



**House of Representatives**  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

**HOUSE DEMOCRATIC POLICY COMMITTEE HEARING**

**Topic: Privatization of State Liquor Stores**

**Tom Ridge Environmental Center – Erie, PA**

**March 17, 2011**

**AGENDA**

- 10:00 a.m. Welcome and Opening Remarks
- 10:10 a.m. Panel from United Food and Commercial Workers:
- Wendell Young, President, UFCW 1776
  - Tony Helfer, President, UFCW 23
- 10:40 a.m. Panel from Independent State Store Union:
- Anthony Ciotti, Store Manager, Erie
  - Nathan Bauschard, Store Manager, Erie
- 11:10 a.m. Donna Burkhart  
Board Director  
United Methodist Advocacy in Pennsylvania
- 11:40 a.m. Closing Remarks

*Testimony by Tony Helfer President, United Food and Commercial Workers Local 23, and  
Wendell W. Young IV, President of United Food and Commercial Workers Local, 1776 and  
Chairman of the United Food and Commercial Workers PA Wine and Spirits Council  
The House Democratic Policy Committee  
March 17, 2011, Erie, PA.*

Delivered by Mr. Helfer

Mr. Chairman and Members of the Committee:

First, I want to thank you for giving me this opportunity to testify today on the proposed dismantling of our Wine and Spirits Shop stores -- a public asset that delivers for all Pennsylvanians. We very much appreciate your concern and the time you have taken to convene these hearings around the state.

Before offering my remarks on this latest assault on the stores and the 4,500 Pennsylvanians they employ, I think it is important to respond to Gov. Corbett's budget proposal and the speech he delivered last week to the General Assembly.

There is no debate, Mr. Chairman, that our Commonwealth faces a difficult fiscal situation. But on behalf of the more than 35,000 members who we are proud to represent, we want to make clear our support for a set of rational, overdue proposals that would add revenue in a fair way and eliminate the need for many of the draconian cuts that will increase local taxes and tuition fees at Pennsylvania's universities and colleges -- taxes and fees that will hit middle-class taxpayers in a very hard way.

We hope that the General Assembly will examine carefully the wisdom of taxing the profits being made from the Marcellus Shale; ending the loop holes for companies that ship their profits out of state; ending the outdated one percent sales tax discount that vendors enjoy; and finally joining nearly every other state in taxing smokeless tobacco products.

The governor, as you are aware, called for the creation of a taskforce on privatization. This taskforce will report back on "jobs now performed by government that might be better done by the private sector."

Gov. Corbett also said that "Government should no more run the liquor stores that it should run the pharmacies and gas stations."

We are not afraid of a fair and impartial review of the Wine and Spirits stores and the work that our members do to make sure that alcohol products are sold appropriately and legally. As you will hear later in my testimony, there are many, many peer-reviewed studies produced independently of our union that make it plain: the private sector does NOT do a better job managing the sale of wine and spirits. We disagree with the governor. We believe -- and the

studies bear this out – that the sale of wine and spirits is a function better provided by government. This is a significant public safety issue, Mr. Chairman.

In the past seven years, we have found only two instances when one of our members has sold to a minor. My members know that there is no second chance. Sell to a minor and you're fired. Our record speaks for itself. The private sector just cannot match this record.

Again, we do look forward to a fair and honest review of the system and a fair and honest debate.

Mr. Chairman, I work for the clerks who staff the Pennsylvania Wine and Spirits Shops. As President of Local 23, my primary concern is to make sure that all of our members are treated fairly and can provide for their families.

This system is an asset – one that delivers a strong return for all Pennsylvanians. This Committee will cover a wide range of issues today, but I'd like to focus on three important areas:

First, the value of the system: The privateers – yet again – want you to bank on phony numbers. Any independent, rational look at the numbers shows that a sale of the system makes zero financial sense. It would cost all of us – as taxpayers and consumers.

Second: A sale would absolutely have a negative impact on our communities. Virtually every independent peer-reviewed study proves this fact. There is a reason why groups such as SADD and the Pennsylvania DUI Association oppose any privatization scheme.

Third: You are here, obviously, to serve your constituents. There is no doubt that privatization makes no sense for your constituents or our customers. Prices will not go down. Selection and convenience will not improve. Your constituents would lose under any privatization scheme.

### **THE MATH**

It wasn't too long ago when the House Republican leader proclaimed that an auction of 850 licenses would generate \$2 billion or more. That's a myth. Rep, Turzai has conceded as much because now he is seeking a study to see what the system is really worth. The fact is, to get \$2 billion the licenses would have to average \$2.3 million each. That just doesn't happen anywhere in this country. Other states will tell you that. The private sector will tell you that. A simple Google search will tell you that.

But the privateers also gloss over the long-term revenue implications for our Commonwealth.

Each year, Pennsylvania's Wine and Spirits shops generate more than \$500 million for the taxpayers. Some people claim that roughly \$400 million of that total would continue to come in because it is tax revenue. They don't understand our business and they haven't read Rep. Turzai's latest proposal.

Today, our state controls the wholesale, the mark-up rate, and the tax structure. The state is able to establish the profit. But if you look at the latest privatization proposal, the state would give up the wholesale component of the system. We no longer would be in position to set prices.

You also have to understand that Rep. Turzai's latest proposal changes the tax structure from a dollar-based tax to what is called a "gallongage tax." Our tax revenues would not grow with inflation as they do now because the gallongage tax is based on volume. In addition, the data shows that the non-control states with a gallongage tax typically collect anywhere from only one-tenth to one-third of the revenue that we collect here in Pennsylvania.

We collect 100 percent of the taxes owed because, obviously, the state manages the system and there is no delinquency of tax revenues. Compare this to the collection rate of liquor taxes in other states, or for that matter compare the collection rate of liquor and sales taxes by the PLCB to all other retailers in Pennsylvania.

