

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

LIQUOR CONTROL COMMITTEE  
PUBLIC HEARING

THE LIBERTY VIEW  
AT  
INDEPENDENCE VISITOR CENTER  
599 MARKET STREET  
PHILADELPHIA, PENNSYLVANIA 19106

TUESDAY, JULY 23, 2019  
10:00 A.M.

BEFORE:

HONORABLE JEFF PYLE, MAJORITY CHAIRMAN

MEMBERS PRESENT:

HONORABLE VALERIE GAYDOS  
HONORABLE BARRY JOZWIAK  
HONORABLE FRANCIS RYAN  
HONORABLE CRAIG STAATS  
HONORABLE MIKE TOBASH  
HONORABLE JEFF WHEELAND  
HONORABLE DAVID M. DELLOSO  
HONORABLE MARYLOUISE ISAACSON  
HONORABLE ANITA KULIK  
HONORABLE STEVEN RICHARD MALAGARI  
HONORABLE PETER G. SCHWEYER

*Pennsylvania House of Representatives  
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts  
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## P R O C E E D I N G S

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1  
2  
3 MAJORITY CHAIRMAN PYLE: Ten o'clock  
4 having arrived, I'd like to call this meeting to  
5 order of the House Liquor Control Committee. By  
6 way of record, my name is Jeffrey Pyle. I'll be  
7 serving as your Chairman today. Today we'll be  
8 hearing testimony from various groups on  
9 Representative Staat's HB 1617, which concerns  
10 conversion and transfer of licenses.

11 Before we start, could we start down here  
12 at this end and have the Representatives identify  
13 themselves and where they're from?

14 REPRESENTATIVE GAYDOS: Valeria Gaydos,  
15 44th District, Allegheny County.

16 REPRESENTATIVE WHEELAND: Jeff Wheeland,  
17 83rd District, Lycoming County, City of  
18 Williamsport, home of Little League Baseball.  
19 Come join us here in a couple of weeks.

20 REPRESENTATIVE STAATS: Good morning,  
21 everyone. My name is Craig Staats. I'm from the  
22 145th Legislative District in Bucks County.

23 REPRESENTATIVE SCHWEYER: Peter Schweyer,  
24 22nd Legislative District, Lehigh County, City of  
25 Allentown.

1           REPRESENTATIVE ISAACSON: Mary Isaacson,  
2 Philadelphia County. You're sitting in my  
3 district, and welcome.

4           REPRESENTATIVE JOZWIAK: Barry Jozwiak,  
5 5th District, Berks County.

6           REPRESENTATIVE KULIK: Anita Kulik, 45th  
7 Legislative District, Allegheny County.

8           REPRESENTATIVE PYLE: Before we get  
9 rolling, one of the great duties of the Chairman  
10 is to give our gratitude for everybody that's  
11 made this trip to Philadelphia such a great trip.  
12 It's the first time I've been here this year.  
13 Many thanks to Representative Isaacson. We are  
14 in her district. She is making sure we don't get  
15 lost and show up on time at the right place.

16           Many thanks to PJ Horgan at Breakthru  
17 Beverage, and also, Randy Barnhart with Southern  
18 Glazer's, who was our host last night for dinner.

19           Up first today -- oh, I've got to  
20 introduce one more guy. Where did Mike Biacchi  
21 go? Mike Biacchi in the back of the room, who  
22 serves as Executive Director of Liquor Control  
23 Committee. And Lynn Benka-Davies on the minority  
24 side.

25           I see we are joined by Representative

1 Delloso. Thanks for being here.

2 And we will get kicked off and going in  
3 just a second. I will let Dave get a seat.

4 As is the process with most House bills,  
5 we like to accept input from various groups or  
6 individuals that may be affected by a bill we're  
7 considering. That's what our purpose is here  
8 today. Up first testifying, will be Mr. Rod Diaz  
9 from the LCB, and Bobbi Peifer, the Director of  
10 Licensing.

11 The stage is all yours.

12 MR. DIAZ: Now it's on. Good morning.

13 My name is Rod Diaz. I am the Chief  
14 Counsel for the Pennsylvania Liquor Control  
15 Board. With me is Bobbi Peifer. She is the  
16 Director of the Board's Bureau of Licensing. We  
17 are here to provide this Committee with some  
18 background information on how the Liquor Code  
19 treats restaurant liquor licenses and hotel  
20 liquor licenses. We will also raise some points  
21 you may want to consider when considering  
22 HB 1617.

23 When Prohibition ended, the Legislature  
24 created licenses in order to regulate the sale of  
25 alcohol in Pennsylvania. It decided that only

1 certain types of businesses would be allowed to  
2 sell alcohol for on-premise consumption. Two of  
3 the main types of businesses were restaurants and  
4 hotels. The Legislature created definitions for  
5 restaurants and hotels. Basically, a restaurant  
6 was defined as a business that is capable of  
7 selling and serving food to 30 people at one  
8 time. A hotel was defined as a business, which  
9 could sell and serve food to 30 people at one  
10 time and had at least 10 -- if they were in a  
11 city -- or 6 -- in any other municipality --  
12 bedrooms available for rent.

13           Since certain municipalities only allowed  
14 for the sale of beer, rather than beer, wine and  
15 liquor, a beer-only license, or a retail  
16 dispenser, was also created. It's similar to a  
17 restaurant liquor license, except that the  
18 premises can be a little smaller and the holder  
19 can only sell beer. There was no limit to the  
20 number of restaurant, retail dispenser and hotel  
21 licenses that could be issued by the Board. So  
22 the licenses did not have any additional value to  
23 the owner, beyond the fact that they allowed the  
24 owner to sell alcohol.

25           This changed when the Legislature passed

1 Act 358 of 1939, which is referred to as the  
2 Quota Law. The Quota Law prevented the Board  
3 from issuing any additional restaurant or retail  
4 dispenser licenses in a municipality, if the  
5 number of such existing licenses exceed one per  
6 1,000 inhabitants. The Quota Law did not prevent  
7 the Board from issuing additional hotel licenses,  
8 but the requirements for qualifying as a hotel  
9 were tightened. The minimum number of bedrooms  
10 necessary in order to qualify as a hotel were  
11 increased based on the population of the  
12 municipality. So for example, 15 bedrooms were  
13 needed in municipalities with a population of  
14 100,000 or more.

15 In order to protect existing businesses,  
16 existing licensees were grandfathered.  
17 Therefore, if a municipality already had more  
18 than one restaurant license per 1,000  
19 inhabitants, those licenses would be renewed.  
20 Similarly, if a building had been granted a hotel  
21 license under the 19 -- the earlier requirements,  
22 the license would be renewed by the Board, even  
23 if the premises did not meet the new  
24 requirements.

25 If a hotel license holder attempted to

1 transfer the hotel license, however, to a new  
2 location, they had to meet the new requirements.

