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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES  
APPROPRIATIONS COMMITTEE

MAIN CAPITOL  
ROOM 140  
HARRISBURG, PENNSYLVANIA

BUDGET HEARING  
PENNSYLVANIA LIQUOR CONTROL BOARD

TUESDAY, FEBRUARY 25, 2020  
3:06 P.M.

BEFORE:

- HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN
- HONORABLE MATT BRADFORD, MINORITY CHAIRMAN
- HONORABLE ROSEMARY BROWN
- HONORABLE SHERYL DELOZIER
- HONORABLE GEORGE DUNBAR
- HONORABLE JONATHAN FRITZ
- HONORABLE MATT GABLER
- HONORABLE KEITH GREINER
- HONORABLE SETH GROVE
- HONORABLE MARCIA HAHN
- HONORABLE DOYLE HEFFLEY
- HONORABLE LEE JAMES
- HONORABLE JOHN LAWRENCE
- HONORABLE JASON ORTITAY
- HONORABLE CLINT OWLETT
- HONORABLE GREG ROTHMAN
- HONORABLE JAMES STRUZZI
- HONORABLE JESSE TOPPER
- HONORABLE JEFF WHEELAND
- HONORABLE RYAN WARNER
- HONORABLE MARTINA WHITE
- HONORABLE DONNA BULLOCK
- HONORABLE MORGAN CEPHAS

1 BEFORE (continued):

2 HONORABLE AUSTIN DAVIS  
3 HONORABLE ELIZABETH FIEDLER  
4 HONORABLE MARTY FLYNN  
5 HONORABLE EDWARD GAINEY  
6 HONORABLE PATTY KIM  
7 HONORABLE STEPHEN KINSEY  
8 HONORABLE LEANNE KRUEGER  
9 HONORABLE STEPHEN MCCARTER  
10 HONORABLE BENJAMIN SANCHEZ  
11 HONORABLE PETER SCHWEYER

7

NON-COMMITTEE MEMBERS:

8 HONORABLE MATT DOWLING  
9 HONORABLE TIM HENNESSEY  
10 HONORABLE BARRY JOZWIAK  
11 HONORABLE KURT MASSER  
12 HONORABLE TOM MEHAFFIE  
13 HONORABLE FRANK RYAN  
14 HONORABLE CRAIG STAATS  
15 HONORABLE MIKE TOBASH  
16 HONORABLE KEVIN BOYLE  
17 HONORABLE MIKE CARROLL  
18 HONORABLE DAN DEASY  
19 HONORABLE JOE HOHENSTEIN  
20 HONORABLE MARY ISAACSON  
21 HONORABLE ED NEILSON

15

16

COMMITTEE STAFF PRESENT:

17 DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR  
18 RITCHIE LaFAVER, MAJORITY DEPUTY EXECUTIVE  
19 DIRECTOR  
20 ANN BALOGA, DEMOCRATIC EXECUTIVE DIRECTOR  
21 TARA TREES, DEMOCRATIC CHIEF COUNSEL

20

21

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

1  
2 MAJORITY CHAIRMAN SAYLOR: I'll call  
3 the hearing to order. And those who are going  
4 to testify, if you would rise and raise your  
5 right hand.

6 TIM HOLDEN,

7 MIKE NEGRA,

8 MARY ISENHOUR,

9 CHARLIE MOONEY,

10 were duly sworn.

11 MAJORITY CHAIRMAN SAYLOR: And with  
12 that we'll start off.

13 It's nice, Mary -- I should say, it's  
14 nice to see you back.

15 MS. ISENHOUR: Thank you,  
16 Mr. Chairman.

17 MAJORITY CHAIRMAN SAYLOR: You've  
18 always been a great lady.

19 So, with that, we'll start off. Our  
20 first questioner, Representative Lawrence.

21 REPRESENTATIVE LAWRENCE: Thank you,  
22 Mr. Chairman. And I appreciate each of you  
23 being here today from the committee. Thank  
24 you.

25 The Liquor Control Board recently

1 proposed new regulations to the Independent  
2 Regulatory Review Commission on how taverns  
3 and other liquor licensees handle recycling.  
4 I submitted comments on the proposal during  
5 the IRRC process, and I'm convinced that the  
6 LCB's proposed regulation, if implemented,  
7 will actually discourage recycling.

8 LCB's new regulation requires a  
9 liquor licensee intending to recycle liquor  
10 bottles to complete unnecessary paperwork and  
11 administrative tasks. A licensee must possess  
12 written proof that their county recycles the  
13 type of material the licensee proposes to  
14 recycle, retain copies of a receipt or invoice  
15 from the trash hauler that picks up their  
16 recycling, and complete a, quote, simple form  
17 every time a tavern owner voluntarily  
18 transports used liquor bottles to a drop-off  
19 location stating exactly, quote, what was  
20 delivered to the drop-off location and when.  
21 All documents must be retained for two years.

22 If a liquor licensee currently  
23 recycles glass liquor bottles or plastic  
24 liquor bottles on a voluntary basis, I'm  
25 convinced that the LCB's new regulation will

1 result in licensees halting their existing  
2 recycling program and, instead, disposing of  
3 empty liquor bottles in the trash. If the  
4 LCB's new regulation is finalized, bar owners  
5 will determine that keeping track of two  
6 years' worth of quote, simple forms denoting  
7 which liquor bottles were delivered to a  
8 drop-off location and when is simple not worth  
9 the hassle or the potential fine if the LCB  
10 determines recordkeeping is inadequate.

11 For this licensee, rather than take  
12 on all of this administrative burden, the  
13 simpler and less risky solution is to simply  
14 throw the bottles in the trash.

15 I submit that it could not possibly  
16 be the legislative intent of the general  
17 assembly to discourage licensees from  
18 recycling. The LCB's proposal is a classic  
19 example of government regulation run amuck,  
20 giving small business owners more to do,  
21 regulators more to enforce, liquor control  
22 enforcement more reason to issue fines, and  
23 discouraging recycling to boot. There is no  
24 real benefit to anyone.

25 As an alternative to the LCB's

1 regulations, I propose that the legal  
2 requirement for a, quote, proof in writing and  
3 proof of participation in a recycling program  
4 could be satisfied by simply requiring a  
5 licensee who participates in the recycling  
6 program to display a clearly posted sign in  
7 the licensed premise, next to the  
8 establishment's liquor license that states:  
9 This establishment participates in a recycling  
10 program.

11 This alternative benefits from  
12 simplicity in enforcement for both the board  
13 and the licensee. There is no room for  
14 debate, confusion, or interpretation.

15 Would the LCB be willing to entertain  
16 this proposal to encourage recycling while  
17 reducing administrative burdens and  
18 unnecessary regulations on liquor licensees  
19 across the Commonwealth?

20 PLCB CHAIRMAN HOLDEN:  
21 Representative, we are familiar with the  
22 proposed regulation, and we also are familiar  
23 with your concerns about it. I think at this  
24 time would be -- if I could defer to our  
25 executive director, Charlie Mooney, to address

1 the Representative's concerns.

2 MR. MOONEY: Representative Lawrence,  
3 I'm familiar with the process, and I don't  
4 have all the details and if need be, I'll just  
5 ask Mr. Diaz to step forward here and get  
6 sworn in, who can give the real detail.

7 But the final draft of the -- of the  
8 proposed regulation is back in our office,  
9 Office of Chief Counsel, where it's being  
10 reviewed and all comments are being taken into  
11 consideration. And we haven't seen the final  
12 revised recommendation from our chief  
13 counsel's office, nor has the board. So,  
14 they're not familiar with the back and forth.

15 And if you'd like to talk to  
16 Mr. Diaz, he's sitting right behind me.

17 REPRESENTATIVE LAWRENCE: Please.

18 PLCB CHAIRMAN HOLDEN: Mr. Chairman,  
19 do you want to swear him right in?

20 RODRIGO DIAZ,  
21 was duly sworn.

22 MAJORITY CHAIRMAN SAYLOR: For the  
23 record, would you please state your name and  
24 your position?

25 MR. DIAZ: Sure. My name is Rodrigo



1 Diaz, and I am the chief counsel with the  
2 Pennsylvania Liquor Control Board.

3 And, Representative, we did receive  
4 your comments. By way of background, what the  
5 Liquor Code now requires is that all licensees  
6 should destroy their alcohol bottles within  
7 twenty-four hours of their use, to prevent  
8 refilling. They then created an exception for  
9 recycling. And there are certain  
10 municipalities that had mandatory recycling,  
11 so there's no question at that point as to  
12 whether or not they're participating.

13 We received an inquiry from a  
14 licensee who was not in a municipality that  
15 required mandatory recycling. And the statute  
16 says you have to provide written proof of  
17 participating in a voluntary program. And  
18 their question to us was: How do I prove  
19 that? Because if I can't show it, I can get  
20 cited by the state police.

21 Well, what we had suggested in our  
22 regulation is we addressed every scenario we  
23 could find and articulated the manner in which  
24 to prove it. And proof can consist of here's  
25 the voluntary recycling program, and this is

1 what they collect.

