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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES  
APPROPRIATIONS COMMITTEE

MAIN CAPITOL  
HOUSE CHAMBER  
HARRISBURG, PENNSYLVANIA

BUDGET HEARING  
LIQUOR CONTROL BOARD  
BUREAU OF LIQUOR CONTROL ENFORCEMENT

TUESDAY, FEBRUARY 23, 2021  
3:40 P.M.

BEFORE:

HONORABLE STANLEY SAYLOR, MAJORITY CHAIRMAN  
HONORABLE MATT BRADFORD, MINORITY CHAIRMAN  
HONORABLE ROSEMARY BROWN  
HONORABLE TORREN ECKER  
HONORABLE JONATHAN FRITZ  
HONORABLE KEITH GREINER  
HONORABLE DOYLE HEFFLEY  
HONORABLE JOHNATHAN HERSHEY  
HONORABLE LEE JAMES  
HONORABLE JOHN LAWRENCE  
HONORABLE ZACH MAKO  
HONORABLE NATALIE MIHALEK  
HONORABLE TIM O'NEAL  
HONORABLE CLINT OWLETT  
HONORABLE CHRIS QUINN  
HONORABLE GREG ROTHMAN  
HONORABLE MEGHAN SCHROEDER  
HONORABLE JAMES STRUZZI  
HONORABLE JESSE TOPPER  
HONORABLE RYAN WARNER  
HONORABLE DAVE ZIMMERMAN  
HONORABLE AMEN BROWN

1 BEFORE (continued):

2 HONORABLE DONNA BULLOCK  
3 HONORABLE MORGAN CEPHAS  
4 HONORABLE AUSTIN DAVIS  
5 HONORABLE ELIZABETH FIEDLER (VIRTUAL)  
6 HONORABLE MARTY FLYNN (VIRTUAL)  
7 HONORABLE ED GAINEY  
8 HONORABLE PATTY KIM  
9 HONORABLE EMILY KINKEAD  
10 HONORABLE STEPHEN KINSEY  
11 HONORABLE LEANNE KRUEGER  
12 HONORABLE BENJAMIN SANCHEZ (VIRTUAL)  
13 HONORABLE PETER SCHWEYER  
14 HONORABLE JOE WEBSTER

15 NON-COMMITTEE MEMBERS:  
16 HONORABLE TIM HENNESSEY  
17 HONORABLE BARRY JOZWIAK  
18 HONORABLE JEFF PYLE  
19 HONORABLE CRAIG STAATS  
20 HONORABLE JOE KERWIN  
21 HONORABLE MIKE CARROLL  
22 HONORABLE JOE HOHENSTEIN  
23 HONORABLE BRIAN SIMS  
24 HONORABLE STEVE MALAGARI

25 COMMITTEE STAFF PRESENT:  
DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR  
RITCHIE LaFAVER, MAJORITY DEPUTY EXECUTIVE  
DIRECTOR  
ANN BALOGA, MINORITY EXECUTIVE DIRECTOR  
TARA TREES, MINORITY CHIEF COUNSEL

BRENDA J. PARDUN, RPR  
P. O. BOX 278  
MAYTOWN, PA 17550  
717-940-6528

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20	MAJOR JUDITH BURROUGHS (VIRTUAL) DIRECTOR	
21	BUREAU OF LIQUOR CONTROL ENFORCEMENT	
22	SUBMITTED WRITTEN TESTIMONY	
23	* * *	
24	(See submitted written testimony and handouts	
25	online.)	

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

2 MAJORITY CHAIRMAN SAYLOR: Chairman  
3 Tim Holden, how are you doing?

4 CHAIRMAN HOLDEN: Chairman, can you  
5 hear me?

6 MAJORITY CHAIRMAN SAYLOR: Now I can  
7 hear you. There you go.

8 Chairman Holden, first of all, who do  
9 you have with you who might be testifying?

10 CHAIRMAN HOLDEN: I have my two  
11 colleagues on the board, Mike Negra and Mary  
12 Isenhour; our executive director, Michael  
13 Demko; and our chief counsel, Rod Diaz.

14 MAJORITY CHAIRMAN SAYLOR: Okay.

15 Major Burroughs, are you on?

16 MAJOR BURROUGHS: I can't unmute.

17 MAJORITY CHAIRMAN SAYLOR: I hear you  
18 now, Major Burroughs.

19 Major Burroughs, is Major Fisher  
20 there with you as well?

21 Major Burroughs, could you turn on  
22 your microphone?

23 MAJOR FISHER: Chairman, it's Major  
24 Fisher. Can you hear me?

25 MAJORITY CHAIRMAN SAYLOR: I can hear

1 you, Major. Are you with Major Burroughs, or  
2 are you separate?

3 MAJOR FISHER: Yeah. So, we're  
4 together. Captain Rineer is here, socially  
5 distanced. And I think you guys are  
6 controlling the audio, whether we're muted or  
7 unmuted.

8 MAJORITY CHAIRMAN SAYLOR: Okay.  
9 Very good.

10 Would all of you -- is William Box on  
11 here as well? I guess he's the fiscal  
12 division director.

13 MAJOR BURROUGHS: Yes, he is.

14 MAJORITY CHAIRMAN SAYLOR: He is.  
15 Very good.

16 Will all of you raise your right  
17 hand. I won't ask you to stand up. I'm going  
18 to just ask you to raise your right hand as I  
19 swear you in.

20 \* \* \* \* \*

21 TIM HOLDEN,

22 MIKE NEGRA,

23 MARY ISENHOUR,

24 MICHAEL DEMKO,

25 RODRIGO DIAZ,

1 JUDITH BURROUGHS,

2 JEFFREY FISHER,

3 JEFFREY RINEER,

4 WILLIAM BOX,

5 were duly sworn or affirmed.

6 \* \* \* \* \*

7 MAJORITY CHAIRMAN SAYLOR: Thank you.

8 Special hello to Mary Isenhour.

9 So, our first person is  
10 Representative Rosemary Brown.

11 REPRESENTATIVE ROSEMARY BROWN: Thank  
12 you, Mr. Chairman.

13 And good afternoon, everyone,  
14 especially Chairman Holden. And thank you for  
15 all being here today.

16 And I'm going to get right to it.  
17 So, the Liquor Control Board regulates the  
18 sale, the distribution, the manufacturing of  
19 beverages in the commonwealth, among a few  
20 other responsibilities as well.

21 Since you have this authorization,  
22 I'd like to ask you, in regards to that  
23 authorization, through the governor's and the  
24 Department of Health's executive orders for  
25 our bars and restaurants, I'm looking at some

1 of the information that was given to the  
2 committee, and it says: Beginning in the  
3 middle of March, fine wine and good spirits  
4 stores and licensee service centers were  
5 temporarily closed and e-commerce operations  
6 were briefly suspended in response to the  
7 governor's COVID-19 mitigation efforts.  
8 Despite online and curbside sale beginning in  
9 April, it was compounded, the loss in revenue,  
10 by limited sales to bars and restaurants due  
11 to occupancy limits and business restrictions.  
12 As a result, the '19-'20 sales and tax  
13 revenues total 2.56 billion, a decrease of  
14 110.9 million, or down 4.1 percent, from  
15 2018-2019.

16 So, with that, I'd like to ask you,  
17 with your responsibilities and your regulation  
18 of the sale and the executive orders of the  
19 governor and the Department of Health, what  
20 was your partnership and the feedback that you  
21 provided to those governor's orders?

