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**INDEPENDENT STATE STORE UNION TESTIMONY**  
**HOUSE DEMOCRATIC POLICY COMMITTEE**  
**HEARING ON PRIVATIZATION OF THE STATE STORE SYSTEM**  
**MARCH 6, 2013**

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Good afternoon Chairman Sturla, Representatives Bizzarro, Harkins, Fabrizio, and members of the House Democratic Policy Committee.

On behalf of the Independent State Store Union (ISSU) -- the union that represents 720 state store managers throughout the Commonwealth -- thank you for convening this meeting today and for your continued interest in the debate over privatization of the state store system.

My name is Mike Zimmerman and I am currently employed as a manager of a state store here in Erie and serve as District Director for ISSU in the Northwest region. Accompanying me today is Mike Dusak, a member of the ISSU Executive Board.

We truly appreciate the opportunity to appear before you today to discuss this important public policy issue.

*Responsible and Reasonable Alcohol Policy*

ISSU has always defended the state store system based on the responsible and reasonable alcohol policy argument and "public good" benefits, and we will continue to focus our defense of the current system based on those arguments going forward.

We strongly believe that Pennsylvania has the most responsible and effective alcohol distribution system in the nation. We believe that our system is far superior in curbing and reducing the harms associated with the irresponsible use and abuse of alcohol that occur under privatized distribution systems.

The current system protects all Pennsylvanians -- drinkers and non-drinkers alike -- in urban, suburban and rural areas whether they are Republicans, Democrats or Independents and has done so for 80 years.

It is imperative to remember that alcohol is the most widely used and abused drug in the nation -- both for "of age" and "underage" individuals. Irresponsible use and abuse of alcohol comes with attendant societal ills, harms and health related issues.

*Alcohol Policy and Research Studies*

Numerous research and policy studies have consistently concluded that state controlled alcohol distribution systems -- such as the system Pennsylvania currently has in place -- reduce the harms associated with alcohol abuse by promoting the responsible distribution and consumption of alcohol.

These studies have repeatedly identified a variety of societal harms and quality of life issues associated with privatized alcohol sales including health care costs, substance abuse, underage drinking, juvenile violence and alcohol related crime.

Other states that have privatized their retail liquor systems have often experienced a dramatic increase in retail liquor outlets – an outcome the Corbett plan will replicate. Numerous research studies have clearly identified that increased density of retail alcohol outlets results in negative consequences including increased consumption, abuse, crime and violence.

A recent article from an Allentown newspaper, *The Morning Call*, reaffirms the fact that researchers in both the public health and alcohol policy field agree that making alcohol easier to purchase will lead to more consumption and an increase in a host of social and health problems. A copy of the article is attached for your review.

It is clear from *The Morning Call* article that respected researchers agree that easier access to alcohol has a downside.

Traci Toomey, a professor with the University of Minnesota's School of Public Health, states that "among those of us who do alcohol policy research and alcohol research in general, there is a strong agreement that as we increase availability of alcohol, we see a corresponding increase of a wide range of problems."

"Availability really does matter quite a lot in terms of drinking, problem drinking and alcohol-related harms and other problems," according to William Kerr, senior scientist with the Public Health Institute's Alcohol Research Group. "You would definitely see problems in Pennsylvania if you move that way."

The Corbett administration and the Commonwealth Foundation have tried unsuccessfully to downplay the significance of the published research by providing their own analysis and comparison of data. Respected researchers point out that such broad comparisons are meaningless from a researcher's perspective because they fail to consider a host of variables necessary to reach conclusive results.

Public health and safety issues are serious concerns the legislature should consider when contemplating privatizing the current alcohol distribution system. We would encourage you to assess the impact of privatization on your communities and your constituents while considering such a major policy shift.

And, when considering those impacts, we would hope you find the research of respected public health and alcohol policy experts more persuasive than the specious arguments of the hired guns of the privatization proponents who are only motivated by profits.

### Treatment and Prevention

In a bit of irony, the Corbett plan calls for a 75% increase in funding for alcohol prevention and treatment programs.

On one hand, the administration and their privatization supporters are trying to discredit overwhelming scientific research with respect to privatization and associated social harms.