2 The representative has given us his  
3 comments and given that very suggestion. And  
4 right now the board the considering all those  
5 suggestions. It is not come up for final  
6 consideration by the board. It would have to  
7 go back to the board for consideration.

8 We had received another comment as  
9 well. The issue really is with the statute  
10 that was so much of our requirement. We're  
11 trying to let people take advantage of  
12 voluntarily recycling.

13 And the two-year reference, they have  
14 to keep all their records for two years. We  
15 weren't trying to be burdensome there.

16 So, I'm sure the board will consider  
17 the comments. We're going to give them all  
18 the comments and our responses, and they're  
19 going to make a decision soon. And then it  
20 will go back to IRRC, and then IRRC will make  
21 a decision.

22 REPRESENTATIVE LAWRENCE: And I  
23 guess, just from a straight government-  
24 bureaucracy-regulation-run-amuck kind of view,  
25 wouldn't we want to be making regulations that

1 are as effective as possible, not discouraging  
2 folks from recycling, and make them as simple  
3 as possible, while being effective, for both  
4 licensees and for enforcement.

5 MR. DIAZ: And we're trying to do  
6 that. I realize that you disagree with the  
7 solution we had come up with. But the board  
8 is going to have, again, an opportunity to  
9 look at it and take your comments into  
10 consideration.

11 We're not trying to make it hard.  
12 We're trying to help a licensee who wants to  
13 voluntarily recycle to voluntarily recycle.  
14 That's all we're trying to do. It's the  
15 statute that's the issue.

16 REPRESENTATIVE LAWRENCE:  
17 Mr. Chairman, I realize I'm over time, so I'll  
18 leave it there. But I will say I'm looking  
19 forward to introducing legislation and working  
20 with Chairman Pyle to change the statute to  
21 make it easier to recycle.

22 PLCB CHAIRMAN HOLDEN: Thank you,  
23 Representative. Your comments will be take  
24 into consideration.

25 REPRESENTATIVE LAWRENCE: Thank you.

1 I appreciate that.

2 MAJORITY CHAIRMAN SAYLOR: Next is  
3 Representative Sanchez.

4 REPRESENTATIVE SANCHEZ: Thank you,  
5 Mr. Chairman.

6 Mr. Chairman Holden, welcome. And  
7 also to the board members and the executive  
8 director, thank you for being here today.

9 Let me first start by congratulating  
10 you on the record sales and record income,  
11 last year showing a 2.9 percent increase over  
12 the prior year in sales, which was also the  
13 previous retail sales record. And also with  
14 the record income, 20.7 percent over the prior  
15 year. That's some really good stuff. And I  
16 know you strive to balance that profitability  
17 with being a responsible seller. So, also a  
18 challenge there.

19 So, I wanted to give you the  
20 opportunity to comment on some of the  
21 responsible sales initiatives I know you've  
22 been undertaking. I remember you describing  
23 some last year, but particularly the alcohol  
24 education, keeping alcohol out of the hands of  
25 minors, and whatever might be new and exciting

1 on your end.

2 PLCB CHAIRMAN HOLDEN: Sure,  
3 Representative.

4 We take our mission for responsible  
5 alcohol consumption very seriously. We work  
6 with our licensees on the RAMP certification  
7 so they are trained in knowing not to serve  
8 visibly intoxicated persons and so forth. We  
9 take our responsibility for alcohol education  
10 very seriously. We're good resident  
11 attendants at colleges and universities,  
12 grants to police departments to discourage  
13 underaged drinking, grants to school  
14 districts, work on a poster contest.

15 We also have a program that's focused  
16 on parents, try to convince them -- you might  
17 have seen TV commercials or heard radio  
18 commercials about how -- know when to talk to  
19 your children about consuming alcohol. We  
20 were surprised by our research that the  
21 experimenting with alcohol is actually  
22 starting with third grade and on up to fifth  
23 and sixth grade. And as a result of that, we  
24 were addressing a lot of it towards their  
25 parents -- the parents of the children.

1           We had a Senate hearing this morning,  
2           and it was brought to our attention that maybe  
3           we should invest a little bit more in alcohol  
4           education and things like that, and we had a  
5           chance to talk in between, and we're going to  
6           look seriously about that. But we take it  
7           very seriously, and we're going to continue to  
8           invest in it.

9           REPRESENTATIVE SANCHEZ: That's  
10          great. And I applaud those efforts. And as a  
11          parent to two, I know I'm stunned in looking  
12          at this statistic that one in three children  
13          have tried alcohol by age eight. So, that  
14          education, as you know, needs to start even  
15          earlier than probably anyone would think or  
16          imagine.

17          So, you know, please continue those  
18          efforts. And I thank you for the hard work.

19          PLCB CHAIRMAN HOLDEN: Thank you.

20          Before I move to the next questioner,  
21          I wanted to recognize that we've been joined  
22          today by members of the House, who are not  
23          members of our Appropriations committee. I  
24          wanted to recognize Representative Masser  
25          who's here, Representative Jozwiak,

1 Representative Mehaffie, and Representative  
2 Isaacson. Welcome.

3 And we'll proceed to the next  
4 questioner, which is Representative Rothman.

5 REPRESENTATIVE ROTHMAN: Over here.

6 Chairman, thank you.

7 Thank you all for being here.

8 Mr. Chairman, thank you.

9 Chairman Holden, in October, October  
10 16th, the speaker Mike Turzai, Chairman Jeff  
11 Pyle, Representative Topper -- Jesse Topper --  
12 myself wrote a letter to you asking for a  
13 pause on a 475 million, ten-year, no-bid award  
14 for your southeastern PA distribution center.  
15 The next day, the board voted to approve this  
16 no-bid award.

17 My question is, was this facility a  
18 build-to-suit project, or were you buying an  
19 -- or leasing an existing building?

20 PLCB CHAIRMAN HOLDEN: It's a new  
21 warehouse. And we were put in a situation  
22 where we were in receipt of a court order  
23 directing us not to pay our operator in the  
24 Philadelphia warehouse. They had gotten  
25 themselves into trouble, unrelated to the

1 Pennsylvania Liquor Control Board, in the  
2 state of Iowa. We were directed not to pay  
3 them, and we were paying it into an escrow  
4 account or directing it some place else.

5 As a result of that, we were  
6 concerned how long we were going to be able to  
7 service the Philadelphia market. Several  
8 months later, that operator entered into  
9 bankruptcy. We became even more concerned  
10 that we were not going to be able to take care  
11 of the Philadelphia market, Philadelphia  
12 County and the suburban counties around it.  
13 So, we felt it was the best practice for us --  
14 for the Commonwealth of Pennsylvania, for the  
15 Pennsylvania Liquor Control Board -- that we  
16 needed to look into alternative ways so we  
17 would not -- we would not be in a position not  
18 to serve the Philadelphia area.

19 REPRESENTATIVE ROTHMAN: With all due  
20 respect, this was a build-to-suit. There was  
21 only one entity in the entire planet that  
22 could build you a building?

23 PLCB CHAIRMAN HOLDEN:  
24 Representative, I understand what you're  
25 saying. I'm getting there.



1           As a result of that, we felt that we  
2           needed to explore other opportunities, other  
3           options. We reached out -- it's a very small  
4           universe, as Mike likes to say, people that  
5           can do this type of logistics. Duquesne told  
6           us they were not interested in it. FedEx told  
7           us they were not interested in it. DHL said  
8           they were interested in it. We did not do  
9           this -- well, Mary wasn't here yet -- just the  
10          three of us. It was vetted through the  
11          governor's office. It was vetted through the  
12          leadership of the general assembly. It was  
13          vetted through the attorney general's office,  
14          that we felt we had to enter into a  
15          sole-source contract to get this done.

16                 We contemplated doing an emergency  
17          contract. The attorney general's office  
18          advised us against doing that and said a  
19          sole-source contract would be the way to go.

20                 The operator filed an objection.  
21          They were going to have their due day in  
22          court. They withdrew the objection.

23                 So, it's in the process now that  
24          ground is broken.

25                 I will say about the operator, they

1 have continued to provide service. They have  
2 not missed deliveries. But they withdrew  
3 their operation.

4 The new facility is in Philadelphia  
5 County. And it's scheduled to start taking  
6 product in June, Charlie? And be in operation  
7 in August.

8 Two other factors, Representative  
9 Rothman. The current contract was set to --  
10 is set to expire in August of this year. We  
11 knew that one, the operator was in difficulty.  
12 We also knew that the facility that we are  
13 operating out of, owned by the Commonwealth,  
14 adjacent to the Philadelphia airport, was not  
15 sufficient. It did not have enough square  
16 footage. It did not have the ability to be  
17 state of the art. And it also had a roof that  
18 was going to be between 7 and 10 million  
19 dollars needs of repairs.

20 So, we felt we acted prudently, and  
21 we felt we vetted it through the proper  
22 channels.

23 REPRESENTATIVE ROTHMAN: I appreciate  
24 that.

25 Moving on, in your -- the booklet, at

1 the end, where you have your statement of cash  
2 receipts and disbursements, I'm curious about  
3 the tax revenue under receipts. That's a line  
4 item. Are there any taxes in this 571,700  
5 dollars that wouldn't be paid if the sale took  
6 place under a private store, as opposed to the  
7 state store?