22 CHAIRMAN HOLDEN: Absolutely,  
23 Representative.

24 First of all, your information is  
25 exactly on target and accurate. We were

1 alerted sometime around March 14th that the  
2 governor was requesting a closure of our  
3 stores in the Philadelphia collar counties on  
4 St. Patrick's Day. Late on the 16th, the  
5 governor's office -- and I did not speak  
6 personally to the governor -- but the  
7 governor's office alerted us that they wanted  
8 all of our stores closed at the end of  
9 business on St. Patrick's Day. So, we had no  
10 outlets available, working closely with the  
11 governor's office.

12 And I want to say, I think he did the  
13 right thing to protect the public and to  
14 protect our employees. We had a major, major  
15 wave of illnesses that were going on, so I  
16 think the governor did the right thing.

17 So, we worked hand-in-hand with the  
18 governor's office. You are correct, we had no  
19 sales at all until April 1st, and then we  
20 resumed limited e-commerce sales. E-commerce  
21 has been growing for years, but it was never  
22 meant to be a sole-source outlet. It was  
23 overwhelmed, as we said in our testimony. We  
24 increased it to one hundred twenty different  
25 fulfillment centers on April 16th. We still

1           could not handle that. On April 20th, we  
2           began curbside pickup in a hundred sixty-eight  
3           locations. On April 22nd, pickup began at  
4           fourteen other locations. And by April 27th,  
5           all of our stores were open for curbside.

6                         REPRESENTATIVE ROSEMARY BROWN: So,  
7           Chairman Holden, thank you for that  
8           information. And I know you know I'm limited  
9           on time. You're familiar with the legislative  
10          process, I know, from being in the federal  
11          level as well.

12                         But there are twenty-one hours -- and  
13          I'm with you on balancing the health and the  
14          restrictions. I think the restaurants and  
15          taverns were there as well. But I'm still  
16          hearing that there's no communication between  
17          the associations -- the restaurant  
18          associations, tavern associations, to the  
19          administration, to the LCB. And there are  
20          twenty-one hours being lost every week to the  
21          liquor sales when we talk about the revenues.

22                         And my question is, what does it mean  
23          "after 11 o'clock" for restaurants? Does  
24          COVID not travel after 11 o'clock? I think  
25          that's what I'm getting from my restaurants.

1 And where is the PLCB on talking to the  
2 governor's office in regards to those type of  
3 measures?

4 CHAIRMAN HOLDEN: We are in constant  
5 communication with the governor's office. As  
6 far as the enforcement of that goes, our  
7 friends from the Pennsylvania State Police  
8 Liquor Enforcement are here. They might be  
9 better off to address anything that happens  
10 after 11 o'clock than us.

11 But we in are constant communication  
12 with the tavern association, with the  
13 distillers, with the wineries, all the  
14 manufacturers. So, you know, it's a tough  
15 time. We've rebounded. Our sales are back up  
16 3.1 percent.

17 But I think we have a pretty good  
18 working relationship with the industry and  
19 with the tavern and restaurant association.

20 Do either Mike or Mary want to  
21 comment on that?

22 MR. NEGRA: I agree with our  
23 relationship with -- and I apologize for  
24 coming in late. I guess I wasn't let in.

25 But I think we have great

1 relationship with our suppliers and with the  
2 various industry players around the state.

3 I, personally, don't have any  
4 communication with the governor's office. I  
5 haven't had any. But that's really more Mary  
6 and Tim who have that.

7 So, I believe the question that  
8 you're talking about there is not something  
9 that we, unfortunately, can fix. I wish we  
10 could, but we can't.

11 REPRESENTATIVE ROSEMARY BROWN: Thank  
12 you. I am out of time, but I would encourage  
13 more on-the-ground conversations with our  
14 taverns and bars.

15 Thank you so much.

16 CHAIRMAN HOLDEN: Thank you.

17 MAJORITY CHAIRMAN SAYLOR: Next  
18 person to ask questions and to speak is our  
19 great chairman of the Liquor Committee,  
20 Mr. Jeff Pyle, who has honored us with his  
21 presence today here in the House chamber.

22 REPRESENTATIVE PYLE: Thank you,  
23 Chairman Saylor.

24 MAJORITY CHAIRMAN SAYLOR: Chairman  
25 Pyle, go to it.

1                   REPRESENTATIVE PYLE: We are on? We  
2                   are on.

3                   Commissioner Holden, how are you?

4                   CHAIRMAN HOLDEN: Good, Mr. Chairman.  
5                   How are you doing?

6                   REPRESENTATIVE PYLE: Doing real  
7                   good. Health is good?

8                   CHAIRMAN HOLDEN: Good. And I'm  
9                   thinking about you. You were very kind to me.  
10                  So, thank you.

11                  REPRESENTATIVE PYLE: We're getting  
12                  there. I hope to achieve where you are some  
13                  day soon.

14                  "Unprecedented" is a word that gets  
15                  used quite a bit during this pandemic. I hope  
16                  not to come back to it too many times, but I  
17                  do have some questions from my colleagues who  
18                  asked me to pose these to you.

19                  First of all, we can't seem to find  
20                  anywhere in the record of the LCB's meeting  
21                  any votes in which the three -- the majority  
22                  of the three commissioners -- Madam Isenhour,  
23                  yourself, and Mr. Negra -- we can't find a  
24                  vote in which you voted to shut down the  
25                  liquor system. Can you tell us where that

1 came from?

2 CHAIRMAN HOLDEN: Mr. Chairman,  
3 you're absolutely correct. We did not have a  
4 formal vote. It was a phone call from Sam  
5 Robinson, in the governor's office, to our  
6 then-executive director, Charlie Mooney. I  
7 was in the building at the time, so I talked  
8 to Sam briefly. And I talked to Mike and Mary  
9 over the phone and told them what the  
10 governor's office had told us to do, and we  
11 did it. But there was not an official vote.

12 REPRESENTATIVE PYLE: I always  
13 wondered how that worked. You know, did he  
14 shoot you a text message or email or whatever.  
15 Because what we knew is we got six hours'  
16 heads-up that our liquor store was closing,  
17 and it created a line about two parking lots  
18 wide, basically sold out the East Franklin  
19 liquor store.

20 How much potential revenue can you  
21 estimate you lost out on during the shutdowns?

22 CHAIRMAN HOLDEN: Oh, I think I could  
23 be pretty accurate, because of the  
24 end-of-the-year results. We were 110 million  
25 shy of where we were the previous fiscal year.

1           However, our revenue was up 208 -- our income  
2           was up 208 million dollars because our  
3           operating costs were almost nothing for six  
4           weeks, and then our legacy costs -- which we  
5           don't control, we just get a number from the  
6           administration every year -- came in, so as  
7           far as that goes, our income was up 208, but  
8           we were 110 million short on revenue from the  
9           previous year.

10                        REPRESENTATIVE PYLE: Riddle me this,  
11           sir, and this kind of perplexes me. We sent  
12           the entire workforce home and paid them for  
13           the entire time of the shutdown. I don't know  
14           how you're coming out on the plus side on the  
15           ledger with that.

16                        CHAIRMAN HOLDEN: Mr. Chairman, if  
17           it's okay with you, I'm going to yield to our  
18           executive director, Michael Demko, if he can  
19           explain that further.

20                        REPRESENTATIVE PYLE: Sure.

21                        MR. DEMKO: Can you hear me okay?

22                        REPRESENTATIVE PYLE: We can hear  
23           you.

24                        MR. DEMKO: Okay.

25                        REPRESENTATIVE PYLE: How are you

1           doing?

