

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE HEARING
BUDGET HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

TUESDAY, FEBRUARY 19, 2008, 11:35 A.M.

VOLUME III OF IV

PRESENTATION BY LIQUOR CONTROL BOARD

BEFORE:

HONORABLE DWIGHT EVANS, CHAIRMAN
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN
HONORABLE STEPHEN E. BARRAR
HONORABLE STEVEN W. CAPPELLI
HONORABLE H. SCOTT CONKLIN
HONORABLE CRAIG A. DALLY
HONORABLE GORDON R. DENLINGER
HONORABLE BRIAN ELLIS
HONORABLE DAN B. FRANKEL
HONORABLE JOHN T. GALLOWAY
HONORABLE WILLIAM F. KELLER
HONORABLE THADDEUS KIRKLAND
HONORABLE BRYAN R. LENTZ
HONORABLE TIM MAHONEY
HONORABLE KATHY M. MANDERINO
HONORABLE MICHAEL P. MCGEEHAN
HONORABLE RON MILLER
HONORABLE JOHN MYERS
HONORABLE CHERELLE PARKER
HONORABLE SCOTT A. PETRI
HONORABLE SEAN M. RAMALEY
HONORABLE DAVE REED
HONORABLE DOUGLAS G. REICHLEY
HONORABLE DANTE SANTONI, JR.

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BEFORE: (cont'd.)
HONORABLE MARIO M. SCAVELLO
HONORABLE JOHN SIPTROTH
HONORABLE KATIE TRUE
HONORABLE DON WALKO
HONORABLE JAKE WHEATLEY, JR.

ALSO PRESENT:
MIRIAM FOX
EDWARD NOLAN

JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

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NAMES	PAGE
PATRICK J. STAPLETON III	4

1 CHAIRMAN EVANS: I would like to reconvene
2 the Appropriations Committee hearing, please.

3 Also, if the Commissioners and the Chairman
4 would introduce themselves. But first I want to make
5 note that the Chairmen of the Liquor Control Committee
6 are here. Representative Bob Donatucci is here, who
7 is the Chairman, and Representative Ron Raymond, who
8 is the Republican Chairman along with Representative
9 Donatucci. They are both here at this hearing.

10 I would like for the Chairman, you know, the
11 way we are doing this is we are going right into
12 questions. And if you would just introduce some
13 people with you at your side, and then we're ready for
14 questions.

15 MR. STAPLETON: Good afternoon, Chairman.
16 How are you today?

17 CHAIRMAN EVANS: Good; very good.

18 MR. STAPLETON: It's great to be here. I'm
19 with my fellow board members, Tom Goldsmith and Bob
20 Marcus, to answer any questions you may have for the
21 Pennsylvania Liquor Control Board.

22 CHAIRMAN EVANS: A question I generally lead
23 off with is, tell me how you are doing. Are you
24 making a lot of money? Talk a little bit about the
25 Liquor Board.

1 MR. STAPLETON: Well, that's a very good
2 question.

3 Chairman, we are having a very good year. We
4 are off our projections by about a percentage point
5 and a half, and we are happy to be at that number,
6 quite frankly.

7 When we look at retail in general, as we
8 know, the grand majority of our revenues come from
9 retail operations, and we see that in the retail
10 climate at present, that other retailers are off much
11 more than we are.

12 In fact, we just checked our numbers
13 yesterday to determine how our sales were in
14 comparison to the other retail markets, and we are 55
15 percent ahead of the other sales tax revenues
16 collected by the Commonwealth.

17 So we see that there is a softness in the
18 economy that has affected retail sales and thus
19 affected the amount of money generated by the sales
20 tax. But we are 55 percent ahead of those numbers, so
21 we are actually very happy with that. We also look at
22 some of our competitors on the borders, and we are
23 very pleased with where we are compared to them.

24 So, you know, I think that given the fact
25 that we are in a bit of a slow economy, our revenues

1 are strong. We are trending at about a 5, a little
2 over a 5-percent increase this year. We had hoped to
3 be in the low 6's, but we do have another five months
4 to go, and hopefully we will try to turn that around a
5 little bit.