8 MR. NEGRA: Well, my -- I guess, my  
9 reaction to that is certainly it's possible.  
10 Okay? The -- right now, that's the 18 percent  
11 liquor tax, or Johnstown flood tax, and the 6  
12 percent sales tax over top of that. I think  
13 that if we would go to a private-type  
14 operation, I think we'd have to come up with  
15 the -- the legislature would have to come up  
16 with a process that they would be buying  
17 wholesale from us that would exclude the 18  
18 percent.

19 I'm a former retailer. And so, the  
20 idea of I'm going to submit 24 percent of my  
21 sales directly to the state on a -- on a  
22 monthly basis, I think that would be very --  
23 very optimistic to think that 100 percent of  
24 those -- of those taxes would be submitted on  
25 a monthly basis.

1 I don't know what the shortage in  
2 terms of sales tax is from the retail -- from  
3 the retail environment in the Commonwealth,  
4 but my feeling would be it would be much  
5 higher than that if we were asking them to  
6 submit 24 percent at a time.

7 REPRESENTATIVE ROTHMAN: So, what  
8 percentage of these numbers then are wholesale  
9 versus retail?

10 MR. NEGRA: Well, we do 25 percent of  
11 our business in wholesale. Okay? And 75  
12 percent of our business in retail. So, they  
13 would follow the line, because they're all  
14 based on retail tax.

15 REPRESENTATIVE ROTHMAN: My time's  
16 up, but thank you all. I appreciate the  
17 answers.

18 Thank you.

19 MAJORITY CHAIRMAN SAYLOR:  
20 Representative Fiedler.

21 REPRESENTATIVE FIEDLER: Good  
22 afternoon. Thank you for being here.

23 We know that when workers and their  
24 families earn enough to pay their bills, it's  
25 good for everybody. Right? For the workers,

1 for their families, for their community, and  
2 also for the entire state.

3 Can you talk a little bit about how  
4 the board supports our Pennsylvania families  
5 by paying a living wage to entry-level  
6 employees on up and the benefits you provide  
7 to your employees, please?

8 PLCB CHAIRMAN HOLDEN: Our minimum  
9 wage right now, Charlie, is 13.05?

10 MR. MOONEY: Yes, 13.05.

11 MAJORITY CHAIRMAN SAYLOR: 13.05 to  
12 start. It is going to increase next year to  
13 13.31. Correct, Charlie?

14 MR. MOONEY: Yes.

15 PLCB CHAIRMAN HOLDEN: That's the  
16 entry-level minimum wage.

17 REPRESENTATIVE FIEDLER: And how do  
18 those benefits compare, do you know, to  
19 similar businesses in the retail industry or  
20 elsewhere?

21 PLCB CHAIRMAN HOLDEN: I can't say  
22 exactly, but I would think that we're higher,  
23 depending on what part of the Commonwealth  
24 you're residing in.

25 REPRESENTATIVE FIEDLER: And just one

1 additional question for you. So, obviously,  
2 pay is part of it. Benefits is part of it.  
3 And schedules are also part of it, fits into  
4 things.

5 One thing that we've talked about is  
6 the idea of workers knowing ahead of time  
7 their schedules, so that they can plan other  
8 parts of their lives, be it child care, second  
9 job, community college, time in their  
10 community or with their family.

11 I know that one of the things that's  
12 been done in your stores is to make sure that  
13 that happens, the idea of scheduling in  
14 advance. Is that something that you could  
15 talk about?

16 PLCB CHAIRMAN HOLDEN: Yes. I think  
17 Charlie could address it better than I can.

18 MR. MOONEY: Yeah, Representative.  
19 We -- we have an agreement with our union, the  
20 UFCW and ISSU that we put out a two-week --  
21 two-week schedule. We went from one week to  
22 two weeks in the recent negotiations, and our  
23 district managers have endorsed that. So, all  
24 our employees know fourteen days in advance  
25 whether they're working or whether they're not

1 working, to your point, can make plans around  
2 that.

3 REPRESENTATIVE FIEDLER: And,  
4 obviously, I think that benefits human beings,  
5 but from a financial standpoint, seems to make  
6 sense in terms of worker retention, saving  
7 costs, and training new employees, things like  
8 that.

9 Thank you. I appreciate it.

10 MAJORITY CHAIRMAN SAYLOR:  
11 Representative Heffley.

12 REPRESENTATIVE HEFFLEY: Thank you,  
13 Mr. Chairman.

14 A quick question more or less along  
15 the regards of licensees and license  
16 transfers. What is the average time that it  
17 takes right now to transfer an R license  
18 across the state?

19 PLCB CHAIRMAN HOLDEN: Well, the  
20 transfer must be posted, by law, for thirty  
21 days. We strive to have the transfer  
22 completed within forty-five days. That does  
23 not always happen. Sometimes there are  
24 landlord situations, that we would like the  
25 help of the general assembly correcting, that

1 we run into. Sometimes there's not tax  
2 clearance or other issues that come up and it  
3 takes a little longer. But it must be thirty,  
4 and we strive for forty-five.

5 MR. NEGRA: And -- and on top of  
6 that, if there's a protest filed, then a  
7 hearing must occur. And that probably adds  
8 another three, four months to the whole  
9 process.

10 REPRESENTATIVE HEFFLEY: Yeah. I'm  
11 hearing that it's about six to eight months on  
12 average.

13 PLCB CHAIRMAN HOLDEN: Not --  
14 Representative, I would not say -- I would say  
15 not on average, but there could be cases where  
16 it took that long, depending on protest and  
17 tax clearance and so forth.

18 REPRESENTATIVE HEFFLEY: I have two  
19 specific cases in my district that my staff  
20 had been working on. One of them, the folks  
21 just got fed up with it and backed out. They  
22 had gotten some -- the wrong information from  
23 one of the inspectors on how to apply for a  
24 license, and it delayed the process. And  
25 there were other complications.



1           One of them, in particular -- and I  
2           just wanted to express my concern as to what  
3           happened. They were waiting months to get the  
4           transfer. And, I guess, from what we heard  
5           from the LCB was they had to have a hearing.  
6           And normally there's four attorneys, and there  
7           wasn't enough attorneys to do the hearing.  
8           And it delayed and delayed and delayed getting  
9           that hearing. They were about ready to walk.  
10          Fortunately, we encouraged them to stay.

11                 Around the holidays -- they were  
12           hoping to be open in October, this was --  
13           towards the end of December, I stopped in to  
14           visit them. And talking to them a little  
15           bit -- they were open, they were just running  
16           as a BYO because they hadn't had a license.  
17           And they found it ironic that the LCE --  
18           actually the enforcement agency actually sent  
19           in an agent to try to buy alcohol, and they  
20           refused, they said they didn't have their  
21           liquor license yet, and they left.

22                 But I -- I was almost embarrassed, as  
23           a state representative, to hear that a state  
24           agency, after kind of delaying, delaying, and  
25           making it very difficult for them to go

1 through this process, and these are folks that  
2 already had liquor licenses and other  
3 establishments and restaurants in the area,  
4 they were making this investment in our  
5 district, to then go in and find that they  
6 send in an agent then to try to trick them and  
7 fine them, after they were the ones -- it just  
8 -- it was embarrassing.

9 Is that a common practice?

10 PLCB CHAIRMAN HOLDEN: I certainly  
11 hope not, Representative. It's disheartening  
12 to hear that. If it's okay with you, we would  
13 not do it on the record here, but we'd contact  
14 you through our legislative affairs office and  
15 get this specific licensee and try to see what  
16 happened there.

17 REPRESENTATIVE HEFFLEY: Okay. Yeah.  
18 Because I was -- like I said, it was  
19 embarrassing for me.

20 But at the end of the day, we have a  
21 lot of restaurants, a lot of activities, a lot  
22 of tourism activity happening. The economy is  
23 tremendous right now. And a lot of these  
24 folks are making hundreds of thousands of  
25 dollars in investments and bringing

1 restaurants and businesses into our area. And  
2 I just would like to try to see what we could  
3 do to speed up that process for the liquor  
4 license transfers.

5 PLCB CHAIRMAN HOLDEN: We will be in  
6 contact.

7 MAJORITY CHAIRMAN SAYLOR:  
8 Representative Flynn.

9 REPRESENTATIVE FLYNN: Thank you,  
10 Mr. Chairman.

11 My question is for the board. How  
12 many employees does the liquor system employ  
13 currently?

14 PLCB CHAIRMAN HOLDEN: Charlie can  
15 answer specifically. Over 5,000.

16 MR. MOONEY: 5300 at the moment,  
17 Representative Flynn.

18 REPRESENTATIVE FLYNN: So, 5300. How  
19 many of those are full-time jobs?

20 MR. MOONEY: 3200.

21 REPRESENTATIVE FLYNN: 32 full-time  
22 jobs. With insurance and a pension plan?

23 MR. MOONEY: That is correct.

24 REPRESENTATIVE FLYNN: And over the  
25 past five years, how much has the -- the PLCB

1 system contributed to the general fund?

2 PLCB CHAIRMAN HOLDEN: The last five  
3 years, Representative -- the last three years  
4 it's been, I believe -- I know, 185.1 million.  
5 And 216 one year prior to that.