2                   MR. DEMKO:   Good.   How are you doing?

3                   REPRESENTATIVE PYLE:   Doing good.

4                   MR. DEMKO:   Good to see you.

5                   Excuse me.   Sorry about that.

6                   You know, a lot of things happened  
7           within those couple months.   You know, we  
8           looked at costs, cut back things.   We had a  
9           savings from the pension.   So, our income did  
10          reduce -- I mean, increase while our sales did  
11          decrease.   So, yes, we were closed, but also  
12          the gross margin selling directly to the  
13          liquor stores and having our wine sales to  
14          bars and restaurants with a lower gross margin  
15          wasn't there, so the increase in the sales  
16          throughout the store produced higher gross  
17          margin along with cutting costs wherever else  
18          we could.   We cut back on marketing expenses.  
19          We cut back on expenses that we did not need  
20          to use in those couple months, along with an  
21          increase -- a decrease in our pension  
22          liability for the state increased our margin  
23          over -- our net income over the last year.

24                   REPRESENTATIVE PYLE:   So, with  
25          absolutely no sales, you were -- and by

1 utilizing those methods you just identified,  
2 we were able to increase our profitability  
3 despite selling no liquor out of any liquor  
4 store.

5 MR. DEMKO: For a -- for X amount of  
6 weeks. Remember, we did do e-comm. And we  
7 did do curbside, you know, after a certain  
8 period of closure. But, yes, we accomplished  
9 expenses reduction and increase in margin when  
10 we did open up our stores again along with  
11 curbside and e-comm.

12 CHAIRMAN HOLDEN: Mr. Chairman, there  
13 were three weeks when we had no activity.  
14 Three weeks.

15 MR. DEMKO: Could you repeat that  
16 please?

17 CHAIRMAN HOLDEN: Yeah.  
18 Mr. Chairman, from the records I'm looking at,  
19 from March 17th to April 1st, two and a half  
20 weeks, that's when we had no sales at all.

21 REPRESENTATIVE PYLE: I'm just blown  
22 away by this reference to e-commerce. Every  
23 time we tried to move it, the site was up for  
24 about three minutes and then crashed.

25 CHAIRMAN HOLDEN: Mr. Chairman,

1 you're absolutely right. It was never meant  
2 to be a sole source. We were proud of how  
3 it's been growing over the years, but it was  
4 never meant for it to be a sole source, and it  
5 crashed miserably.

6 REPRESENTATIVE PYLE: Well, I'm  
7 curious. Is that being addressed internally?

8 CHAIRMAN HOLDEN: Absolutely. We --  
9 and I think I'm going to yield to my fellow  
10 colleague on the board, Mr. Negra, because he  
11 works hand-in-hand on this project.

12 So, Mike, if you don't mind.

13 MR. NEGRA: Sure. I've been involved  
14 with the e-commerce project for the last two  
15 to three years. And we're getting ready to  
16 have -- actually, we're switching it a touch.  
17 Unfortunately, the process that we were going  
18 through over the last two to three years had  
19 hit a wall. There's really no other way to  
20 say it. We had hoped to be up by May or even  
21 by the previous Christmas season. It didn't  
22 happen. And as it came down, what came down  
23 was, in technology terms, a failure for one  
24 system to talk to another system that we  
25 couldn't foresee until we got to a certain

1 point in the process.

2 Now that we've done that, and our new  
3 CIO basically came in, had a new set of eyes,  
4 and said that the road that we were going down  
5 to would be leading to too much expense and  
6 not enough benefit. So, we have now taken --  
7 under Mr. Demko's leadership, have gone down  
8 the path of utilization of Oracle, and it's  
9 part of our ERP project.

10 We will -- let's see, right now,  
11 we're currently utilizing our existing  
12 website. We've just made a change from  
13 WebSphere 7 to WebSphere 8, which will add  
14 some security benefits to us, some capacity  
15 benefits to us, and we hope that either by  
16 October -- we are hoping for October to have a  
17 much better system in place through Oracle,  
18 and then eventually, by sometime in 2022,  
19 bring the entire system on through the ERP  
20 project.

21 Mr. Demko, is that correct?

22 MR. DEMKO: Yes, Mr. Negra. Yes.

23 That is correct.

24 MR. NEGRA: Thank you.

25 And, Chairman Pyle, one of the things

1 that we are talking about concerning the  
2 revenue, I do want to point out that we were 5  
3 percent, you know, up going in through  
4 February, between 4 and 5 percent up. So,  
5 yeah, we ended up down, you know, at the end  
6 of June, but we utilized a lot of increases  
7 that we had in the bank. So, I think that was  
8 part of it as well.

9 REPRESENTATIVE PYLE: That was a  
10 clutch save, if you don't mind me saying. I  
11 mean, things looked kind of bleak revenue-wise  
12 the time we were monitoring it.

13 Again, I don't know how you guys can  
14 afford to pay your entire workforce and  
15 generate no revenue to kick it back. I just  
16 don't see cost-cutting saving that amount of  
17 money to create profitability. But there's  
18 lots of things in this world I don't  
19 understand.

20 Now, your curbside program, can you  
21 tell me, thumbs up, thumbs down, would you do  
22 it again?

23 CHAIRMAN HOLDEN: Well, we hope we  
24 don't have to do it again, Mr. Chairman. But  
25 I would say it went from "we never did this

1 before in our lives," to "we have to do it."  
2 And our managers and our personnel in the  
3 stores really adapted. And I would imagine  
4 you would initially say it was really  
5 frustrating because of the phone line, there  
6 was only one in each store. But we put  
7 additional phone lines in. Our staff learned  
8 day by day. And I think it was a success. We  
9 had to deal the cards we were dealt. We would  
10 not ever want to do that again, but I will  
11 note we still do do it. If you -- because of  
12 your concerns about COVID, if you're any  
13 customer in the commonwealth and you want to  
14 come to our store, you do not want to come in,  
15 even though you'd be wearing a mask and  
16 there'd be social distancing, we will take  
17 care of you curbside.

18 REPRESENTATIVE PYLE: That's good to  
19 know, man.

20 My concern is accessibility. There's  
21 a lot of people extremely, extremely upset  
22 that they had no way to get a bottle of  
23 sacramental wine. And we'd like to prevent  
24 that from happening again. Let's hope we  
25 don't get in that same situation again.

1                   And I thank you both very much for  
2 your time.

3                   MR. NEGRA: Thank you.

4                   CHAIRMAN HOLDEN: Thank you.

5                   MAJORITY CHAIRMAN SAYLOR: Thank you,  
6 Chairman Pyle.

7                   With that, we'll move to  
8 Representative Bullock.

9                   REPRESENTATIVE BULLOCK: Thank you,  
10 Chairman.

11                   Good afternoon, Secretary. How are  
12 you doing today?

13                   CHAIRMAN HOLDEN: Good afternoon.

14                   REPRESENTATIVE BULLOCK: So, I had a  
15 few questions. A few years ago, members of  
16 the Pennsylvania Legislative Black Caucus and  
17 the Philadelphia delegation worked really hard  
18 to address what we referred to as stop-and-go  
19 establishments in our communities and the  
20 harms that they were doing in those  
21 communities and what we believe to be skirting  
22 around the regulations when it came to the  
23 sale of alcohol in our communities. We worked  
24 really hard to establish ways in which we can  
25 better enforce those regulations and bring

1 those establishments up to code.

2 Can you share with me or provide an  
3 update on the work that LCE and others have  
4 been doing to address these nuisance  
5 establishments?

6 CHAIRMAN HOLDEN: Well, I think we  
7 both kind of --

8 Major, I don't want to dominate the  
9 conversation here. I don't know if you want  
10 to go first or you want me to talk about our  
11 teamwork, because I think it's been great.  
12 But I know there's two panels here, and I  
13 don't want to dominate it.

