanding interest in this.  
24 We've been supportive of privatization for reasons that  
25 I'll get into here very shortly. However, there was a

1 discussion earlier about what the appropriate role of  
2 government is. And I don't believe it's an ideological  
3 argument and I don't believe it's a philosophical argument.  
4 I believe it's a practical argument in terms of what we can  
5 do collectively as a society, what the private sector  
6 should provide, and it should be based on efficiencies,  
7 what the needs of our citizens/consumers are because those  
8 are really in most cases the same people.

9           The current system that we have, as  
10 Representative Mihalek described it is not only not  
11 consumer friendly, it was designed not to be consumer  
12 friendly, and there's an important distinction there that I  
13 would argue. And further as noted, monopolies are  
14 inherently anti-consumer. There is no competition; that's,  
15 obviously, the definition of a monopoly. And as Chairman  
16 Metzgar noted, we do have a concern with LCB being in the  
17 role of both promoting use of a product as well as  
18 enforcing and regulating that product. There seems to be  
19 an inherent conflict of that.

20           One of the things that as someone who was born  
21 and raised here in Pennsylvania, left for a while, so I had  
22 the opportunity living in both Georgia and Ohio to see how  
23 other states work and then come back to Pennsylvania, over  
24 the last -- however many years you want to put, 10 or 15,  
25 have there been improvements in the system, I'd argue yes.



1 I think the system we have today is better than the one  
2 that I knew growing up here in Pennsylvania.

3 But I would argue that much of that -- and I see  
4 the LCB people are here; they're good friends; they're good  
5 people; they've done some of that. But I would argue that  
6 most of that, I believe, is due to the fact that  
7 competition has presented itself to the longstanding LCB  
8 system. I don't think we would see the extent of the  
9 changes we've seen, some of the modernization in stores  
10 absent that threat of competition.

11 Now, let me just touch on a little bit about what  
12 the private sector has done and look -- clearly when you  
13 look at products that have the potential to be abused. The  
14 private sector has sold them for years and years and years.  
15 You have tobacco. It's a controlled product sold at  
16 private sector. Prescription drugs, even now you have  
17 certain over-the-counter drugs that can be abused, and when  
18 you go to check out, a notice comes up, you have to show  
19 your license, and show that you are of age to buy those  
20 products.

21 Someone had said earlier at the outset of this  
22 hearing that a lot has changed, and a lot has changed. And  
23 over the last few years, we have seen our member companies  
24 selling wine and beer in stores bringing greater degrees of  
25 convenience, and each transaction requires an ID regardless

1 of age. I know the place where I shop, buy a six-pack of  
2 beer, I've got to show regardless. It has to be done  
3 through because it's a matter of standard procedure for  
4 them. So as I noted, our view is that the LCB should focus  
5 solely on their enforcement side.

6 Let me address a couple things that did come up  
7 that I added and jotted down while we were here. There's a  
8 lot of discussion about other states and talking about  
9 states that have privatized and moved off into other areas.  
10 And when you look at it -- and we heard, you know, the  
11 previous couple of commenters speak a little bit about  
12 their knowledge of those systems and are certainly more  
13 extensive than mine. But I guess the thing -- again, to go  
14 back to a practical standpoint, if all of these states have  
15 had such huge problems when they privatize, why are we not  
16 seeing a flood of states looking to re-enter the control  
17 system? I'm not aware of many, if any. Someone else could  
18 speak to that, but we have certainly not seen that.

19 And again, you know, when we talk about a lot of  
20 numbers, sometimes numbers are necessary, but sometimes  
21 they can cloud a little bit. I heard earlier a  
22 representative of UFCW talk a little bit about, you know,  
23 the dollars that flow from the LCB system. And as noted  
24 since then, the sales taxes will continue to flow. I  
25 believe the 18 percent would continue to flow. If there's

1 a particular aspect of that that needs -- and this  
2 Legislature decides that that would lapse, they can  
3 certainly bring that back in. So the difference is -- what  
4 I see -- the 30 percent in terms of what the markup is.

5 Now, we also heard a representative from the UFCW  
6 say that they routinely deliver, I believe his numbers  
7 were, 10 to 12 percent while the Targets and the Walmarts  
8 and the Costcos deliver 1.2, 1.3, 1.5, et cetera, et  
9 cetera. Well, at the outset it's hard to compare those two  
10 because, of course, you're talking about a system that is  
11 claimed to be a 10 to 12 that has spirits in it versus  
12 these others that are delivering one to two at selling just  
13 beer and wine.

14 But I would argue that it's critical to note that  
15 that is a higher price to the customer/consumer, who also  
16 is the taxpayer, so this is a case where you can't separate  
17 out the taxpayer from the consumer. They are paying a  
18 higher price arguably than they would under a decontrolled  
19 system.

20 Finally, let me just address a couple of other  
21 aspects, here. I completely agree and I don't think  
22 there's any intent on anyone on this panel to disparage any  
23 of the people who work in our state stores, none  
24 whatsoever. All work has inherent dignity. They do an  
25 important job. They do a good job. But at the same time,

1 let's not disparage the private sector.

2           What I heard today were things like, the private  
3 sector will never figure this out. We've got all these  
4 great offerings. The reality is -- and I think we've seen  
5 it -- we would be here until next week naming the products  
6 that have benefited from private sector competition. The  
7 private sector will figure out how to deliver a product to  
8 the niche that wants it. There's no doubt whatsoever in my  
9 mind that you will have the private sector deliver the  
10 product that people want. I have no problem whatsoever  
11 with that.

12           Just as I'm not someone who believes government's  
13 never the answer but government isn't always the answer,  
14 and government doesn't have all the answers. Private  
15 sector can deliver, and I think that that certainly has  
16 been proven out time and time again.

17           Also, I know that there was a comment made about  
18 PA Preferred and the fact that a lot of Pennsylvania-  
19 produced alcohols enter their way into the LCB system. I  
20 would argue that when you go into our grocery stores you're  
21 seeing a lot of PA Preferred as well. There's a move to  
22 buy local because consumers have indicated a preference for  
23 that, so you're seeing Pennsylvania locally produce  
24 products of all kinds of agriculture and other products  
25 that find niches in the private sector as well. It's not

1 necessary for government to be the only one that does that.

2           Finally, I think whatever is done clearly needs  
3 to take into the account the potential disruption to  
4 employees, no question about it. I know this body will be  
5 thoughtful and they will keep that in mind as they move  
6 forward. But at the same time, I have a high degree of  
7 confidence in the ability of the people that work in here  
8 to achieve jobs and get jobs in the private sector.

9           I will tell you that my members are desperate for  
10 people. I will tell you that right now, as you probably  
11 know, there are more open jobs in this country than we've  
12 had at any point in the history of the United States. And  
13 I believe that we can do this thoughtfully, we can do it  
14 with an eye towards the least disruption and knowing that  
15 we can move those people and utilize their great talents  
16 and abilities and move them and help them gain other  
17 positions. So Mr. Chairman, thanks for the opportunity to  
18 be here. I'll turn it over to my colleagues.