6 We are confident we can transfer 185  
7 million next year and the year after that.  
8 It's difficult to speculate going further out  
9 because of the economy and legislative action  
10 that may be taken. But we're comfortable the  
11 next two years saying we can transfer 185.

12 REPRESENTATIVE FLYNN: Okay. So,  
13 that's hundreds of millions of dollars over  
14 the past five years.

15 PLCB CHAIRMAN HOLDEN: Yes.

16 REPRESENTATIVE FLYNN: Now, how much  
17 money has the system cost the taxpayer?

18 PLCB CHAIRMAN HOLDEN: We're  
19 self-funded, Representative.

20 REPRESENTATIVE FLYNN: So, we have --  
21 we have -- Pennsylvania's in the liquor  
22 business, we all know. We have a self-funded  
23 business working for us that has cost the  
24 taxpayers zero dollars and has deposited  
25 hundreds of millions into the general fund

1 over the past five years.

2           PLCB CHAIRMAN HOLDEN: That's  
3 correct.

4           REPRESENTATIVE FLYNN: Thank you.

5           MAJORITY CHAIRMAN SAYLOR:  
6 Representative Owlett.

7           REPRESENTATIVE OWLETT: Right here.  
8 Thank you for joining us today.

9           And thank you, Mr. Chairman.

10           I just wanted to talk a little bit  
11 more about -- we started down this path a  
12 little bit -- the underage drinking. Could  
13 you explain a little bit more about this --  
14 the grant opportunities that are out there and  
15 who has received those grants and some of the  
16 programs that they've developed to really  
17 counteract this -- this issue and problem we  
18 have in the Commonwealth?

19           PLCB CHAIRMAN HOLDEN: Universities,  
20 colleges, police departments, working closely  
21 with our alcohol education team trying to  
22 identify -- it's competitively bid, trying to  
23 identify particular problems that they have in  
24 their jurisdiction or people that enrolled in  
25 their university or college. And we try to

1 rank them and distribute them, trying to  
2 address the most serious problems that we can  
3 identify.

4 REPRESENTATIVE OWLETT: What are the  
5 metrics that we use to determine the  
6 effectiveness of these programs?

7 PLCB CHAIRMAN HOLDEN: Charlie, what  
8 do you think the metrics would be?

9 MR. MOONEY: A little bit more about  
10 the details on the grants, Representative.  
11 Last year we awarded 1.1 million to sixty-six  
12 grantees.

13 We presently are accepting  
14 applications for a two-year cycle that closes  
15 March 20th. The information for the  
16 applications can be found our website. And  
17 the fund will run -- the grant will run from  
18 2020 through June of 2022. Each grant is  
19 maxed out at 20,000 dollars, or 40,000 dollars  
20 for the two-year cycle. And like I said,  
21 we're currently open.

22 We generally work with school  
23 districts, higher education, technical  
24 schools, community organizations, police  
25 departments, so on and so forth.

1                   The measurements are coming in  
2                   through the grant applications as to what  
3                   they're looking to accomplish, what they've  
4                   accomplished if they were a previous grantee,  
5                   what it allows them to do above and beyond  
6                   their budgets, and -- and more, importantly,  
7                   what are they -- what are they proposing to do  
8                   on the application for the next two-year  
9                   cycle, because we do scrutinize. We can't  
10                  fund every one of them. So, there's a --  
11                  there's a scrutiny process that we have to  
12                  pick as many as we can, but there's a limited  
13                  amount of money.

14                  And the board testified earlier, we  
15                  are interested in increasing the amount of  
16                  grant money available. And Tim and Mary and  
17                  Mike have been gracious enough to talk about a  
18                  sizable increase in the grants.

19                  REPRESENTATIVE OWLETT: That was  
20                  going to be my next question, if you'd be  
21                  interested in increasing that.

22                  MR. MOONEY: Yeah.

23                  REPRESENTATIVE OWLETT: And the other  
24                  thing is just continuing to look to make sure  
25                  it's effective, if we start to realize that

1 this is a -- this is an elementary school  
2 issue as well as a high school and college-age  
3 issue. So, any additional research for that.

4 I would also be interested, could you  
5 provide us -- provide the committee or my  
6 office with just a breakdown of who received  
7 those grants, maybe county by county, that  
8 would be great.

9 PLCB CHAIRMAN HOLDEN: Absolutely.

10 REPRESENTATIVE OWLETT: Thank you  
11 very much.

12 MAJORITY CHAIRMAN SAYLOR:  
13 Representative Bullock.

14 REPRESENTATIVE BULLOCK: Thank you,  
15 Mr. Chairman.

16 Good afternoon. How are you doing,  
17 ladies and gentlemen?

18 Starting my first set of questions  
19 regards to that 5300 employees that cross all  
20 across the Commonwealth. Could you share with  
21 us your workforce diversity numbers in regards  
22 to minority and women within that rank, and  
23 also share, if you have available, the  
24 percentages for minorities and women in level  
25 -- in positions of management and executive?



1 MS. ISENHOUR: Hello. Hello,  
2 Representative.

3 REPRESENTATIVE BULLOCK: Hi.

4 MS. ISENHOUR: First woman on the  
5 board.

6 REPRESENTATIVE BULLOCK: Oh, yes.  
7 Congratulations and thank you. I appreciate  
8 -- no. But I appreciate your presence and  
9 your voice and representation on the board.  
10 Thank you.

11 MR. MOONEY: Representative Bullock,  
12 currently, we have -- of all the employees,  
13 we're split right 51 percent versus 49 percent  
14 male to female. And that's as of June ending  
15 2019. The minorities, I don't have minorities  
16 broken down between male and female, but the  
17 minority members of the workforce right now  
18 are 23 percent. We could get that number for  
19 you.

20 REPRESENTATIVE BULLOCK: That would  
21 be great if you can get that to me.

22 Do you have breakdown for your  
23 management, as far as, like, regional managers  
24 for the stores and things like that? Do you  
25 have that?

1                   MR. MOONEY: We don't have it with  
2 us, but it's certainly -- can be accomplished,  
3 yes.

4                   REPRESENTATIVE BULLOCK: I'd  
5 appreciate that.

6                   MR. MOONEY: We'll take care of it  
7 for you.

8                   REPRESENTATIVE BULLOCK: Thank you  
9 very much.

10                   So, switching gears a little bit, in  
11 my district and in the city of Philadelphia,  
12 as you know, many of our neighborhood are  
13 dealing with stop-and-gos. One of my  
14 colleagues is going to ask a little bit more  
15 questioning about that.

16                   But I was wondering if you can share  
17 with me how communities can be a voice or how  
18 they can share their concerns with the board,  
19 what is the process that is available to them  
20 to complain about these establishments.  
21 Because a lot of times I hear from community  
22 groups that it seems very locked out and  
23 difficult for them to be able to voice their  
24 opposition or concerns about a -- a nuisance  
25 business, particularly these stop-and-gos in

1 their communities.

2           PLCB CHAIRMAN HOLDEN: Absolutely.  
3 All of us have spent -- have made several  
4 trips to Philadelphia to look at the  
5 situation. And we understand the significance  
6 of it and how it needs to be addressed. And  
7 the general assembly, with Governor Wolf's  
8 signature, it gave us another tool that we can  
9 use. And there is a complaint, a hotline for  
10 complaints to go in.

11           We have received a -- I'm not going  
12 to give you the exact number -- but in excess  
13 of 150 complaints about stop-and-gos. We  
14 have -- working closely with the Pennsylvania  
15 State Police, liquor code enforcement, and the  
16 city of Philadelphia officials, we have acted  
17 on every complaint that we have received. We  
18 have shut down, I believe, fifty-four  
19 locations. Most of them have reopened because  
20 they have come into compliance. We have to  
21 keep an eye on those.

22           Currently, I believe, there are four  
23 that are in noncompliance that are shut down  
24 right now. But the general assembly gave us  
25 that authority. And we're working closely

1 with the PLCE and the city to address that.

2 But any of your constituents or  
3 anyone, there was a hotline that they can  
4 call, and we will follow up every complaint.

5 REPRESENTATIVE BULLOCK: So, for some  
6 of my constituents that are watching, can you  
7 share that hotline right now on PCN?

8 PLCB CHAIRMAN HOLDEN: Maybe Charlie  
9 can.

10 REPRESENTATIVE BULLOCK: Do you know  
11 it offhand?

12 MR. MOONEY: We're looking.

13 REPRESENTATIVE BULLOCK: We'll get  
14 it.

15 MR. MOONEY: We're looking it up  
16 right now.

17 REPRESENTATIVE BULLOCK: All right.  
18 Well, as soon as you get it, perhaps when  
19 Representative Cephas asks some questions you  
20 can share it at that time, unless she has it  
21 now.

22 She's looking it up.

23 Well, thank you for now. And when  
24 you have a chance to share that hotline, I'd  
25 appreciate it.

1 Thank you very much.

2 PLCB CHAIRMAN HOLDEN: Thank you,  
3 Representative.

4 MR. NEGRA: I'll interject one thing  
5 about that. There's also, Rod, it's 611,  
6 right?

7 There's -- there's a -- what's it --  
8 it's not an Act 611. It's just 611 -- it's  
9 Section 611 that can be brought together by  
10 the community that can look at the -- at a  
11 nuisance operation and shut it down  
12 immediately. And I think that's a for-good  
13 shutdown. Obviously, there is an appeal  
14 process, due process there.