I invite you to ask the duly elected fiscal watchdogs of the Commonwealth, Treasurer Rob McCord and Auditor Jack Wagner, to look into this issue. I'm sure that they will show you plenty of evidence from the revenue side to support maintaining and improving the operations of the PLCB as opposed to privatizing it.

The bottom line is that the math just doesn't work. It is somewhat ironic that the governor's Secretary of the Budget seems to agree. According to published reports, Secretary Zogby told a recent Press Club luncheon that, "...Certainly, the LCB provides tremendous revenues to the commonwealth, ones that I don't think . . . we as a state can afford to lose or jeopardize." On that point, we agree with the Corbett administration.

### **IMPACTS ON SOCIETY**

We've provided the Committee with a summary of dozens of studies and empirical reviews of actual data. Very simply, virtually every independent study leads to the same conclusion: the private side does not do as good a job as the public sector in controlling the sale of alcohol.

Here are just a few statistics:

- Pennsylvania has the nation's 7th lowest rate of youth drinking and youth binge drinking.
- The alcohol-impaired driving fatality rate in Pennsylvania is nine percent below the national average; for people under 21, it is 25 percent below the national average.
- We have the lowest alcohol-related death rate in the nation. And we rank second overall in revenue generated by the sale of wine and spirits.
- 14.5 percent fewer high school students reported drinking and 16.7 percent fewer reported binge drinking in states which keep control of alcohol sales one study found.
- Lower consumption rates are associated with a 9.3 percent lower alcohol-impaired driving death rate in states which keep control of alcohol sales.

- The University of Victoria reported that there was a 27.5 percent increase in alcohol-related deaths for every extra private liquor store per 1,000 British Columbians.

The science tells us that a private system would hurt Pennsylvanians.

There is a reason why SADD and the PA DUI Association and others are opposed to the effort to privatize. They recognize that increased sales to minors and to the visibly intoxicated is not good for Pennsylvania. They recognize that my members do not sell to minors, and that they have no motive to do so.

### **IMPACT ON CONSUMERS**

I know we can do a better job in our stores. We all can improve how we work. But I am confused by the privateers' claims that they can do a much better job if we just handed over the keys? What, exactly, would they do better?

We are a far cry from the counter store system of a few decades ago. Our selection continues to grow and our prices are competitive. Many of our wine and spirits stores have up to 6,000 items on the shelves. At any of our stores you can order from our total stock of more than 30,000 items.

In 2008, a newspaper – one that is by no means a pro-union publication -- did some shopping in 10 locations in West Virginia, Ohio, Delaware, New Jersey and Maryland. They found that those other states were not a Mecca for savings.

They shopped for five popular brands and they found that alcohol bought out-of-state was more expensive in 26 cases, less expensive in 24 cases. They found that the out-of-state alcohol was \$3 per bottle more expensive in 11 instances, and \$3 per bottle less expensive in only three instances.

We've heard a lot of noise about so-called border bleed – the claim that Pennsylvanians are driving across the borders to New Jersey and Maryland and Delaware because our prices are too high.

Mr. Chairman, people drive to Delaware to shop for everything – clothing, furniture, food and, yes, alcohol. Why? Because there are no state taxes. That will not change.

Some people might drive to Maryland, but that's because Maryland has a very modest excise tax on liquor. That will not change. People drive to New Jersey to shop for everything. That will not change.

The fact is that along our northern border with New York, our borders with Ohio and West Virginia and along our northeast border with New Jersey, people drive into Pennsylvania to shop for wine and spirits precisely because we have better selection and better pricing.

Let's focus quickly on rural communities. What happens to these Pennsylvanians when only the profit motive drives where stores are located, and the price and the selection?

Right now, there is a wine and spirit store in every one of Pennsylvania's 67 counties. That was the case in West Virginia, too, before the system went private. Now, five rural counties have NO stores at all, and several others have licenses held only by convenience or drug stores. This means a few shelves of liquor in the corner of a store, next to snack foods and milk, sold by a part-time, minimum wage clerk who likely knows nothing about what he's selling.

We all know that prices in convenience stores are typically higher than elsewhere. The prices that Pennsylvanians pay will not go down in a private system. It hasn't worked that way in any other state that has privatized.

### **WHY ARE WE HERE**

Finally, why are we having this debate? There's no question that the math doesn't work in favor of the taxpayers. There's no question regarding the impact on society – we do a better job in managing the sale of wine and spirits than the private sector.

Yet here we are, talking about the latest wave in a new assault on the public sector.

This movement is spreading from state to state. This attempt to privatize the PLCB is the first evidence of it here in Pennsylvania, and it is very important for our elected officials to view this latest attempt in that context.

This push to privatize our system, to destroy a valuable public asset, makes sense only if you're an investment speculator looking to turn a quick profit by investing in and then flipping licenses. It makes sense only if you're a chain store retailer looking to clear some shelf space and you want your untrained and inexperienced minimum wage clerks selling this product.

It certainly won't create any new jobs and it won't create jobs for the current Wine and Spirit employees. The experience in other states demonstrates that that the licenses have gone to existing stores who use their existing employees to stock the shelves.

New jobs, too, are part of the privateers' myth.

I am hoping that the members of the General Assembly will agree and, once and for all, say "no" to this reckless idea.