3 MS. PEIFER: Good morning. Over the  
4 years, the quota on restaurant and retail  
5 dispenser licenses had been tightened to one in  
6 3,000 inhabitants and transformed from a  
7 municipal-based quota to a county-based quota.  
8 The definition of hotels had also become  
9 tightened over the years, so that currently, a  
10 hotel in a municipality of 100,000 or more needs  
11 at least 50 bedrooms.

12 Again, however, existing licensees have  
13 been grandfathered. A consequence of having a  
14 quota on restaurant and retail dispenser licenses  
15 has been that the licenses themselves now have  
16 value, since a person who wants to sell alcohol  
17 at his or her restaurant must buy an existing  
18 license, since the Board cannot typically provide  
19 them with one.

20 Depending on the county, retail licenses  
21 can sell for six figures. Grandfathered hotel  
22 licenses also have value because they allow the  
23 sale of alcohol by someone who has less bedrooms  
24 than what the Liquor Code currently requires.  
25 The value of these grandfathered licenses



1 increased when the legislature allowed some of  
2 them to continue to operate without having to  
3 make any bedrooms available. Their value,  
4 however, is limited by the fact that these  
5 licenses cannot be transferred to a new location.

6 we would estimate that we have  
7 approximately 561 grandfathered hotel licenses,  
8 of which, 261 no longer need to make bedrooms  
9 available. HB 1617 would allow the holder of  
10 some grandfathered hotel licenses to apply to  
11 convert the hotel license to a restaurant  
12 license. It is not in our place to say whether  
13 this is a good idea or a bad idea. As an agency,  
14 however, we would simply ask that the Legislature  
15 simply provide clear guidance as to what the  
16 Board is to do.

17 That being said, here are some things you  
18 may wish to consider.

19 MR. DIAZ: The language of the bill  
20 imposes an upfront fee of \$25,000 to convert a  
21 license, and further fee if the license is  
22 transferred within five years of the conversion.  
23 The second fee is based on the transactional cost  
24 of the transfer. It is unclear to us -- who are  
25 going to have to bill these people for the fee --

1 what is meant by transactional cost.

2 For example, are we to consider the cost  
3 of the building, if the building is involved,  
4 business goodwill, inventory? And these are  
5 things, when we see transactions, we look at the  
6 financials. And these are all things that are  
7 part of a transaction, some or all, typically.  
8 Because of these other factors, and because cost  
9 attribution can be manipulated by a savvy  
10 licensee, you might want to consider just having  
11 a flat fee on a subsequent transfer. That would  
12 be clearer for everybody.

13 There are two groups of grandfathered  
14 hotels that are, or were, eligible to ask the  
15 Board to be exempt from the bedroom requirement.  
16 It appears that only hotel licenses that were  
17 issued prior to 1949 and were granted room  
18 exemptions by the Board will be eligible to  
19 convert their hotel licenses into restaurant  
20 liquor licenses. Those that were granted room  
21 exemptions, but whose licenses were issued after  
22 1949, and those whose licenses were granted prior  
23 to 1949, but did not receive a room exemption  
24 prior to January 1, 2019 will not be eligible.

25 We mentioned this now because we will be

1 getting calls later.

2 MAJORITY CHAIRMAN PYLE: That happens to  
3 a lot of us.

4 MR. DIAZ: Yeah. And so we just -- we  
5 bring it up, so there's no surprises. If that's  
6 what you all want to do, that's great. But  
7 understand, there's going to be these two other  
8 groups who may think, when they hear about it,  
9 hey, I get to do this, and they may not be  
10 eligible.

11 And the last thing that caught our  
12 attention, typically, when a restaurant liquor  
13 license transfers into a municipality or when a  
14 new restaurant liquor license is applied for  
15 within a municipality, the applicant must ask the  
16 municipality for permission, if the number of  
17 existing restaurants and retail dispenser  
18 licenses equals or exceeds one license per 3,000  
19 inhabitants.

20 And that's an old vestige. When you all  
21 went from municipality-based quota to a  
22 county-based quota, there was this concern.  
23 Every municipality thought that every license was  
24 going to go, in the county, was going to go into  
25 their municipality because their municipality was

1 the place to be. So they left that -- they left  
2 that provision in there that basically said, if  
3 you went beyond the old municipal quota, you had  
4 to ask the municipality for permission. This  
5 bill is silent on the issue. So we're not sure,  
6 when we get these, whether we're supposed to tell  
7 the applicant, hey, you need to attach the  
8 municipal approval.

9 we don't have an opinion, but you should  
10 probably say it one way or another, or it's going  
11 to end up getting litigated. We appreciate this  
12 opportunity to speak with you and are happy to  
13 answer any questions you may have.

14 MAJORITY CHAIRMAN PYLE: All right.  
15 Looking for questions.

16 Representative Wheeland.

17 REPRESENTATIVE WHEELAND: Thank you,  
18 Chairman.

19 Holder of an H license, do they have the  
20 ability to put it in safekeeping?

21 MR. DIAZ: H licenses can be put in  
22 safekeeping, just like an R, which means they're  
23 subject to the same rules. You can do it for two  
24 years without having to pay an additional fee.  
25 Once you're in there for more than two years,

1 there is a fee of either \$5,000 or 10,000,  
2 depending on the county you're in. And every  
3 year after that, the fee doubles.

4 So this -- the Liquor Code has been set  
5 up to give people incentives to not leave it  
6 there for too long.

7 REPRESENTATIVE WHEELAND: Okay. And how  
8 many -- currently, how many H licenses are in  
9 safekeeping?

10 MS. PEIFER: Give me one second.

11 REPRESENTATIVE WHEELAND: Okay.

12 Just as a sidenote, D licenses,  
13 distributor licenses, safekeeping, is it the  
14 same, the cost?

15 MR. DIAZ: Yes. The only ones that are  
16 different are club licenses.

17 REPRESENTATIVE WHEELAND: Okay.

18 MR. DIAZ: They can stay in for two  
19 years, and then that's the end of it. They can't  
20 stay beyond two years. There's no fee they can  
21 pay. The license dies.

22 REPRESENTATIVE WHEELAND: But a D  
23 license, you can keep in safekeeping.

24 MR. DIAZ: Every one but -- all the other  
25 ones.

1           REPRESENTATIVE WHEELAND: Same fee  
2 schedule?

3           MR. DIAZ: Same fee schedule.

4           REPRESENTATIVE WHEELAND: Okay.

5           MS. PEIFER: Currently, there's 59 hotel  
6 licenses in safekeeping. Out of 1,227 total  
7 hotels, 59 of them are in safekeeping.

8           REPRESENTATIVE WHEELAND: Okay. Thank  
9 you.

10          REPRESENTATIVE PYLE: We're going to go  
11 to Representative Jozwiak next.

12          REPRESENTATIVE JOZWIAK: Thank you,  
13 Mr. Chairman.

14           Thank you both for your testimony. I'm  
15 looking at your three recommendations, and I  
16 think they're all reasonable. Since this is an  
17 informational hearing, I would recommend to the  
18 maker of our -- of this bill that we discuss this  
19 within our Committee and make your appropriate  
20 amendments to the bill, so that we have clear  
21 direction of where we go in the future.