15 But, you know, you might want to --  
16 want to look into that as something the  
17 community can do. We can only do so much, as  
18 an agency, from a liquor license standpoint.  
19 But there is that other -- other way to go  
20 that involves really more police, attorney  
21 general.

22 PLCB CHAIRMAN HOLDEN: District  
23 attorney.

24 MS. ISENHOUR: District attorney.

25 MR. NEGRA: Oh, it's for one year.

1 So -- excuse me, it wasn't forever. It's for  
2 one year.

3 REPRESENTATIVE BULLOCK: I  
4 understand. But that can sometimes make a big  
5 difference in some of these communities. I  
6 appreciate you sharing that.

7 MR. NEGRA: Absolutely.

8 MR. MOONEY: Representative Bullock,  
9 it's -- I'll e-mail it to you. It's not a  
10 telephone number. It's an e-mail address.

11 REPRESENTATIVE BULLOCK: Okay.

12 MR. MOONEY: It's a resource account.  
13 For the record I'll just put it. It's  
14 ra-lcbcompliance@pa.gov. But I will have --  
15 we will send it over to you.

16 And I would like, on the record,  
17 recognize behind us our chief counsel, who was  
18 sworn in, Rod Diaz. Sitting to the left of  
19 him is our director of regulatory affairs,  
20 Tish Albert. The two of these individuals  
21 have gone down to Philadelphia a dozen times  
22 in the last sixteen months and met with the  
23 senators and representative, the community  
24 groups, the Department of Health, BLCE from  
25 state police. They were down there as

1 recently as last week with Senator Street and  
2 others, Senator Williams. And we have done  
3 everything we've been asked to do and beyond.

4 We're now looking at our -- the  
5 oversight committees to -- to Representative  
6 Pyle and Senator Stefano to maybe look at some  
7 statutory changes that would make the process  
8 easier and quicker. As Senator Street said  
9 today, in his district, he has five -- what he  
10 would call five stop-and-gos, four or five  
11 stop-and-gos within sight of each other.

12 REPRESENTATIVE BULLOCK: We share  
13 that intersection. We share that  
14 intersection. It is a problem.

15 So, I appreciate you paying attention  
16 to that. And if you ever want to visit that  
17 intersection, I'll be happy to take you down.

18 Thank you.

19 MAJORITY CHAIRMAN SAYLOR: With that,  
20 we'll go to Representative James.

21 REPRESENTATIVE JAMES: Thank you,  
22 Mr. Chairman.

23 Thank you, gentlemen and ladies, for  
24 being with us this afternoon.

25 My name is Lee James. I reside in

1 western Pennsylvania, Venango County  
2 specifically. I'd like to ask you a couple of  
3 policy questions, as opposed to number  
4 questions.

5 My interest -- my first interest is  
6 in, would you please kind of describe your  
7 relationship, if you will, between the Liquor  
8 Control Board and the Pennsylvania State  
9 Police, specifically the team that I think  
10 manages the underage drinking issue and also  
11 the sports betting machines or skill games.

12 PLCB CHAIRMAN HOLDEN: It's a very  
13 close relationship. The board, we try to meet  
14 a few times a year. Major Miller just took  
15 another assignment, and he has not been  
16 replaced yet. But we had a great working  
17 relationship with him, and we're going to have  
18 it with his successor.

19 Charlie just mentioned Tisha and Rod.  
20 They are in constant communication with the  
21 Pennsylvania State Police liquor code  
22 enforcement. So, I would describe it not just  
23 in the Philadelphia situation but all across  
24 the Commonwealth as a very healthy, productive  
25 relationship.



1                   REPRESENTATIVE JAMES.   Okay.   Can you  
2                   please bring us up to speed today, if you  
3                   would, on the status of the poker machines in  
4                   clubs and in bars relative to their legality  
5                   or illegality?

6                   PLCB CHAIRMAN HOLDEN:   Well, I don't  
7                   think we're qualified to make that  
8                   determination.   I think there's court cases  
9                   that are pending.   Commonwealth Court has --  
10                  I'm going to have to call on Rod again here.  
11                  The Commonwealth Court has made a ruling, but  
12                  there's another determination to be made.  
13                  Correct?

14                  MR. DIAZ:   It's a determination made  
15                  by the courts.   We don't enforce the crimes  
16                  code.   So, we're not involved in that.   It's  
17                  --

18                  REPRESENTATIVE JAMES:   Okay.   I've  
19                  heard it described as a gray area.

20                  MR. DIAZ:   Sure.   Whether a  
21                  particular machine violates the law is a  
22                  crimes code question.   We don't enforce the  
23                  crimes code.   That's the state police.   So, if  
24                  someone asks us that question, we refer them  
25                  to law enforcement because we're -- we don't

1 have the authority to answer it.

2 REPRESENTATIVE JAMES: Okay. I kind  
3 of thought that would be the case. But I did  
4 want to ask.

5 Well then, final question, what are  
6 your internal policies then regarding policing  
7 the machines in counties and regions or how  
8 you would like it to be?

9 PLCB CHAIRMAN HOLDEN: Well, we do  
10 not do law enforcement, Representative. So,  
11 it's --

12 REPRESENTATIVE JAMES: Okay. Maybe a  
13 bad choice of words. Do you have a policy on  
14 that issue?

15 PLCB CHAIRMAN HOLDEN: The only thing  
16 that we have done is communicate with  
17 licensees that, if -- not will -- if they are  
18 cited for an illegal gaming device -- and I  
19 assume the ones you're talking about were  
20 waiting for determination -- if they were  
21 cited for that, it could put their renewal in  
22 jeopardy, not that it would. And we  
23 corresponded that to all our licensees,  
24 because we were receiving inquiries from  
25 licensees as to the legality of these

1 machines.

2 REPRESENTATIVE JAMES: I've heard  
3 recently that it's been said that the  
4 Pennsylvania State Police have been given --  
5 I'll use the term I got -- a green light on  
6 entering bars and clubs to confiscate those  
7 machines. Do you know anything about that?

8 MR. NEGRA: Not by us.

9 REPRESENTATIVE JAMES: Not -- that's  
10 good, not by your organization.

11 Okay. That's all I have for you.  
12 Thank you very much.

13 Thank you.

14 MAJORITY CHAIRMAN SAYLOR:  
15 Representative Cephas.

16 REPRESENTATIVE CEPHAS: Thank you,  
17 Chairman.

18 And I, too, want to acknowledge Tisha  
19 Albert. I want to say she has a second home  
20 in Philadelphia as a result of the stop-and-go  
21 issue. She's done tremendous work. The board  
22 has done tremendous work to really go after  
23 these bad actors.

24 And I think when, Philadelphia  
25 members, we speak about these entities, we're

1 not speaking as -- we're not painting a broad  
2 brush over all of them. It's just the ones  
3 that are constantly subverting the law, ones  
4 that allow for loitering, allow for drug  
5 trafficking, and just create an additional  
6 climate that is not reflective of a good  
7 business being in the community.

8           And I think one of the ultimate  
9 challenges is that we want to have a  
10 conversation around neighborhood and economic  
11 development. Oftentimes these businesses  
12 deter businesses from coming. In my district,  
13 I almost lost a 50-million-dollar project as a  
14 result of a stop-and-go just attracting a  
15 negative element. It's close to a  
16 heavy-traveled transit hub, and these are  
17 where a good majority of these establishments  
18 are. So, not only, again, is it creating a  
19 challenge for the community, but it, again,  
20 potentially deters economic development. And  
21 that's something that we are paying close  
22 attention to.

23           So, I thank Tisha for her effort.

24           I wanted to dig a little deeper into  
25 the licensee compliance program that was

1 enacted in 2017. Can you provide us an update  
2 as to how it's been working?

3 I've had an opportunity to shut down  
4 a stop-and-go actually in my district as a  
5 direct result of that bill. But,  
6 unfortunately, because of due process,  
7 sometimes it's not on our side. They opened  
8 up immediately the next day.

9 So if you can provide us with an  
10 update. But then, also, talk through what are  
11 some of the recommendations and next steps do  
12 we need to consider as a legislature to  
13 continue going after these bad actors?

14 PLCB CHAIRMAN HOLDEN: Sure,  
15 Representative. As I mentioned previously, we  
16 work closely with the state police liquor  
17 enforcement and the city of Philadelphia. We  
18 received in excess of 150 complaints.  
19 Fifty-four licensees were shut down. Four are  
20 still not in compliance.

21 I believe there was an operation last  
22 week -- there was an operation last week  
23 jointly with our field people as well as with  
24 the state police enforcement, and several  
25 places were shut down on that.

1                   We do not go out for reinspection  
2                   until seven days have expired. A lot of  
3                   times, I mean, the overwhelming majority of  
4                   times, they are in compliance when we go back,  
5                   and we have no recourse but to reinstate their  
6                   license.