19           MR. BALOGA: Hello? Thank you for having me  
20 here. Alex Baloga, President and CEO of the Pennsylvania  
21 Food Merchants Association. Chairman Metzgar, Chairman  
22 Deasy, and Members of the Committee, I appreciate the  
23 opportunity to discuss this really critically important  
24 issue. We're not here, as was mentioned earlier, to take a  
25 specific position on the amendment itself. But I did want

1 to touch on a number of points. And Gene raised a few of  
2 them and took some of my thunder with the age and the  
3 wisdom that are important I think to the conversation and  
4 why there really needs to be a lot more changes to the  
5 system, a lot more modernization, and ultimately,  
6 potentially privatization if that's what the voters decide  
7 to do.

8           During the coronavirus situation itself a couple  
9 of things I want to highlight in the way the system works.  
10 We actually came to the PLCB and asked them for regulatory  
11 relief for a number of issues. So right now, you have a --  
12 the single register issue was mentioned. Mr. Young  
13 mentioned that they're opposed. That's a health and safety  
14 issue of a serious nature.

15           During the coronavirus, we asked to have that  
16 eliminated because people were lining up in the stores in  
17 the middle of a pandemic at one register. We were not  
18 given that accommodation. And in fact, it was in  
19 PennLive -- and you can look this up -- that it was health  
20 and safety was the reason to deny the request. Now, that  
21 obviously makes no sense to anybody who knows how a  
22 business operates, but that was an issue that was always  
23 there and was raised to a critical health and safety issue  
24 during the pandemic, so that's just one example.

25           Another one was during the pandemic having larger

1 quantity sizes be available. We're obviously restricted in  
2 that regard. We can have roughly 15 beers and four bottles  
3 of wine. I think it's a 192 ounces -- a hundred -- it's  
4 close to that number, and 3 liters of wine, so people  
5 obviously were trying to buy larger quantity sizes to avoid  
6 coming into the store more often. Again, this is creating  
7 a health and safety issue. Other states -- I'm not  
8 familiar with any municipality or any location in the  
9 world, and maybe this has changed, that has any kind of  
10 quantity limits on what you can buy at a retail location  
11 like that. I'm not familiar we've never seen that before.  
12 So Pennsylvania's unique in that regard as well.

13           And then of course, you have the closure of the  
14 stores themselves. So during the pandemic, we were brought  
15 in basically to be the sellers of wine. So we undertook  
16 the state's job because the system was closed down, there  
17 was nowhere else really to buy wine other than private  
18 hands, and it was mentioned that approximately 1,400 stores  
19 have the WEPs, the Wine Expanded Permits. Our members  
20 operate 1,000 of those. We have grocery and convenience  
21 stores. We have wholesalers and consumer package goods  
22 companies all across the Commonwealth but also operating in  
23 other states, so they have a lot of experience doing this.  
24 And that was another concern, another problem that was  
25 existing already but was exacerbated by the pandemic.

1           And of course, the online system was down for the  
2 state. We're not allowed to sell wine online, so we  
3 couldn't even accommodate that aspect of it either. And  
4 these are all just common sense things that have been  
5 proposed as been mentioned by others over and over again,  
6 Representative Ortitay and others, Chairman Metzgar has had  
7 legislation. Looking around the room, there's been many  
8 iterations of these bills that go with consumer choice and  
9 convenience, which is really what we're here to do. And  
10 these are things that are happening during the pandemic  
11 that's making it unsafe. And the key part for us as  
12 retailers is to keep our customers safe, to keep the  
13 associates safe, and to be able to get people in and out as  
14 quickly as possible.

15           So those are just a handful of things that were  
16 occurring and are occurring currently that could be changed  
17 that there was no interest in -- again, you heard Mr.  
18 Young, no, no, no on all of those items. So if there was  
19 an interest in doing that, we would've like to seen it  
20 before people were put in harm's way during the pandemic,  
21 so that's something that's out there as well.

22           On the revenue side, you know, it's important to  
23 note that our members collect billions of dollars in taxes,  
24 whether it's tobacco, whether it's fuels, pharmacy, health  
25 and beauty, alcohol. We now do gaming. We're the largest



1 lottery retailers. We bring in all the lottery revenue.  
2 That would obviously continue with spirits, and we could do  
3 just as good of a job and collect more revenue because  
4 there would be more outlets to collect that revenue, which  
5 we're losing to other places, we're losing online. I  
6 mentioned the online offerings have considered -- continued  
7 to grow -- sorry -- through SNAP Online Purchasing, through  
8 all sorts of different click and collects and expansions  
9 during the pandemic. So we're ready, willing, and able to  
10 do that, we're just not legally allowed to do that.

11           So revenue from the state, the taxes would  
12 continue. I don't see how it would decline in any way,  
13 shape, or form. I don't think that there's any real way to  
14 say that it would. And again, across the country, 47  
15 states allow grocery stores and convenience stores to sell  
16 beer and wine and more than half allow them to sell  
17 spirits, so Pennsylvania is really far behind the rest of  
18 the country in all of these aspects.

19           The final thing I wanted to touch on just very  
20 briefly is safety. Gene mentioned it, but all of our  
21 members scan everyone, and that -- you know, the sales  
22 safety record is exemplary. They have ramped certified  
23 training for employees and they take it very seriously. If  
24 you were to be cited, it would be in every newspaper in the  
25 areas you operate. Everyone would know about it. You

1 would be put on the front page. So beyond the fact that  
2 they work in these communities, they live in these  
3 communities, they support these communities, they provide  
4 hundreds of thousands of jobs across the Commonwealth --  
5 you know, the largest sector, one of the largest sectors is  
6 retail -- it would be a major black eye to have a citation  
7 like that.

8           So we've actually seen traffic fatalities  
9 decrease as the number of licensees has increased, so I  
10 think that's a key part to mention as well. And those are  
11 the items I really wanted to hit on, and I'm happy to  
12 answer questions.

13           MAJORITY CHAIRMAN METZGAR: If we could hear from  
14 the Restaurant and Lodging Association, then?

15           MR. PYZIK: Thank you. Good afternoon, Chairman  
16 Metzgar, Chairman Deasy, and Members of the House Liquor  
17 Control Committee. My name is Zak Pyzik. I am the  
18 Director of Government Affairs at the Pennsylvania  
19 Restaurant and Lodging Association, the PRLA. Thank you  
20 for the opportunity to testify on Representative Mihalek's  
21 proposed constitutional amendment that would privatize  
22 Pennsylvania's state-run liquor system.

23           There are more than 26,000 restaurants, 1,500  
24 hotels, and 100 travel and tourism partners that we  
25 represent and more than 19,000 active liquor licensees in

1 the state. Our members and most operators throughout the  
2 Commonwealth unequivocally support the privatization of  
3 liquor sales in Pennsylvania primarily because they believe  
4 that privatization would reduce the cost of alcohol for  
5 consumers and for licensee holders. Pennsylvania bars and  
6 restaurants pay some of the highest costs in the country  
7 for wine and spirits.

8           Additionally, licensees are frustrated with the  
9 current system. They find it to be inconvenient, limited,  
10 and unreliable. Pennsylvania licensees represent nearly 30  
11 percent of the PLCB's product sales, yet many feel as if  
12 they are not treated as the wholesale partners that they  
13 truly are. Many licensees are restricted to making  
14 purchases at certain stores on specific days without much  
15 option to have product delivered directly to their  
16 establishments. Long before the supply chain issues,  
17 Pennsylvania licensees have repeatedly noted the limited  
18 product availability that they see and they experience  
19 fulfillment issues.