22           Thank you, Mr. Chairman.

23          REPRESENTATIVE PYLE: Thank you,  
24 Representative Jozwiak.

25           Representative Staats, who is the prime

1 sponsor.

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

4 Regarding the old liquor license, or the  
5 old H licenses in Pennsylvania, how many did you  
6 say that were out there?

7 MS. PEIFER: 561 are currently  
8 grandfathered out of the 1,227.

9 REPRESENTATIVE STAATS: Okay. That's a  
10 different number than what we have. I have 350.

11 MS. PEIFER: Those are the ones that have  
12 applied for the exemptions, I believe. But  
13 according to the records, there's 561  
14 grandfathered hotels issued prior to 1949.

15 REPRESENTATIVE STAATS: Okay. Thank you.  
16 And yes, as Representative Jozwiak stated, and as  
17 the Chairman alluded to earlier, that's why we do  
18 these hearings, to air things out. I agree, you  
19 brought up some very reasonable suggestions, and  
20 we'll take it back and consider amending those  
21 into the bill.

22 Thank you.

23 MAJORITY CHAIRMAN PYLE: How enlightened  
24 of you, Representative Staats. That's awesome.

25 We are joined, a little bit late, by

1 Representative Malagari from Montgomery County.  
2 Thanks for being here.

3 Next up, we're going to go a little bit  
4 out of order -- thank you, Mr. Diaz, Ms. Peifer.  
5 I'm sure we'll be talking again very soon.

6 We're going to go a little bit out of  
7 order here. I see we have Mr. Tom Tyler, who is  
8 the vice president of the Taverns Association.

9 Mr. Biacchi, do you have a name thing for  
10 him.

11 UNIDENTIFIED SPEAKER: I'm Mr. Biacchi's  
12 assistant today. There you go.

13 MAJORITY CHAIRMAN PYLE: Mr. Biacchi,  
14 you're choosing your assistants much better these  
15 days. Well done.

16 How are you doing, Mr. Tyler?

17 MR. TYLER: Doing well, Chairman. Thank  
18 you.

19 MAJORITY CHAIRMAN PYLE: There you go.  
20 The floor is yours, whenever you want to go.

21 MR. TYLER: I think the last time this  
22 wasn't on. And being a newbie, I wasn't used to  
23 it, so --

24 MAJORITY CHAIRMAN PYLE: You're good. We  
25 hear you. My hearing is horrible, and I hear you



1 just fine.

2 MR. TYLER: Chairman Pyle, members of the  
3 Committee, good morning. My name is Tom Tyler.  
4 I am the vice president of the Pennsylvania  
5 Licensed Beverage and Tavern Association.

6 As you know, from when I testified in  
7 April on another topic, I am also the owner of  
8 McStew's Irish Pub, which is located just north  
9 of here in bucks County. It's an independent  
10 family-run restaurant.

11 Let me first begin by thanking all of you  
12 for inviting the Association to testify today  
13 about HB 1617. The bill, obviously, would allow  
14 some H licenses to convert to an R liquor  
15 license. We appreciate the opportunity, once  
16 again, to be here to share our thoughts.

17 The Tavern Association represents more  
18 than 500 small business taverns, pubs,  
19 restaurants across the State of Pennsylvania. In  
20 a nutshell, our membership is primarily the small  
21 business R and H licenses, which are often  
22 family-operated establishments, like mine. We  
23 are hometown bars, taverns, pubs, restaurants.

24 Our average member has about 17  
25 employees, serves about 4,300 patrons monthly,

1 and has nearly 98 seats and barstools within  
2 their establishments. Food sales account for  
3 about 67 percent of their business, while adult  
4 beverages account for 33 percent of their sales.

5 We are not your chain restaurants that  
6 make millions and are accountable -- not  
7 accountable to any shareholders. Instead, we are  
8 your neighbors, trying to make a comfortable  
9 living for ourselves and our family and our  
10 communities. Since we have both H and R licenses  
11 within our membership, we are very interested in  
12 making sure this bill is done right, to avoid any  
13 unintended consequences.

14 H licenses currently have certain  
15 limitations and requirements that make them  
16 different than an R license. Because of these  
17 differences, the cost of an H license is often  
18 less than an R license. In addition, since  
19 Act 39, H license prices have remained stable,  
20 while R license values, in many of the locations  
21 across the State, have risen. As a result of  
22 changes made in Act 39, an R license is now much  
23 more valuable.

24 In part, this is the reason we are here  
25 today. There are some that will argue that the

1 price of an R license has made it difficult for  
2 new players to get into the business,  
3 particularly due to R license quotas. To some  
4 degree, R licenses are like a stock on the New  
5 York Stock Exchange. Value increases with supply  
6 and demand.

7 We ask you to take a closer look at the  
8 history of these licenses. With the creation of  
9 the Pennsylvania Liquor Control Board,  
10 Pennsylvania lawmakers created quotas to restrict  
11 the number of R licenses that could be issued in  
12 any given municipality. The rule was pretty  
13 simple; one license per 3,000 citizens for that  
14 municipality.

15 Throughout the last century, R licenses  
16 could only be moved within the municipality in  
17 which it originated. Not too long ago, changes  
18 were made to allow R licenses to be transferred  
19 to other municipalities within the same county,  
20 in which they are originated. This change helped  
21 address issues related to population shifts  
22 within the county and had an effect upon the  
23 market value of R licenses.

24 Municipalities that had grown since the  
25 start of the quota system could now increase the

1 number of R licenses, assuming their local  
2 governments would agree to it. Unlike R  
3 licenses, there are no quotas on an H license.  
4 The Pennsylvania Liquor Control Board will issue  
5 an H license to hotels that meet the minimum room  
6 requirements, assuming that the hotel is located  
7 in a wet municipality. H Licensees must have  
8 rooms available for public accommodations on the  
9 licensed locations.

10 In 2006, the General Assembly made  
11 temporary changes to the hotel provisions of the  
12 Liquor Code. And under this change, certain H  
13 licensees could apply for a public accommodation  
14 room waiver. H license owners who did this were  
15 able to become restaurants, but their licenses  
16 remained listed as an H license. In 2007, the  
17 General Assembly again opened a short-term window  
18 of opportunity to allow H licensees -- to allow  
19 room waivers.

20 However, licensees were not permitted  
21 to convert former rooms into restaurant space.  
22 While an H license could move to a new location  
23 within the county, room waivers cannot and must  
24 remain at the location for which the license was  
25 issued. Basically, to say that in a different

1 way, if an H license with a room waiver is  
2 transferred, the room waiver is not portable. HB  
3 1617 would fix that by allowing these H licenses  
4 to become R licenses with the same rights as an  
5 R license.

6 However, this is also where we need to  
7 exercise caution. We urge the Committee to move  
8 carefully to avoid devaluing the investment that  
9 current R license owners have made in purchasing  
10 their licenses. This is particularly important  
11 now that HB 1524 has passed and would allow up to  
12 75 R licenses to be transferred into any county  
13 for a tourist development project. We certainly  
14 want to avoid a huge and sudden increase in any  
15 county. It would devastate the value of the R  
16 license.