6 CHAIRMAN EVANS: Representative Craig Dally.

7 REPRESENTATIVE DALLY: Thank you, Mr.
8 Chairman, and good morning.

9 MR. STAPLETON: Good morning, Representative.

10 REPRESENTATIVE DALLY: I had the opportunity
11 over the last couple of years to tour the Philadelphia
12 ports and see the dramatic changes that are being made
13 down there, and I must say, without sounding too
14 gratuitous, in large part due to the efforts of
15 Representative Bill Keller, and in that light,
16 obviously it is important, for that economic engine to
17 deliver results to Philadelphia, that the port be
18 used.

19 MR. STAPLETON: Yes.

20 REPRESENTATIVE DALLY: And my question is,
21 what are you doing as far as the agency is concerned
22 to encourage more shipments into Pennsylvania ports?

23 MR. STAPLETON: We had entered into a
24 consolidation contract in the last, I guess, year and
25 a half now, Representative?

1 REPRESENTATIVE KELLER: Yes.

2 MR. STAPLETON: ---with Georgio Gori, a large
3 consolidator out of Italy, to ensure that they would
4 be able to bring more product into the Port of
5 Philadelphia, not just for our own purposes, because,
6 quite frankly, we are a small percentage of what the
7 total imports to the East Coast of the U.S. are.

8 But we asked them to try to entice suppliers,
9 in Europe in particular, to use the Port of
10 Philadelphia, and we have had some successes there.
11 The main hang-up was the availability and frequency of
12 shipment lines into the Port of Philadelphia. They
13 have done a nice job of attracting some additional
14 shippers.

15 And we most recently had a discussion with
16 John Estey of the Philadelphia port about some of the
17 plans they have to expand their operations there,
18 which would have a tremendous impact on us. If they
19 were able to do some of the things that they are
20 attempting to do, we feel very strongly that we would
21 be able to entice even more suppliers from Europe,
22 Australia, South Africa, South America, to use the
23 Philadelphia ports.

24 Having said that, we bring in about 800 to a
25 thousand containers a year. It is not a huge amount,

1 but anything we can do to try to help the Port of
2 Philadelphia we are trying to do.

3 And in addition to that, there are additional
4 shipments that go to the Port of Eddystone, which is
5 right down river of Pennsylvania PLCB products.

6 REPRESENTATIVE DALLY: Thank you very much.

7 Thank you, Mr. Chairman.

8 CHAIRMAN EVANS: I'm going to ask the
9 Chairmen of the Liquor Control Committee,
10 Representative Donatucci or Representative Ron
11 Raymond, do you have any questions that you want to
12 ask?

13 Representative Donatucci.

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

16 Mr. Chairman, as you know, recently in the
17 Senate there was a bill introduced, Senate Bill 1273,
18 which I'll tell you what it is -- to privatize the
19 system. I guess, have you seen it or have an idea
20 what it's about?

21 MR. STAPLETON: Yes, sir.

22 REPRESENTATIVE DONATUCCI: Back in '92, I
23 know Representative Evans will remember this, and
24 Representative Civera, if he was here, he would
25 remember it, they had one vote on privatizing the

1 system in '92, and it went down 3 to 1.

2 We had a new Governor elected in the
3 mid-nineties, Governor Ridge, and with the support of
4 Chairman Jones, it never even got up for a vote. What
5 could you tell me today--- Before I ask the question,
6 I had a meeting already with Senator Rafferty, Senator
7 Logan, and Chairman Raymond. We are going to have
8 joint hearings this summer on this bill, so we are
9 taking it very seriously. What can you tell me---
10 I'll give you guys the jump-start before those
11 hearings to sell the bill or tell me why we shouldn't
12 privatize the system.

13 I know your numbers are great. The system
14 came a long way in the last 10, 12 years. It came
15 into the 21st century. But can you just touch on it
16 and give us an idea of what we are going to hear one
17 way or the other. Thank you.

18 MR. STAPLETON: Thank you, Chairman.

19 There are a number of different aspects to
20 privatization, obviously. There is the social aspect.
21 There is the financial and economic impact. We are in
22 the process of closely looking at the bill that you
23 just mentioned.

24 We have a number of questions regarding the
25 financial liability of the bill. We are not sure that

1 the numbers really add up to be a plus for the
2 Commonwealth of Pennsylvania and its citizenry.