7                   REPRESENTATIVE CEPHAS: Thank you for  
8                   that.

9                   MR. NEGRA: As a -- as something that  
10                  we can do going down the road --

11                  REPRESENTATIVE CEPHAS: Um-hum.

12                  MR. NEGRA: -- the fines for these  
13                  violations are ridiculously low.

14                  REPRESENTATIVE CEPHAS: Um-hum.

15                  MR. NEGRA: Okay? And I don't think  
16                  that they've been changed since the 1990s.

17                  REPRESENTATIVE CEPHAS: Now, is that  
18                  local or state fines? Or both?

19                  MR. NEGRA: Across the state. Those  
20                  would be state fines.

21                  REPRESENTATIVE CEPHAS: Okay.

22                  MR. NEGRA: And so, you know, I know  
23                  that there's been a push while I've been on  
24                  the board to increase those, but it almost  
25                  becomes a part of doing business.

1                   REPRESENTATIVE CEPHAS: I understand.  
2                   I understand.

3                   Last question is, how has that  
4                   impacted your staffing ability to follow up  
5                   with things that come through through the  
6                   program? Do you feel like there's a need to  
7                   increase staff, increase enforcement?

8                   PLCB CHAIRMAN HOLDEN: We have  
9                   responded to every complaint that we have  
10                  received.

11                  So, Charlie, anything further you  
12                  want to add to that?

13                  MR. MOONEY: Yeah. Representative  
14                  Cephas, we keep evaluating our staff. It's a  
15                  complaint-driven program. We have to come in  
16                  either with the phone call or through that  
17                  e-mail and the state police, and we'll  
18                  certainly help the representation get that  
19                  information out as soon as we get back.

20                  But we have put additional resources  
21                  in our Philadelphia office. And -- but it  
22                  comes in hills and valleys. Sometimes there's  
23                  no complaints, and then sometimes we get some,  
24                  you know, in a pile. But, right now, we've  
25                  been able to handle it.

1                   And we work, like Tim said, we work  
2                   close with BLCE, but they've been -- they've  
3                   been able to go on every compliance check that  
4                   we've asked them to.

5                   REPRESENTATIVE CEPHAS:   Okay.

6                   MR. MOONEY:   So far.

7                   I -- this board's been great to work  
8                   with as far as these stop-and-gos.  And you  
9                   already mentioned Tisha and Rob.

10                  But we -- there's work to be done  
11                  here.  And I think that's what we need to  
12                  acknowledge.  You're right.  When we put this  
13                  together in '17, and we got the legislation  
14                  that allowed this, we went in at 2 o'clock,  
15                  they reopened at 6 o'clock.  Right?  So,  
16                  that's why we're at seven to ten days now  
17                  before we'll reinspect.  They bring thirty  
18                  chairs out of the back room that were locked  
19                  up.  And, you know, they go out around the  
20                  corner and get the hot dogs.  And we're all  
21                  too well aware of the issues.

22                  And as I said earlier, we do need to  
23                  work with the Senate Law and Justice and the  
24                  House Liquor Control Committee to come up with  
25                  some tighter regulations and, to Mike's point,



1 some stiffer fines.

2 REPRESENTATIVE CEPHAS: I agree. And  
3 I think, by the time I did the press  
4 conference about the stop-and-go closing, they  
5 were just reopening. So -- but, yes, that's  
6 great to follow up and figure out where do we  
7 go from here. But then, also, make  
8 recommendations to the local municipality on  
9 how we can strengthen our laws down there as  
10 well.

11 Thank you.

12 MAJORITY CHAIRMAN SAYLOR:

13 Representative Struzzi.

14 REPRESENTATIVE STRUZZI: Thank you,  
15 Mr. Chairman.

16 Good afternoon.

17 PLCB CHAIRMAN HOLDEN: Good  
18 afternoon.

19 REPRESENTATIVE STRUZZI: I want to  
20 talk a little bit about marketing and  
21 promotion. In Act 39 of 2016, it gave you the  
22 opportunity to issue grants to market and  
23 promote. And I believe that 1.8 million in  
24 grants were given last year. And, you know,  
25 from my perspective, I'd like to learn a

1 little bit more about how this program works,  
2 some successful projects.

3 I represent Indiana County, and, you  
4 know, a lot of times, for our rural  
5 communities, a particular craft brewery or a  
6 distillery or something like that might be a  
7 destination, the only reason to get people  
8 into our rural communities.

9 So, if you could talk a little bit  
10 more about that grant program, possibly  
11 expanding it, some successful projects, and  
12 perhaps your future vision for marketing and  
13 promoting places like craft breweries,  
14 distilleries, wineries, and things like that.

15 MR. NEGRA: Yes, I'll take it, at  
16 least at the beginning, until we have to swear  
17 in Liz.

18 I assume that you're talking about  
19 the wine grants and the beer grants for a  
20 million dollars each that were legislatively  
21 put through that we're financing for tourism  
22 grants, research grants, and so forth. To be  
23 honest with you, there's been a -- an  
24 incredible amount of problems with them. And  
25 how -- and the -- the reasoning behind that,

1 not to throw anybody under the bus, but the  
2 way that the -- the grants were set to do, we  
3 were basically the funding arm, not the arm  
4 that went out and solicited the grants. And  
5 we approved them because we are the funding  
6 part of it.

7           And then, the accountability part of  
8 it was all supposed to be handled by the  
9 Department of Agriculture. They basically  
10 said, Thanks, but no thanks.

11           After much wrangling, and now we've  
12 been dealing with three years of grants that  
13 have -- that are -- have been delayed, haven't  
14 been -- there's no accountability behind it.  
15 And through -- through Liz Brassell, our  
16 policy director, she and people in our -- in  
17 our general counsel's office have worked very  
18 diligently over the last, oh, maybe twelve  
19 months to try and create a process that is a  
20 little bit more streamlined, it's fair,  
21 there's accountability there, and we have an  
22 opportunity that when somebody says they're  
23 going to do something and here's what it is,  
24 that it's meeting the guidelines that were  
25 first placed on that.

1           So, if you were to ask me today, you  
2 know, are we happy with it, I would say no,  
3 but we're working more -- we're working  
4 towards that and in cooperation with the wine  
5 board and the beer board as well.

6           So, the last thing we want to do is  
7 give out a grant that, in turn, does not -- is  
8 not satisfied, so that they've taken that  
9 money, you know, that somebody else maybe  
10 could have used. I can tell you Penn State's  
11 done some of that, and they're in my district.  
12 Okay? And I've said, Well, hey, we're not  
13 going to pay them if they're not going to do  
14 it. And we're not going to give them that  
15 opportunity to keep moving that grant period  
16 from one period to another to another. And  
17 that's just a tiny bit of the issues.

18           But we've taken basically over the  
19 entire grant process, even though that's not  
20 the way that it's depicted in Act 39.

21           REPRESENTATIVE STRUZZI: Did that 1.8  
22 million -- 1.8 million in grants have been  
23 distributed, though? And yet -- what's that?

24           (Whereupon, a voice was speaking  
25 without a microphone.)

1 MAJORITY CHAIRMAN SAYLOR: You're  
2 going to have to come to the microphone and be  
3 sworn in only because of the transcript of the  
4 hearing.

5 PLCB CHAIRMAN HOLDEN: That makes  
6 sense. That's fine.

7 REPRESENTATIVE STRUZZI: Sorry. But  
8 I think this -- this needs to be dug into a  
9 little bit deeper, if we're giving out money  
10 and there's no accountability --

11 MR. NEGRA: That's exactly what we're  
12 doing. Okay? And I'd like to believe that  
13 what we did -- I was asked this question last  
14 year in the Senate. And I don't remember in  
15 the House. And we were waiting for the  
16 reports to come back in that were -- were  
17 specifically required in those particular  
18 grants. And I think that we're moving forward  
19 with this, but it's taken a long time,  
20 unfortunately, to determine who was going to  
21 do what, no matter -- no matter who was  
22 responsible for it in the law itself. Okay?  
23 Because even though -- somebody says, Yeah,  
24 well, I'm supposed to do it, but if they're  
25 not doing it, who's that helping? It's not

1 helping anybody. Not helping tourism. It's  
2 not helping -- not helping anything.

3 So, we've taken it, because there's  
4 really no other way of doing it. You know?

5 If the Department of Agriculture has  
6 a problem with me saying it, they can come on  
7 over and we can talk about how we're going to  
8 move forward with it. All right? But we just  
9 said, heck with it, we're -- we're just taking  
10 it over. So --

11 MAJORITY CHAIRMAN SAYLOR: Mary --

12 MR. NEGRA: Go ahead.

13 MAJORITY CHAIRMAN SAYLOR: Mary  
14 wanted to respond to something as well, there.

15 MS. ISENHOUR: No. Go ahead,  
16 Representative. I'm --

17 REPRESENTATIVE STRUZZI: I mean,  
18 we're almost out of time, but I think it's  
19 pertinent that we get a clear process on this.  
20 I think there's ample opportunity, golden  
21 opportunity for some of these smaller  
22 businesses to grow in Pennsylvania. But if  
23 we're not going to do it right, then, I mean,  
24 that's kind of scary. So, I think -- I think  
25 there's some follow-up needed here to make

1       sure that there is accountability. I'd like  
2       to know what your specific process is going to  
3       be for awarding these grants and then making  
4       sure that the grants are being used in the  
5       appropriate manner.