17 In May, the Tavern's Association board  
18 meeting, we met with representatives of the  
19 Pennsylvania Restaurant and Lodging Association  
20 regarding this bill. We agreed to work with the  
21 PRLA to help certain H license owners, as well as  
22 to address concerns related to quotas. As the  
23 PRLA is aware, we cannot support this bill as  
24 written, unless two areas are addressed.

25 First, we have a concern over the

1 following language: an application to transfer a  
2 restaurant license that was converted from a  
3 hotel license under this clause, in accordance  
4 with section 404, within five years after the  
5 Board received the application for the restaurant  
6 license shall be subject to a fee of 25 percent  
7 or \$25,000, whichever is greater, of the  
8 transactional cost for the transfer of the  
9 restaurant license.

10 It would be possible for a former H  
11 license owner to convert to an R license,  
12 instantly see a huge increase in the value of  
13 that license, and then sell quickly to make a  
14 significant profit, even with the penalty. We  
15 don't believe that should be the intent of the  
16 bill. We also believe this could cause  
17 unintended consequences in the marketplace.

18 We would prefer -- and have proposed -- a  
19 sliding scale that decreases with time after  
20 conversion in the event of a license transfer  
21 within five years. We suggest that if a sale is  
22 made within the first year, that a fee is 90% of  
23 the transactional cost for the transfer of the  
24 restaurant license. That scale would decrease by  
25 20 percent each year until five years has passed.

1           So in other words, year two would be 70  
2 percent, year three, 50, year four, 30 percent,  
3 and year five would be 10. After that, no  
4 penalty.

5           The second area that the Tavern  
6 Association would ask you to address is the  
7 initial fee of \$25,000. The figure seems  
8 arbitrary and was questioned in our discussions  
9 with the PRLA. We suggest that the initial fee  
10 should take into consideration the marketplace  
11 value of R licenses, compared to H licenses.

12           with those changes, the Pennsylvania  
13 Licensed Beverage and Tavern Association could  
14 support HB 1617, pending a review of other  
15 possible amendments that we're not aware of at  
16 this time. We raise these concerns because R  
17 license owners have experienced too many  
18 unintended consequences in recent years as a  
19 result of Act 39. Now is not the time to jump  
20 into any change affecting licenses and the value  
21 of current licenses, without fully knowing how it  
22 will impact the marketplace and current licenses.  
23 You heard me say in April, the Tavern Association  
24 supports a level playing field. That level  
25 playing field has slowly eroded with time. And

1       frankly, it has not existed for small business  
2       taverns, pubs, and bars since Act 39 went into  
3       effect and created advantages for several new  
4       types of licenses.

5               Like many tavern owners, I made an  
6       investment into the license many years ago  
7       because the license came with certain exclusive  
8       ownership rights. This investment was made for  
9       my future and the future of my family, much like  
10      a retirement investment. With hard work over the  
11      years of my ownership, my hope was that the value  
12      of my license would, in fact, increase. I had  
13      planned on it helping me later in life with  
14      retirement.

15             I'm no different in these regards when  
16      compared to thousands of other R license owners.  
17      Many of us took out loans to get into the  
18      business. I am one of them. That was the price  
19      to pay to get into the business. It's not for  
20      everyone. Every one of us, like every  
21      businessman or woman, hoped that the value of  
22      their license would increase over decades of  
23      work. And in fact, like me, many still use their  
24      R license as part of retirement investment  
25      planning.



1           You'll recall, earlier this year, that I  
2 testified that an unintended consequence of  
3 Act 39 was a drop in six-packs to go. For the 12  
4 months prior to Act 39, in August of 2016, I had  
5 take-out sales that were \$652,500. In two short  
6 years, those sales fell more than \$125,000, and  
7 it only continues to get worse. Losing the  
8 exclusive right to sell six-packs to go, that  
9 once was promised to the State R license holders,  
10 devalued my business and thus my license.

11           Please leave no doubt that losing that  
12 business has caused a huge pothole that I  
13 continually try to fill. So I ask, please don't  
14 do anything more that will further devalue my  
15 license. Move cautiously and take a careful look  
16 at potential unintended consequences.

17           With HB 1524 passing and allowing up to  
18 75 R licenses to move into a county for tourism  
19 reasons, and with amendments to HB 1617, there  
20 will be plenty of opportunities in upcoming years  
21 for those wishing to enter the business. If  
22 anything, I ask you to please help us address  
23 business-related problems that Act 39 has caused,  
24 such as delays in beer deliveries, fewer delivery  
25 date options.

1           In a January 2019 statewide survey by the  
2 Association, nearly 35 percent say they've run  
3 out of certain malt beverages and had to wait for  
4 a delivery. It shouldn't be surprising,  
5 considering that Act 39 significantly increased  
6 retail operations for six-packs and singles to  
7 go. The solution that we propose to address this  
8 is to allow tavern owners the right to pick up  
9 their own malt beverages when they are between  
10 delivery dates from a distributor and run out of  
11 supplies.

12           I do want to thank you for the  
13 opportunity to testify today. I'll end by  
14 encouraging all of you to visit one of our  
15 State's many fine taverns, pubs, bars, or  
16 restaurants, to enjoy a meal and drink with  
17 friends and/or family in the upcoming weeks. If  
18 you have any questions, our executive director,  
19 Chuck Moran, and I will be happy to provide my  
20 thoughts on anything afterwards.

21           Thank you.

22           MAJORITY CHAIRMAN PYLE: Thank you,  
23 Mr. Tyler. I think, you know, we've had this  
24 talk before back in April.

25           This Committee is always willing to

1 listen to what we can do to make a better animal.  
2 what none of us can do is go back in time. We  
3 can't change Act 39. It is the law, duly voted  
4 on by House and Senate and signed by the  
5 Governor. If there are changes within Act 39, it  
6 would have to birth as a separate bill. That's  
7 where we're always willing to listen.

8 I mean, as far as the beer deliveries,  
9 we're already banging that out. That is a bill  
10 in the making right now. Another one is allowing  
11 you to go get it yourself, which you brought up  
12 to us in April, and we're still working on.

13 I believe Representative wheeland had a  
14 question.

15 REPRESENTATIVE WHEELAND: Thank you,  
16 Mr. Chairman. And thank you, Mr. Tyler, for your  
17 testimony. I couldn't agree more. It's always  
18 amazed me where on-premise licensees have to go  
19 pick up their liquor and wine, but yet they can't  
20 go pick up their beer. I used to be in the beer  
21 business and I still don't understand it. I grew  
22 up in the beer business, and I still don't  
23 understand it.

24 So as Chairman Pyle pointed out, we're  
25 going to move on that and get that rectified.

1 MR. TYLER: Thank you.

2 REPRESENTATIVE WHEELAND: Would you --  
3 would it be accurate to say that some counties  
4 are overburdened with R licenses because of the  
5 quota, because of the population shifts? And  
6 then some counties, I mean, my goodness, you  
7 can't pick up an R license. It's almost  
8 impossible, unless you're a multimillionaire.

