



## **Pennsylvania Senate Republican Policy Committee**

Testimony re: Regulatory Reform and Cutting the Red Tape in Pennsylvania

October 25, 2023

Chairman Laughlin and members of the Senate Republican Policy Committee, thank you for the invitation to submit testimony on the topic of regulatory reform in Pennsylvania. We appreciate this opportunity to provide comments regarding the impact of overregulation and the regulatory process on Pennsylvania restaurant owners, hotel operators, and the broader hospitality and tourism industries.

The Pennsylvania Restaurant & Lodging Association (PRLA) is proud to say that we represent the entirety of Pennsylvania's hospitality and tourism industries - more than 26,000 restaurants, 1,500 hotels, and 100 travel and tourism partners across the state. During the hearing, the committee will hear from PRLA member and Government Affairs Committee Chair, Robert (Bob) McCafferty. Mr. McCafferty is the owner of North Country Brewing in Slippery Rock, PA.

Mr. McCafferty represents so many from the business community who join an association like PRLA, in part, to stay up to date on the many rules and regulations which affect their daily business operations. Despite their best efforts to stay informed, however, Pennsylvania's regulatory process can be challenging to navigate and arduous to engage with for the typical business owner/operator. Overregulation and the conflicting regulations that exist at different levels of government create compliance traps even for the most well-meaning employers, costing them valuable time and money.

There are three vital areas PRLA asks policymakers to consider when assessing regulatory reform:

### **Judicious use of the regulatory process**

Keeping up with the Commonwealth's regulatory process is demanding for even the most seasoned businessperson, including those with government affairs or legal professionals assisting. Regularly reading the Pennsylvania Bulletin is a necessity; otherwise, it is easy to miss an opportunity to engage in something that significantly impacts a business' daily operations. Regulatory changes will typically impact operators in significant ways; therefore, PRLA believes that most substantial changes ought to be reserved for the legislature. The current regulatory process makes it possible for the state to adopt major policy changes without thoroughly engaging those in the regulated community. Going through the legislative process allows for broader and more reliable input from stakeholders across the state. By prioritizing the legislative process, the state solicits genuine public feedback, which more reliably leads to the input needed to shape considerations.

### **Compliance gaps – impacts of recent regulatory changes**

Employers frequently struggle with the gap between state and federal regulations, especially when it comes to the complex web of rules and regulations regarding wage and hour issues. There are overlapping, but often subtly different requirements at the state and federal level that are very difficult to navigate, especially for small business owners.

A recent example affecting the hospitality business community came in 2022 with changes to 34 Pa. Code, Chapter 231 (regarding Tipped Employees and Regular Rate). After the changes made to Pennsylvania's tipped wage rules, our regulations mirror federal regulations with respect to what is known as the "80/20 rule". Federal regulations, however, have something the industry refers to as the "30-minute threshold," meaning an employer who typically takes the tip credit cannot take the tip credit for time spent on work that's not part of the tipped occupation for a continuous period of 30 minutes. The state does not have such a provision, leaving operators questioning which version of the rule to follow.

A legislative remedy PRLA supports is Senate Bill 803, sponsored by Senator Lisa Baker, which would create consistency by aligning federal and state wage and hour regulations.

### **Uniformity in determining regulated sectors**

Determining which sectors of the business community are regulated and to what extent can seem arbitrary. One example to illustrate this point is to look at how the hotel community is regulated compared to alternative accommodations/short-term rentals. Despite their comparable operations, there is inconsistency in how they are regulated. Hotels, bed and breakfasts, and campgrounds must adhere to strict regulations that aren't always applied across the entirety of the lodging industry. Alternative accommodations play by a different set of rules that, at times, creates a competitive advantage. PRLA and our members want to see a level playing field and share a stated interest from lawmakers in clearing obstacles for all businesses to operate more efficiently in the Commonwealth.

PRLA appreciates the Senate Republican Policy Committee's thoughtful examination of this issue and looks forward to continued dialogue. Thank you again for the opportunity to participate in this important hearing. We are happy to address any questions.

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