14 REPRESENTATIVE BULLOCK: Give your  
15 short version and then we'll allow the other  
16 panel to jump in.

17 CHAIRMAN HOLDEN: You know, we've  
18 been aware of the stop-and-go situation since  
19 I've been on this board, since late 2013. And  
20 I, along with Major Miller and other people  
21 from the Liquor Code Enforcement and our staff  
22 in licensing, we have spent a lot of time in  
23 Philadelphia. But we were able to get some  
24 legislative relief, and as a result of that,  
25 we have a great working relationship with the

1 LCE.

2 In our written remarks that we  
3 submitted, we talk exactly about how many  
4 compliance checks there have been, and we  
5 spend a lot of time on compliance, and the LCE  
6 spends even more time on it. So, it's a great  
7 working relationship. Majority of the time is  
8 spent in Philadelphia, but we do it all over  
9 the commonwealth.

10 REPRESENTATIVE BULLOCK: Thank you.

11 Major, from LCE, did you want to jump  
12 in there or --

13 Okay. Not hearing that, I wanted to  
14 move on to how we can support black-owned  
15 wineries and distilleries here in the  
16 commonwealth of Pennsylvania. What I  
17 understand is that, you know, across the  
18 country, less than 1 percent of the wine  
19 makers are black. Here in the commonwealth of  
20 Pennsylvania, we only have one black-owned  
21 distillery, which is Mishka here in  
22 Pennsylvania.

23 What I understand is that  
24 distribution companies hold all the power, and  
25 since those companies are not required to meet

1 diversity and inclusion standards, there's a  
2 lack of black-owned distilleries here in the  
3 commonwealth and, really, across the country.

4 Is there any way that we or the board  
5 and the legislature can address ways to  
6 include or encourage the inclusion and  
7 development of more black-owned or other  
8 minority-owned distilleries in the  
9 commonwealth? And how can the board promote  
10 these sales throughout -- you know, throughout  
11 your network?

12 CHAIRMAN HOLDEN: Representative, we  
13 take diversity very seriously, and I  
14 understand what you're saying. But one of the  
15 hurdles that we have is our application does  
16 not ask to identify your race or your gender.  
17 So, we really don't know our licensees' race  
18 or their gender. So, that's something that  
19 we'd have to work on to see if there's a way.

20 And I know you were talking about  
21 distilleries, but even if you talk about our  
22 4-plus thousand employees, which are  
23 overwhelmingly civil servants, the civil  
24 service application does not ask for your race  
25 or for your gender. So, we don't know that

1 until they're hired.

2 MR. NEGRA: If I can add something as  
3 far as this is concerned, and that is our PA  
4 Preferred Program. Right? You talk about the  
5 distributors, and I think what you're talking  
6 about there is more of a national distribution  
7 than you are in a distribution in the state of  
8 Pennsylvania. Any distiller or any winery  
9 that is -- that is in Pennsylvania has the  
10 opportunity to enter our PA Preferred Program  
11 that allows you to go into ten stores, I  
12 believe, with a limited amount of product, and  
13 there are guidelines in terms of how much they  
14 have to sell to be able to stay in the stores.  
15 And if the stores are selling their products,  
16 then they can come to us and we can increase  
17 that distribution throughout the state.

18 That being said, if they're  
19 successful in the state of Pennsylvania, I  
20 believe distributors will take that all and  
21 run with it to go to -- to neighboring states  
22 and move on from there.

23 But we do have a program, I think,  
24 that is -- it's available to everyone, no  
25 matter race, sex, anything along those lines.

1 So -- and I think it's been very successful.

2 REPRESENTATIVE BULLOCK: Thank you  
3 very much.

4 Are there any other efforts that you  
5 think that the Liquor Control Board or LCE can  
6 do to advance racial equity in this area?

7 CHAIRMAN HOLDEN: Representative,  
8 like I said, we take diversity very seriously.  
9 We work on it all the time. We're limited by  
10 some of the questions we're allowed to ask  
11 when we're taking applications, but we will  
12 continue to work on it.

13 REPRESENTATIVE BULLOCK: I appreciate  
14 that very much.

15 And thank you, and I look forward to  
16 our continued work in regards to stop-and-goes  
17 in our community as well.

18 CHAIRMAN HOLDEN: Absolutely.

19 MAJORITY CHAIRMAN SAYLOR: Next is  
20 Representative Lee James.

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

23 And, Mr. Holden and et al, good  
24 afternoon to you. Thank you for joining us.

25 CHAIRMAN HOLDEN: Good afternoon.

1                   REPRESENTATIVE JAMES:  A couple  
2                   moments ago I think Mr. Negra, if I have it  
3                   correct, began to comment on what was called  
4                   the Oracle ERP program.  I'm told that means  
5                   Enterprise Resource Platform.

6                   Since most of your 7 percent  
7                   requested increase seems to be heading towards  
8                   supporting that platform, can you kind of  
9                   explain, A, why the update is necessary, and,  
10                  B, how it's going to benefit PLCB?

11                  MR. NEGRA:  I will make a couple  
12                  comments and then I'm going to yield to  
13                  Mr. Demko, our executive director.

14                  But the last time that we went  
15                  through this was 2009, and technology has  
16                  certainly changed in terms of what we can do  
17                  with the system, what system talks to another  
18                  system, and we're certainly, from a financial  
19                  standpoint, from a distribution standpoint,  
20                  our business model has changed.  It changed  
21                  with Act 39.  We became a wholesaler as well  
22                  as a retailer.

23                  And so, what we need to do is we need  
24                  to come up to today's standards and hopefully  
25                  take care of tomorrow by utilizing the Oracle

1 system, in this particular case, and their  
2 out-of-the-box modules that will allow us to  
3 be much more efficient as we move forward from  
4 the retail and wholesale side.

5 So, that being said, I'd like to  
6 yield to Mr. Demko, who I'm sure can add to  
7 that.

8 MR. DEMKO: Thanks, Mr. Negra.

9 Yes, I would add, you know, when Act  
10 39 changed their writing on the PLCB brand  
11 under the retail system and we forced in a  
12 wholesale environment. This new ERP system  
13 will break out both retail and our wholesale,  
14 which is our licensees, as that business  
15 grows, but also gives us numerous  
16 out-of-the-box reports from, you know, looking  
17 at analytics, what's selling where,  
18 hoping-to-buys, flash sales, things that we  
19 currently do not have under a twelve-year-old  
20 system today, and also, questions prior about,  
21 you know, creating orders on line and picking  
22 up in stores. All of this is within the new  
23 technology out there. And that's what we're  
24 looking to do, is streamline our business,  
25 using technology that exists today to take our

1 agency, you know, through the next ten years  
2 and plus in the future, and have the  
3 technology that you see in, you know, Target  
4 or other retailers out there that will add  
5 just efficiency and being able to deliver the  
6 product to both our customers walking into the  
7 store, e-comm, and our licensees on a quicker  
8 basis, too.

9 REPRESENTATIVE JAMES: Those are good  
10 goals. I thank you for that.

11 And I think you started to explain  
12 how it was going to benefit customers. Can  
13 you take that just a little further? And that  
14 will finish up my line of questioning.

15 MR. DEMKO: Sure. Just like I was  
16 talking about, you know, buying online and  
17 picking up in the store, having that, you  
18 know, ease to do that, also looking at the  
19 right product in the right area. Analyzing --  
20 instead of, you know, spreading every area  
21 with the same product, looking at what the  
22 consumer is buying and making sure that  
23 product is there. But I think the biggest  
24 thing is, you know, where you see this  
25 pandemic has shown, you know, to buy online

1 and pick up in store within, you know, the  
2 same day or even the next day, that will  
3 definitely be added with this ERP system, too.