9 Is that safe to say, that there is still  
10 an imbalance across the State.

11 MR. TYLER: In the value of the license  
12 based on location?

13 REPRESENTATIVE WHEELAND: Well,  
14 availability, value.

15 MR. TYLER: Well, I think it's all driven  
16 -- yes, I think that's a fair statement.

17 REPRESENTATIVE WHEELAND: And so there's  
18 definitely an inequity as far as what one segment  
19 of our population in the Commonwealth has  
20 available to them. And again, that's what we  
21 have to look at. We have to look at the, you  
22 know, all 12 -- 12.5 million people, you know,  
23 not only our own constituents.

24 So you would agree that there's a lot of  
25 inequities, as far as the number of licensees per

1 county? Because of population shifts, census  
2 quota morphed since the lifting of prohibition.

3 MR. TYLER: You want to use the term  
4 inequities. I -- I just -- I don't know if  
5 they're inequities. I think it's a natural  
6 effect of supply and demand and population and  
7 locations and --

8 REPRESENTATIVE WHEELAND: But the  
9 population shift has certainly skewed what the  
10 original intent was.

11 MR. TYLER: That may be true.

12 REPRESENTATIVE WHEELAND: So I guess my  
13 question then, would you be in favor of these  
14 hotel licenses, perhaps, to be transferable  
15 within the State, not within the county, but let  
16 them move across the State and maybe fill in some  
17 of those gaps where there is a shortage?

18 MR. TYLER: I don't know that I can  
19 answer that sitting here today.

20 REPRESENTATIVE WHEELAND: Get back to us.

21 MR. TYLER: Yep. We can have --

22 REPRESENTATIVE WHEELAND: We can discuss  
23 it with members. Because, again, we have to look  
24 at the, you know, the big picture -- thank you,  
25 Mr. Chairman -- you know, we have to look at the

1 residents and also our constituents and R license  
2 holders. So we have to balance the two. But I  
3 do know, coming from the industry, that there's a  
4 lot of -- a lot of issues regarding lack of  
5 licenses, and in some cases, way too many  
6 licenses in a particular county.

7 So I look forward to your response to our  
8 Committee on that when you get it together,  
9 because I really would like to fix that and help  
10 the folks.

11 MR. TYLER: We will do that and get back  
12 to you.

13 REPRESENTATIVE WHEELAND: Okay. Please.  
14 Thank you.

15 MAJORITY CHAIRMAN PYLE: Representative  
16 Malagari had a question.

17 REPRESENTATIVE MALAGARI: Thank you,  
18 Mr. Chairman.

19 And thank you, Mr. Tyler, for your  
20 testimony. I really do appreciate it. And thank  
21 you to the previous individuals, as well, who  
22 have testified.

23 Having worked in this industry, most  
24 people at this table already know my history, but  
25 having been an on-premise sales rep before, for a

1 wholesaler, one which you probably use right now,  
2 there are customers that I had when I was working  
3 in the industry that were H license holders. And  
4 these particular H license holders would always  
5 tell me that while they could still sell  
6 products, they still had to maintain these rooms.  
7 And a lot of the times, they were stuck in their  
8 business.

9 If they wanted to sell, there was no  
10 market, really, for them to sell because the  
11 license, for them, had to stay where it was at,  
12 unfortunately, for them. However, a lot of the  
13 individuals that I did talk to said, if there was  
14 an opportunity for us to be able to increase the  
15 value of our license in some way, shape or form  
16 that they would be all over it and make  
17 investments in their business again.

18 So by increasing the equity of their  
19 business -- and these are your members, as well  
20 -- by increasing the equity of the business  
21 through the license change, it would allow them  
22 to make those improvements in the buildings that  
23 they currently inhabit. A lot of the towns that  
24 I represent -- and the ones that I serviced  
25 before -- are in old railroad towns. These are

1 very old buildings.

2 And I know Representative Staats and I  
3 talked about this, as well. A lot of these  
4 hotels are very old. And I can only believe that  
5 those particular business owners would want to  
6 make those investments in the current business  
7 that they currently have, rather than really  
8 vacate it really quickly, as some may have  
9 thought.

10 Do you feel that your own members, who  
11 are the H license holders, would benefit very  
12 well from being able to be an R license, increase  
13 that equity, and make those improvements in their  
14 business?

15 MR. TYLER: I believe that part of that  
16 could be true. It's just a concern that the  
17 choice was to buy an H license originally, to buy  
18 that hotel, enter the business, and now convert  
19 it into something that I spent quite a bit of six  
20 figures to purchase. All right. So I think  
21 there's a part of that, but we're just trying to  
22 protect the licensee, like myself, who did make  
23 that investment, who made the choice to purchase  
24 an R license at the time that I did.

25 And it's -- I spent this money 12 years



1 ago, not yesterday. So I found a way to enter  
2 into the business, and I made that choice because  
3 the value of the R was more -- had more value to  
4 me. An H license, although it could serve -- and  
5 we have some in our area -- it -- I knew it had  
6 no future value at the time. So I made the  
7 decision to enter into that, buying that R  
8 license.

9 REPRESENTATIVE MALAGARI: Mr. Chairman, I  
10 just have a follow-up.

11 I will give you one more scenario. So  
12 some of these H licensees currently are part of  
13 families that have been in the business for  
14 multiple generations, so they really didn't make  
15 that necessary choice to enter into the business  
16 by having to purchase an R license. They were  
17 through the family lineage that they entered into  
18 the business. So it really wasn't their choice  
19 to have that H.

20 So I guess I would ask the question of,  
21 for those individuals who are in that business,  
22 as well, would it be proper or appropriate for  
23 them to want to increase their equity through  
24 this means, as well?

25 MR. TYLER: Yes. And I think I reflected

1 that. We can support the bill, just not as it's  
2 currently constructed. We -- we had our board  
3 meeting in May, involved members from the, you  
4 know, PRLA, in which we had these discussions  
5 about how we could support it because we  
6 recognize that we have H licenses within our  
7 membership. And they have R licenses within  
8 their membership. So we have a lot in common in  
9 that way.

10 It's just, again, protecting the value of  
11 the license.

12 REPRESENTATIVE MALAGARI: And one last  
13 thing. With those individuals, they're fighting  
14 the same battle, I would say, that many of the Rs  
15 are right now, that are going up against maybe  
16 some of the larger grocery chains, where they  
17 have moved in and taken a lot of that take-out  
18 business from them. So in my own opinion, I  
19 think that having them be able to increase that  
20 equity is a good thing.

21 And also, in the dense southeast where  
22 we're talking -- where we are now, especially  
23 within the city, but this would be for outside of  
24 the city, that competition is steep. And I can  
25 think of one of my former customers, actually,

1 who I don't even represent, but they're getting a  
2 new chain restaurant opening up in front of them,  
3 a big chain name that will take away even more  
4 business from them, maybe it will attract more  
5 through residual overflow. That you don't know.  
6 I don't have a crystal ball.