On the other hand, they ultimately admit that such concerns are real by providing additional funds for alcohol treatment and prevention programs.

Why would we want to create a problem just so we can throw more money at? Does that even resemble sound public policy?

### Cost of the Current System

In his first budget address, Governor Corbett stated that “the cost of government will never be cost free.” However, our current alcohol control and distribution system is exactly that – cost free.

The current system has not cost the state -- or more importantly its taxpayers -- one penny in eighty years. The system is self-supporting and pays all costs associated with its operation – including salaries, benefits, pensions and related cost for all its employees – out of its sales revenue.

Under the current system, if you do not consume alcohol, you do not pay one cent toward the operation of the system.

In fact, the current system is not only totally self-supporting, but has generated \$530.3 million in revenue last year. This includes \$494.2 million contributed to the state treasury and an additional \$36.1 million in funding for alcohol enforcement, drug and alcohol programs and municipal budgets.

At a time when elected officials throughout this Commonwealth are concerned with decreasing revenue to maintain programs and services, it makes no sense to target for elimination an income producing system and transferring that income to private enterprise.

### Washington State Experiment

The liquor and wine privatization experiment playing out in the state of Washington is just the most recent example that privatization has been a failure in other states. Despite the lofty promises of cheaper prices, increased selection and improved convenience, the opposite have occurred.

Reports on the Washington experiment show that consumers are paying much more at private retailers for many types of wine and liquor. In fact, according to media reports, residents are crossing the borders to Idaho and Oregon -- jurisdictions with state-run liquor stores – for cheaper prices.

Additionally, in Washington, selection has diminished greatly. It has been reported that Costco, the largest private retailer in the state, stocks only 70 products. The average Pennsylvania state stores stocks over 2500 items and our specialty stores stock over 5000 items.

Small, independently owned liquor stores in Washington have been forced to shut their doors because they can't compete in a market dominated by large, corporate owned box stores and retailers such as Costco, Wal-Mart and Walgreens.

The loss of independently owned liquor outlets has negatively impacted convenience. It is expected that the same corporations will dominate the market in Pennsylvania under a privatized system with similar results.

Understandably, increased prices, decreased selection and less convenience have resulted in a severe case of “buyer’s remorse” from Washington consumers who were promised more and expected better under a privatized liquor system. Pennsylvanians are not willing to accept the same empty promises and similar results.

### Public Support Declines

After two years of public debate over liquor privatization in Pennsylvania, and despite repeated claims by the Governor that the public is overwhelming in favor of privatizing alcohol sales, opinion polls indicate that public attitude is shifting in favor of the current state store system.

The polling numbers from the latest Keystone Poll, conducted by Franklin and Marshall College, is proof that the public is paying attention to this very important public policy debate and they are not buying the empty promises of privatization profiteers.

Privatization is a “sound bite” that usually polls well but as voters learn the specific details and impacts of such plans, privatization loses its luster with the public. The latest polling reveals an overall decline of 16% in public support for privatization:

- A June, 2011 poll by Quinnipiac University indicated that 69% of respondents supported privatization;
- The February, 2013 Keystone Poll showed only 53% of those surveyed supporting privatization.

And, while the latest Keystone poll indicates moderate support for privatization, that support is “soft” at best -- only 34% “strongly support” privatization.

The more people learn about liquor privatization, the less they like it. As the privatization debate continues, facts will replace empty promises and public support will continue to wane.

When Rep. Turzai first rolled out his privatization plan, he did so with the promise of generating \$2 billion in new revenue for the Commonwealth. This grossly inflated revenue projection helped to artificially inflate public support for privatization.

The promise of significant revenue -- without a tax increase -- made it easier for normally conservative Pennsylvanians to accept a bad idea. When those revenue projections were proven to be significantly exaggerated and unrealistic, public support started to plummet.

The decline in public support can also be attributed to the realization that increased convenience, better selection and lower prices would not materialize under privatization as witnessed in the Washington state experience.

Just like the privatization of the Pa Lottery, we do not believe our taxpayers are willing to turn over our state stores -- a valuable state-owned asset which produces much needed revenue for vital state programs -- to faceless corporations at the expense of Commonwealth.