4 Also, with the licensee business,  
5 too, giving back the ability to service them  
6 more accurate, like, from a wholesale  
7 standpoint.

8 REPRESENTATIVE JAMES: Okay. Thank  
9 you.

10 That's all my questioning,  
11 Mr. Chairman.

12 Thank you, gentlemen.

13 MAJORITY CHAIRMAN SAYLOR:  
14 Representative Cephas.

15 REPRESENTATIVE CEPHAS: Thank you,  
16 Chairman.

17 And good afternoon.

18 So, first and foremost, I want to  
19 thank you for your work with the stop-and-go  
20 issue that we have happening in the city of  
21 Philadelphia. As you know, a series of my  
22 colleagues in both the Senate and the House as  
23 well as our local city council members all  
24 essentially rallied together to work to  
25 identify a policy that will help to increase

1 enforcement on these establishments.

2 We've said it numerous times, when we  
3 had these type of establishments in our  
4 communities, it inevitably, you know,  
5 correlates with an increase in crime,  
6 correlates with our inability to be able to  
7 attract economic investment, as well as just  
8 contributing to overall blight in our  
9 neighborhoods. So, as a result of us coming  
10 together to pass the policies that we did some  
11 years back, we've definitely seen an increase  
12 in enforcement and definitely a change on some  
13 of our corridors.

14 But my question is, based on the work  
15 that you've been doing in that area with this  
16 new policy on the books, from your perspective  
17 and from your officers' experience on the  
18 ground, where do we essentially go from here?  
19 Some things that are now happening in our city  
20 is that these establishments that are able to  
21 sell these shots of liquor are now operating  
22 twenty-four-hour shops, and they're  
23 essentially still selling alcohol past the  
24 amount of time when they are rightfully  
25 supposed to be.

1           So, just from your perspective again,  
2           with your officers' experience, where do you  
3           think we should be going next as a general  
4           assembly? Have you seen upticks in  
5           complaints? And how have you adjusted your  
6           enforcement strategy as a result of an uptick  
7           in the complaints in that area?

8           CHAIRMAN HOLDEN: Major?

9           MAJOR FISHER: Sure, Tim.

10           I have to apologize to Representative  
11           Bullock earlier. I was too slow on the  
12           "unmute" button.

13           So, no, absolutely. And we work  
14           closely with our colleagues at PLCB. You  
15           know, I can tell you that our officers, our  
16           liquor enforcement officers are out, you know,  
17           in your district, that we have worked in full  
18           force.

19           With me today is both Major  
20           Burroughs, who -- let me explain quickly. I  
21           was transferred back to out west in January,  
22           and Major Burroughs took over my role. We  
23           have today also Captain Jeff Rineer, who is  
24           our operations division manager.

25           I will just yield to him quickly for

1 a quick overview on the stop-and-goes across  
2 the state. Thank you.

3 CAPTAIN RINEER: Thank you,  
4 Representative, for the question.

5 I just wanted to add -- and this was  
6 part of an earlier question -- but as for our  
7 COVID-19 -- as for the COVID-19 mitigation  
8 efforts of the governor and secretary of  
9 Health, they obviously had a significant  
10 impact on indoor dining, and certain indoor  
11 dining restrictions still remain today, as  
12 you're aware.

13 So, enforcement of stop-and-go  
14 violations for the calendar year 2020 have  
15 most certainly been a bit limited. However, I  
16 would say that the bureau has issued a total  
17 of thirty-six citations this past year for  
18 violations of provisions of the liquor code  
19 that would be consistent with the stop-and-go  
20 operations. As you mentioned, sales during  
21 prohibited hours are one of the things we  
22 would typically want to look at and we are  
23 receiving complaints in regard to, that is  
24 definitely something we would follow up on.

25 One of the things that did come into

1 play during the COVID period here is the  
2 enactment of Act 21, which did permit the  
3 service of mixed drinks to go. So, you know,  
4 with some of the things going on with  
5 licensees and also other restaurants in  
6 general, there are a lot of places that, even  
7 though they may be permitted to be open and  
8 operating at a certain capacity, they have not  
9 chose to do so and are not utilizing the  
10 indoor facilities as they typically would.

11 So, we would anticipate that  
12 continued enforcement of stop-and-go  
13 violations as mitigation orders continue to  
14 ease, and, you know, with a common -- or with  
15 the return to common indoor dining practices,  
16 I'm certain that our enforcement would  
17 definitely increase.

18 REPRESENTATIVE CEPHAS: Thank you for  
19 that. And I do know it's a very difficult job  
20 to manage, especially in Philadelphia, around  
21 this issue. I just -- you know, just want to  
22 thank your officers for that enforcement. And  
23 if there's anything additional that we could  
24 be doing in the general assembly to assist in  
25 what you're doing, you know, please let us

1 know.

2 Thank you.

3 CHAIRMAN HOLDEN: Thank you,  
4 Representative.

5 MAJORITY CHAIRMAN SAYLOR: Next is  
6 Representative Doyle Heffley.

7 REPRESENTATIVE HEFFLEY: Thank you,  
8 Mr. Chairman.

9 And briefly you just touched on the  
10 subject of the to-go drinks and mixed drinks  
11 to go. Just a question, was there a lot of  
12 enforcement issues or anything with allowing  
13 folks to purchase a frozen beverage to put in  
14 a container to take home with their take-out  
15 meal? Is that something that we could look at  
16 expanding? I think it's only, right now,  
17 temporarily for the emergency order, but is  
18 that something that we could look at expanding  
19 and opening that up after the emergency orders  
20 are through?

21 CHAIRMAN HOLDEN: Major, do you have  
22 any comments as far as enforcement goes with  
23 to-go drinks? Any complaints we would have --

24 MAJOR FISHER: Sure, Tim.

25 I will collectively -- I don't know

1 that we had really any problems with the, per  
2 se, to-go -- liquor to go that came about this  
3 spring.

4 REPRESENTATIVE HEFFLEY: Thank you.

5 MAJOR FISHER: There may have been a  
6 couple violations, but no significant area of  
7 concern.

8 REPRESENTATIVE HEFFLEY: Thank you.  
9 And that was a good, consumer friendly thing  
10 to do and also to help out the bars and  
11 restaurants.

12 But my question comes back to -- to  
13 change the subject a little bit -- about  
14 revenue. During the time frame when the state  
15 stores were shut down -- I mean, the state  
16 store system has been in effect since  
17 prohibition, but yet Lowe's, Walmart, the  
18 Giant stores were all able to safely sell  
19 product. Local distilleries and wineries --  
20 distilleries stepped up and made hand  
21 sanitizer, while, at the same time, produced  
22 product and safely sold it, and wineries, the  
23 same. But, yet, our state store system  
24 couldn't figure out a way to just even do  
25 online sales. Curbside was a disaster. You

1 call in, you never get through.

2 And even to this day, you drive past  
3 the beer distributor, the distillery, the  
4 winery, and it's very convenient for people to  
5 go in, purchase a product, legal product, and  
6 leave. But yet, you drive by a lot of these  
7 state stores, and people are still lined up  
8 outside, waiting to get in.

9 Why can't we do a better job serving  
10 the consumer? I mean, if you look at the  
11 private sector, it's handled it so much  
12 better. And I'm not knocking the people that  
13 are working at these stores, because I think  
14 they're doing the best they can. But it just  
15 seems like a bloated system that can't get out  
16 of the way. And that three-week shutdown cost  
17 this state desperately needed revenue.