7 But what I do know is that any kind of  
8 help for these businesses would, I think overall,  
9 help the entire marketplace and help the local  
10 economies that they are in. So with the changes  
11 that you asked for, and with the previous  
12 changes, as well, I think it's -- these are fair  
13 requests to consider and discuss.

14 MR. TYLER: Thank you.

15 MAJORITY CHAIRMAN PYLE: I've been remiss  
16 in announcing that two more members have joined  
17 us, Mr. Tobash of Schuylkill, and Mr. Ryan of  
18 Lebanon, who will be our next questioner.

19 MR. TOBASH: If it's okay. Mr. Chair, I  
20 will join my colleague at the children's table.

21 MAJORITY CHAIRMAN PYLE: Hey, it took me  
22 53 years to get off the little table, Tobash.

23 REPRESENTATIVE RYAN: I feel like I'm at  
24 the Ryan family Thanksgiving dinner, where I  
25 still can't get at the big boy table. It's where

1 they put us elderly people.

2 I just have a couple -- first of all,  
3 thank you for your testimony. I just have a  
4 couple of questions. In my experience -- I don't  
5 have a lot of experience in this industry. Is  
6 the expectation when you buy the license that  
7 it's providing you a right in perpetuity in the  
8 industry?

9 It seems like, as I've worked in a lot of  
10 other industries, like in New York City with the  
11 cabs, they have the medallions. And then with  
12 the advent of Uber, it changed the value of the  
13 licensing significantly. New York Stock  
14 Exchange, the stock market seat, that changed  
15 significantly with electronic fund transfers and  
16 electronic trading, and the values of the seats  
17 or the medallions went up and down.

18 And the question I have for you is, is  
19 the discussion that we're having now more of a  
20 matter of the fact that the State is interfering  
21 with markets to begin with, which has created an  
22 environment where an R or an H license even have  
23 value to begin with, but it really goes back to  
24 the basic question of, when you buy the license,  
25 is your industry of the perspective that it's a

1 license in perpetuity?

2 MR. TYLER: I don't know -- I would  
3 imagine that's -- when I bought -- I can only  
4 speak for myself at this point. When I bought  
5 the license, I thought I would be operating the  
6 business. That it would ultimately go -- my  
7 children came in to the business and began to  
8 actually operate, and my wife and I were going to  
9 step aside. That was their next part of it, and  
10 they would have the ability to operate the  
11 business under an R license.

12 REPRESENTATIVE RYAN: Okay.

13 MR. TYLER: And did not contemplate the  
14 type of changes that would come in to affect the  
15 R license. We were going to operate a restaurant  
16 and pub and continue to operate a business in  
17 that fashion. I guess I did not anticipate or  
18 expect that there would be changes legislatively  
19 that would affect me. And maybe that's my fault,  
20 but I didn't think it to that degree.

21 Did I expect that laws can change? Yes.  
22 But to the degree that they have had an adverse  
23 effect on my business, no, I didn't anticipate  
24 that.

25 REPRESENTATIVE RYAN: And Mr. Chairman,

1 just one follow-up question.

2 In the discussions I've had with people  
3 in the district that have raised similar  
4 questions that you have, I guess what I'm  
5 concerned about is what representations were made  
6 to you when you bought, because I'm beginning to  
7 see that that was an issue, that the license had,  
8 you know, a greater potential in perpetuity  
9 valuation than it does. And I'm wondering if,  
10 perhaps, there needs to be greater clarity on our  
11 end in addition to this legislation, which I  
12 support.

13 Does there need to be greater clarity to  
14 people explaining to them what the real value is  
15 and how long that could be expected to remain?  
16 And then the second issue, with the changing  
17 market conditions, how does all of this affect  
18 the consumer? Is the consumer either favorably  
19 or unfavorably affected by all of this?

20 MR. TYLER: The consumer, with regards to  
21 to-go sale, you probably would say that they are  
22 positively impacted.

23 REPRESENTATIVE RYAN: Okay.

24 MR. TYLER: The -- there's no question  
25 that they're going to, you know, they're affected

1 positively, but I think the ultimate point of  
2 that is also, with the creation of some other  
3 types of organizations that has provided other  
4 outlets for the consumer. And I guess you're  
5 right, that when we invested in an R license, we  
6 believed that we were going to have an  
7 opportunity to continue with a privilege to serve  
8 through the R license.

9 REPRESENTATIVE RYAN: Sure.

10 MR. TYLER: But I believe that any time  
11 you provide options, obviously, that can be a  
12 better thing. But there are some consequences to  
13 that, to the people that are in the business  
14 already. And if that -- you know, that just is a  
15 part that, if it's something that's forgotten, I  
16 think, is wrong.

17 REPRESENTATIVE RYAN: I'm very empathetic  
18 to what you're talking about, and I appreciate  
19 the testimony. I'm just getting more and more  
20 background information, so thank you so much.

21 Mr. Chairman, thank you.

22 MAJORITY CHAIRMAN PYLE: Thank you,  
23 Representative Ryan.

24 The Chair recognizes Representative  
25 Gaydos.

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

3           To follow up on Representative Ryan's  
4 questioning, couldn't one say that Act 39 also  
5 changed the laws of the expectations that the  
6 people with the H licenses had in the first  
7 place?

8           MR. TYLER: Act 39 changed the  
9 expectations of --

10          REPRESENTATIVE GAYDOS: So initially, the  
11 folks that bought the hotel licenses ages ago,  
12 generations ago, couldn't one say that the laws  
13 that were made over the last century have changed  
14 those expectations, as well?

15          MR. TYLER: I guess you could say that.  
16 I don't know that I'm as much of an expert to  
17 comment on that, that side of it.

18          REPRESENTATIVE GAYDOS: And that's  
19 concerning to me. I think Representative Ryan,  
20 you know, mentioned about, you know, government  
21 interfering and changing the landscape on  
22 business. And I'm certainly, you know,  
23 empathetic to that as a business owner myself,  
24 that the last thing we want is government to be  
25 changing rules.



1           But wouldn't this be restoring some  
2 things back to some of the licensees that had the  
3 rug pulled out from under them?

4           MR. TYLER: Again, we can support the  
5 bill. We didn't say we couldn't support the  
6 bill. We just -- we want it to be done in a way  
7 that minimizes any effect to the R license.

8           REPRESENTATIVE GAYDOS: I understand.  
9 And I guess from an economic development  
10 standpoint, the information that we heard from  
11 the previous testifier said that -- and I don't  
12 know whether it was 261 H licenses, that they  
13 don't have bedrooms now, but yet they're  
14 prohibited, if I understood correctly, they're  
15 prohibited from turning those bedroom spaces into  
16 restaurant space; is that correct.

17          MR. TYLER: I believe that's correct.

18          REPRESENTATIVE GAYDOS: So from an  
19 economic development standpoint, you know, here  
20 we've got these folks who are operating  
21 restaurants, that they're also prohibited from  
22 turning that into more restaurant space. So it  
23 seems to me that there's -- that we can improve  
24 on this and make this fair to everybody, and we  
25 appreciate your testimony in pointing out some of

1 those things that we can make this better, so it  
2 is more fair for all of the businesses and not  
3 just picking a favorite child. So thank you so  
4 much for your testimony.