20           This constitutional amendment would bring  
21 Pennsylvania into the 21st century and allow consumers to  
22 benefit from free market competition. PRLA supports full  
23 privatization of the retail and wholesale functions of the  
24 PLCB. More than 60 percent of Pennsylvanians support  
25 getting government out of the liquor business. It's time

1 to move on from our archaic system and move into a model  
2 that we think will better serve Pennsylvanians.

3           Given the magnitude and significance of such a  
4 shift in policy and practice, we applaud Representative  
5 Mihalek's approach, a constitutional amendment, which would  
6 ultimately leave the decisions in the hands of the public.  
7 That's exactly who we believe is best suited to make this  
8 decision, those to whom the asset belongs and to whom we as  
9 an industry serve. PRLA looks forward to continue dialogue  
10 on this conversation, and we stand ready to assist in any  
11 way that we can. I thank you all for the opportunity to  
12 speak with you today and happy to help answer any  
13 questions.

14           MAJORITY CHAIRMAN METZGAR: Representative  
15 Topper.

16           REPRESENTATIVE TOPPER: Thank you to the panel  
17 for testifying over here. You don't have to move your  
18 necks to see me too much. Mr. Barr, you had mentioned the  
19 inherent conflict that you see between any kind of, but  
20 particularly a government, entity promoting and also being  
21 the one responsible for enforcement measures in regards to  
22 alcohol. Is there any other retail business that this  
23 would be the case that you can think of, or this is pretty  
24 much the only one in Pennsylvania?

25           MR. BARR: I can't think of another. And again,

1 let me just comment on that. I mean, the problem with  
2 monopoly is that you're not forced to improve. There's  
3 nothing in there that forces you to do that. Again, it's  
4 just inherently, you know, part of that. I can't think of  
5 another retail. We can come up with a couple of other  
6 ideas outside the retail side but nothing in retail that I  
7 can --

8 REPRESENTATIVE TOPPER: Even more than the  
9 monopoly. I mean, if we're talking about the same  
10 organization enforcing essentially the limited competition  
11 that's out there, whether it be (indiscernible) they are  
12 enforcing the law, enforcing the rules, the regulations on  
13 the -- you know, on those who also sell the product.

14 MR. BARR: Correct. And today, I think we heard  
15 that terms of -- and even here on this panel, the adverse  
16 impacts on a consumer in terms of pricing, the adverse  
17 impacts on the people who supply relative to the -- what  
18 they would call the arbitrary changes. It's just not a  
19 system that's conducive to the consumer.

20 REPRESENTATIVE TOPPER: All right. And then the  
21 other gentleman here on the panel as well, your industry is  
22 experiencing, let's just say, a shortage of employees, and  
23 particularly, as I speak, a shortage of qualified  
24 employees. Do you see any issue with being able to hire  
25 more employees, should they be made available?

1           MR. PYZIK: Well, thank you, Representative for  
2 that question. And to be honest, you know, members refer  
3 to it at our association as a crisis. This is a labor  
4 crisis that we're seeing right now, more shortage in jobs  
5 than we've ever seen before. I think a lot of the skills  
6 that the employees in question have would be easily  
7 transferrable. But the other thing to note that many  
8 operators tell us at PRLA, especially the ones that operate  
9 in multiple states, they tell us that they've seen an  
10 increase in high-paying, good-quality jobs, specifically  
11 around subjects like delivery, warehousing, and  
12 manufacturing.

13           REPRESENTATIVE TOPPER: Would it be safe to say  
14 that at this point really salaries and hourly wages have  
15 never been higher in your industry?

16           MR. PYZIK: I would say that's safe to say.  
17 Yeah. We've seen a significant amount of increases in  
18 salaries and wages across the board.

19           REPRESENTATIVE TOPPER: Yeah. Thank you. There  
20 are a lot of complexities. I'll grant everyone whose made  
21 mention of them in terms of this system that we currently  
22 have and how we have to as a legislature try and address  
23 whether it be flexible pricing or anything else, you know,  
24 one little segment at a time because that's what the system  
25 has created. But the one question that is a yes-or-no

1 answer -- and two pages is, quite frankly, far more than  
2 needs to be -- is should the government be in the business  
3 or not? It's my fundamental question that I ask myself. I  
4 wouldn't know the difference between kinds of vodka if you  
5 poured them over my head, nor would I care. What I do know  
6 is that government should not be in retail business,  
7 period.

8 That's my belief. Now, those who can disagree  
9 can argue. But the numbers, the complexities all that we  
10 can throw around until it's, you know, 12 midnight, but at  
11 the end of the day, I think that's what the question is  
12 about. Should we be in the liquor or any retail business?  
13 Thank you, Mr. Chairman.

14 MAJORITY CHAIRMAN METZGAR: Chairman Deasy.

15 MINORITY CHAIRMAN DEASY: Thank you very much. I  
16 appreciate you gentlemen for coming today and your  
17 patience. Obviously, it's been a long day for a lot of us.  
18 I'll begin by thanking the Chairman for calling the meeting  
19 today. It's been a very informative meeting. We've  
20 learned a lot. We've heard various issues that  
21 stakeholders are having with the LCB on certain issues.

22 And again, some of these issues could probably be  
23 resolved if we would have more bipartisan working  
24 relationship. Maybe if we had this commission -- again, I  
25 don't want to sound like a broken record -- that Act 39

1 created, we could vet a lot of these issues out in those  
2 bipartisan meetings. So I would ask you guys, if you have  
3 any influence to write leadership and ask to commit to put  
4 that commission together to further these discussions. I  
5 think they could be a valuable tool.

6 Okay. I'll go my left to right. Alex, thank you  
7 for being here. Appreciate the work of the grocery stores  
8 throughout this tough time. It's been a tough couple years  
9 for everybody, obviously. Labor's an issue as well as  
10 everything else. The register issue that you mentioned,  
11 that's nothing that the PLCB could do through statute; that  
12 would have to come from us. And I believe there's a bill  
13 out there. We're in the minority. I mean, let's find a  
14 compromise. If there's a compromise, let's find it. Maybe  
15 that commission could help find that compromise. But my  
16 question to you --

17 MAJORITY CHAIRMAN METZGAR: Chairman Deasy, I  
18 would remind you that you and -- that billed was passed out  
19 of our committee on --

20 MINORITY CHAIRMAN DEASY: I know.

21 MAJORITY CHAIRMAN METZGAR: -- partisan lines.  
22 You voted against that bill.

23 MINORITY CHAIRMAN DEASY: Yeah. I know that.

24 MAJORITY CHAIRMAN METZGAR: Okay.

25 MINORITY CHAIRMAN DEASY: But there's some



1 compromise to have, Carl. I told you have.

2 MAJORITY CHAIRMAN METZGAR: All right.

3 MINORITY CHAIRMAN DEASY: There is. And the same  
4 with the amusement bill, there's some compromise to be had  
5 if we would have those conversations, but thank you.

6 MR. BALOGA: And just to interject one thing  
7 there, the PLCB did have a meeting and determined that they  
8 weren't going to do it. They didn't say they couldn't do  
9 it. They did provide flexibility on seating and other  
10 components of -- during the emergency declaration. There  
11 was all sorts of flexibility that could be provided, so I'm  
12 not sure I would agree with that, but --

13 MINORITY CHAIRMAN DEASY: Okay.

14 MR. BALOGA: -- we'd have to get -- perhaps --

15 MINORITY CHAIRMAN DEASY: Okay.

16 MR. BALOGA: -- confirmation from --

17 MINORITY CHAIRMAN DEASY: But I just think just  
18 for conversation and compromise sake, if that commission  
19 was meeting on a regular basis, we could talk about a lot  
20 of these issues. I want to go back to the previous House  
21 Bill 11 in 2011. This was Speaker Turzai's bill. At the  
22 time, you guys were opposed to it. If this bill came out,  
23 the current bill and was the same language as that bill,  
24 where would you be this time, and how would you work to try  
25 to change some of that language to be more beneficial for

1 you? What changes would you like to see from House Bill  
2 11?