6               MS. ISENHOUR: Thank you.

7               MAJORITY CHAIRMAN SAYLOR: Go ahead,  
8       Mary.

9               MS. ISENHOUR: Thank you,  
10      Mr. Chairman.

11              What Liz was saying is, we have -- we  
12      have released 1.8 and -- or 4 million dollars  
13      through both the wine and beer board. And the  
14      -- I think the legislature's intent, when they  
15      set up these -- the wine board and the beer  
16      board, was to do this and for it to work and  
17      that it's a great idea. And -- but it -- it  
18      hasn't been working.

19              And the biggest problem has been that  
20      the -- the folks that have requested the  
21      grants and asked for them, they're just -- the  
22      applications are faulty. And what we didn't  
23      want to happen, since we're responsible for  
24      the money, is to come before you guys and say,  
25      Wait a second. You awarded this grant, and

1 they weren't following the rules. And, you  
2 know, not have accountability to you for the  
3 money.

4 And so that's when we stepped in to  
5 try and put together -- put together a  
6 process, which we're -- we're still  
7 finalizing. But I would say, in the last six  
8 months, we've made great progress, and we'll  
9 continue to do so. Because we want to release  
10 the money. You know, we want -- wanted to do  
11 exactly what -- what you're asking us to do,  
12 to help places like Indiana County and -- and  
13 the smaller areas and the smaller breweries  
14 and the smaller wineries. But we are making  
15 progress.

16 But it -- but I want to be really  
17 clear that the biggest issue has been that the  
18 grant applications have been faulty. They  
19 have not followed the rules that I think you  
20 all intended when you -- when you said go do  
21 this. So, we're trying to be accountable to  
22 you.

23 REPRESENTATIVE STRUZZI: I appreciate  
24 that, and I do think we need some follow-up  
25 here though. Okay? Thank you.



1 MAJORITY CHAIRMAN SAYLOR: And the  
2 reason I remind those that are sitting behind  
3 you and others, the stenographer is not in the  
4 room. She's watching this and she needs to be  
5 able to -- or he, I'm not sure whether it's a  
6 he or she -- needs to be able to hear  
7 everything and have titles properly assigned  
8 to everybody. So, just -- just remind  
9 everybody that's why we do those things.  
10 Don't want to get yelled at by the  
11 stenographer.

12 We've also -- I believe he's left by  
13 now -- but we were also joined by  
14 Representative Tobash as well, from Schuylkill  
15 County earlier.

16 So, with that, we will move to  
17 Representative Topper.

18 REPRESENTATIVE TOPPER: Good  
19 afternoon, chairman, members. Good to see you  
20 again.

21 Just want to talk about some numbers  
22 here and make sure that, you know, I have a  
23 clear understanding of where we're at moving  
24 forward. As I look at the state store's fund,  
25 and we've kind of painted our rosy picture,

1 but the total net position is still a little  
2 bit over a billion dollars deficit. Is that  
3 -- is that accurate?

4 MS. ISENHOUR: Um-hum.

5 REPRESENTATIVE TOPPER: The operating  
6 profit for '18-'19, and as Chairman Holden  
7 stated that we have received 185 million to  
8 the general fund, but the operating profit was  
9 176 -- a little over 176 million. So, you  
10 know, I look at the -- at the net position,  
11 the deficit for the state store fund, I look  
12 at our operating profits still being less than  
13 what you're contributing to the -- to the  
14 general fund, and yet, earlier in an answer  
15 was you feel comfortable with that 185  
16 million-dollar number being transferred to the  
17 general fund even into the future. You feel  
18 that's sustainable?

19 PLCB CHAIRMAN HOLDEN: For the next  
20 two years, I believe it is.

21 Representative, I just want to get  
22 the numbers correct. I believe last year we  
23 transferred 185, but the earnings were 191.

24 MR. NEGRA: Our net income was 191.  
25 That's not cash. Okay?

1 REPRESENTATIVE TOPPER: Right.

2 MR. NEGRA: But our net income was  
3 191.

4 REPRESENTATIVE TOPPER: So, the net  
5 income was 191. And that was in 20 --

6 MR. NEGRA: That was fiscal year  
7 '18-'19.

8 REPRESENTATIVE TOPPER: For '18-'19.

9 MR. NEGRA: Right.

10 REPRESENTATIVE TOPPER: Operating  
11 expenses, let's make sure we're on the same  
12 page here, about 500 million. Does that sound  
13 right? I have 498, a little over.

14 MR. NEGRA: Get to that page.

15 MS. ISENHOUR: Yes. Yes.

16 REPRESENTATIVE TOPPER: So, as I --  
17 as I'm looking at this, I think that the  
18 pressure is to continue to transfer X amount  
19 to the general fund, not all of the numbers  
20 that we're looking at are necessarily pretty  
21 in terms of some of the things, and, of  
22 course, not of your making, but just have been  
23 legacy costs or things that are simply when  
24 the state tries to operate something that  
25 should perhaps be in the free market, these

1 things are going to happen.

2 But my concern is that, as we press  
3 towards these higher numbers, and we ask for  
4 more and more money, that that's when, you  
5 know, we have to turn to things like flexible  
6 pricing to say, oh, we need more money. We're  
7 going to just start getting more money as we  
8 -- whether it be from vendors or whether it be  
9 ended up passing the costs on to consumers,  
10 that there's that upward pressure of  
11 constantly feeding into, you know, an X -- X  
12 amount of dollars into the general fund. And  
13 that's been one of my concerns, as all of you  
14 know, with flexible pricing, is that we have  
15 the ability to do that.

16 Is that something that is -- you  
17 know, is of a concern that -- or is that -- is  
18 that going to be used as a tool to make sure  
19 we meet X goal for dollars?

20 PLCB CHAIRMAN HOLDEN:

21 Representative, I guess we should just  
22 elaborate on flexible pricing. And I know the  
23 industry didn't like it. The games changed,  
24 the rules changed. And we control the retail  
25 price now. We try to be as transparent as

1 possible. We went through many industry  
2 meetings. I was at a conference a few months  
3 ago, met eight separate vendors, talking about  
4 their concern about transparency. We -- we  
5 believe that we're in the process now where  
6 it's perpetual and that the industry  
7 understands it. They don't love it, but they  
8 understand what the rules are. And I think  
9 we're -- the marketing department is being  
10 fair.

11 We sent out notice of the skews we  
12 want to talk about, give them a chance to come  
13 in, talk about freight-on-board costs, talk  
14 about retail price increases, decreases. So,  
15 we believe it's perpetual.

16 As for the pressure to raise more  
17 money, I mean, you can only get so much. You  
18 know, we're comfortable what we did in the  
19 last couple years. I -- Charlie, I think this  
20 year we're projecting again to have a higher  
21 number to transfer; is that correct?

22 MR. MOONEY: That's correct.

23 PLCB CHAIRMAN HOLDEN: But as far as  
24 the pressure to make it 200, at one time there  
25 was pressure to make it 216, and we made it

1 216, but we dipped into our reserves to do  
2 that.

3 REPRESENTATIVE TOPPER: And that's  
4 what we don't want -- you know, we don't want  
5 to see. You're doing the job that you're  
6 being asked to do. And I appreciate that. I  
7 appreciate that from a public policy  
8 perspective. And I appreciate it for what  
9 you're trying to do in trying to run a  
10 business.

11 But I think -- I think, as we -- as  
12 we go back to comments that, you know, we've  
13 all heard over the years in this debate, there  
14 was still a reason why, philosophically, there  
15 are those of us who do not believe that this  
16 industry is operating within the free market,  
17 and, in fact, it would be better for our  
18 consumers if it were. And, again, that's not  
19 anything -- I think we're trying to do the  
20 best we can. And we're kind of trying to  
21 piecemeal it as a legislature, since we're  
22 still in the business of trying to make it  
23 that way. And I know that that sometimes  
24 brings disruption to the market, but I think  
25 that's why, as people who are listening and

1 wondering why we believe still that any moves  
2 that we can make, whether it be private  
3 retailers increasing, you know, the  
4 profitability to -- to us through making  
5 different adjustments, is still out there.  
6 And that's why we're continuing to bring it  
7 up.

8 Thank you, Mr. Chairman.

9 MAJORITY CHAIRMAN SAYLOR:

10 Representative Dunbar.

11 REPRESENTATIVE DUNBAR: Thank you,  
12 Mr. Chairman.

13 And I -- and I, in our preliminary  
14 discussions that we had, I told you I wasn't  
15 going to be as nasty as I normally am. And I  
16 do appreciate the fact that -- that you did  
17 show a net position, gain of 2 million  
18 dollars. And I was teasing you earlier, well,  
19 it'll only take 667 million -- 667 more years  
20 to eliminate your negative balance. But we  
21 are moving in a positive direction.