3 We also have questions about the location of
4 stores. We are a State agency. We have a duty to
5 serve all Pennsylvanians, whether they be in
6 Philadelphia, Pittsburgh, or rural Pennsylvania, and I
7 think we do a pretty good job of that.

8 We do have some stores that are unprofitable,
9 but those are stores that are in locations to serve
10 people that would have to travel, you know, 25 minutes
11 to an hour to find service other places.

12 So these are all issues that are sort of on
13 the peripheral of privatization but important to each
14 Pennsylvanian. So we are not sure whether all
15 Pennsylvanians would be served location-wise by the
16 bill.

17 And certainly from the social responsibility
18 aspect, the numbers that we have seen indicate that we
19 in Pennsylvania do a pretty good job of making sure
20 that alcoholic beverage gets in the hands of people
21 who should have it. In other words, we don't serve
22 minors, and we are very proud of our stores, we are
23 extremely proud of our employees and their diligent
24 efforts, to make sure that minors aren't served. We
25 had over a million minor checks last year in our

1 stores. So that's an important issue.

2 And I'm not sure, I know there's some
3 language in the bill about training people, but in the
4 private sector, there is certainly much more selling
5 to minors than there is in a control State.

6 We see that our numbers on drunk-driving
7 fatalities in Pennsylvania are lower than some of the
8 open States around us. Alcohol-related problems are
9 lower in Pennsylvania, and I think that is attributed
10 in great part due to the control system that we have
11 in the Commonwealth.

12 So there are a plethora of different issues
13 that need to be examined, and I don't know that there
14 is any better argument today to privatize than there
15 was in 1992 or as it was under the Ridge
16 Administration.

17 As you know, I was part of the PLCB at the
18 time the Ridge Administration and John Jones floated
19 out the possibility of privatization, and I think that
20 from an economic standpoint, from a customer-service
21 standpoint, from a store-operations standpoint, we are
22 stronger today than we were then.

23 So I'm not quite sure what the arguments for
24 privatization are, but I can tell you that the
25 arguments against them, I think, are even stronger

1 today than they were 10 years ago.

2 REPRESENTATIVE DONATUCCI: Thank you, Mr.
3 Chairman.

4 Thank you, Chairman Evans.

5 CHAIRMAN EVANS: Thank you, Chairman
6 Donatucci.

7 Chairman Raymond.

8 REPRESENTATIVE RAYMOND: Thank you, Mr.
9 Chairman.

10 I know this is an Appropriations hearing, and
11 Representative Donatucci asked probably a question
12 that I think is in the front of my mind, but I would
13 just like to commend the board -- Joe Conti, Jerry
14 Waters, Jim Short, your legal staff. Your whole group
15 has been very, very cooperative and responsive to the
16 Legislature.

17 All of our caucus, a lot of our caucus stuff
18 comes through me to you guys, and you have been great
19 in responding in terms of the stores and dealing with
20 stores that are in areas where you are losing money
21 but we need to service the public, because we are a
22 monopoly, and in how I think responsive and good the
23 stores are continuing to improve the past year. I
24 think they are great. You had tons of product in
25 there for the holidays, and you are really promoting

1 what is going on there.

2 I think you are probably one of the few State
3 agencies that will come before this committee that in
4 fact is a positive in terms of putting money into the
5 State instead of taking money out. Most people coming
6 before Chairman Evans will be asking him for
7 appropriations to run their operations, and you folks,
8 in all the years I have been involved in it, that
9 number continues to go up. And again, as you
10 mentioned, we use a lot of money from that income to
11 educate the public and try to prevent underage
12 drinking and the problems with alcohol.

13 So I just can only commend you for what you
14 have been doing, and keep doing a good job. And I
15 don't think you will ever see the Legislature vote you
16 guys out of existence.

17 MR. STAPLETON: Thank you.

18 REPRESENTATIVE RAYMOND: Thank you, Chairman.

19 CHAIRMAN EVANS: Thank you, Chairman Raymond.
20 Representative Scott Petri.

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

23 I want to follow up on the line of
24 questioning that Representative Dally started on. I'm
25 certainly aware of the consolidation contract, but my

1 concern is that I think we still can do more, and I
2 was wondering if have you done any logistic studies on
3 your entire delivery system to see if we could be more
4 like, you know, a private industry or the like, and if
5 so, what are those studies telling you?