3 MR. BALOGA: I would have to go and look back.  
4 That was before I worked --

5 MINORITY CHAIRMAN DEASY: Okay. I didn't know.

6 MR. BALOGA: -- for the association.

7 MINORITY CHAIRMAN DEASY: I wasn't on the  
8 Committee either --

9 MR. BALOGA: Yeah.

10 MINORITY CHAIRMAN DEASY: -- but I do know that  
11 your organization --

12 MR. BALOGA: Yeah.

13 MINORITY CHAIRMAN DEASY: -- was opposed at that  
14 time, and I was curious why. And --

15 MR. BALOGA: Well, we're for legislation that --

16 MAJORITY CHAIRMAN METZGAR: If I could  
17 interject --

18 MR. BALOGA: Go ahead.

19 MAJORITY CHAIRMAN METZGAR: If I could interject,  
20 we're of course talking about a constitutional amendment  
21 that would then direct the Legislature to make a bill. And  
22 so to that end, I think we're probably getting a little far  
23 afield on --

24 MINORITY CHAIRMAN DEASY: Yeah.

25 MAJORITY CHAIRMAN METZGAR: -- obviously, you're

1 a Chairman. We're giving you a great deal of latitude  
2 here, but I think we're getting a little far afield of the  
3 question on whether -- you know, what are we trying to do  
4 in the -- and exactly what would be the ramifications of  
5 that? Obviously, we would have a lot of work to do once  
6 that happened, but I think those questions are probably a  
7 little much for --

8 MINORITY CHAIRMAN DEASY: Okay.

9 MAJORITY CHAIRMAN METZGAR: -- them to speculate  
10 on.

11 MINORITY CHAIRMAN DEASY: And that's the point,  
12 we don't have any information, and that's why I brought  
13 that up. Next question, Gene, thank you for being here. I  
14 appreciate your time.

15 MR. BARR: Thanks for the opportunity.

16 MINORITY CHAIRMAN DEASY: Obviously, it's a long  
17 day. We had talked earlier about the Johnstown Flood Tax  
18 and the 18 percent revenue that that brings in. How do you  
19 see the -- would you be supportive, your organization, of a  
20 tax increase to meet those obligations of the programs that  
21 that funds?

22 MR. BARR: Meet which obligations?

23 MINORITY CHAIRMAN DEASY: The money goes to the  
24 state police --

25 MR. BARR: Well, first, I'm not certain that

1 we're going to see a downturn in tax revenues. As noted,  
2 sales tax is going to come in, JFT's going to come in. We  
3 believe --

4 MINORITY CHAIRMAN DEASY: No, no, no. I don't  
5 mean to interrupt, but the LCB said that that they're under  
6 the impression that JFT would go away with them being  
7 dissolved.

8 MR. BARR: Well, then obviously that's something  
9 this Legislature could decide if they chose to keep that  
10 Johnstown Flood Tax, which has been around for quite a  
11 while. That's a decision here. We're not here to advocate  
12 and say let's go in and slash all the taxes; that's a  
13 separate decision. What we are saying is and what I have  
14 said is that when you hear about the amounts of money that  
15 the LCB collects and as they call it -- whether it's apples  
16 to apples or apples to hammers, who knows, when you get  
17 that, those are additional dollars that the customer,  
18 consumer is paying who is really a Pennsylvania taxpayer.  
19 So it's almost a right pocket, left pocket issue when you  
20 look at it from that perspective.

21 You heard my colleagues here, you heard the folks  
22 on the phone say that it's more expensive to do business  
23 here, and you know, you get these arbitrary increases. So  
24 you have to take and look at this holistically because  
25 I'm -- and again, I'm not convinced you're going to see a

1 huge falloff in these because I think the border bleed  
2 issue is a real one. I mean, growing up in suburban  
3 Philadelphia I saw it. Yeah.

4 MINORITY CHAIRMAN DEASY: Yeah.

5 MR. BARR: Hopefully, there's a statute of  
6 limitations here. I don't know. I don't know what that  
7 is, but we live very close to Delaware. That's all I'm  
8 going to say.

9 MINORITY CHAIRMAN DEASY: Okay. I got you.  
10 Thank you. I appreciate that. Next, Zak, welcome. New  
11 guy here. Obviously, you came --

12 MR. PYZIK: Thank you.

13 MINORITY CHAIRMAN DEASY: -- at a tough time. We  
14 appreciate you being here. Question regarding the  
15 discount, I believe Anita asked this to somebody earlier  
16 the current 10 percent discount. You know, we tried to  
17 bump that up, and obviously, that issue got convoluted with  
18 other issues and it didn't happen. So you're still with  
19 support? You'd love to see the 15 percent?

20 MR. PYZIK: Yeah. Admittedly, we might even ask  
21 for it to be a little higher.

22 MINORITY CHAIRMAN DEASY: Okay.

23 MR. PYZIK: I will say, Chairman, our members  
24 are very appreciative of that discount. And Representative  
25 Kulik, I appreciate you mentioning that earlier as well.

1 We're continuing to have conversations with legislators  
2 about potentially seeing an increase in that discount,  
3 maybe 15. I know some members have even asked for 18  
4 percent on that question. Nonetheless, when we proposed,  
5 you know, what's that question what Representative  
6 Mihalek's proposal to our members, they still unequivocally  
7 support a constitutional amendment on this subject mostly  
8 because they think they would see more competitive pricing  
9 in a more modernized system.

10 MINORITY CHAIRMAN DEASY: Even if that discount  
11 went away?

12 MR. PYZIK: Our members feel confident that, yes,  
13 they would get a more competitive pricing in --

14 MINORITY CHAIRMAN DEASY: Pretty interesting.

15 MR. PYZIK: -- a modernized system. Thank you,  
16 Chairman.

17 MAJORITY CHAIRMAN METZGAR: Zak, while Chairman  
18 Deasy's thinking, you know, I think they had said earlier  
19 that the profit margins at the state-run system are roughly  
20 eight percent is what it was, which is more than twice,  
21 almost three times as much as the private sector, and so  
22 those are -- not only that's profit that is being taken  
23 from you, a wholesale purchaser, essentially, of liquor.  
24 And so is that why you believe that the margins would be  
25 better even in the private sector? Is that what you're

1 getting at?

2 MR. PYZIK: Yeah. I mean, most of these examples  
3 and this analysis comes from our operators that do operate  
4 in multiple states. You know, I don't have access to  
5 studies right now, but coincidentally our President, John  
6 Longstreet from PRLA, he operated a company that had 160  
7 hotels with restaurants and bars in 33 states and Canada.  
8 And John reported back to us, in writing budgets across the  
9 country, the cost of beverage costs in Pennsylvania were  
10 clearly the highest across the portfolio.