18 What is being done to address those  
19 issues that have -- God forbid, we have  
20 another shutdown -- that we're not just going  
21 to arbitrarily close stores, that we're going  
22 to take the science that we know, and maybe we  
23 could even consult with a local distillery  
24 that was only open for a year, but yet the  
25 state's been selling alcohol since

1 prohibition, couldn't keep the stores open.  
2 What are we doing to address that going  
3 forward?

4 CHAIRMAN HOLDEN: Well,  
5 Representative, let me first just say that I  
6 -- you know, when the governor made the  
7 decision that we were to close down, he did  
8 the right thing. We had people in the  
9 commonwealth that were getting sick. And for  
10 the safety of not only our employees but the  
11 general public, and at the same --

12 REPRESENTATIVE HEFFLEY: Let me just  
13 interrupt you at one point. I would say that  
14 I think it was handled terribly. They closed  
15 stores in the southeast because the spread  
16 down there was a little bit higher early on,  
17 and all those residents from those areas  
18 flocked to areas in Carbon County, Monroe  
19 County, where the distributors -- the state  
20 stores were still open, causing a huge issue,  
21 seeing crowds and just totally selling these  
22 stores out. It was terribly handled.

23 And why, if we could have Walmart  
24 open, right. And we could have Lowe's -- they  
25 never shut down; they were open. The Giant

1       supermarket. The state store system, why  
2       couldn't they operate safely? Why did they  
3       have to be shut down?

4               CHAIRMAN HOLDEN: Representative,  
5       there was only one day when the collar  
6       counties were shut down before the rest of the  
7       commonwealth shut down.

8               REPRESENTATIVE HEFFLEY: And what  
9       were the sales numbers in those stores in the  
10      counties surrounding those? It would just  
11      seem like that there, at the time, seemed very  
12      foolish because we didn't know a lot about  
13      COVID, but we knew that there were people  
14      coming into areas that had low infection rates  
15      and very high infection rates, and the stores  
16      were jammed.

17              CHAIRMAN HOLDEN: I think you just  
18      hit it on the head. It was a learning  
19      process. We -- you know, we had a serious  
20      public health crisis. The governor addressed  
21      it. We adhered to it. And then we worked our  
22      way out of it. It wasn't pretty all the way,  
23      I can tell you that, but I'm proud of what our  
24      team did with the restrictions that they had  
25      and how they adjusted. And the sales are up

1 3.1 percent this year.

2 REPRESENTATIVE HEFFLEY: Sales are  
3 up, revenue's down. I mean, not revenue.  
4 Revenue's up, but the sales are down, and we  
5 lost that time, when people were going to New  
6 Jersey or going to Columbus, Ohio, as I've  
7 heard, to purchase alcohol that could have  
8 been sold right here. Had -- I mean, like I  
9 said, these other stores were doing it. Why  
10 couldn't you just take the model, just  
11 everybody from the LCB go to Giant, see how  
12 they're doing it, and then do it and implement  
13 it? It doesn't make any sense why this  
14 bureaucracy couldn't get out of its own way to  
15 provide this service to the public.

16 But --

17 CHAIRMAN HOLDEN: Representative, I'm  
18 going to -- if it's okay with you, I'm going  
19 to yield to our board member, Mary Isenhour,  
20 because I think I'm right on this, but, Mary,  
21 I want you to confirm. I don't think revenue  
22 ever really entered the governor or the  
23 governor's office mind. It was public health.

24 Mary.

25 MS. ISENHOUR: Yes, Mr. Chairman, it

1 was. And, you know, regardless of what Tom  
2 Wolf requested us to do, we made a decision  
3 that was based on the health and safety of our  
4 over-4500 employees across the state and, you  
5 know, our unknown number of customers.

6 REPRESENTATIVE HEFFLEY: So, you're  
7 saying that Giant and Walmart and Lowe's, they  
8 should have all been shut down as well,  
9 because those employees don't matter as much  
10 as your employees?

11 MS. ISENHOUR: With all due respect,  
12 Representative --

13 REPRESENTATIVE HEFFLEY: Because they  
14 were still selling wine, and the distributors  
15 were safely selling beer, and the distilleries  
16 were safely selling.

17 I see my time is up and the  
18 chairman's getting up. It just doesn't make  
19 any sense, why the double standard and why  
20 those stores were closed but, yet, the private  
21 sector figured it out without a hiccup. And  
22 if they would have got out of way, they could  
23 have done a much better job if government had  
24 gotten out of the way.

25 Thank you.

1 MAJORITY CHAIRMAN SAYLOR: Next is  
2 Representative Jesse Topper.

3 REPRESENTATIVE TOPPER: Good  
4 afternoon, everyone.

5 CHAIRMAN HOLDEN: Good afternoon.

6 REPRESENTATIVE TOPPER: I'm sure you  
7 can imagine my topic for the day would be  
8 flexible pricing, one of our favorite topics  
9 to discuss.

10 Am I correct that there was no  
11 flexible pricing that was actually activated  
12 or no increases that was anticipated to be in  
13 2020, but that plan was shelved, so to speak,  
14 because of the pandemic. Is that correct?

15 CHAIRMAN HOLDEN: Yes. And I'm going  
16 to let Mr. Demko elaborate on it. But we did  
17 not initiate any price increase in 2020;  
18 however, the industry did.

19 Mr. Demko, am I correct?

20 MR. DEMKO: Correct. The increases  
21 that we added to our stores and licensees were  
22 due to increases we were given from the  
23 industry. They were the only increases that  
24 we established at the PLCB.

25 MR. NEGRA: Or decreases.

1 MR. DEMKO: Or decreases.

2 MR. NEGRA: There were some.

3 MR. DEMKO: There were decreases,  
4 correct.

5 REPRESENTATIVE TOPPER: So, what does  
6 that look like moving forward?

7 CHAIRMAN HOLDEN: -- eighty-some I  
8 think it was.

9 REPRESENTATIVE TOPPER: What does  
10 that look like moving forward? Would you  
11 anticipate that, because we didn't do anything  
12 in 2020, just have to adjust with the  
13 suppliers, do you anticipate that you're going  
14 to be forced to look for -- to use it as a way  
15 to make up any kind of revenue shortfall? Or  
16 you are -- do you feel like you will be able  
17 to get back on whatever plan you would  
18 initially set, you know, preCOVID-19?

19 CHAIRMAN HOLDEN: Well, we don't have  
20 any plans for any punitive action or anything  
21 like that. But our negotiations on flexible  
22 pricing are perpetual, and we're going to go  
23 back to that. We are going to negotiate to  
24 try to get the best margin for the citizens of  
25 the commonwealth of Pennsylvania. And I know

1 the industry doesn't like it. I mean, they  
2 had an ATM machine for eighty years. But  
3 they've adjusted, and we're working with them.

4 REPRESENTATIVE TOPPER: Anybody else  
5 want to comment on that?

6 MR. NEGRA: I don't anticipate any  
7 sort of pricing increase across the board  
8 certainly while we're in the pandemic right  
9 now. You know, not to be flippant about it,  
10 but assuming the worse day at 185.1, which,  
11 for the foreseeable future, we're able to do  
12 that in our general fund transfer, I think  
13 that we're okay through -- with our cash flow  
14 right now.