### Passport for Learning

Since January 30<sup>th</sup>, when Governor Corbett announced his plan to privatize the state store system, the Governor and his cast of privatization supporters have held a number of events aimed at increasing public support for his privatization plan.

In addition to the usual promises of better selection, improved selection and lower prices, the Governor has introduced a new twist to the privatization debate – education funding. The Governor has proposed dedicating \$1 billion from the sale of the state store system to fund education through a proposed “Passport for Learning” grant program.

The Governor claims that his “Passport for Learning” program will *“provide every PA student with an opportunity to achieve academic excellence.”*

We believe the Governor’s new found focus on education is short-sighted, disingenuous, and outright hypocritical. If the Governor is truly concerned with providing our children *“an opportunity to achieve academic excellence”* we should be asking the following questions:

- Why has the Governor cut over \$1 billion in funding for education in his budgets?
- Why didn’t the Governor propose his “Passport” program two years ago?
- Why is the “Passport” program funded for only four years?
- Don’t our children deserve “academic excellence” every year?
- Why is “academic excellence” important only if the state stores are privatized?
- How will the “Passport” program be funded in future years?

After considering the above, it becomes clear that education funding has been introduced into the privatization debate as a “carrot” to legislators who have previously shown little interest in dismantling the current liquor distribution system.

Unfortunately, the proposed increased funding for education has persuaded some in the education community – mostly school administrators and school board members – to publicly endorse the Governor’s plan to privatize the liquor system.

It is a compelling argument for privatization proponents but it must be exposed for what it is – a moral sellout in the name of corporate profits.

### Misplaced Priorities

State store privatization is simply not a priority issue to any great number of residents. I am not aware of one family in Pennsylvania that sits around the dinner table with their children and talks about state store privatization.

In fact, a November, 2011 Keystone Poll ranked the voters priorities of issues being considered by the Governor and Legislature -- state store privatization ranked dead last in that poll.

There are not a great number of people who give a rats’ tail about making it easier for someone to buy Yellow Tail but there are a significant number of parents who don’t want Captain Morgan in the same grocery aisle as Captain Crunch.

Unfortunately, to the detriment of all Pennsylvanians, Governor Corbett continues to expend an inordinate amount of political capital in his efforts to assist his corporate friends steal revenue producing assets from the citizens of the Commonwealth and put the profits in their own pockets instead of the state treasury.

We believe the Governor is ill-advised to place the insatiable corporate thirst for profits from the sale of liquor over the true needs of our residents. There are a host of issues that are more deserving of the Governor's time and focus. It is time that the Governor and the Legislature address issues of real importance to their constituents.

It is time we stop worrying about Pennsylvanians' liquor cabinets and concentrate on issues that have a real and meaningful impact on their lives -- being able to grab Canadian bacon and Canadian Club at the same time is not one of them.

### Displaced Workers

As a proud and dedicated employee of the state store system, I am honored to debate the benefits of the current system from the responsible and reasonable alcohol policy perspective. But with your indulgence, I would now like to take a few moments and focus on another component of the system that has often been ignored in this debate - the workers.

The men and women who have endeavored to make our system the most responsible and effective alcohol distribution system in the nation. The men and women who are dedicated to curbing the harms associated with the irresponsible use and abuse of alcohol. And yes, the men and women who helped generate billions in revenue for Pennsylvanians through the responsible sale of alcohol.

When the Governor announced his Privatization plan, he sent a letter to each employee stating that his plan would have a significant and direct impact on us but his proposal included measures designed to support current employees.

Those measures included educational training grants, preference in other commonwealth positions and employment tax credits. He also stated that the decision wasn't made lightly and the effect on current employees was a top concern.

Like many of my fellow state store workers, I am a husband, a parent, a taxpayer, a homeowner, and an active member of my community. There are faces and families attached to the thousands of jobs that would be lost under the Governor's plan.

Given that thousands of state store workers and their families will be devastated by the elimination of their jobs, it is hard to take serious the Governor's comment that the effect on current employees was a top concern. It is apparent his only concern was transferring the revenue producing state store asset to his corporate cronies.

