

Prepared Remarks of Chief Deputy Attorney General Patrick Schulte

Senate Majority Policy Committee Hearing

Crime Trends and Solutions in Pennsylvania

6/11/24

Good Morning,

On behalf of Attorney General Henry, I would like to thank Senator Laughin and this committee for inviting me to discuss the very important topic of Organized Retail Crime. I would also like to recognize my fellow panelists for their expertise on this subject matter – it takes all of us to fight this crime that so dramatically effects all Pennsylvanians.

My name is Patrick Schulte. I am the Chief Deputy Attorney General for the Organized Crime Section, the Financial Crimes Section, and...beginning on July 1, 2024, the Organized Retail Crime Section of the Office of Attorney General.

On behalf of the Office of Attorney General, we would like to thank this committee and the Pennsylvania legislature for the vision and leadership in passing Act 42 of 2023. According to the U.S. Chamber of Commerce, the total loss of stolen goods in 2021 was 5.5 billion dollars.

For the Office of Attorney General, investigating and prosecuting Organized Retail Crime is not a new endeavor, but thanks to the resources outlined in Act 42, we will be able to make a much more significant impact. Let me tell you about a case in point. A few years ago, a Walmart branch in the southwestern Pennsylvania town of Charleroi was getting ravaged by Retail Crime. Investigators from the Office of Attorney General collaborated with Walmart loss prevention and local law enforcement to try to figure out where the goods were going that were being stolen from the Walmart. Through the use of the investigative tools available to us at the Office of Attorney General, we were able to identify a pawn shop, not too far from the Walmart, where the goods were being fenced. Thanks to this collaboration, we were able to dismantle the criminal organization that was fencing the Walmart goods through the pawn shop. When we checked back with that Walmart a year after we took that fence down, they had reported to us that their loss had decreased by 85%. With the resources of Act 42, our vision is to extrapolate the success story of that little Walmart in Charleroi to decrease retail loss across Pennsylvania by similar margins.

Let me tell you what we have already done to prepare for the Organized Retail Crime Section. The Office of Attorney General has begun to hire staff. One Deputy Attorney General for each of the five regions (Northeast, Southeast, Central, Northwest and Southwest) are all selected and are in the process of being onboarded. On the agent side,

we have put in place a Supervisory Special Agent to oversee the ten (10) special agents that we are hiring – two for each of the five aforementioned regions.

We have developed an Organized Retail Crime protocol regarding how to best use the resources granted us via Act 42. I would like to highlight some features of the protocol now.

We have developed a procedure on how we plan to prioritize cases. The Office of Attorney General will prioritize cases in which violence is used to commit the retail crime. Last year, as high as eight in ten retail crimes involved violence. We will also prioritize cases when the amount of loss is a high dollar amount. We plan on taking full advantage of the increased grading in Act 42 – in particular making loss in excess of \$50,000 a Felony of the First Degree. We will also prioritize cases in which other crimes are attendant to the organized retail crime – such as money laundering, gun trafficking and drug trafficking.

The types of cases we plan on focusing on fall into four general categories. One, your traditional organized retail crime cases where stolen goods are being fenced like we saw in the Charleroi Walmart. We are cognizant, however, that more and more, the fences are not your brick and mortar pawn shops, but are online marketplaces with no safeguards in place to protect against the fencing of stolen goods. Two, we plan on focusing on account takeover cases where criminals are hacking legitimate customer accounts to steal the goods. Third, counterfeiting – cases in which criminals are injecting fake versions of legitimate goods into the marketplace, often at the expense of little to no safety standards meant to protect consumers. Fourth, Supply Chain theft...cases in which the thefts occur somewhere before the goods reach the retail store for sale.

We plan on having quarterly multidisciplinary team meetings to tackle the problem of Organized Retail Crime – Attorney General Henry wholeheartedly believes that tackling the issue of Organized Retail Crime takes an all hands on deck approach. These multidisciplinary team meetings will include loss prevention professionals from the retail industry, small businesses, local law enforcement, federal law enforcement, the Pennsylvania State Police and representatives from the District Attorneys Offices. These meetings will be focused on problem solving, recognizing and identifying the latest trends in Organized Retail Crime, and helping our partners combat this issue. It has been my experience that we always get our best results when we are all rowing in the same direction.

Once again, on behalf of Attorney General Henry I thank you for inviting me and for shining a light on Organized Retail Crime. At the appropriate time, I would be happy to answer any questions the committee may have.