###



Every professional peer-reviewed study demonstrates that a private corporate takeover of the sale of wine and spirits leads to increased negative impacts on society, including spikes in under-age drinking, consumption overall, deaths as a result of drunk drivers and property damage, among other factors. We encourage you to review this selection of independent research:

- *Control State Politics: Big Alcohol's Attempt to Dismantle Regulation State by State*  
A Marin Institute Report, September 2010  
[https://www.marininstitute.org/site/images/stories/pdfs/controlstate\\_report\\_final.pdf](https://www.marininstitute.org/site/images/stories/pdfs/controlstate_report_final.pdf)
  - **“Privatization is linked with dramatic increases in outlet density and resulting levels of alcohol-related harm. For example, higher outlet density is strongly associated with suicide, assault, and other violence.”**
  - **“Control states have significantly lower rates of youth drinking and binge drinking, as well as lower rates of alcohol-impaired driving deaths, than license states.”**
- *Privatization of State-Run Alcohol Sales: An Expensive Solution*  
Marin Institute, May 2010  
[https://www.marininstitute.org/site/images/stories/pdfs/privatization\\_talking\\_points.pdf](https://www.marininstitute.org/site/images/stories/pdfs/privatization_talking_points.pdf)
  - **“Increased availability of alcohol is generally associated with increases in consumption. States that license alcohol retailers generally have higher alcohol density, greater physical availability, longer and later hours of sale, all of which are factors that contribute to the increased availability of alcoholic beverages.”**
  - **“Increased consumption of alcohol is associated with a range of health problems as well as increased rates of traffic injuries and fatalities, crime, domestic violence, and child abuse.”**
- *Impact on alcohol-related mortality of a rapid rise in the density of private liquor outlets in British Columbia: a local area multi-level analysis*  
Addiction Research Report, 2011  
<http://onlinelibrary.wiley.com/doi/10.1111/j.1360-0443.2010.03331.x/abstract>
  - **“The rapidly rising densities of private liquor stores in British Columbia from 2003 to 2008 was associated with a significant local-area increase in rates of alcohol-related death.”**

- *Privatising Liquor Sales Results in More Alcohol-Related Deaths: New Research*  
University of Victoria Media Release, January 18, 2011  
<http://communications.uvic.ca/releases/release.php?display=release&id=1193>
  - **“The study found that areas with more stores in private rather than government hands had significantly higher rates of alcohol-related deaths involving local residents. In fact, there was a 27.5 per cent increase in alcohol-related deaths for every extra private liquor store per 1,000 British Columbians.”**
  
- *Alcohol Control Systems and the Potential Effects of Privatization*. Alcohol Research Group, Emeryville, 2007  
<http://www.usdrinksconference.com/assets/files/download/Privatization%20Pamphlet%20Final.pdf>
  - **“A recent study found that persons living in areas with a high density of off-premise outlets had double the risk of being shot in an assault compared to those in lower outlet density areas.”**
  - **“A recent study of retail stores compliance with minimum purchase age restrictions in Norway and Finland found that state monopoly stores were less likely to sell to minors than private stores.”**
  
- Campbell CA, Hahn RA, Elder R, et al. *The Effectiveness of Limiting Alcohol Outlet Density As a Means of Reducing Excessive Alcohol Consumption and Alcohol-Related Harms*. Am J Prev Med. 2009;37:556.  
<http://www.thecommunityguide.org/alcohol/EffectivenessLimitingAlcoholOutletDensityMeansReducingExcessiveAlcoholConsumptionAlcohol-RelatedHarms.pdf>
  - **“The regulation of alcohol outlet density may be a useful public health tool for the reduction of excessive alcohol consumption and related harms.”**
  
- Gruenewald PJ, Remer L. *Changes in outlet densities affect violence rates*. Alcoholism: Clinical and Experimental Research 2006;30(7):1184 –93.  
<http://www.capitolneighborhoods.org/pdf/gruenewald.pdf>
  - **“Ten percent increases in numbers of off-premise outlets and bars were related to 1.67 and 2.06% increases in violence rates across local and lagged spatial areas.”**
  - **“Every 6 outlets accounted for 1 additional violent assault that resulted in at least 1 overnight stay at hospital.”**

- Britt H, Carlin BP, Toomey TL, Wagenaar AC. *Neighborhood-level spatial analysis of the relationship between alcohol outlet density and criminal violence*. *Environ Ecol Stat* 2005;12:411–26.  
<http://www.springerlink.com/content/up1j76j4q6l24lw1/>
  - **“Our results indicate a significant positive relationship between alcohol outlet density and violent crime”**
  
- Miller T, Snowden C, Birckmayer J, & Hendrie D. *Retail alcohol monopolies, underage drinking, and youth impaired driving deaths*. *Accident Analysis & Prevention*, 2006;38(6), 1162-1167.  
<http://www.ncbi.nlm.nih.gov/pubmed/16787633>
  - **“In states with a retail monopoly over spirits or wine and spirits, an average of 14.5% fewer high school students reported drinking alcohol in the past 30 days and 16.7% fewer reported binge drinking in the past 30 days than high school students in non-monopoly states.”**
  - **“Monopolies over both wine and spirits were associated with larger consumption reductions than monopolies over spirits only. Lower consumption rates in monopoly states, in turn, were associated with a 9.3% lower alcohol-impaired driving death rate under age 21 in monopoly states versus non-monopoly states.”**
  - **The study shows that compared to all states and the District of Columbia, Pennsylvania has the seventh lowest rate of drinking by high school students and the seventh lowest rate of binge drinking by high school students.**
  - **“Alcohol monopolies may prevent 45 impaired driving deaths annually.”**
  
- Flanagan G. Sobering, *Result: The Alberta Liquor Retailing Industry Ten Years After Privatization*. Calgary: Canadian Centre for Policy Alternatives and Parkland Institute. 2003.  
[http://www.policyalternatives.ca/sites/default/files/uploads/publications/National\\_Office\\_Pubs/sobering\\_result.pdf](http://www.policyalternatives.ca/sites/default/files/uploads/publications/National_Office_Pubs/sobering_result.pdf)
  - **“Evidence on the links between alcohol consumption and social ills is overwhelming. Absolute alcohol consumption is high in Alberta relative to the rest of Canada and has begun to climb since 1997. The potential for increased social costs is real.”**
  - **“In 1995-96 (the most recent available), the total federal and provincial tax revenues from liquor were \$3.78 billion, while the social costs were estimated at \$5.25 billion.”**

