



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public hearing on privatizing alcohol sales in the Commonwealth

Before the:
Pennsylvania House Liquor Control Committee

Presented by:

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Chairman Metzgar, Chairman Deasy and members of the Committee, my name is Gene Barr and I am President and CEO of the Pennsylvania Chamber of Business and Industry. The PA Chamber is the largest, broad-based business advocacy association in Pennsylvania. We represent employers of all sizes, crossing all industry sectors throughout the Commonwealth. Thank you for the opportunity to testify today regarding the proposal to privatize alcohol sales in Pennsylvania.

Almost 90 years ago Prohibition ended in the United States and Pennsylvania adopted a system of state control over the sale of wine and spirits in order to, according to then-Governor Gifford Pinchot, “discourage the purchase of alcoholic beverages by making it as inconvenient and expensive as possible.”¹

While the motives for retaining this archaic system may have evolved over the decades, this original vision of Pennsylvania’s system of alcohol sales holds true to this day, inconveniencing consumers and depriving the private sector of economic opportunity.

Unless there exists a specific and legitimate reason, government in a free enterprise economy should not sell products that could be sold by private employers, let alone enjoy a monopoly on the sale of those products. Consumers depend on the private

¹ Vadala, Nick. “Pennsylvania’s weird liquor laws, explained.” *Philadelphia Inquirer*. 13 July 2021.

sector for practically everything they use and consume in their daily lives. Consider your neighborhood pharmacy, community institutions which we all visit occasionally and which I'm sure many of you strongly support in your roles as lawmakers. These are private entities selling products that many people depend on for survival, can cause impairment and are strictly regulated. What is the public policy rationale for a private system of prescription drug sales but maintaining state control over alcohol sales?

The business community has shown itself to be fully capable of responsibly selling alcohol in other states and even recently here in Pennsylvania. Act 39 of 2016 implemented a number of reforms, including allowing for the private sector sale of wine and beer in grocery and convenience stores. Despite fairly draconian eligibility standards and cumbersome regulations, these retailers have demonstrated, unsurprisingly, their ability to enforce the rules and conduct this part of their businesses in accordance with myriad laws and regulations. It is no longer hypothetical to state the argument made for decades that the private sector can handle this.

Privatizing alcohol sales in the Commonwealth will lead to more competition which ultimately benefits consumers as employers seek to expand their customer base. It will also mitigate the unfortunate "border bleed" we experience in Pennsylvania in which consumers cross state lines to shop for alcohol in

neighboring states. These are Pennsylvania dollars that could be benefiting our economy, increasing tax revenue and contributing to job growth here in the Commonwealth, rather than in competing states.

Advocates for the current system are correct when they cite revenue the Pennsylvania Liquor Control Board transfers to the Commonwealth annually; however, their arguments that privatization will harm state coffers are not persuasive. According to the PLCB's annual report, the system transferred \$764.8 million to the General Fund for fiscal year 2020-2021.² Yet over 75 percent of the money transferred was derived from taxes, which presumably would be retained by employers under a private system – a system almost certainly with increasing sales as customer convenience and choice is enhanced and fewer Pennsylvanians cross state lines to shop for alcohol.

Moreover, the PLCB's 2020-2021 report shows serious areas of concern and portends a worsening financial situation over time for the existing system. Despite operating a profitable enterprise, the PLCB concludes that, when all assets and liabilities are considered, the system is running a roughly \$1.3 billion deficit. It also shows pension

² Pennsylvania Liquor Control Board. Fiscal Year 2020-2021 Annual Report. 2021.

costs and other employee retirement liabilities continue to increase. These trends should concern all of us.

We appreciate this committee's focus on customer and employer convenience, including passing H.B. 2059 to allowing local grocery stores to permit beer and wine checkout at any register. Our local grocery stores, like many employers, are struggling with workforce shortages and are further strained by the requirement for separate beer and wine checkout. This leads to longer lines, more pressure on employees and difficulty maintaining social-distancing protocols. We hope the full House will take up this legislation soon. These employers deserve your support as they continue serving our communities and putting food on our tables in the face of tremendous challenges.

On behalf of Pennsylvania employers, I urge you to support proposals to get Pennsylvania out of the business of selling alcohol. State government should focus its attention and resources on enforcing the law and combatting abuse and underage drinking.

Thank you for the opportunity to testify. I would be happy to answer any questions.