6 MR. STAPLETON: We are in the process of
7 looking at our logistics right now. As most of the
8 folks in the Legislature are aware, we have embarked
9 upon a new high-tech program called ERP. It is an
10 accounting and financial program, and it follows all
11 the way into logistics.

12 We will be able to basically track a product
13 from the day that it leaves the supplier's hands on a
14 dock in France or Italy to the time it ends up in your
15 home, and that's a very important thing for us as
16 retailers.

17 It is also going to mean a lot to our ability
18 to be able to ship product to Pennsylvania on a timely
19 basis to make sure that we don't have excess
20 inventory, which also leads to additional savings to
21 the Commonwealth.

22 Part of that, obviously, is going to be our
23 ability to work with our shippers, and again, once we
24 have the opportunity to direct shippers to suppliers
25 that ship to Pennsylvania, we will have better control

1 of our products.

2 So our ability to use Pennsylvania ports is a
3 very key aspect of our modernization of our logistics.
4 And again, we are working with Georgio Gori, we are
5 working with the Port of Philadelphia, to try to make
6 sure that we have opportunities in Pennsylvania.

7 And again, these opportunities are not just
8 for our product. We would love to make the Port of
9 Philadelphia, as we have discussed in the past, a
10 superport for wine and spirits, and we are trying to
11 make the case that it's better for shippers and
12 suppliers to come to Philadelphia than it is to the
13 Port of New York or to New Jersey or to Wilmington or
14 Richmond or Norfolk or wherever.

15 So I think that we have a lot of work to do
16 there, but we have boundless opportunities, and being
17 the largest purchaser of wine and spirits certainly in
18 this country, I think that it gives us an opportunity
19 to entice some of these suppliers.

20 Again, it is all about convenience and cost.
21 We know that the Port of Philadelphia has great
22 logistics -- rail service, highway service. We just
23 need to work on the cost issues, and I think that at
24 the end of the day, it will be a plus-plus for
25 Pennsylvania and the PLCB.

1 REPRESENTATIVE PETRI: Thank you, Mr.
2 Chairman.

3 One follow-up question. Has the LCB given
4 any thought to contacting the other controlled States
5 in the Commonwealth to see if there could be an
6 opportunity of leveraging our buying powers and our
7 shipping opportunities with theirs to come up with a
8 win-win situation for all the States that are
9 controlled?

10 MR. STAPLETON: That's a very good point,
11 Representative.

12 We have had discussions with the other
13 control States, primarily those on the East Coast,
14 which would be New Hampshire, Vermont, Maine, and they
15 are willing to participate.

16 Their issue is cost. If we can deliver the
17 product to them at the same price or less than they
18 are getting it now through the Port of New York, they
19 certainly would buy into this program. And, you know,
20 we are working, again, with the ports to try to get
21 that cost to a point where we are competitive with New
22 York.

23 REPRESENTATIVE PETRI: Thank you.

24 CHAIRMAN EVANS: The vice-chair wants to
25 follow up, Bill Keller.

1 REPRESENTATIVE KELLER: Thank you, Chairman
2 Evans.

3 Mr. Chairman, you know, this has been a topic
4 we have discussed a number of times over the years.
5 It has always been, as I have explained in the past, a
6 chicken and an egg problem, especially when you are
7 doing ocean shipping. If you don't have the line or
8 service into your port, you know, how do you get it
9 there? Does the liner service follow the cargo or
10 does the cargo follow the liner service? So I know
11 your efforts have been toward that.

12 But just a question. I don't know if you
13 will know it or maybe you can get back to us. How
14 much product which Pennsylvania orders now ships
15 through the Port of New York? And because they have
16 the service. I'm not saying it is anything---

17 MR. STAPLETON: A substantial portion. More
18 than half, I'm sure.

19 REPRESENTATIVE KELLER: Okay.

20 MR. STAPLETON: But it is FOB Philadelphia,
21 so there is some income for the Port of Philadelphia
22 to have it, even though it comes through New York.