11 And in addition to that, just in preparation for  
12 this hearing, I had been doing a little research. I came  
13 across a few studies from 2014 and '16, and I'd be happy to  
14 share them with this committee, that indicate that costs  
15 could be as cheap as 2 to \$3 per bottle, per product in a  
16 more modernized, privatized system. And so our members,  
17 again, they feel confident that they're going to get more  
18 competitive pricing but in addition to that more convenient  
19 service and better fulfillment in a privatized system.

20 MAJORITY CHAIRMAN METZGAR: Chairman Deasy, did  
21 you think of what you were going to ask?

22 MINORITY CHAIRMAN DEASY: Yeah. My other  
23 question is regarding the middle man cost. I mean,  
24 obviously, there'll be a broker and wholesalers involved,  
25 so there will be some additional cost as well, so we'll see

1 what the prices are. But again, I thank you guys for being  
2 here. I would encourage you to write a letter to  
3 leadership and ask what the status is about that  
4 commission. We are required to have that meeting. It's  
5 been five years. It's time we met. So thank you all for  
6 being here.

7 MAJORITY CHAIRMAN METZGAR: Gentlemen, in 2012,  
8 Governor Corbett wanted a fuel tax increase because he was  
9 looking for more revenue for roads, bridges, mass transit,  
10 whatever, you name it, and I made the argument to him back  
11 then that if he wanted to increase the revenue, why not  
12 lower the tax not increase it and that that would -- might  
13 actually create more demand and therefore fill the coffers  
14 with more revenue than before.

15 Do you think that there's any way in the event  
16 that we would privatize getting rid of -- I know employees  
17 and off the state tax rolls and getting rid of leases and  
18 then having -- you know, I think if we look at Act 39 and  
19 whenever the private entities began to sell wine there was  
20 an increase in sales and the revenues associated with it.  
21 Is there a possibility that doing this might actually  
22 increase revenue, not decrease revenue?

23 MR. BARR: I'm happy to touch on it. I think we  
24 touched on it and heard earlier today. I think the border  
25 bleed as I said is real. I think that we can address that.



1 I think, again, competition helps drive prices down. We've  
2 heard today, Chairman, as you've noted that, you know, the  
3 LCB clears at retail level -- again, you know, the  
4 testimony offered was as I recall 10 to 12 percent, which  
5 is even significantly more than what they attributed the  
6 profit to the private sector, so I think you're right.  
7 That's why as I said earlier, I'm not agreeing there's  
8 going to be a falloff in revenue, here. I think there's a  
9 good chance that we keep what we have and potentially  
10 increase.

11 MR. BALOGA: I would totally agree, and I think  
12 one of the areas is marketing and innovation, which is  
13 something that the private sector does better than anyone  
14 else. And look no further than the RTD issue. The reason  
15 the RTD issue is such a major issue is because you can't  
16 find it if you go to a PLCB store. They've admitted  
17 themselves that it's one percent of their offerings. It's  
18 the hottest product in the country. If we could get the  
19 folks back up from DISCUS they'd tell you exactly.

20 So that's one area where just one sliver of the  
21 products and offerings that could be improved and enhanced  
22 through marketing, through innovation in the private  
23 sector, so I think there's absolutely no chance that you  
24 would see a drop off in revenue if you're recapturing  
25 revenue. Online sales would be allowed as well and the

1 numbers keep going up in the retail sector, so I don't  
2 think there's anything really to support that.

3 MAJORITY CHAIRMAN METZGAR: Representative  
4 Mihalek.

5 REPRESENTATIVE MIHALEK: Thank you, Mr. Chairman,  
6 and I'll be brief. I know it's been noted that it's been a  
7 long day. I'd say it's been a long 88 years. Gene, thank  
8 you for being here today. And I think you touched on, you  
9 know, what the potential economic impact could be in light  
10 of all these various revenue numbers that we've heard. Can  
11 you speak to any states that you've looked at or might be a  
12 good model for Pennsylvania in order to maximize our  
13 economic benefit of privatization?

14 MR. BARR: We've not looked extensively at it. I  
15 know there's a couple studies that were noted earlier.  
16 Again, I think that when you get into questions of whether  
17 we privatize retail and wholesale and people have their  
18 positions on that and you know, we heard that earlier. But  
19 again, I think that, you know, we come at it from this  
20 basis, which we've -- you know, that I've said here, which  
21 is monopolies don't work. They're inherently bad for the  
22 consumer. You stifle innovation, you stifle new products,  
23 you stifle in many cases services so that when you change  
24 that, you begin to see positives both for the consumer and  
25 we believe -- I would believe -- positives for the state as

1 well.

2           Certainly, you know, we're not going to have  
3 economic Armageddon by getting rid of the state store  
4 system. However many dozens of states have done it already  
5 have shown that that's indeed not the case.

6           REPRESENTATIVE MIHALEK: Thank you. And for you,  
7 Zak, your members are supportive of this. In speaking with  
8 your membership, are they viewing it as an economic  
9 lifeline that they so desperately need from the last two  
10 years?

11           MR. PYZIK: Thank you for the question, and they  
12 are. Obviously, this process would have to play out and  
13 there'd be a lot of time involved in that, but I oftentimes  
14 say right now that there's -- the only thing that's been  
15 predictable for our membership is unpredictability. Times  
16 are extremely uncertain. They are facing a labor crisis  
17 that's unprecedented, rising costs on raw materials, supply  
18 chain issues, and so right now, our membership is looking  
19 for a lifeline wherever they can get it. You know, I just  
20 need to mention that there's also never been more  
21 enthusiasm and engagement from our membership before.

22           Right now, they're at the Hilton having a  
23 conversation with our executive committee. Tomorrow, we're  
24 having a policy retreat where we're going to have  
25 conversations about an increase in the licensee discount.

1 And we're going to have conversations about Senate Bill 566  
2 and ready-to-drink cocktails. But this was a breath of  
3 fresh air when we ran this proposal by them. And look, I  
4 think admittedly at the end of the day, I think there would  
5 be a lot of difference in opinion in the room when we  
6 actually have the conversation about what a privatized  
7 system would look like because there are concerns.

8           You know, some of the smaller operators, for  
9 instance, have noted, well, are larger operators going to  
10 leverage more purchasing power? Nonetheless, even those  
11 operators, all of the members that we've talked to so far,  
12 they still unequivocally support a constitutional amendment  
13 on this question.

14           REPRESENTATIVE MIHALEK: Thank you.

15           MAJORITY CHAIRMAN METZGAR: Representative Kulik.

16           REPRESENTATIVE KULIK: Thank you. Just more of a  
17 comment than anything -- and please take this for how I'm  
18 saying it -- but I have in the past six months -- I've got  
19 children that live out of state and I've traveled to  
20 probably five other states that have either hybrids or  
21 they're privatized or they're controlled or they're not.  
22 And when we talk about pricing -- and look, I understand  
23 the concept that competition breeds better pricing, but I  
24 will tell you that in every state I have been in, I have  
25 seen higher liquor prices per bottle than we have in

1 Pennsylvania. And I'm saying that truthfully, I'm not  
2 saying that for anything but to make a statement that I  
3 have seen anywhere from two, three, four and sometimes four  
4 times the price.

5 Just recently at a store in a totally private  
6 state, there was what, you know, everybody's starting to  
7 say are unicorn bottles of certain liquors that were  
8 selling for four times the price we sell it for here  
9 because of its status as being so hard to get. So you  
10 know, I'm not sure that pricing is such an argument because  
11 I think the LCB is very fairly pricing products seeing what  
12 I have seen in numerous other states.