- Norström T., Miller T., Holder H., Österberg E., Ramstedt M., Rossow I., Stockwell T. *Potential consequences of replacing a retail alcohol monopoly with a private license system: Results from Sweden*. *Addiction* 2010;105.  
<http://www.ncbi.nlm.nih.gov/pubmed/20809914>
  - **“According to the projections, scenario 1 yields a consumption increase of 17% (1.4 litres/capita), which in turn would cause an additional 770 deaths, 8500 assaults, 2700 drinking driving offences and 4.5 million sick days per year.”**
  - **“The corresponding figures for scenario 2 are a consumption increase of 37.4% (3.1 litres/capita) leading to an additional annual toll of 2000 deaths, 20 000 assaults, 6600 drinking driving offences and 11.1 million days of sick leave.”**
  - **“Projections based on the research literature suggest that privatization of the Swedish alcohol retail market would significantly increase alcohol consumption and alcohol-related harm.”**
- Wagenaar A. and Holder H. *Changes in Alcohol Consumption Resulting from the Elimination of Retail Wine Monopolies: Results from Five U.S. States*. Sept 1995.  
<http://www.ncbi.nlm.nih.gov/pubmed/7475038>
  - **“After controlling for both nationwide and state-specific trends, we found significant increases in wine sales after privatization of 42% in Alabama, 150% in Idaho, 137% in Maine, 75% in Montana and 15% in New Hampshire.”**
  - **“We recommend that the social costs associated with increased alcohol use be carefully considered before such major policy changes are contemplated.”**
- Wagenaar A. and Holder H. *A Change from Public to Private Sale of Wine: Results from Natural Experiments in Iowa and West Virginia*. 1991  
<http://www.ncbi.nlm.nih.gov/pubmed/2016877>
  - **“In addition, there was a net increase in absolute alcohol consumed in both states across all beverages (beer, wine and distilled spirits) associated with privatization.”**
  -
- Branas CC, Elliott MR, Richmond TS, Gulhane DP, Wiebe DJ. *Alcohol consumption, alcohol outlets, and the risk of being assaulted with a gun*. *Alcoholism: Clinical and Experimental Research*, 2009  
<http://www.uphs.upenn.edu/ficap/alcohol%20outlets%20safety%20lit.pdf>
  - **“After adjustment, heavy drinkers were 2.67 times as likely to be shot in an assault when compared with nondrinkers (p < 0.10) while light drinkers were**

**not at significantly greater risk of being shot in an assault when compared with nondrinkers.”**

- **“Regression-adjusted analyses also demonstrated that being in an area of high off-premise alcohol outlet availability significantly increased the risk of being shot in an assault by 2.00 times ( $p < 0.05$ ).”**
- Rossow I, Karlsson T, Raitasalo K., *Old enough for a beer? Compliance with minimum legal age for alcohol purchases in monopoly and other off-premise outlets in Finland and Norway. Addiction*, September 2008;103(9):1468-1473.  
<http://cat.inist.fr/?aModele=afficheN&cpsidt=20584432>
  - **“The buyers were more likely to be requested to present an ID card and less likely to succeed in purchasing alcohol in monopoly outlets compared to other types of outlets”**
  - **“Monopoly outlets may facilitate compliance with minimum legal age for purchase of alcohol.”**
- Holder H, ed. , Agardh E, Högberg P, et al. *If retail alcohol sales in Sweden were privatized, what would be the potential consequences?* Stockholm, Sweden: Swedish National Institute of Public Health; 2007.  
[http://thorgisla.blog.is/users/e8/thorgisla/files/c\\_documents\\_and\\_settings\\_bif2006\\_my\\_documents\\_monopolstudie\\_eng\\_0708.pdf](http://thorgisla.blog.is/users/e8/thorgisla/files/c_documents_and_settings_bif2006_my_documents_monopolstudie_eng_0708.pdf)
  - **“Our best estimates are that privatization of all retail sales of alcohol in Sweden would raise consumption by 14% (approximately 1.4 liters/capita) if sales were restricted to specialty stores or by 29% (approximately 2.8 liters/capita) which would be added to the current estimates of 9.7 liters/capita.”**
  - **“These estimates are, at best conservative, and it is certainly possible that if all alcohol retail sales in Sweden were transferred to private licensing, the increase in total consumption could be even higher.”**
  - **“However, the conservative results presented here are quite important and reflect a significant public health consequence from privatization of all alcohol-retail sales in Sweden.”**
- Rippey, Darren. *Off the Wagon: Why ABC Privatization is a Bad Idea*. Virginia Interfaith Study for Public Policy; August 2010.  
<http://www.virginiainterfaithcenter.org/Portals/1/Communications/abcprivatization.pdf>
  - **“According to the Virginia Department of Health, from 2004 to 2006, in 25.8 percent of all deaths in Virginia resulting from injury, one of the parties**

involved had a blood alcohol concentration (BAC) of 0.01 percent or greater.”

- “In over 30 percent of homicide deaths, one of the parties involved had a BAC of 0.01 percent or greater. During the same period, 27 percent of all motor vehicle crash deaths were alcohol related (BAC  $\geq$  0.01 percent).”
- “It is likely that substantially reducing the control of spirit sales will disproportionately affect lower-income and minority communities in terms of the social costs associated with the increased availability of distilled spirits.”

*Deaths: Final Data for 2007*, National Vital Statistics Report 2007, Centers for Disease Control and Prevention, May 2010

- This document reports that Pennsylvania had in 2007 the lowest rate in the nation of death by alcohol-induced causes. Alcohol-induced causes include alcohol-related diseases. They exclude unintentional injuries, homicides and fatal accidents.



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February 23, 2011

3-17-2011

**Presentation at Hearing on Pa. State Store Privatization**

**House Democrat Policy Committee**

**Chairman: Representative Michael Sturla; Host: Representative Flo Fabrizio  
Erie, Pa. 3-17-2011; Tom Ridge Environmental Center, Presque Isle State Park.**

Presentation by: Anthony Ciotti: Pennsylvania Liquor Store Manager; District President, Independent State Store Union.