23 REPRESENTATIVE KELLER: Well, I'm on your
24 side. I agree with you. I believe there is an
25 opportunity to get that 50 percent back into the Port

1 of Philadelphia when we expand the port. We are going
2 to have to attract the service, the North Atlantic
3 service, into the Port of Philadelphia so you can
4 consolidate, and the trick is to consolidate over
5 where we purchase, over in Europe---

6 MR. STAPLETON: Right.

7 REPRESENTATIVE KELLER: ---and get that
8 consolidated in Europe and then ship it to
9 Pennsylvania.

10 So I commend you on your efforts. I know you
11 are trying real hard. Believe me, we are all here to
12 support you with trying to use the Port of
13 Philadelphia as the port of entry for the Liquor
14 Control Board.

15 MR. STAPLETON: Thank you.

16 And, you know, we enjoy working with you, and
17 we know that your leadership down at the port is so
18 important to us accomplishing these things. And our
19 meeting with John Estey recently gave us great hope
20 that there are going to be some great things happening
21 in the Port of Philadelphia.

22 So we will just knock on wood, and hopefully
23 we will be able to create a superport for all of the
24 United States.

25 REPRESENTATIVE KELLER: And if I can, just

1 the largest economic development project the State has
2 seen in, I bet, in 50 years. And it's going to come
3 off, and you will be a big part of it. Thank you.

4 MR. STAPLETON: It's amazing. Thank you,
5 Representative.

6 CHAIRMAN EVANS: We just heard from our port
7 czar.

8 Representative Kathy Manderino.

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

11 Mr. Chairman, thank you for being here.

12 When I hear from consumers about the LCB, the
13 context of the contact, if it is about privatization,
14 and sometimes it is, it is in the context of, because
15 I don't have big-money people who think they are going
16 to buy one of these as a business and I'm not hearing
17 from the newspapers who want the advertising revenue,
18 I'm hearing from the consumers who believe that if the
19 State stores were privatized, they would have a better
20 selection of wines. I hear from the wine enthusiasts.
21 I suspect that most members would say the same.

22 The past year, there has been a lot in the
23 newspapers about what is happening with our wine
24 programs and all of that kind of stuff. I would just
25 like to have a report from the perspective of the

1 board about what is happening with our system and
2 these choices, selections, prices, quality, et cetera,
3 that are being offered to our consumers.

4 MR. STAPLETON: Thank you, Representative.

5 Certainly that is an important issue. It
6 seems to be the one area that we face the most
7 criticism in, and I think the unfortunate part for us
8 is that this is a criticism that is based on
9 perception rather than reality.

10 I can tell you that right now, we have over
11 almost 12,000 wines available in the Commonwealth of
12 Pennsylvania to consumers. They may not be at every
13 store. Our larger Premium Collection stores have
14 maybe 8,000 to 10,000 different products in those
15 stores. But all 12,000 of those wines are available
16 to consumers. If they are not in the store, they can
17 be requested and be delivered to their store in their
18 neighborhood within a number of days.

19 So when I hear these complaints about
20 selection, it's a little unnerving, because I know
21 that our selection of 12,000 wines is far superior
22 than virtually any retailer in this country, whether
23 they be on the border such as Total lines or Canal's.
24 We hear these people, they go to Delaware and New
25 Jersey, despite the fact that it's illegal to do so,

1 but they claim that our selection is inferior to
2 those, and it is just not the case.

3 But we, again, are fighting the war of
4 perception. We have created two new wine programs in
5 the last year. We had the Chairman's Selection
6 program, which we continued. But to expand upon that
7 and to expand upon that for the wine connoisseurs, we
8 created the Sommelier Collection program, which is
9 high-end, difficult-to-find wines that we bring in at
10 a very strong price.

11 In addition to that, we know that not all
12 wine drinkers want to spend between \$15 and \$100 a
13 bottle, and we created a program for them called the
14 Power Purchase program, where we sought out wines from
15 around the world, not just American wines but South
16 African, South American, Australian wines, French,
17 Italian wines. We brought those in in the Power
18 Purchase program to allow consumers who want to buy a
19 bottle for less than \$10 a bottle to try a new type of
20 wine and try to learn more about wine.

