



**Statement of the Pennsylvania Federation of Fraternal and Social Organizations on
Act 39 Legislation
Presented to the Senate Law and Justice Committee by
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Good morning. Chairman Stefano, Chairman Brewster, distinguished members of the Senate Law and Justice Committee, I would like to thank you for the opportunity to present testimony today on the bills before us today, which seek to update Act 39 of 2016, and further modernize the delivery of alcoholic beverages in the Commonwealth.

By way of background, the Pennsylvania Federation of Fraternal and Social Organizations (PFFSO) is a statewide association of nearly 500 social clubs, veterans clubs, fire companies and other non-profit service organizations, most of whom hold liquor licenses. Our clubs provide numerous charitable works in the local communities, funded largely, by law, by small games of chance, and Bingo. Our clubs are constantly struggling to find ways to attract younger members, who will take over the essential community activities of the clubs and fire companies, in the future, while retaining the existing membership as they age. Our member clubs have some of the longest standing liquor licenses in the Commonwealth, with many clubs predating the repeal of Prohibition. Our organization itself dates back to shortly after the momentous passage of the 21st amendment, and our members have been an integral part of liquor sales in the Commonwealth, while maintaining a social mission.

PFFSO has been pleased to have worked with this Committee, and its House counterpart, over the past several decades, on legislation updating the liquor laws, based on the premise that clubs provide not only another outlet for liquor sales driving revenue back to the Commonwealth, but a mechanism for these non-profit organizations to increase and sustain membership and attendance at club functions, and therefore increase the amount of money they can raise and contribute to local charities in their communities.

Unfortunately, for many clubs, dues revenues have not been able to keep pace with the structural and other overhead needs of aging facilities, and clubs have been forced to find other ways to attract new members, and to keep existing members coming into the club. We have fully supported the raising prize limits on Small Games of Chance and Bingo, and the authorization of additional charitable games, such as the vertical wheels, poker runs, progressive games, and skill based contests. Many of our clubs are now also using Lottery-based games, such as Keno and virtual sports games, to further promote participation in the club or fire company, and to increase the beneficial functions to the Commonwealth.

Our member clubs have watched for years now as bills have been passed that broaden the scope of various other licensees' ability to sell beer, wine and spirits to their customers, and benefit their own bottom lines while increasing revenues to the state through taxes, while we have largely been held static in what types products we can sell, to whom. "Package reform" has mostly excluded clubs, with only relatively minor tweaks to our ability to serve our members and their guests, while bars, restaurants and distributors down the street have been given far wider latitude on how and to whom they serve, through a variety of changes over the years. On top of that, we have seen the proliferation of new forms of competition, such as grocery stores, gas stations, brewpubs and distilleries, with legislated protections and new rules to help those industries grow, but precious little notice given to the stagnant state of club licensees.

Today the committee is considering a number of further expansions of liquor sales bills, given some licensees direct bottle sales for their customers to take home, and for expanding the number of outlets for the sale of liquor. None of these bills appear to benefit club licensees, only our competitors. While we have not asked for the privilege of out the door sales of wine and spirits, nor do we today, we do ask that attention be given to the effect that these expansions have on the one category of licenses that have a community, rather than for-profit, mission. Not on today's consideration list, for example, is a House-passed bill to allow clubs to sell six packs of beer to members. Honestly, this legislation would likely not be overwhelmingly used statewide, we have heard from a large number of members that they would at least like the option.

Secondly, our members have been very disappointed that they are subject to the same \$700 license surcharge that other licensees are, while not seeing any commensurate opportunities being provided to them to make that money up, rather seeing all of their fellow local licensees expand their businesses. We would love to see some kind of relief in this area, as many of our clubs are truly working on shoestring budgets, and this surcharge has been very difficult for them, even fatal.

PFFSO also believes we need to have a comprehensive conversation about the "quota" system currently in place, as we discuss more and more entities being introduced into the market. We have heard, for instance, that in some counties there are NO available licenses to move or open an Eagles Aerie, or VFW post. The cost of licenses is also becoming prohibitive for clubs. We would also like to see clubs treated equally with other retail licensees with regard to the length of time C licenses can be held in "safekeeping", and perhaps even give clubs or fire companies "first dibs" to convert a "zombie" R license before it is auctioned to Giant, Sheetz, or Applebees.

We appreciate this opportunity to comment on this legislation, and will certainly be interested in seeing how it plays out.

Thank you again for this opportunity, and I would welcome any questions.