**Introduction**

My name is Anthony Ciotti, I am a manager of a Pennsylvania State Liquor store, currently working at the store located at 18<sup>th</sup> and Peach Street in Erie. I have been employed by the Pennsylvania Liquor Control Board for 30 years and am a member of the Independent State Store Union, presently holding the office of President of the union's Northwest Pennsylvania chapter.

Since 1975 there have been 54 bills written to eliminate the Pennsylvania State Liquor Store System. Now, as we speak, there is yet another bill in the works to eliminate the State Stores. In spite of all of these efforts, I believe the reason that not a single one of these bills has ever been successfully passed is because the majority of citizens in our state recognize that the Pennsylvania State Store System is good for all Pennsylvanian's, whether residing in urban, suburban or rural communities.

**Positive Public Health Aspects:**

In Pennsylvania, a top priority at our State Liquor Stores is to insure that minors and intoxicated customers are not served. Contrast this to what is occurring in other states: In Gastonia North Carolina in December 2010, 28 out of 40 salesclerks at 40 different establishments were cited for selling alcohol to minors. These establishments included convenience stores, grocery stores and drugstores. In Frederick Maryland, in December of the same year, 14 out of 19 retail stores checked by the Frederick police were cited for selling alcohol to minors. In Pennsylvania, the employees in our Wine and Spirit Stores challenge more than one million youthful looking customers per year by making them fill out a Declaration of Age form before they are permitted to purchase.

Furthermore, regarding the debate over the role of state government in the business of selling alcohol, as Penny Staver, past executive director of Pennsylvania's Mothers Against Drunk Driving once said, and I quote: "If it's not government's job to serve and protect, then whose job is it?"

**Positive Financial Aspects:**

As one of the largest wholesale distribution and retail sales systems of alcohol in the World, the Pennsylvania State Store system is able to purchase products at favorable prices. This enables us to sell our products at reasonable prices to our customers, even after considerable state taxes have been added to the price. In fiscal year 2010, 488 million dollars in taxes and profits were transferred to the state's treasury. In fiscal year 2011, our contribution to the state's treasury is projected to be approximately 560 million dollars.

In regards to contributing to the Commonwealth's budget, during this time of reduced tax revenue going into the state's treasury, tax revenue obtained from the sale of alcohol at our State Liquor Stores has remained a reliable source of revenue. Unlike what occurs in other states where sales tax in privately owned stores is not always paid to the state treasury, in Pennsylvania, every penny of tax revenue on alcohol sold at Pa. State Liquor Stores is transferred to the Commonwealth, on a daily basis.

Also, contrary to the popular misconception, not one penny of tax money collected from the sale of alcohol at our State Liquor Stores is applied to any operating costs of our stores. All operational costs, including personnel costs, for the various departments of the P.L.C.B. are self-funded from non-tax / pre profit revenues obtained from the sale of our products. To put it simply, Pennsylvania's State Liquor Stores are not only self sufficient, they are a net contributor to the Commonwealth's general budget. Obviously, nobody likes paying taxes, but isn't it better that in Pennsylvania we tax our alcohol instead of taxing our food, clothing, or prescription drugs.

### **Negative Public Health Consequences of Privatization:**

In a privatized marketing system for any commodity, there is an overarching incentive to maximize sales in order to maximize profits. This is a very logical goal for most enterprises. However, this goal of increasing sales volume does not come without negative consequences. As pointed out by the Marin Institute, looking at alcohol consumption from a public health perspective, "far from a benign substance, alcohol use, even at moderate levels, can cause a wide variety of harm, the scope of which goes largely unrecognized by the general public and policymakers alike. For example: Alcohol use contributes to a wide range of injuries, including motor vehicle crashes, fires, falls, drownings, and unintentional firearm injuries. Alcohol use plays a role in violent crimes such as homicides, sexual assaults, domestic violence, and child abuse. And, alcohol use is also the third leading cause of preventable death in the United States." (source: Marin Institute(Alcohol Industry Watchdog) report on Alcohol related harm In the United States. see attachment)

### **Negative Financial Aspects of Privatization:**

Regarding the projected revenue figure of two billion dollars for the sale of liquor store licenses bandied about by the proponents of privatization: No comparable levels of revenue have been received by other states during the process of privatizing their state liquor store systems. In West Virginia for example, the average price for a liquor store license was \$200,000. In New Jersey, the average price was \$250,000. In Pennsylvania, in order to obtain the one time projected revenue figure of 2 billion dollars from the sale of wholesale and retail liquor store licensees, the average price for a liquor store license would have to be more than two million dollars. In short, there is no basis in fact for this kind of revenue to materialize from the selling of liquor store licenses if the Pennsylvania State Liquor Stores are privatized. Isn't it interesting that now, that the public is becoming aware of this fact , that the proponents of privatization are beginning to say: "it isn't about the money"?

**In Summary,** to be sure, the revenue obtained by the Commonwealth from the profits and taxes gained by the sale of alcohol at our State Liquor Stores is a significant factor to be considered in the debate on whether or not to privatize. However, I believe that the essential point in this debate is the fact that alcohol is no ordinary commodity, indeed, due to the prevalence of its use, it is the number one drug of abuse in our country. Not submitting it to the pressure of marketplace incentives to maximize sales has been a wise alcohol Policy for Pennsylvanians and their communities. All other arguments aside, this is the reason that the Pennsylvania Legislature has supported this system for the past 78 years, and hopefully will continue to support it today by opposing any legislative bill calling for the privatization of the Pennsylvania State Liquor Stores.

# Alcohol-Related Harm in the United States



Alcohol causes more harm than any other drug in the United States.<sup>1</sup> Alcohol-related harm goes far beyond just drunk driving or underage drinking. Alcohol use contributes to a wide range of societal and personal consequences.