21 So I think we have done a lot to expand the
22 programs in Pennsylvania. We still have more work to
23 do, because we know that the wine populace, the
24 wine-loving populace of the State is growing. More
25 and more people are interested in wine, so we have to

1 continue to be ahead of the curve in providing these
2 types of great wines.

3 REPRESENTATIVE MANDERINO: Just a follow-up
4 along the same lines.

5 I know that my complaints or inquiries from
6 consumers have decreased substantially in recent
7 years, and I attribute that to the fact that we now
8 have a very nice premium-wine store right on City
9 Avenue in Bala-Cynwyd. And I'm not a big wine
10 aficionado, but when I want to buy wine, I go there,
11 and I have this nice, beautiful place that I can sit
12 down and look through Wine Enthusiast magazines and
13 read people's selections, et cetera.

14 So I think people kind of in my backyard now
15 feel like they have that resource to go to, but if I
16 lived somewhere else, tell me specifically how I as a
17 consumer even know, when I walk into the little liquor
18 store on Main Street in Pottsville, that this program
19 of being able to order a couple of bottles of wine
20 from another liquor store from the Pennsylvania
21 inventory is even available to me, let alone how easy
22 do they make it for me to do that, and have we thought
23 about a specific consumer education promotion program
24 along those lines?

25 MR. STAPLETON: That's a very good question,

1 and, you know, when I hear about the Pottsville or the
2 Monessen store or the Indiana store, we understand
3 those issues. I don't know that we do a great job of
4 letting our consumers know that all of these wonderful
5 wines are available to them. We need to do a better
6 job of doing that, and I think that our employees need
7 to make that process as seamless as possible.

8 I will also say that we are finding that one
9 of the great ways to reach out to these folks in
10 Indiana and Monessen and Pottsville is through our Web
11 site, okay? All of these wines are virtually
12 available through our Web site, but our consumers
13 maybe don't know that. We need to do a better job of
14 letting them know of availability on the Web site.

15 And also, quite frankly, we need to redesign
16 our Web site to make it more consumer friendly. These
17 are all initiatives that we are undertaking now at the
18 PLCB and part of this PLCB 75 renaissance, to improve
19 the Web site, to improve customer service, to make
20 sure that customers know that when they come into a
21 store, there are more wines available than just what
22 may be found on the shelves.

23 And also, too, we want to make sure that we
24 create a shopping experience for our consumers, where
25 they spend a significant amount of time in there

1 talking to employees, learning about products, maybe
2 thinking about trying something different.

3 We understand that our consumers spend about
4 eight minutes in our stores. So they know what they
5 want, they go in, they buy it, and they leave. What
6 we want is to create a shopping experience where they
7 spend 25 minutes, 45 minutes, in our stores. We think
8 that will be good for consumers, it will certainly be
9 good for our business, and I think that we will become
10 a nationally recognized retailer when we are able to
11 accomplish that.

12 So we are just really sort of at the start of
13 this type of service, and we understand that it is all
14 about customer service and educating consumers. And
15 you are absolutely right; we need to do a better job
16 of educating our consumers to the things that are
17 available now on the system, let alone the things that
18 are going to be available in the next two or three
19 years.

20 REPRESENTATIVE MANDERINO: Thank you, Mr.
21 Chairman.

22 CHAIRMAN EVANS: Thank you.
23 Representative David Reed.

24 REPRESENTATIVE REED: Thank you, Mr.
25 Chairman, and thank you, Chairman Stapleton and

1 Commissioners, for joining us today.

2 I just want to touch upon an issue that my
3 office and your office has exchanged letters on in the
4 past couple of weeks, just very briefly.

5 The House Republican Policy Committee over
6 the last year has held a number of hearings and
7 inquisitions into areas of possible welfare fraud
8 within the Commonwealth, and as we went through those
9 hearings, I took the opportunity to meet with a number
10 of folks at the local level, and what we found is,
11 well, not just cases of fraud occurring but also what
12 I would term "legal loopholes," where tax dollars are
13 being spent in a manner that is technically legal but
14 perhaps not the actual intention of the Legislature,
15 the Administration, or the taxpayers especially, and
16 two of those possible instances deal with the Liquor
17 Control Board and your operations.