5 MR. TYLER: Thank you.

6 MAJORITY CHAIRMAN PYLE: Good point,  
7 Representative Gaydos. Much appreciated.

8 Mr. Tyler, any parting comments?

9 MR. TYLER: No, Chairman. Thank you for  
10 your time.

11 MAJORITY CHAIRMAN PYLE: It's always good  
12 to see you, Mr. Tyler. Good luck to you.

13 Next up today, I believe we have a pinch  
14 hitter, Melissa Bova of the Restaurant  
15 Association. We're supposed to be hearing from  
16 Mick Owens from PRLA, but he is gridlocked in  
17 traffic on the way from Lancaster. So Ms. Bova,  
18 the floor is yours.

19 MS. BOVA: Mick is in the black hole of  
20 the Schuylkill Expressway right now.

21 REPRESENTATIVE PYLE: The "sure kill,"  
22 "the sure kill expressway."

23 MS. BOVA: Right. He gave as much time  
24 as he could, and here we are. So I am pinch  
25 hitting on behalf of Mick and the Pennsylvania

1 Restaurant and Lodging Association.

2 So Chairman Pyle, members of the House  
3 Liquor Control Committee, thank you for allowing  
4 me to testify on behalf of Mick today regarding  
5 HB 1617. I'm going to cover some new things that  
6 we've heard from past testifiers, but also give a  
7 little bit of background as to why PRLA supports  
8 the bill, and why we think it's important for you  
9 to hopefully consider it this fall.

10 At PRLA's fall 2018 Alcohol Service  
11 Committee meeting, the committee had an in-depth  
12 discussion about how the industry has changed  
13 since the passage of Act 39, changes that have  
14 absolutely offered more consumer convenience, but  
15 has also lead to more types of businesses  
16 applying for and using that restaurant liquor  
17 license, such as grocery stores, convenience  
18 stores. And now, I think we have 11 Walmarts  
19 that are getting into the game just recently.

20 The committee determined that if action  
21 is not taken to start making changes and tweaks  
22 to the Liquor Code that reflect this changing  
23 marketplace, independent restaurants would become  
24 obsolete. We created a task force that was  
25 charged with researching and assessing options

1 that would address the current pressures on the  
2 restaurant license in some areas, with the goal  
3 of developing a plan that looks five to 10 years  
4 in the future that protects the R licenses in the  
5 industry and those who want to enter the industry  
6 in the future.

7 we do have some big picture ideas, but we  
8 also know that when it comes to liquor bills  
9 moving, small tweaks are sometimes the way to go,  
10 that open the door to more opportunity. So in  
11 the short term, we determined some tweaks that  
12 would offered the best, we believe, path forward.  
13 There are two major concepts that our committee  
14 really took into consideration, which we outlined  
15 in our testimony.

16 we believe that there are enough liquor  
17 licenses in Pennsylvania. There are 10,000  
18 restaurant licenses alone, but we think that  
19 they're in the wrong place. And I know that  
20 Representative Wheeland already mentioned, some  
21 counties are flooded with them, and other  
22 counties desperately need them. So we believe  
23 that if the licenses are not adjusted to shift to  
24 allow for the changing market, there will be a  
25 push to create a new license, which is our

1       worst-case scenario.

2                 Right now, if you buy an R license, you  
3       have to play by the same rules. So let's find a  
4       way for those that want to get into that and play  
5       by those rules to get into the game and do so.  
6       We believe HB 1617 is a moderate first step to  
7       make changes to the licensee market place. As  
8       was already testified by the PLCB, there are  
9       about 566 grandfathered H licenses, but only 261  
10      applied for the elimination of the room  
11      exemption.

12                 So this bill only currently impacts 261  
13      licenses. The Committee could make a change, as  
14      the LCB mentioned, to increase it to the full  
15      500. But we also are cognizant that there are  
16      entities that are opposed to the bill, and we  
17      didn't want to flood the market either. So  
18      these -- as we said, these licenses existed  
19      before 1949. They're not Marriotts or Hiltons.  
20      I think that's a misconception.

21                 They are buildings that used to, once  
22      upon a time, rent out two or three rooms. And  
23      they've since been grandfathered, and they now  
24      use those rooms primarily for storage. So it's  
25      still part of the licensed premise, but they're

1 no longer operating as a hotel. And as I said,  
2 the legislation does cap it at 261. These hotels  
3 are operating as restaurants. You probably don't  
4 even know that they have an H license in your  
5 community. They look like a restaurant. They  
6 operate like a restaurant.

7 If you see a list, you would be surprised  
8 at entities that you've gone to and thought they  
9 were a restaurant, actually have that H license.  
10 But the problem with these H licenses is if they  
11 want to go out of business or move to another  
12 location, that license has no value. If they  
13 sell, they need to sell the building, because the  
14 license is tied to the building as opposed to an  
15 R license being independent of the location and  
16 that piece of paper having value.

17 A lot of these H licensees are older  
18 buildings, and they're not being maintained  
19 because a lot of these H holders are saying,  
20 there's no value, what's the point in me  
21 continuing to maintain this building when there's  
22 no value attributed to it? HB 1617 would allow  
23 the holder to pay that \$25,000 fee. I will  
24 respond to, I think, a few of the feedback you  
25 heard earlier regarding the fee and also the 25

1 percent or \$25,000.

2 And before I get to that, I just want to  
3 cover a few things. Opponents of the legislation  
4 claim that grocery stores, convenience stores and  
5 big box stores will buy these licenses. And to  
6 be honest, for some of them, that is probably  
7 going to be the case. Some of these people just  
8 want to get out of their business. But another  
9 thing is that these big box grocery stores would  
10 still be buying a license that has always been  
11 operating in that county no matter what. They're  
12 going to find a license or they're going to  
13 create a new license.

14 So they're either buying these H's that  
15 have converted or buying another R. Either way,  
16 they're buying a license that's already  
17 operating. In addition, this allows that holder  
18 of an H license to have some value tied to that  
19 piece of paper, especially in the southeast. And  
20 even in other counties in the west. Westmoreland  
21 County has a shortage of licenses. It gives them  
22 that value.

23 And as I said before, if these slight  
24 changes are not made to free up licenses, grocery  
25 stores, convenience stores and big box stores

1 will find a way to get a new license category.  
2 They will find a way to get in the game. There's  
3 a lot of money at stake for them. So we believe  
4 that this is a modest change to only a maximum of  
5 261 licenses and avoids the possibility of a new  
6 license being created in the future.

7 The marketplace has changed. And PRLA is  
8 cognizant of that, and we recognize that. We are  
9 not going to go back to 15 years ago. We need to  
10 adapt to the market and how it's changing and  
11 make tweaks to reflect the market and how the  
12 marketplace is changing.