In the United States:

- Alcohol is the third leading cause of preventable death.<sup>2</sup>
- In 2000, 85,000 deaths were attributable to alcohol consumption.<sup>2</sup>
- Approximately 5,000 people under the age of 21 die annually from injuries caused by drinking alcohol.<sup>3</sup>
- Alcohol contributes to various illnesses such as hypertension, liver cirrhosis, chronic pancreatitis, and cancers of the breast, esophagus, and larynx.<sup>4</sup>
- Alcohol contributes to a wide range of injuries, including motor vehicle crashes, fires, falls, drownings, and unintentional firearm injuries.<sup>5</sup>
- Alcohol plays a role in violent crimes such as homicides, sexual assaults, domestic violence, and child abuse.<sup>6</sup>
- Alcohol contributes to maternal and perinatal conditions such as low birth weight, cognitive deficiencies, and fetal alcohol disorders.<sup>7</sup>
- Motor vehicle crashes are the leading cause of death for people under the age of 35; alcohol is involved in more than half of these fatal crashes.<sup>8</sup>
- In 2005 alone, there were more than 1.6 million hospitalizations and 4 million emergency room visits for alcohol-related conditions.<sup>9</sup>
- The economic costs of alcohol are estimated to have been \$220 billion in 2005.<sup>10</sup>
- The healthcare costs from alcohol-related problems amount to more than \$26 billion annually. That's \$686 for every person living in the U.S.<sup>11</sup>

**Bottom Line:** Far from a benign substance, alcohol use, even at moderate levels, can cause a wide variety of harm, the scope of which goes largely unrecognized by the general public and policymakers alike.

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continued on page 2

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## PENNSYLVANIA STATE STORE FACTS AND FIGURES

### REVENUE

- \$488,100,319: TRANSFERRED TO THE STATE TREASURY FOR FISCAL YEAR 2009/2010.
  - TAXES ARE PAID ELECTRONICALLY EVERY NIGHT.
  - \$105,000,000: OF THE ABOVE AMOUNT IS UNENCUMBERED INCOME.
  - \$20,048,928: STATE POLICE LIQUOR ENFORCEMENT CONTRIBUTIONS.
  - STATE STORES INCOME OFFSETS TAXES ON FOOD, CLOTHING AND PRESCRIPTIONS; ALLOWING A BETTER STANDARD OF LIVING FOR ALL PENNSYLVANIANS. PENNSYLVANIA BUSINESSES GENERATE GREATER INCOME BECAUSE OF SHOPPERS FROM NEIGHBORING STATES.
  - \$76,300,000: INJECTED INTO THE PENNSYLVANIA ECONOMY FOR THE RENT OF 625 STORES AND 3 DISTRIBUTION CENTERS AROUND THE STATE.
  - PROJECTED GROSS SALES FOR FY 2011: \$2,158,000,000--PROJECTED REVENUE CONTRIBUTION \$561,800,000.(Stateways Magazine).
- 

### PREVENTION AND SAFETY

- PLCB'S "ZERO TOLERANCE" FOR SALES TO MINORS AND INTOXICATED INDIVIDUALS HAS RESULTED IN STORE EMPLOYEES CHALLENGING OR "CARDING" 1 MILLION OR MORE SUSPECTED MINORS EVERY YEAR.
- ALCOHOL IS MORE DANGEROUS THAN HEROIN OR COCAINE ACCORDING TO A 2010 LONDON STUDY.
- THE PENNSYLVANIA STATE POLICE, BUREAU OF LIQUOR CONTROL ENFORCEMENT IS RESPONSIBLE FOR THE ENFORCEMENT OF ALL LIQUOR LAWS.
- ANY IMMEDIATE ECONOMIC BENEFITS REALIZED FROM PRIVATIZATION WILL BE OFFSET BY:
  1. INCREASED CONSUMPTION
  2. REDUCED STATE REVENUES OVER TIME
  3. INCREASED COSTS DUE TO MORE HARM (MARIN INSTITUTE, Alcohol Industry Watchdog)
  4. \*\*INCREASED ALCOHOL OUTLET DENSITY\*\*

### JOBS

- THE PLCB EMPLOYS OVER 6,000 PENNSYLVANIANS.
  - A LARGE PERCENTAGE OF PLCB HIRES ARE VETS.
- 

- SELL OFF STATE STORE SYSTEM FOR A ONE TIME AMOUNT OF MAYBE \$2,000,000,000? } *OPPOSING PLAN*
- THE STATE STORES GROSS ALMOST \$2 BILLION A YEAR NOW AND NETS \$2 BILLION EVERY 4 YEARS, NO MATTER WHAT THE ECONOMY DOES.

THANK YOU FOR YOUR TIME  
PLEASE FEEL FREE TO CONTACT ME AT Safirej@aoh.com



North Carolina

## 28 cited for selling alcohol to minors

Staff reports

2010-12-23 10:37:55

On Dec. 21, Gastonia Police Department's Alcohol Beverage Control Unit conducted an Underage Alcohol Buy Campaign.

Two separate teams, utilizing 19-year-old men, checked 40 establishments including convenience stores, grocery stores and drug stores.

Twenty-eight out of 40 clerks were cited for selling alcohol to a minor under age 21.

"Store clerks need to be vigilant in checking IDs to make sure alcohol beverage customers are of legal age," said Detective Aaron Wurster with GPD's ABC Unit. "We'll be conducting more of these campaigns in the future to gauge compliance."