18 The first one would be the ability for folks
19 to use the EPPICard within the State store system.
20 The EPPICard, for those of us who don't know that, and
21 I didn't know it until I was turned on to it by a
22 caseworker in Indiana County, is the card that is now
23 issued in lieu of a child support check to the parent
24 acquiring the child support from the other parent, and
25 apparently in today's day and age, you can use that

1 EPPICard in a State store to purchase alcohol. And I
2 think it is pretty universal or we should have
3 universal agreement that those dollars are intended to
4 be used to the benefit of the child, and I don't think
5 anybody could make the case that dollars being spent
6 in a State store for alcohol purchases would be to the
7 benefit of those children.

8 I know your office had responded with a
9 suggestion that if we wanted to look at that possible
10 issue, that it would not be appropriate for the board
11 to undertake but legislative action would be
12 necessary, and my very short question to you would be,
13 would the board be supportive of closing that loophole
14 within the system?

15 MR. STAPLETON: Absolutely, Representative.

16 When we spoke briefly the other day, it was
17 news to me that this was happening, and we learned
18 that these cards are like a MasterCard and that
19 wherever MasterCards are accepted, they are accepted,
20 and it seemed to me odd that you would be able to use
21 a child support card to buy alcohol.

22 But we would certainly support any
23 legislation to do away with that loophole, because it
24 is just, it seems to me, to be opposite of what the
25 policy should be. So we certainly would support that.

1 REPRESENTATIVE REED: My second follow-up
2 would be not in regard to the State store system
3 itself but in regard to the distributors' licenses,
4 which you have control over.

5 Apparently within a distributor, you can go
6 in and purchase alcohol, not only with the EPPICard
7 but you can also use what is termed the "electronic
8 benefits transfer" card, which that card is actually
9 used, the cash assistance portion of welfare funds are
10 placed on that card. So you are not only allowed to
11 use the child support payment card but also the cash
12 assistance side of welfare payments within the
13 Commonwealth to purchase alcohol within beer
14 distributors in the Commonwealth, and would you be
15 supportive as well of legislative action that would
16 prevent that legal loophole from occurring as well?

17 And the reason I ask you is because you are
18 the governing body over both of these jurisdictions,
19 and I think we need to be on the same page as a
20 governing body and as a Legislature if we are going to
21 move forward with action.

22 MR. STAPLETON: Right.

23 I absolutely would be supportive of that.
24 You know, our policy is that EBT transfers are not
25 allowed in our stores as is. So I think that to

1 prohibit them in beer distributors would be consistent
2 with our own internal policies, and we would be very
3 supportive of that.

4 REPRESENTATIVE REED: Okay, and I just look
5 forward to working with your staff. They have been
6 very helpful so far, and we appreciate your
7 cooperation and look forward to working with them in
8 the upcoming weeks to draft that legislation.

9 MR. STAPLETON: I feel the same way. Thank
10 you.

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

13 CHAIRMAN EVANS: Thank you.
14 Representative Scavello.

15 REPRESENTATIVE SCAVELLO: Thank you, Mr.
16 Chairman.

17 I first would like to echo Chairman Raymond's
18 comments on how helpful your office has been, and one
19 of the stores that he was referring to is in one of my
20 boroughs, which is really having a tough time in
21 keeping it open and really has helped that downtown.

22 Second, I would like to make a comment that
23 in the Bill's Shoprite shopping center in Mount
24 Pocono, your wine selection, it is one of the best I
25 have seen in any store -- New York, New Jersey, or

1 anywhere else. There is a fabulous selection. A
2 little plug there, you know.

3 MR. STAPLETON: Keep going, Representative.
4 You are on a roll.

5 REPRESENTATIVE SCAVELLO: Can you please give
6 us an update on what the LCB is doing to come up with
7 a compliance for the Federal court opinion in regard
8 to the direct shipments of wine to consumers from
9 out-of-State wineries?

10 MR. STAPLETON: Thank you, Representative.

11 We have done a couple of things. We have
12 created a limited wineries shipment license for
13 out-of-State wineries, so that if they apply for one
14 of these permits, they will be able to ship into the
15 State in compliance with the mandates of the Granholm
16 decision.