13 And I'm not saying that I travel to liquor stores  
14 in other states, but you know, I do. And I will go to  
15 other liquor stores to see what they have and to see what  
16 their prices are, but I have routinely seen nothing lower  
17 than what we have in Pennsylvania and I have routinely seen  
18 higher. It's not sometimes significantly higher but it is  
19 higher.

20 MR. BARR: Let me just address that. And it's  
21 hard to say without knowing what you're looking at -- you  
22 mentioned the one -- whether there was a special on that  
23 bottle. I know we all get these flyers, you know, in the  
24 paper that show, you know, the store in Delaware and New  
25 Jersey selling it at X, and it says over in Pennsylvania

1 it's up here. I mean, we all see these, so it's hard to  
2 make that comparison. But I do know -- and you know, Zak  
3 can speak to this because I've heard the same from  
4 individual operators that say, my wine prices are more  
5 expensive in Pennsylvania than the other states I do  
6 business in.

7 MR. PYZIK: Yeah. And if I may, we do hear that  
8 over and over again from members, especially those that  
9 operate locations in other states, specifically New Jersey,  
10 New York. And while it may be anecdotal, they report back  
11 to us that they do see lower pricing, more competitive  
12 pricing, and I also think it's worth noting that -- you  
13 know, they tell us you can't really put a price tag on  
14 improved convenience. And many of our members have told us  
15 that it can be challenging often times to make purchases  
16 here in Pennsylvania.

17 One operator described their purchasing process  
18 to me indicating that they can only go to one store for  
19 their purchase, it has to be picked up on a Tuesday or a  
20 Thursday between 2 and 4 p.m., and that makes, you know,  
21 running a business somewhat complicated. And so you know,  
22 I know that's something that's difficult to put a price tag  
23 on, but perhaps that's also another reason that many of our  
24 members, I think, land on privatization.

25 REPRESENTATIVE KULIK: And again, I will say I

1 have worked with so many of my small restaurants in my  
2 district, I have several, and I am absolutely sympathetic  
3 of their problems, and I would do -- keep an open mind on  
4 any issues that my small restaurants are having. I will  
5 say that when I visit these stores, I am not looking at  
6 wine. I'm strictly looking at liquor, so just to clarify  
7 that end.

8 MR. PYZIK: Good to know. Thank you.

9 MAJORITY CHAIRMAN METZGAR: Thank you,  
10 Representative Rigby.

11 REPRESENTATIVE RIGBY: Thank you, Chairman.  
12 Thank you, panel. Zak, how would you describe your  
13 association's relationship with the PLCB?

14 MR. PYZIK: Thank you, Representative for the  
15 question. I will actually note that -- so I've only been  
16 with the Restaurant and Lodging Association for about 9 or  
17 10 months, now, but from what I understand we built a much  
18 stronger relationship with the PLCB over the last couple of  
19 years, and they've been particularly helpful, especially  
20 when it comes to questions around enforcement. And I know  
21 we've gotten into a conversation about enforcement in  
22 today's hearing.

23 You know, many of the members that I work with,  
24 especially the type of member that would join the  
25 Restaurant and Lodging Association, their top priority is

1 compliance; their top priority is following the law. And  
2 so you know, you could ask Mr. Vigoda from the PLCB or  
3 anybody else over there, we're no short of questions. I  
4 problem send him a handful a week. But I will note that  
5 they have been particularly helpful to our association as  
6 we, you know, navigate different concerns from our  
7 operators.

8 REPRESENTATIVE RIGBY: So you think they're  
9 performing well?

10 MR. PYZIK: I would say from my perspective,  
11 again, we've had a really solid relationship with the PLCB.  
12 They've been helpful. You know, nonetheless, at the end of  
13 the day when questions like this surface in the  
14 Legislature, we have to take this proposal back to our  
15 membership. They guide our decision-making on this front,  
16 and they've told us at the end of the day, even though they  
17 do think the relationship has gotten stronger with the  
18 PLCB, they do still support Representative Mihalek's  
19 proposal here.

20 REPRESENTATIVE RIGBY: And you think there's some  
21 changes into the system that need to occur?

22 MR. PYZIK: From what I understand right now,  
23 there is very, very limited ability to deliver, and so in  
24 terms of infrastructure and just accessibility, that's  
25 particularly something I've -- I know -- I believe there's



1 a licensee delivery program, but from what I understand  
2 it's only open to -- out of like 19,000 and change  
3 licensees, it's only available to about 6- or 700. In the  
4 last couple days or so when I've been pulling operators and  
5 doing research for this hearing, I haven't been able to  
6 locate a member of ours that does have access to the  
7 delivery program, so that kind of stands as front of mind.

8 REPRESENTATIVE RIGBY: Thank you. And Mr. Barr,  
9 if you would, if the voters decide to privatize, do you  
10 have any suggestions on how privatization bill could  
11 address the loss of the PLCB jobs?

12 MR. BARR: Well, as I noted it needs to be done  
13 thoughtfully. We've got a state system, CareerLink, that  
14 we could make sure those folks are in. The other thing,  
15 too -- and you know, what was brought up and clearly I  
16 think when we look at the job crisis, the two industries  
17 here are among the two that are worst hit because I think  
18 they're the most apparent. There is not a single industry  
19 that our organization represents that tells me they can  
20 find people. There's not a single company. So I've talked  
21 to one company in the last two years that says we have  
22 enough people, so the jobs are there. And I'm not saying  
23 just go take a job. I'm saying we have to work with folks  
24 to get them in.

25 But I do know that when I hear the discussions

1 these days about people re-thinking what kind of career  
2 they want to be in, there are numerous options, and if  
3 indeed we see this dislocation -- and again, I think in  
4 speaking with my members in the industry, they have job  
5 opportunities available here once we get into the  
6 privatization. But if there's a decision made that these  
7 folks want to move in a different direction, I think we  
8 need to provide the support for that whether it's training,  
9 whether it's, you know, assistance for that to be able to  
10 make sure that these folks have a family-sustaining job.

11 That's the primary orientation of our  
12 organization to have a Pennsylvania that's prosperous and  
13 offers family-sustaining jobs, you know, through attraction  
14 of investments. So I think it's -- and I'm sure that this  
15 body will do it thoughtfully to make sure that if indeed  
16 there are dislocations -- we don't quite know what that  
17 is -- that it's done appropriately.

18 REPRESENTATIVE RIGBY: Thank you. Thank you, Mr.  
19 Chairman.

20 MAJORITY CHAIRMAN METZGAR: Representative  
21 Malagari.

22 REPRESENTATIVE MALAGARI: Thank you, Mr.  
23 Chairman, and thank you to our panelists for being here  
24 today. I appreciate it. And I do have a couple questions  
25 that came up from some of the testimony and bear with me as

1 I go through them, please, and forgive me if I say  
2 something that may have already been answered, just let me  
3 know that.

4 First off, you mentioned that there won't be  
5 really much of an impact to the revenues coming in on --  
6 from the tax collection side. You all mention that you all  
7 collect tax revenues and you remit them back to the state  
8 as responsibly as possible, and thank you for doing that.  
9 It makes a lot of other jobs easier. I do have a question,  
10 though. So we heard in the first presentation -- and any  
11 of you can answer this -- that about \$24 million a year  
12 would be having to go toward pension obligations for 30  
13 years. That's a total of \$720 million, doing the math, for  
14 30 years, over a 30-year time span.