22 And I did want to ask though, and I'm  
23 curious about flexible pricing. And I really  
24 do remember the conversations we had in 2015  
25 and 2016 about flexible pricing. And we

1 talked about, you know, if -- if we would  
2 allow flexible pricing, what would happen, and  
3 what would happen is that you would get a  
4 better price from your suppliers, and there  
5 would be no change to consumer cost.

6 Has there been change to consumer  
7 cost?

8 PLCB CHAIRMAN HOLDEN: Consumer  
9 prices have increased and decreased. This  
10 whole flexible pricing perpetual discussion  
11 that we have, you know, obviously our transfer  
12 has increased from 80 million dollars to 185  
13 million dollars.

14 REPRESENTATIVE DUNBAR: And that was  
15 based on the ability of Act 39, and there were  
16 several other things other than flexible  
17 pricing.

18 PLCB CHAIRMAN HOLDEN: Oh, yeah. I  
19 was just going to say that. And we also have  
20 the industry coming in with spas, with sales.  
21 We -- raising prices, lowering prices, our  
22 auctions that we received in Act 39. There's  
23 many multitude of things that have allowed us  
24 to increase our revenue by over a hundred  
25 million dollars. So, how -- I'm sorry.



1                   REPRESENTATIVE DUNBAR: Has there  
2                   been an increase in prices for the consumers?

3                   PLCB CHAIRMAN HOLDEN: Not across the  
4                   board.

5                   REPRESENTATIVE DUNBAR: So, when you  
6                   went to negotiate price changes with  
7                   suppliers, and you could not -- if you could  
8                   not secure price changes from your suppliers,  
9                   you didn't increase prices. You kept the same  
10                  profit margin.

11                  MR. NEGRA: No. No. It's on a  
12                  case-by-case basis. And I think if you  
13                  compare where our prices are versus 2016, from  
14                  an inflation standpoint, it's below inflation.  
15                  So, things change, you know, constantly, on a  
16                  skew-by-skew basis.

17                  REPRESENTATIVE DUNBAR: I -- no, I  
18                  fully understand.

19                  MR. NEGRA: So, in answer to your  
20                  question --

21                  REPRESENTATIVE DUNBAR: If you're --  
22                  if you're pricing -- if you paid more, then  
23                  you have to charge more. But you had a -- a  
24                  mark-up percentage that you had -- had to  
25                  adhere to in the past. And, I mean, I'll even

1 read from your -- from your profit enhancement  
2 concepts, if PA could obtain pricing like  
3 Virginia does and maintain current shelf  
4 price, we would increase our gross profit by  
5 2.27 a bottle without any increase in prices  
6 made by consumers.

7 And that was our understanding, you  
8 know, consumers would not have to pay the  
9 difference. But I have heard that flexible  
10 pricing sometimes has meant that you just  
11 increased the prices, increased the margin.

12 MR. NEGRA: I think "sometimes" is  
13 probably the right word. I mean, there is --  
14 every skew is -- is different in every market.  
15 So, the Jack Daniels I believe was the example  
16 that we used, and maybe I didn't -- maybe it  
17 wasn't identified as such, but in that -- in  
18 that particular case, it -- we presented the  
19 example that if we got Virginia's price, and  
20 if the pricing did not increase based upon the  
21 number of bottles that we -- that we typically  
22 sell in a year, this is how much more money we  
23 would have gotten.

24 REPRESENTATIVE DUNBAR: Yeah, and I  
25 believe the conversation was, We will get more

1 revenue. That was always the -- and -- and  
2 understanding more revenue, the more profits  
3 that would come as well.

4 So -- and your gross margin has  
5 increased over the last three years; has it  
6 not? Is that correct, Charlie?

7 MR. MOONEY: That is correct.

8 REPRESENTATIVE DUNBAR: About 1  
9 percent increase would you say?

10 MR. MOONEY: Yeah.

11 REPRESENTATIVE DUNBAR: So, 1  
12 percent, so that -- that's pretty much where  
13 we're making -- ability to make the 180  
14 million-dollar transfer, where before we were  
15 dipping into reserves to make it. Is that  
16 correct?

17 PLCB CHAIRMAN HOLDEN: We were  
18 transferring less. Yes.

19 MS. ISENHOUR: We were transferring a  
20 lot less.

21 MR. NEGRA: And keep in mind, to our  
22 gross margin, we're making more margin at  
23 retail. We're selling more at wholesale,  
24 which is at 10 percent less. And in the case  
25 of special orders, that margin went from 20

1 percent to 10 percent as well. That's a  
2 hundred million-dollar business.

3 So, there's a variety of things that  
4 have brought our margin down. Okay? While at  
5 the same time our margin has overall  
6 increased.

7 REPRESENTATIVE DUNBAR: And like I  
8 said in years past, I understand the hand  
9 you're dealt, and I do appreciate the fact  
10 that it is a better picture. It's still not a  
11 rosy picture. I'm not going to lie to you.  
12 It's still a scary picture. But I do  
13 appreciate what you're doing.

14 But I do want to make sure that our  
15 understanding -- my understanding, it always  
16 was, is that the only price increases that  
17 were going to come were going to be because of  
18 natural inflation, no other -- no other  
19 forces.

20 PLCB CHAIRMAN HOLDEN: I'm not  
21 sure --

22 REPRESENTATIVE DUNBAR: Price  
23 increases -- because -- so the profit margin  
24 you were supposed to -- the additional dollars  
25 you were supposed to get from flexible prices

1 was solely on the savings you were going to  
2 get from your suppliers.

3 PLCB CHAIRMAN HOLDEN: But a lot of  
4 time, the industry comes in with the price  
5 increase. They will --

6 REPRESENTATIVE DUNBAR: And I  
7 understand that. That, I understand. I'm not  
8 -- I'm not arguing that. I mean, so that's  
9 what I said, the only price increases  
10 consumers should see would be inflationary  
11 ones, which would be price increases from  
12 suppliers.

13 So, have we increased prices when we  
14 didn't have an increase from our suppliers?

15 PLCB CHAIRMAN HOLDEN: Yes.

16 MR. NEGRA: Yes.

17 REPRESENTATIVE DUNBAR: Okay. Thank  
18 you.

19 PLCB CHAIRMAN HOLDEN: And comparing  
20 categories and -- certainly. Yeah.

21 MAJORITY CHAIRMAN SAYLOR: With that,  
22 we'll go to Representative Deasy.

23 REPRESENTATIVE DEASY: Thank you very  
24 much. And thank you, Chairman Saylor, for  
25 allowing me to participate.

1 I do have a question regarding the  
2 western PA warehouse facility out there. I  
3 understand there's going to be some changes  
4 coming up. I wonder how that process occurs  
5 and where we're at status-wise with that.

6 PLCB CHAIRMAN HOLDEN: Yes,  
7 Representative. We are in the process of  
8 shortly sending out an RFP for our warehouse  
9 in western Pennsylvania. It should go out in  
10 April, Charlie? Or we're trying to get out in  
11 April.

12 MR. MOONEY: That's right.

13 PLCB CHAIRMAN HOLDEN: What, about a  
14 ten-month process or six- to eight-month  
15 process?

16 MR. MOONEY: Six to eight.

17 PLCB CHAIRMAN HOLDEN: We are not  
18 sure if the current occupant is going to bid  
19 FedEx. We think they might. We understand  
20 other providers in the Commonwealth are very  
21 interested in bidding on it.

22 REPRESENTATIVE DEASY: So, does the  
23 Commonwealth own the current warehouse?

24 PLCB CHAIRMAN HOLDEN: No, not in  
25 western Pennsylvania, only in the Philadelphia

1 region.

2 REPRESENTATIVE DEASY: Okay. So,  
3 when would the deadline for that contract to  
4 be up?

5 MR. NEGRA: I think that contract's  
6 up in 2022.

7 REPRESENTATIVE DEASY: Oh, okay. So,  
8 there's time for the process, transparency in  
9 the whole RFP process.

10 MR. NEGRA: Exactly.

11 REPRESENTATIVE DEASY: Okay. Great.  
12 Thank you.

13 MAJORITY CHAIRMAN SAYLOR: Very good.  
14 Again, I want to thank the board  
15 members.

16 Mary, I want to congratulate you for  
17 being the first woman to the board.

18 MS. ISENHOUR: Thank you very much.

19 MAJORITY CHAIRMAN SAYLOR: So, it's  
20 great to see you again.

21 MS. ISENHOUR: It's an honor to be in  
22 front of you.

23 MAJORITY CHAIRMAN SAYLOR: Again, I  
24 thank you for your work and your diligence for  
25 the Commonwealth of Pennsylvania to all the

1 board members and, Charles, you as well, and  
2 the rest of your staff.

3 Thank you.

4 PLCB CHAIRMAN HOLDEN: Thank you,  
5 Mr. Chairman.

6 MAJORITY CHAIRMAN SAYLOR: Tomorrow  
7 we will reconvene at 10:00 a.m. to hear from  
8 the Department of Community and Economic  
9 Development. Again, that's at 10:00 a.m.

10 (Whereupon, the hearing concluded at  
11 4:11 p.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that the foregoing  
is a true and accurate transcript, to the best  
of my ability, produced from audio on the said  
proceedings.

-----  
BRENDA J. PARDUN, RPR  
Court Reporter  
Notary Public