Likewise, it is hard to take serious his efforts to offer "transition" assistance to the dislocated employees. Promising employees that they will have career opportunities in the private sector alcohol industry is a pipe dream. He must think we are gullible or outright stupid.

His token educational grants will not help a fifteen year employee like me find a new career. Preference in job placement in state agencies where jobs don't exist is meaningless. And, probably most insulting is his idea of converting our years of dedicated service into a "tax credit voucher" to be traded by businesses to avoid paying what they owe.

The Governor's plan amounts to someone setting a fire so they can put it out – he won't be getting a hero's embrace from us.

It is time the Governor realizes that employees are people, too. People should be as important as corporations. People should be the top concern – not corporate profits.

### Conclusion

We would emphatically suggest that numerous questions relating to privatization of the state store system remain unanswered. Impacts on affected interests need to be assessed before such a major policy change is implemented and those impacts need to be fully addressed.

With this in mind, we would request that you not rush one of the most important public policy issues facing the legislature in over a decade through the committee process. We would ask that you conduct public hearings on the proposal once it is formally introduced in order to hear from all represented and affected groups.

We are aware that a voting meeting is scheduled to consider the privatization bill on March 18<sup>th</sup>, and we are cognizant that there will likely be numerous or substantial amendments to the bill at that time. If the bill is amended in committee, we would respectfully request that the bill be tabled so that the affected parties have adequate time to assess any such amendment and offer feedback on its implications.

Finally, as I stated earlier, this debate should be about good alcohol policy. We firmly believe our current system is prepared to address, minimize and even prevent a number of negative social and public health and safety issues associated with alcohol consumption better than any privatized sale and distribution system.

In our opinion, and we hope yours, the current system is performing an important, useful and necessary public health, safety and protection function. The privatization of the current state store system is not only an ill-conceived plan financially but, more importantly, it is an irresponsible alcohol policy.

We see no public benefit to a system that elevates alcohol to the status of a "staple" in the lives of Pennsylvanians to the point that they need access to it when they purchase their bread, milk and eggs.

We hope that you and your colleagues in the General Assembly will seriously consider the concerns raised here today – and the many more that will surely surface at future hearings – when considering any privatization bill.

We hope that ultimately you will reject the selfish motives of the privatization profiteers in favor of the Common Good for the Commonwealth.

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## **Researchers: Easier access to booze has a downside**

**Experts say making booze easier and cheaper to buy - goals of Corbett's privatization plan - increases problems like alcoholism, DUIs.**

By [Scott Kraus](#), Of The Morning Call

12:27 AM EST, February 11, 2013

More liquor stores, more problems.

So say public health researchers, who point to a body of evidence that suggests making alcohol easier to purchase and less expensive — goals of Gov. Tom Corbett's plan to end Pennsylvania's system of state-owned liquor stores — will lead to more consumption and an increase in a host of social and health problems.

"I think in the research world, you never have 100 percent consensus," said Traci Toomey, a professor with the University of Minnesota's School of Public Health who sits on the board of Mothers Against Drunk Driving. "But among those of us who do alcohol policy research and alcohol research in general, there is a strong agreement that as we increase availability of alcohol, we see a corresponding increase of a wide range of problems."

The degree varies, but those problems can include alcoholism, drunken driving accidents, alcohol-related health problems, violence and even unsafe sex, she said.

The governor's office has a stack of statistics to counter that argument as the debate heats up over the merits of government versus private control of alcohol sales.

Arguments aside, researchers say easier access to alcohol has a downside.

"Availability really does matter quite a lot in terms of drinking, problem drinking and alcohol-related harms and other problems," said William Kerr, senior scientist with the Public Health Institute's Alcohol Research Group. "You would definitely see problems in Pennsylvania if you move that way."

That consensus is one of the reasons why in 2009, the Centers for Disease Control and Prevention-affiliated Community Preventive Services Task Force recommended reducing or limiting the growth of bars and alcohol retailers as a way to "reduce the harms associated with excessive alcohol consumption."



The task force came to the conclusion after reviewing 88 books and studies that examined the affects of alcohol availability and consumption on health, violence and other societal problems. Four studies that looked at policy changes that increased the density of retail outlets showed "increased excessive alcohol consumption and related harms."