15 If the system goes away to pay for those  
16 obligations, that would have to come out of the general  
17 fund somewhere. I'd be willing to know if those that are  
18 advocating, the member organizations that are advocating to  
19 this would like to help offset that cost, that \$24 million  
20 a year that will now have to come out of the taxpayers'  
21 pocketbook and wallet across the Commonwealth to cover  
22 that. Right now, it's being covered through the current  
23 system. There is no additional cost to the taxpayer. Yes.  
24 They are paying that 18 percent Johnstown Flood Tax. I  
25 think Representative Rigby knows where Johnstown is; is

1 that correct? But the question really is, is would the  
2 member organizations be willing to cover this?

3 MR. BARR: I think our member organizations now  
4 are covering it. This is one of the reasons why we endorse  
5 significant pension reform. It's one of the reasons why  
6 the changes that were done 20 years ago created such a  
7 problem for this system. As we look at this, we'd have to  
8 take a look at that, obviously, and see how that would be  
9 covered, but again, I don't think that what you mention is  
10 a serious enough issue to stop taking the system in a  
11 direction that I believe the will of the people wants it to  
12 go. We have to resolve those.

13 REPRESENTATIVE MALAGARI: You mention will of the  
14 people. I represent about 62,000, 63,000 --

15 MR. BARR: Sure.

16 REPRESENTATIVE MALAGARI: -- people. Not one  
17 email have I received or a phone call with regard to  
18 wanting to privatize this system. Maybe every now and then  
19 in conversation somebody might say that, but it hasn't been  
20 this uproar that I'm supposedly hearing now today. Now, if  
21 it does happen to be an uproar tomorrow, I'll know who to  
22 come to, but with -- it's neither here nor there. So  
23 another question I do have, so of any of your  
24 organizations, do you anticipate your membership increasing  
25 the alcohol sales areas? Zak, you may not be able to

1 answer this one, but maybe --

2 MR. PYZIK: Yes.

3 REPRESENTATIVE MALAGARI: -- Alex. Or will it  
4 mean less shelf space for, say, craft beer and some wine,  
5 and what products are you actually getting rid of to make  
6 room for those spirit sales, the increased spirit sales?  
7 And while I'm at it, where are beer wholesalers? Why is  
8 nobody here to testify from them?

9 MR. PYZIK: That --

10 MAJORITY CHAIRMAN METZGAR: Let me answer the  
11 final question. The answer is because beer is not run in a  
12 state store at this point, and this is about a state store  
13 system, so.

14 REPRESENTATIVE MALAGARI: Thank you, Mr.  
15 Chairman. Understanding there would be an impact to them  
16 as well if this were to go through.

17 MR. BALOGA: Yeah. So a couple points have been  
18 made, you know, going to your question, but one, you know,  
19 we're restricted in where the product can be merchandised  
20 and sold. That's why it's in that small area to begin  
21 with. That's why there's, compared to the state system,  
22 not as many items. Obviously, it stands to reason that if  
23 we had more space, we could put more items, right, so we're  
24 restricted. So we would put those items all throughout the  
25 store. We've already created and have to create an

1 additional space.

2           In some cases, in a lot of cases, it's built into  
3 the store, built onto the store, the restaurant area, so  
4 there would be a need to use that space and additional  
5 space to bring in more products to make more sales for  
6 sure. I can absolutely see them utilizing more of the  
7 store merchandising in different areas throughout the  
8 store. I think that's a given. That's what you see in  
9 other private systems, other private retail and market  
10 places across the country.

11           REPRESENTATIVE MALAGARI: All right.

12           MR. BALOGA: We sell 70,000 products as it is, so  
13 there's no problem in expanding additional products,  
14 especially one like spirits that people want. You know, if  
15 the public wants it, we're going to find a way to offer  
16 more of it. That's just the way it works. So --

17           MR. BARR: Right. Sorry. Go ahead.

18           MR. BALOGA: Okay. Go ahead.

19           MR. BARR: Yeah. Let me just add. We've now had  
20 beer and wine sales in stores that have chosen to sell them  
21 for how long, how many years now, six?

22           MR. BALOGA: Probably --

23           MR. BARR: I don't know.

24           MR. BALOGA: No. Fifteen, maybe.

25           MR. BARR: Okay.

1 MR. BALOGA: Since 2008, I think it was Sheetz.

2 MR. BARR: Okay. So in that time, I don't  
3 recall -- prior to the supply chain disruptions we've seen  
4 now -- people complaining, wow, I can no longer get  
5 products A, B, or C at my grocery store. We figured out  
6 how to do that. And I think the same thing would hold true  
7 here. Either they would, you know, potentially bump the  
8 store out and reconfigure. Again, this goes back to what  
9 we had said earlier. The private sector will figure out  
10 how to address a need in the market. It's what private  
11 sector's designed for.

12 REPRESENTATIVE MALAGARI: Thank you for that.  
13 And I understand that. Having come from the wholesale beer  
14 world myself, I understand the real estate aspect and when  
15 it comes to sales. And I think one of you mentioned that  
16 in the private sector -- I think, Gene, you mentioned this  
17 -- in the private sector you'd be able to help the PA-  
18 produced products like the PLCB stores do today. And  
19 having worked in the beer industry myself prior to coming  
20 to the Legislature on the wholesale level, real estate is  
21 prime and it comes at a cost.

22 And right now, you walk into a PLCB store and you  
23 see those Pennsylvania Preferred products right up front  
24 and center, almost immediately as you walk in they're right  
25 there. Now, the question would be is -- and we all know

1 how the retail market works and where endcaps go and who  
2 gets that endcap and how that is decided. I'm not going to  
3 talk about that now. However, do we think that we would be  
4 the ones really putting those Pennsylvania -- those small  
5 products, those small companies that put a lot of  
6 entrepreneurial spirit into those companies and money and  
7 talent, do we think that those individual companies would  
8 be the ones that would get that prime endcap real estate?  
9 I can tell you the answer is probably no.

10 MR. BARR: Well, I don't know the answer to that.  
11 Again, that would come down to what that individual market  
12 is. I think you see it now on a larger number of products  
13 where more and more consumers are wanting locally-driven  
14 produced products, and so stores are advertising. If  
15 there's the market there, people will do that and they will  
16 push for that. Again, this isn't even an alcohol issue.  
17 This is an issue -- I've seen some of my members cutting  
18 special deals with suppliers because they're Pennsylvania,  
19 because they're local and advertising their local  
20 connections.

21 REPRESENTATIVE MALAGARI: I appreciate that  
22 they're doing that. That's a --

23 MR. BARR: Yes.

24 REPRESENTATIVE MALAGARI: -- good thing. I mean,  
25 I don't think we could actually get a commitment saying



1 that, yes, we would make sure that Pennsylvania-made  
2 products and Pennsylvania companies are the ones on our  
3 endcaps. I don't think that's going to come out of this,  
4 and I really don't think any future bill could address  
5 that. I do have a strong feeling though in having  
6 experienced --

7 MAJORITY CHAIRMAN METZGAR: Representative  
8 Malagari --

9 REPRESENTATIVE MALAGARI: Yes.

10 MAJORITY CHAIRMAN METZGAR: -- if I could, the  
11 hearing is for purposes of asking questions. If you'd like  
12 to speak on the bill, if and when it comes up, we're happy  
13 to give you that opportunity. But if you could please ask  
14 your question, so we can move on? We're back on the floor  
15 at 2:00, and we have limited time.