15 We have gotten back on the plan. In  
16 fact, I think you'll find us -- I think we're  
17 up 3.1 percent right now, as the Chairman said  
18 earlier. Obviously due to what happened last  
19 year, we anticipate an increase of around 10  
20 percent this year, year over year. And then  
21 we will probably get back into the normal  
22 3, 4 -- 3, 4 percent increase, which seems to  
23 be driven by industry price increases at this  
24 time. I mean, population is static in  
25 Pennsylvania, so it's not like we have a whole

1 bunch of people coming into Pennsylvania that  
2 would raise our sales. Although, we are  
3 looking at a couple of other things that might  
4 be able to do that.

5 So, I guess that is where I am coming  
6 from from a cash-flow standpoint.

7 REPRESENTATIVE TOPPER: No, I don't  
8 look for a rapid population increase in this  
9 commonwealth either.

10 Thank you very much.

11 MAJORITY CHAIRMAN SAYLOR: Next is  
12 Representative Warner. I'm sorry,  
13 Representative Hershey.

14 REPRESENTATIVE HERSHEY: Thank you,  
15 Chairman.

16 Thank you, Chairman Holden, for being  
17 here.

18 My question is related to the  
19 closures for the pandemic of the state stores.  
20 So, as you know and as I believe you  
21 adequately detailed in your testimony, this  
22 did result in a decrease in some revenues due  
23 to those closures, and you attributed it to  
24 those closures.

25 But I'm curious, have you made any

1 effort to quantify the revenue that may have  
2 been lost to other states during these  
3 closures? I know West Virginia had some  
4 counties that had to actually shut down sales  
5 to people showing a Pennsylvania driver's  
6 license. Ohio actually had seven counties  
7 shut down sales to Pennsylvania residents.  
8 And I'm curious if you made an effort to  
9 quantify the loss of revenue due to people  
10 crossing the borders for other states.

11 CHAIRMAN HOLDEN: Well, I don't know  
12 if we could do that. We know the total  
13 revenue was down 110 million, and I know the  
14 publicity that Ohio received when they were  
15 not serving vehicles with a Pennsylvania  
16 license plate on and West Virginia. But I  
17 don't know any way that we could reasonably  
18 figure that out.

19 Michael Demko, do you think -- there  
20 is no way.

21 MR. DEMKO: No, Chairman Holden. Not  
22 any way we've thought of.

23 MR. NEGRA: And the only way I think  
24 that we can is -- is by the amount of business  
25 that we were up. And if we had taken that all

1 the way through to the end of the year, we  
2 maintained that 4 percent, 4 percent up,  
3 you're looking at another hundred million  
4 dollars.

5 REPRESENTATIVE HERSHEY: And it's  
6 clear to me that obviously sales of alcohol  
7 were increasing during the pandemic due to a  
8 number of factors. And, you know, states that  
9 border Pennsylvania, Ohio saw 17 and a half  
10 percent increase in sales of cases of alcohol.  
11 West Virginia saw sales of 13 and a half  
12 percent increase. And a lot of these are  
13 actually higher than the national average.  
14 So, I'm interested in knowing how many of  
15 those sales were lost sales from Pennsylvania.

16 So, in hindsight, would you have made  
17 that decision all over again?

18 MR. NEGRA: We didn't make the  
19 decision.

20 CHAIRMAN HOLDEN: But I would have --  
21 I agree with the decision. And -- go ahead,  
22 Mary.

23 MS. ISENHOUR: I was just going to  
24 say, absolutely, I would make that -- I would  
25 make that same decision again. You know,

1 again, I think the health and safety of our  
2 employees and the health and safety of our  
3 consumers is that important in a situation  
4 that all of us were unfamiliar with. So,  
5 absolutely.

6 REPRESENTATIVE HERSHEY: I understand  
7 that. I just think, as we saw these other  
8 states that were increasing in revenue and  
9 where it seems like it might have been a  
10 direct result of lost sales from Pennsylvania,  
11 you know, I think it might be time to rethink  
12 some of those decisions and consider the  
13 revenue that we could have missed out on  
14 because of these decisions.

15 So, thank you, Chairman, for your  
16 time.

17 MAJORITY CHAIRMAN SAYLOR: Now we  
18 will have Representative Warner.

19 REPRESENTATIVE WARNER: Thank you,  
20 Mr. Chairman.

21 I thank everybody for joining us here  
22 today.

23 So, I want to quickly go back to  
24 those closings. This is more to bring up a  
25 point than it is so much to ask a question.

1 But when we did the initial closings, when we  
2 were talking about public safety, I think  
3 about the notification that the -- that the  
4 liquor stores were going to close. The next  
5 day, I don't think I've ever seen lines  
6 outside of a liquor store so long in my life.  
7 And that existed all day long.

8 And in doing so, in given the  
9 twenty-four-hour notification -- I just want  
10 to make a point -- that having everybody stock  
11 up -- I mean, there was probably more people  
12 that went through those liquor stores and  
13 you're probably putting more people in close  
14 contact and probably did more harm to the  
15 pandemic than good by doing that.

16 The question I do have is that beer  
17 distributors, private beer distributors, were  
18 permitted to remain open, as was brought up  
19 previously, including those that sell little  
20 to no food, while fine wine and good spirit  
21 stores were not. So, I just want to -- I'm  
22 trying to understand the difference.

23 So, why were the private beer  
24 distributors allowed to stay open and the  
25 state stores were not?

1                   CHAIRMAN HOLDEN: We do not regulate  
2 beer; we only license it. So, we have no  
3 jurisdiction over beer distributors.

4                   REPRESENTATIVE WARNER: Okay. There  
5 was --

6                   CHAIRMAN HOLDEN: Anybody want to add  
7 anything to that?

8                   REPRESENTATIVE HERSHEY: There was no  
9 discussion within the governor's office then  
10 on that decision?

11                  CHAIRMAN HOLDEN: Well, there  
12 certainly was no discussion with us about beer  
13 distributors.

14                  REPRESENTATIVE WARNER: Do you  
15 think -- let me ask this in a different way.  
16 Do you think it makes sense that beer  
17 distributors were allowed to remain open while  
18 fine wine and spirit stores were closed? Does  
19 that make sense to you?

20                  MR. NEGRA: No. As far as I'm  
21 concerned, that's my personal opinion. I  
22 don't think I agree with my esteemed  
23 colleagues, but, no, I think -- in going back  
24 to the previous discussion, I think that if we  
25 had to do it all over again, we would do it --

1 I think we'd do it different, I do. But  
2 hopefully we don't have to.

3 CHAIRMAN HOLDEN: Well, we all  
4 learned a lot through this, and let's hope we  
5 don't have to go through it again.

6 REPRESENTATIVE WARNER: Absolutely.  
7 I agree. It is easier to Monday morning  
8 quarterback.

9 But let me ask you something for the  
10 future though. As we get towards an  
11 environment where the governor's restrictions  
12 are removed, what programs does PLCB have in  
13 place to assist these businesses in recovery?  
14 Specifically, what can PLCB do to support our  
15 bars, restaurants, breweries, distilleries,  
16 and wineries, all that have struggled during  
17 the pandemic?

18 CHAIRMAN HOLDEN: Well, we recently  
19 waived all fees for 2021, at the cost of, I  
20 believe, 24 million dollars in revenue to the  
21 Pennsylvania Liquor Control Board. So, the  
22 restaurants, clubs, hotels, manufacturers, all  
23 their fees are waived for this year. So,  
24 that's one important step that we've taken.

25 REPRESENTATIVE WARNER: so, one final

1 question. So, it kind of seems like there  
2 have been a lot of -- there's been programs to  
3 help out many of these small businesses and  
4 the restaurants and the breweries and many of  
5 these others that have kind of -- they've been  
6 able to get some federal assistance. But, to  
7 my knowledge, our clubs, the ones with clubs'  
8 licenses -- I'm talking about a Slovak  
9 Catholic Sokol club, a fire department club, a  
10 veterans club -- are you aware of any programs  
11 or any assistance for these clubs? Because  
12 that's one question I get back home is what  
13 can we do to help them? Because as far as I  
14 know, they've been exempted from many of the  
15 loans and other programs to assist the other  
16 bars and restaurants.