That is a common refrain of privatization opponents and it isn't lost on the Corbett administration.

The governor's plan would bring Pennsylvania more in line with other states when it comes to the number of places where consumers can purchase alcohol, and those states haven't collapsed under a hail of alcohol-related problems, said Corbett spokesman Eric Shirk.

"Pennsylvania is way under the national average when it comes to retailers that sell alcohol and spirits," Shirk said. "This proposal will just bring it up to the average. The plan includes increased funding for increased treatment, an annual 75 percent bump in treatment and prevention efforts and \$5 million when it comes to enforcement measures."

Shirk said most neighboring states that already have private systems don't show higher rates of alcohol-related problems such as drunken driving than Pennsylvania, which has had state control of wine and liquor sales for decades. In fact, some neighboring states have lower rates.

According to the National Highway Traffic Safety Administration, Pennsylvania's rate of alcohol-related traffic fatalities in 2011 was 3.1 per 100,000 residents. Of the six states bordering Pennsylvania, only Delaware's and West Virginia's rates were higher.

A 2011 study by the pro-privatization Commonwealth Foundation showed Pennsylvania's rate of alcohol-related deaths from all causes was higher than most of its neighbors, all of which have some degree of private liquor sales.

Kerr said such broad comparisons are meaningless from a researcher's perspective because they fail to consider a host of other variables, such as average age, socio-economic level and even something as simple as the number of vehicle miles driven in different states.

Corbett's plan would eliminate the state's roughly 600 wine and liquor stores, replacing them with 1,200 privately operated stores that could include supermarkets and other large retailers. On top of that, it would offer an unlimited number of wine and beer or beer-only licenses to supermarkets, big-box retailers, convenience stores and drug stores.

It has been 20 years since any state in the U.S., besides Washington, which dumped its state-owned liquor stores in mid-2012, dramatically expanded its number of alcohol outlets.

But in British Columbia, Canada, the government spent much of the last decade giving the private sector a wider role in liquor sales, allowing the number of stores selling wine, beer and liquor to increase.

That's where University of Victoria researcher Timothy Stockwell and his colleagues have been studying liquor sales data and comparing them to the incidence of a wide variety of health problems. Their conclusion?

The data showed that a 20 percent increase in private store density increased local alcohol-related mortality by 3.25 percent. Looked at another way, each additional store per 1,000 residents increased mortality by 27.5 percent.

"When we have looked at the local areas where more stores have been put in, consumption has gone up," Stockwell said. And when that happens, so do alcohol-related health problems, he said.

That might seem unlikely to the average person, Stockwell admits. Most people assume their own drinking habits wouldn't change if the local Walgreens started selling beer and wine. Don't be so sure, Stockwell said.

"Price, how far you have to walk or drive, what are the opening hours, these are huge issues," Stockwell said. "These are affecting everyone a little bit, every minute of the day. Should I buy alcohol for tonight, how much should I buy? How close; how much money; shall I have that party? All the decisions subtly, without doing it very consciously, we weigh all the things up about convenience and price. But nobody believes they do."

Shirk said Corbett's plan would prohibit any retailers from selling alcohol between the hours of 2 and 7 a.m. Wine and spirits stores would close at 11 p.m.

Duquesne University researcher Antony Davies, a fellow with George Mason University's Mercatus Center, an economics think tank that emphasizes free markets, said he's not convinced adding more outlets will result in a decline in public health.

There's an argument to be made that under the current system of inconvenient state-run stores, people simply buy more of the hard stuff to stock up, he said. If beer and wine are more available, they may switch to lower-proof options.

And who says it's necessarily bad to drink more, Davies asked.

"Consuming more of it within reason actually makes my life better," he said.

The governor considered the effects of expanding access to wine and liquor, Shirk said, and took steps to address the potential pitfalls, such as requiring sellers to scan the IDs of all purchasers to prevent sales to underage customers.

"It's not something we didn't think about," Shirk said. "We wanted to be responsible. But at the same time, getting the state out of the liquor business and letting the Liquor Control Board to focus on their enforcement duties and regulatory side is the way to go."

[scott.kraus@mcall.com](mailto:scott.kraus@mcall.com)

610-820-6745

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