17 We have added, I believe, two wineries that
18 have applied for these limited winery direct shipper
19 licenses, out-of-State direct shipper licenses. So we
20 have done that to comply with the Granholm decision.

21 As recently as, I believe, yesterday we were
22 back in Federal court discussing this matter with the
23 plaintiffs, who happen to be those Indiana wineries
24 led by the professor at the University of Indiana law
25 school, who has been the moving element in the

1 Granholm matters.

2 But we are in compliance now, and I think
3 that the next move would be a legislative move. As
4 you know, we have served as a resource to the
5 Legislature and answered any questions that the
6 Legislature might have on that, but I believe that
7 that is--- For the moment, we are in compliance, but
8 if there is any additional work to be done, I would
9 assume it is to be done legislatively.

10 REPRESENTATIVE SCAVELLO: Okay. Thank you.

11 CHAIRMAN EVANS: Last question.

12 Representative Reichley.

13 REPRESENTATIVE REICHLEY: Thank you, Mr.
14 Chairman.

15 Just very briefly, gentlemen. It more or
16 less is a follow-up to the questions from
17 Representative Reed.

18 Can you comment about the board's position on
19 the enforcement and compliance functions that, I
20 guess, are currently being shared with the State
21 Police and your viewpoint on the consolidation of
22 those under the State Police to perform both of those
23 requirements. Thank you.

24 MR. STAPLETON: Yes, sir.

25 We are certainly aware of the recommendations

1 of the Legislative Budget and Finance Committee, and I
2 know that we have been working with both caucuses in
3 the Legislature to discuss enforcement and what
4 direction we should go. There have been a number of
5 proposals. We have made suggestions. I know that
6 there have been suggestions made by the State Police
7 as well.

8 But it is certainly an issue that probably
9 needs to be addressed, because, quite frankly, since
10 these discussions began, I know that the State Police
11 have been reluctant to hire additional officers to
12 help them with enforcement, and I think that once a
13 solution is determined to be acceptable to the
14 Legislature and the State Police and the PLCB who
15 funds that, that we can move forward.

16 But at this point, I think that there are a
17 number of good alternatives on the table, questions
18 about, for example, should the State Police on the LCE
19 side be doing enforcement of gaming laws? You know,
20 we have a whole group now that does that for the
21 gaming industry in Pennsylvania. There's a question
22 of a lot of the type of accounting violations that are
23 always consuming a lot of time, do we need to be doing
24 that anymore? Has the business changed in a way that
25 we don't have to go after bad checks and things like

1 that in the same manner that we used to?

2 So there are a number of potential solutions
3 out there, but I would say that we need to reach some
4 conclusion as to what they are relatively quickly,
5 because at this particular point in time, I know that
6 the Major would agree that we are sort of, all of us
7 have been hamstrung by the process, and we need to
8 make some decisions.

9 And I know that we are working with
10 Representative Donatucci and Representative Raymond to
11 try to craft something in the not-too-distant future.

12 REPRESENTATIVE REICHLEY: Yeah; I was going
13 to say that I think both Chairmen have introduced a
14 joint bill addressing this issue, and I think it would
15 behoove us to look, you know, frankly, not to gore
16 your ox but because of the increasing level of tasks
17 that are being placed upon the State Police, and you
18 have, based upon the projections at least, a surplus
19 within your own budget, to utilize your funding source
20 to help consolidate those operations with State
21 Police, perhaps using your funds to be able to pay for
22 those functions.

23 Thank you.

24 MR. STAPLETON: Thank you.

25 CHAIRMAN EVANS: Are you finished,

1 Representative Reichley? I don't want to truncate
2 you. I don't want you to have an unfair advantage.

3 I would like to thank you, Chairman---

4 MR. STAPLETON: Thank you.

5 CHAIRMAN EVANS: ---and the other board
6 members and your staff for making your presentation
7 before this committee, first.

8 Secondly, you know, we always appreciate what
9 you do for the people of the Commonwealth of
10 Pennsylvania.

11 Members, this will be the conclusion of this
12 particular hearing. We will reconvene at 2 p.m. with
13 the Department of Agriculture.

14 I would like to thank the members. Thank you
15 very much.

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17 (The hearing concluded at 12:05 p.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

Jean M. Davis, Reporter
Notary Public