Those cited for selling alcohol to a minor under 21 are:

Clerk, Age, Store Address

Umaben Patel, 52, Curve View Quick Shop #5, 201 W. Garrison Blvd

Ui Y. Kuk, 55, Eagle Food Mart, 1201 S. York Rd

Jantalus F. Fair, 34, Food Lion, #364 111 W. Garrison Blvd

Donna M. Boulware, 34, Franklin Express, 736 E. Franklin Blvd

Gita Patel, 53, Fuel Land, 1617 N. Chester St

Balachandra B. Kukkapalli, 34, Garrison Express, 937 E. Garrison Blvd

John M. Eldaef, 53, Gastonia Express, 1809 S. York Rd

Minh Phan, 37, Gastonia Expressway, 2353 Bessemer City Rd

Linda B. Conners, 62, Grab-N-Go 1721, Bessemer City Rd

Sean Sheshbaradaran, 17, Jacobs Food Mart, 1425 S. Marietta Street

Jerry W. Garmon, 46, Jacobs Food Mart #4, 4064 York Hwy

Dianna R. Watson, 31, Kangaroo Express #3974, 2106 N. Chester St

Luke A. Williams, 48, Kens Superette, 1528 W. May Street

Madge H. Coleman, 70, Kerr Drug #108, 1519 S. York Rd

Eddis B. Thomas, 78, Kingsway #4, 1105 Bessemer City Rd

Ashok K. Baranpuria, 58, Little Dan's Amoco, 2003 W. Franklin Blvd  
Pareshkumar K. Patel, 42, North End Grocery, 1001 N. Chester St  
Chastity P. Bradshaw, 34, Omni Food Mart, 401 S. Linwood Rd  
Luciana M. Guinn, 33, One Stop Grocery, 510 E. Franklin Blvd  
Amanda S. Mason, 21, Organic Marketplace, 1012 S. New Hope Rd  
Bipinkumar S. Patel, 29, S & K Express, 549 N. Chester St  
Luis M. Morales, 56, Smyre Pantry, 1003 Smyre Dr  
Claudia R. Salis, 25, Southern Convenience, 851 N. New Hope Rd  
Kimberly D. Sears, 42, Stuarts BP, 1651 Bessemer City Rd  
Dethra T. Brice, 34, Times Turn Around #25, 825 S. New Hope Rd  
Jasmina R. Patel, 33, Toms Food Store, 2230 N. New Hope Rd  
Joo H. Kim, 55, York Express Mart, 2305 S. York Rd  
Petros T. Yohannes, 34, Zula Express, 1402 E. Ozark Ave

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## FrederickNewsPost.com

### Frederick merchants cited for selling alcohol to minors

Originally published December 31, 2010

By Brian Englar

A compliance check conducted Wednesday by Frederick police resulted in charges against more than a dozen city merchants.

Of the 19 businesses checked during the operation, 14 sold alcohol to an underage volunteer, Lt. Clark Pennington of the Frederick Police Department said in a news release.

The checks were conducted using two uniformed officers, two plainclothes officers and two underage volunteers.

The only businesses that did not sell to the volunteers were Amber Meadows Liquors on Thomas Johnson Drive, Liberty on East Patrick Street, Fox's Sport and Bait on South Market Street, Plus Mart II on East Patrick Street and the 7 Express Convenience Store on East Patrick Street.

The results of the checks will be forwarded to the alcoholic beverage inspector and the Frederick County Liquor Commission.

Selling alcohol to a minor can lead to up to two years' imprisonment and a fine of up to \$1,000. In addition, the liquor commission can impose a fine of up to \$1,500 and suspend the merchant's liquor license.

The operation was funded by a grant from the Enforcement of Underage Drinking Laws Program through the Governor's Office of Crime Control and Prevention.

The following businesses were cited for selling alcohol to the volunteers:

A-1 Choice, 300 S. Jefferson St.; A-1 Mart, 659 Himes Ave.; Brown's Discount Liquors, 908 E. Patrick St.; East Street Liberty, 1301 N. East St.; Frederick Basket Company, 12 N. East St.; Frederick GetGo, 1000 W. Patrick St.; Frederick Wine House, 405 W. Seventh St.; Jefferson Street Exxon, 400 S. Jefferson St.; Manny Mart, 119 S. Market St.; Market on Market, 109 N. Market St.; Riverside Liquors, 1299A Riverbend Way; Viniferous, 227 N. Market St.; Ye Olde Spirit Shop, 1005 W. Seventh St.

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Testimony to the Democratic Hearing on Liquor Privatization  
By: Nathan Bauschard-Independent State Store Union Member  
Tom Ridge Center  
Erie, PA  
March 17<sup>th</sup>, 2011

Chairman Sturla, Representative Fabrizio, and other house committee members in attendance. Thank you for the opportunity to speak today.

My name is Nathan Bauschard and I am a member of the Independent State Store Union. I have worked as an employee for the PLCB for the last 16 years as both a government employee and a civil service employee. I am a husband and a father. Hopefully, with advocacy and education, all Independent State Store Union members will have careers like many have had for the last 78 years. Pennsylvania has the greatest alcohol distribution system in the world and benefits both Democrats and Republicans, drinker and non-drinker, rich and poor.

In Governor Corbett's budget address last week he stated:

***“My administration is committed to a study that looks at how best to get us out of a business we should never have entered. I’m talking about the liquor business. This isn’t about the money. It’s about the principle.”***

I firmly disagree with his claim that the state of Pennsylvania should not be responsible for the sale of wines & spirits, but what he is right about is that this is about principle.

The first principle is the principle of public safety, the job of government. As we all know, the sale of wines and spirits are controlled because inappropriate consumption is a threat to public safety, particularly to the safety of minors. Resting control of the sale of wines and spirits with the state eliminates the profit incentive to sell alcohol to minors, and privatizing the sale of alcohol creates a financial incentive to break the law. We should always hesitate in the creation of a business in our state that has a financial incentive to threaten the safety of its residents.

The second principle is the principle of a fair market, not an illusionary free market that proponents claim that they support. The sale of our state stores is not going to introduce competition. Many of these stores will be sold to, and then run by, conglomerates with revenues in the 100s of millions of dollars that will control distribution and pricing throughout the state.

These will not be small businesses run by your neighbor the way Greenburg's market was before it was put out of business by Wal-Mart, Giant Eagle and Wegman's.