17 CHAIRMAN HOLDEN: Well, again, we  
18 waived their fees. We would probably -- and  
19 Mike and Mary, correct me if I'm wrong; Rod  
20 Diaz, chief counsel, you correct me if I'm  
21 wrong -- to do anything further, we would need  
22 legislative direction.

23 Am I correct?

24 MR. DIAZ: Yes. To, like, give them  
25 grants or something, you would need a

1 legislative mandate or authority to do that.

2 REPRESENTATIVE WARNER: Okay.

3 Gentlemen, I want to thank you very much for  
4 joining us here, and I thank you for your  
5 time.

6 CHAIRMAN HOLDEN: Thank you.

7 MAJORITY CHAIRMAN SAYLOR: Next is  
8 Representative Natalie Mihalek.

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

11 I wanted to ask about the  
12 ready-to-drink cocktails. As you know, these  
13 products are growing in popularity, and the  
14 market is expected to increase by more than 10  
15 percent, and that's just within the next few  
16 years. I understand the capacity is quite  
17 limited at our stores.

18 Are there any plans for the LCB to  
19 increase shelf space or increase the offering  
20 so that Pennsylvania can capture the revenue  
21 on these read-to-drink cocktails?

22 CHAIRMAN HOLDEN: I'm going to yield  
23 to Michael Demko on this, because we had  
24 discussion about that just the other day.  
25 Certainly the industry's bringing more of it

1 to our attention.

2 Michael, you want to take it?

3 MR. DEMKO: Sure.

4 I mean, we're looking at all aspects  
5 of what can be sold in the store and running  
6 it by the board. So, we just hired a new  
7 chief merchandising officer that is handling  
8 all of the products, purchasing and  
9 distribution within the store. She started in  
10 December. We're communicating with the  
11 vendors and having them propose. We have some  
12 tests out there now, seeing how a product is  
13 doing in certain locations and is it something  
14 we want to expand to all the stores.

15 REPRESENTATIVE MIHALEK: Thank you.

16 And then I'm just going to switch  
17 gears. In term of modernization, what  
18 progress are you making regarding the online  
19 ordering and delivery of wine? Or could you  
20 be supportive of legislation that could  
21 further make progress in that market?

22 CHAIRMAN HOLDEN: Michael or Mike, do  
23 you want to take a shot at that?

24 MR. NEGRA: As I said before, we're  
25 in the midst of a rework on our e-comm

1 business. We have made some changes in the  
2 warehouse to try and increase efficiencies  
3 there. We utilize licensing service centers  
4 from around the state to up our fulfillment.  
5 We have had conversations with major players  
6 in that field and asking them their advice as  
7 to how we can get better. And that's what  
8 we're trying to do.

9 I mean, there is no doubt that last  
10 April exposed a major weakness in our  
11 operation. As the Chairman said earlier, it  
12 was never to be a sole source; however,  
13 that -- and I believe that we have increased  
14 our business, over doubling our business this  
15 year -- actually more than that. We went from  
16 5 million dollars online to around 33 million  
17 dollars online. And we've learned a lot of  
18 lessons as far as that's concerned, and I  
19 think we will continue to learn lessons and  
20 improve.

21 REPRESENTATIVE MIHALEK: Thank you  
22 for that. And I'm hopeful that we can make  
23 progress in that, to increase consumer  
24 convenience, because that is something that  
25 does seem to be lacking, especially so during

1 the pandemic.

2 I wanted to go back to something  
3 earlier, Chairman, you said in your testimony  
4 regarding the increased income realized by the  
5 LCB despite the stores being shut down,  
6 despite so many challenges with the online  
7 system, with, you know, the limitations with  
8 the website and everything. And I'm just  
9 going to limit the numbers to wine sales.

10 So, while the overall growth to the  
11 wine sales was 5 percent, the retail sales of  
12 wine to individuals directly from the LCB was  
13 actually down 15 percent. So, it was our wine  
14 expanded permit holders that would have --  
15 that were a creation of the general assembly  
16 just only a few years ago, so the grocery  
17 stores and convenience stores that contributed  
18 to the growth of the sales. And that was up  
19 by 117 percent overall for 2020.

20 In fact, at my local Giant Eagle,  
21 they were selling, in the time period in which  
22 you were shut down, they sold -- they  
23 increased their wine sales by 400 percent.  
24 They were selling 200,000 dollars of wine.  
25 So, I'm just -- I'm just curious. Your

1 testimony earlier was saying that, you know,  
2 it's an increase in income, but isn't that  
3 increase really due to the other permit  
4 holders, the wine expanded permit holders and  
5 the other licensees and not a direct result of  
6 something that the LCB was doing?

7 CHAIRMAN HOLDEN: Oh, absolutely it  
8 was a contributing factor. You just hit the  
9 numbers on how much they bought from us. We  
10 were shut down; they were open. Yeah. That's  
11 a contributing factor, by all means.

12 MR. NEGRA: Chairman Holden, it's --  
13 just to add that into that -- I didn't bring  
14 it up when we were asked the other question --  
15 you know, going into February before the  
16 pandemic, we were up over 40 million dollars,  
17 based on, you know, like Mr. Negra said, our  
18 sales were up 5 percent. Our income also was  
19 up over 40 million dollars through the end of  
20 February. So, from February through the end  
21 of June, we picked up another, oh, around 10  
22 million dollars. But going into that, and  
23 like Mr. Negra said, if we continue that 5  
24 percent increase, that would have added.

25 But between those months we were shut

1 down, sure, our sales increased dramatically  
2 with the website, along with our e-commerce.  
3 So, that added into those couple of months  
4 with our stores closed and all that, but just  
5 wanted to bring up, going into -- prior to the  
6 pandemic, we were running 40-plus million up  
7 from the prior year.

8 REPRESENTATIVE MIHALEK: And just to  
9 end, you know, quickly, because they were  
10 willing to -- they had to adapt to these  
11 rapidly changing set of guidelines, and they  
12 were able to do so and increase our sales  
13 overall. Would it make more sense to open up  
14 the wine expanded permit holders to be able to  
15 sell more?

16 CHAIRMAN HOLDEN: Representative,  
17 that's purely up to the general assembly and  
18 the governor. I mean, you make the laws.  
19 Anything that you do, we will administer.

20 REPRESENTATIVE MIHALEK: We would  
21 just like to know if you would support that  
22 legislation.

23 CHAIRMAN HOLDEN: We don't take a  
24 stance on any legislation.

25 REPRESENTATIVE MIHALEK: Thank you,

1 Mr. Chairman.

2 MAJORITY CHAIRMAN SAYLOR: I want to  
3 thank all of you for being here today and  
4 answering all the questions. Really  
5 appreciate your time out of your busy  
6 schedules.

7 With that, we are going to adjourn  
8 until tomorrow at 10:00 a.m., when we will  
9 have the Department of Agriculture here.

10 And with that, again, thank you all  
11 for taking time out of your day to be with us  
12 and take all the questions from the  
13 Appropriation Committee members.

14 CHAIRMAN HOLDEN: Thank you,  
15 Mr. Chairman.

16 MS. ISENHOUR: Thank you.

17 MAJOR FISHER: Thank you,  
18 Mr. Chairman.

19 (Whereupon, the hearing concluded at  
20 4:39 p.m.)

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