16 REPRESENTATIVE MALAGARI: I think my question was  
17 answered in that the private sector would be able to help  
18 the PA Preferred products in the stores. But the part of  
19 my question that probably was not answered was whether or  
20 not we could guarantee that those products remain front and  
21 center. Thank you.

22 MR. BARR: I won't guarantee. Unless you want to  
23 create an LCB-type system for food markets, which nobody  
24 wants to do, it's going to be really hard to say that's  
25 what we're going to do. If the consumers want it, it will

1 be done.

2 MR. BALOGA: And that's the trend as was  
3 mentioned. That's what people are asking for is to know  
4 where the products are coming from, to have them be locally  
5 grown and sourced, and that's what retail is taking into  
6 account, as Gene said.

7 MR. PYZIK: And if I may, Representative  
8 Malagari, I think bars and restaurants are a good case  
9 study on this front because if you go into any bar and  
10 restaurant, especially in your district, Representative  
11 Dellosso's district -- particularly I'm more familiar with  
12 Southeastern PA because that's where I live -- you see them  
13 already taking this initiative on their own, you know, the  
14 craft breweries and more niche product on tap. And I think  
15 a lot of bars and restaurants that I work with pride  
16 themselves on -- and I'm not saying everybody will do that,  
17 but I think many pride themselves on that.

18 REPRESENTATIVE MALAGARI: I mean, they're already  
19 doing it now. They are, especially in the beer and the  
20 wine industries, especially. I thank you for your  
21 testimony. And thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN METZGAR: Joining us via Teams,  
23 Representative Kenyatta.

24 REPRESENTATIVE KENYATTA: Thank you so much, Mr.  
25 Chairman. And I just have one question realizing time for

1 Mr. Barr. Mr. Barr, I remember in a different hearing --  
2 it was the Commerce Committee -- we had one of your team  
3 members come in and make it crystal clear that the position  
4 of the PA Chamber is that you're certainly not in favor of  
5 increasing the minimum wage, and I think she went as far to  
6 say that you would be in favor of no minimum wage.

7 I bring that up because I think the  
8 constitutional amendment process feels like a pretty  
9 inappropriate place to decide how we're going to deal with  
10 this policy issue. Is it the position of the Chamber at  
11 this point that you would also support a constitutional  
12 amendment to increase the minimum wage to deal with paid  
13 leave and some of these other issues that you've been  
14 previously unsupportive of --

15 MR. BARR: Representative Kenyatta, your lead-in  
16 was incorrect. That was not someone from my organization.  
17 I'm not exactly sure to what you're referring. Here, we're  
18 going to leave it up to this body to determine the best way  
19 of proceeding in terms of bringing greater customer choice  
20 and convenience to Pennsylvania's consumers.

21 REPRESENTATIVE KENYATTA: So I just want to be  
22 clear, and so we won't hear opposition if a different party  
23 is in control and we want to use the constitutional  
24 amendment process to do things like raise the minimum wage  
25 and advance other policy proposals, then the position of

1 the PA Chamber will be that you're leaving it to the wisdom  
2 of the body? I just want to be clear.

3 MR. BARR: Yes.

4 MAJORITY CHAIRMAN METZGAR: Representative  
5 Kenyatta, I think this is well outside of where we're at.  
6 And frankly, the --

7 REPRESENTATIVE KENYATTA: Mr. Chairman, he was  
8 answering my question.

9 MAJORITY CHAIRMAN METZGAR: Frankly, the  
10 constitutional process is -- the constitutional amendment  
11 process is the will of the people not the will of any  
12 particular party in the legislature. We're allowing all of  
13 the people to decide. So the positioning of the Chamber  
14 on --

15 REPRESENTATIVE KENYATTA: Well, Mr. Chairman,  
16 this is --

17 MAJORITY CHAIRMAN METZGAR: -- is just on --  
18 we're just asking them on this particular constitutional  
19 amendment what their position is. Clearly, they're in  
20 support of that. So if you --

21 REPRESENTATIVE KENYATTA: And I want to have --

22 MAJORITY CHAIRMAN METZGAR: -- have another  
23 constitutional amendment, you can --

24 REPRESENTATIVE KENYATTA: -- it crystal clear --

25 MAJORITY CHAIRMAN METZGAR: -- ask that in

1 another hearing.

2 REPRESENTATIVE KENYATTA: I hear that, Mr.  
3 Chairman. I don't believe anybody else was interrupted  
4 during their questioning, but --

5 MAJORITY CHAIRMAN METZGAR: Oh, I've interrupted  
6 plenty, but --

7 REPRESENTATIVE KENYATTA: Okay. Thanks. Mr.  
8 Barr, I know that you were answering the question.

9 MR. BARR: We will take that as an issue that is  
10 separate. You know our position. We are concerned  
11 particularly for small businesses where the average take  
12 home is roughly 50- to \$55,000 per year. To arbitrarily  
13 try an increase in minimum wage that would reach across all  
14 of Pennsylvania is extremely problematic.

15 REPRESENTATIVE KENYATTA: Well, I will just end  
16 with this, I also think it's problematic to say to the  
17 thousands of workers at our state stores right now that  
18 they can just go to CareerLink or just take one of the  
19 other postings when they have a good job right now that  
20 this constitutional amendment would absolutely blow up.  
21 And I look forward to using -- and hope that my colleagues  
22 will support, use the constitutional amendment process to  
23 allow voters to weigh in on other popular ideas like  
24 raising minimum wage and making sure they have paid leave,  
25 particularly as we move through a pandemic. Thank you, Mr.

1 Chairman.

2 MAJORITY CHAIRMAN METZGAR: Zak, one question of  
3 the panel. I think you're the only that can speak to  
4 selling liquor. You know, outside of the government, you  
5 guys are the only ones that do that. Some have said that  
6 you're not responsible enough or the private sector is not  
7 responsible enough to sell liquor. What do you say to  
8 that?

9 MR. PYZIK: I would say that's absolutely not  
10 true. You know, first off -- I think Gene hinted on this  
11 earlier -- the private sector takes that responsibility  
12 very, very seriously. Most private owners and operators  
13 that I'm familiar with, they're in this for the long haul,  
14 right, so they're not trying to sell, you know, one cup of  
15 beer or glass of wine to a minor for some short-term gain.

16 I could also say from experience, I worked as a  
17 bartender right here in Pennsylvania, up in Blakeslee,  
18 Pennsylvania for a couple years. I worked as a busser and  
19 a waiter myself. The employees I've worked with right here  
20 in Pennsylvania, they take their jobs very seriously and  
21 take a lot of pride, sometimes too much pride, actually, in  
22 catching and spotting fake IDs and also a lot of pride in  
23 detecting and identifying overconsumption. And I imagine  
24 that no matter what this transition looked like, I imagine  
25 in a privatized system, Pennsylvanians we can trust and in

1 your constituents I think we can trust, and I think they  
2 would be equally as judicious and methodical in the future  
3 as we see right now in the current system.

4 MAJORITY CHAIRMAN METZGAR: Thank you very much  
5 for all of your testimony today. Thank you to all of the  
6 presenters today. The meeting is adjourned.

7 (Hearing adjourned at 1:58 p.m.)  
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## C E R T I F I C A T E

I hereby certify that the foregoing proceedings are a true and accurate transcription produced from audio on the said proceedings and that this is a correct transcript of the same.

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