13 A few items I just want to suggest. I  
14 know that the PLCB suggested a flat fee and the  
15 taverns suggested a sliding scale regarding that  
16 \$25,000 or 25 percent. Our concern is that if  
17 you're an H license and you're trying to sell,  
18 you might have an entity come in and say, I'll  
19 pay you \$30,000, where the market might dictate  
20 it's worth \$300,000. So that's why we feel that  
21 a sliding scale is dangerous because they're  
22 actually going to get a bargain in the end if  
23 they're going to sell it at that bargain price  
24 just to get out of the business, which is why we  
25 suggested a flat fee of -- a minimum of \$25,000



1 or 25 percent, whatever is greater, but we can  
2 certainly work on that.

3 And also, the \$25,000 fee to buy in, we  
4 are open to that the changing, as well. In  
5 Act 39, there is the opportunity to convert an  
6 Eating Place license to an R license for \$25,000,  
7 which is where we came up with that number.  
8 We're not very creative. So that's where the  
9 \$25,000 came from. And then, to be honest, I  
10 think we're absolutely open to the discussion of  
11 if a municipality is over quota, getting  
12 municipal permission. We are believers in  
13 municipal government approving those types of  
14 licenses, approving the types of businesses that  
15 are going into their community.

16 So we're absolutely open to that  
17 discussion. Just as an aside of the 261, they  
18 are really well spread out around the State of  
19 Pennsylvania. You have about two or three in  
20 most of them. In some counties, you might have  
21 12 or 13. But keep in mind, 566 were eligible  
22 about 11 years ago, and only 261 applied, so I  
23 also don't think you're going to see all 261  
24 apply either, if that is a concern of some of the  
25 opponents of the legislation.

1           we're looking at a max of 261, at the end  
2 of the day, that would choose to do this  
3 conversion. As I said, we're not trying to, you  
4 know, upset the apple cart here. We just think  
5 this is a moderate change that gives value to  
6 something that's always been operating as an R  
7 and frees up the marketplace at least in a way to  
8 let those entities that are going to get into the  
9 game no matter what, get into the game and have  
10 to pay for it.

11           So with that, I'll be happy to take any  
12 questions. Did Mick show up while I've been  
13 talking?

14           MAJORITY CHAIRMAN PYLE: You looking for  
15 that guy in the background that's supposed to be  
16 here, right?

17           MS. BOVA: I'm like, where's the guy to  
18 answer the hard questions?

19           MAJORITY CHAIRMAN PYLE: No. You were a  
20 more than adequate substitute, Ms. Bova. Much,  
21 much appreciated. Any questions from the  
22 Committee?

23           REPRESENTATIVES STAATS: Quick comment.

24           MAJORITY CHAIRMAN PYLE: Quick comment  
25 from Representative Staats.

1           REPRESENTATIVE STAATS: I just want to  
2 say that PRLA's input has been extremely helpful.  
3 I just want to thank you for that. You've been  
4 an important part of this project.

5           MS. BOVA: Thank you.

6           REPRESENTATIVE STAATS: Thank you.

7           MAJORITY CHAIRMAN PYLE: Fantastic.

8           As this is a hearing and not a voting  
9 meeting, we're going to end things a little  
10 differently. I'm going to let Representative  
11 Staats, who is the prime sponsor of 1617, offer  
12 his logic and whatnot behind this bill. I thank  
13 all of the testifiers today. Always good to see  
14 you, Mr. Tyler, Ms. Bova, Mr. Diaz, Ms. Peifer.  
15 Much appreciated.

16           Take it away, Representative Staats.

17           REPRESENTATIVE STAATS: You got it.

18           well, good morning again. And thank you,  
19 Chairman Pyle. And thank you members of the  
20 House Liquor Control Committee for the  
21 opportunity today to testify on HB 1617. Again,  
22 this bill simply look to free up 261 hotel liquor  
23 licenses. And again, these are the old ones,  
24 prior to 1949. When these licenses were first  
25 established, they were required to maintain a

1 minimal number of hotel rooms, as we heard  
2 earlier, some as few as six, based on the  
3 population of the municipality. This requirement  
4 was grandfathered in as population grew. Over  
5 time, we have witnessed the growth and expansion  
6 of the hotel and lodging industry, which today is  
7 dominated by large chain hotels.

8 This evolution has left Pennsylvania  
9 small hotels to survive largely on the restaurant  
10 and beverage business, essentially, acting as a  
11 restaurant licensee. While more recent law  
12 eliminated the room requirement for hotel  
13 licenses issued before 1949, essentially  
14 permitting these hotel licensees to act as a  
15 restaurant liquor licensee, the owners of these H  
16 licenses are still not permitted to transfer  
17 their licenses as R license holders do, to  
18 another location or to a buyer who would move it  
19 elsewhere.

20 Requirements have remained in place to  
21 tie these old hotel licenses to their current  
22 location. Some of us may have constituents with  
23 old H licenses that are unable to sell because  
24 the license cannot be separated from the license  
25 location. This is a unique hardship that,

1 according to the Pennsylvania Liquor Control  
2 Board, affects about 261 licenses throughout  
3 Pennsylvania.

4 My legislation would allow holders of H  
5 licenses issued before 1949 to convert them to R  
6 licenses, which would enable them to be moved to  
7 another location in the county. Under HB 1617,  
8 these hotel licensees would have two years from  
9 the time this bill becomes law to apply to the  
10 PLCB for conversion of their H license to an R  
11 license. For this to occur, the applicant must  
12 be in good standing with the PLCB and pay a  
13 licensing fee of \$25,000.

14 If the license is transferred within five  
15 years of being converted to an R license, the  
16 transferor shall be subject to a fee, the greater  
17 of 25 percent or \$25,000 of the cost of the  
18 transfer transaction. Now, Philadelphia is well  
19 over the established quota for all classes of  
20 liquor licenses and is therefore not included in  
21 this legislation. However, some counties in  
22 Pennsylvania are deficient in the number of  
23 available R licenses.

24 My legislation would allow owners of the  
25 old hotel licenses to unburden themselves of a

1       liquor license they may no longer want, while  
2       providing opportunities for additional licenses  
3       where they are needed. I believe my bill would  
4       further modernize Pennsylvania's liquor laws and  
5       provide for more productive use of these licenses  
6       in areas of the Commonwealth in need of economic  
7       development and growth.

8               So with that said, thank you again,  
9       Mr. Chairman. Thank you members of this  
10       Committee. And most of all, thank you for those  
11       that came and provided testimony today. Thank  
12       you.

13               MAJORITY CHAIRMAN PYLE: Any questions  
14       for Representative Staats from the panel? No?  
15       Well, that's a wrap. Very, very many thanks on  
16       behalf of the Committee to the City of  
17       Philadelphia for being such great hosts. We  
18       appreciate the Independence and Liberty Bell  
19       Center here hosting this meeting. That's a wrap.  
20       We will see you in Uniontown in August.

21               Thank you.

22               (Hearing concluded at 11:03 a.m.)  
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C E R T I F I C A T E

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

*Tiffany L. Mast*

Tiffany L. Mast, Reporter

Notary Public

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