Advocates claim that the private sector will run these stores more efficiently, increasing profits. We all know that these profits will come from low and LOWER wages, HIGHER prices, and tax loopholes that will be exploited by sophisticated accountants.

Conglomerates such as Wal-mart were not major players in privatization 20 years ago the way they will be today. A recent study finds Wal-mart brings fewer jobs, collapses small businesses, and puts more of the burden on the taxpayer. Wal-mart recently admitted a failure to pay \$2.95 billion in taxes for fiscal year 2009. These are the tax revenues that help fund our schools, our police, our firefighters, and our parks.

The third principle is the basic principle of fairness. We all know that these "free market" enterprises will cut salaries and benefits. Middle class jobs will be lost.

Your neighbor used to own Weislogel's also. Owning Weislogel's meant your neighbor could provide a middle class lifestyle for his/her family. Now there is no more Weislogel's and your neighbor's children work for a food services conglomerate for minimum wage. Wal-mart's average annual pay of \$20,774 is below the Federal Poverty Level for a family of four.

So this is about principle and it IS about money because there will be no middle class in America if we are going to pretend that "principled" decisions should be made without considering the economic implications of those decisions. In fact, only the wealthiest of Americans can make decisions without worrying about the economic impacts of the decisions that they make.

The fourth principle is the principle of responsibility. Many representatives want to sell these stores to access some quick cash to cover the gigantic fiscal deficit they've created through irresponsible policy decisions. Everyone needs to start making fiscally sound decisions, not covering their mistakes by selling one of our state's greatest assets. What are we going to sell next -- our police, our firefighters, and our schools to the highest bidder?

The interest of business is only profit, not public safety, not a fair market, not fair wages, not a fair retirement, not true fiscal responsibility. Now it seems that leadership in our state government is moving to endorse the principle of profit at the expense of public safety and abandon its role as advocate of the middle class. This is an abdication of responsible and principled government.

And just because other states have chosen to put profit above the safety and financial security of its residents doesn't mean we should. We are Pennsylvanians and we are smarter than that. We are proud of our principles, including a strong middle class. These are OUR stores. They should not be made available for sale by OUR representatives who we elected to protect OUR interests, not the interests of corporations worth hundreds of millions of dollars who will prioritize profit over the safety and well being of all Pennsylvanians.

Thank You.

Opposed to Privatizing State Liquor Stores  
Donna Burkhart

Board Member of Pennsylvania United Methodist Advocacy  
Board Member of the General Board of Church and Society of the United Methodist Church  
Board Member of the Western Pennsylvania Annual Conference Board of Church and Society  
Immediate Past President of the Western Pennsylvania Conference of the United Methodist Women  
Member of First United Methodist Church, 7<sup>th</sup> and Sassafras Streets, Erie  
Resident of Fairview Township  
1308 Hardscrabble Blvd., Erie, PA 16505      814-866-2781      dlb4813@roadrunner.com

I would like to thank you for the opportunity to speak against the privatizing of the Pennsylvania State Liquor Stores. I know that Representatives Harkins and Fabrizio care deeply about the health of the people in the Erie area, especially the youth since you were opposed to the Tires to Energy Plant which would have greatly affected the health of the youth in this area.

As a United Methodist, I am very concerned about the possibility of the Pennsylvania State Liquors Stores becoming privatized especially because of the harmful effects to young people. United Methodists believe that the state should strictly control who has access to alcohol especially limiting access of alcohol for teens.

The early work of the Methodists in England and the United States recognized the detrimental effect of alcohol on adults, but the detrimental effects are magnified in regards to youth whose minds and bodies are still being developed.

The earlier a person starts to use alcohol, the greater the opportunity for that person to become addicted to alcohol. Young people who begin drinking before the age of fifteen are four times more likely to develop alcohol dependence and are two and a half times more likely to become abusers of alcohol than those persons who start consuming alcohol at age 21. (Grant et al) The overall cost of alcoholism is a great cost to the state besides the cost to the family in the form of loss of income to pay for household expenses (rent, mortgage, utilities, clothing, food and medical bills), domestic violence and emotional damage. Underage drinking cost the citizens of Pennsylvania \$2.2 billion in 2007. (Miller et al) These costs include medical care, work loss, and pain & suffering associated with the multiple problems resulting from the use of alcohol by youth. Excluding the pain and suffering from these costs, the direct costs of underage drinking incurred through medical care and loss of work cost Pennsylvania \$752 million each year. Underage drinking is a causal factor in the following serious incidences: homicide, suicide, traumatic injury, drowning, burns, violent and property crime, high risk sex, fetal alcohol syndrome, alcohol poisoning, and need for treatment for alcohol abuse and dependence. (Pacific Institute)

Today, we face the results of alcohol on the great number of alcohol related traffic deaths and injury. Recently, in the last couple of years in the Erie area, tragic reports are almost a monthly occurrence with people driving under the influence.

Youth (who think that they are invincible) think that they can consume alcohol and still be responsible persons driving a vehicle or even that they can consume alcohol in a safe manner. They do not believe that they will cause a traffic accident or death(s), that they will become alcohol dependent or be involved in binge drinking resulting in ill health or death.

purchasing these drinks. If the stores are checking ID's, the teens just have to get someone to purchase them like teens do here that want access to beer. (Telephone Interview, Mar. 15, 2011).

Alcohol is the preferred choice of drink over beer by youth. At this time, they do not have easy access to attaining alcohol. (Siegel MD, et al)

High schools know how risky consuming alcohol is for teens. As prom season approaches, high schools have programs urging teens not to consume alcohol as so many accidents occur during prom night resulting in serious injuries and deaths.

On behalf of the United Methodist Church and the Pennsylvania Board of United Methodist Advocacy, and as a grandmother of three male teens, I ask you to prayerfully consider voting to NOT Privatize the Pennsylvania State Liquor Stores. The youth of Pennsylvania are too precious to be lost to alcohol through addiction, injuries and death.

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