Pennsylvania Association of Travel and Tourism Presentation to the Senate Community, Economic & Recreational Development Committee

Wednesday – June 3rd, 2015

Good morning Chairwomen Ward, Chairman Wiley and members of the Senate Community, Economic & Recreational Development Committee.

The Pennsylvania Association of Travel and Tourism (PATT) is the state wide organization that represents Pennsylvania's diverse and vital travel and tourism industry. Our mission is to unify and lead Pennsylvania's travel and tourism industry, presenting one voice on public policy while serving the needs of our diverse members.

I want to thank the committee for the opportunity to testify in front of you today and to share our vision and priorities for travel and tourism in the Commonwealth. Permit me to give just a quick background on how we arrived at the point we are at today.

Statewide Tourism Funding

Budget cuts to DCED's Tourism line items have negatively impacted Pennsylvania's economy. Tourism is a $39.2 billion industry, which generated $4.1 billion in state and local tax revenue and supported 479,000 jobs in 2013, representing 6.5% of total employment in the Commonwealth.

The majority of those employed in the sector work for small businesses, who make up the backbone of the industry, who are dependent upon an aggressive umbrella marketing effort on the part of the Commonwealth, and who suffer disproportionately from a lack thereof.

Governor Wolf has proposed a Tourism Budget of $4.264 million, a $3 million reduction from the current enacted budget. It has been noted by the Administration that this is not a net reduction, but in fact an increase by removing "non-recurring items," from last year. The net effect is that Pennsylvania's Tourism Office, absent any legislatively driven alterations in the budget negotiations, will have an operating budget of $4.264 million, which would rank the Commonwealth 41st in terms of budget size relative to the other states.

Throughout the years, Pennsylvania had one of the highest tourism budgets in the country. Governor Thornburgh in the late seventies introduced the first aggressive campaign which truly reached out of state markets. It was also during his administration that the state passed enabling legislation giving Pittsburgh, Philadelphia, and Valley Forge the ability to generate hotel room tax to be used locally by the DMO's in those places, providing for an explosion of new jobs in the hospitality/tourism sector.

During the Administration of former Governor Tom Ridge, the budget reached a peak of $44 million in the 2000-01 FY, ranking it as the third highest in the country behind only Illinois and Hawaii. The results were clear as the State vaulted from the 6th most visited in the country to 4th.

While Pennsylvania has cut its budget, many of our competitors in the field of destination marketing have moved in to fill the vacuum, and are happy to take market share, and thus tax revenue and jobs from us. The omnipresent Pure Michigan ads, supported by that State's $25 million budget fill the airwaves in Pennsylvania. A sampling of how some other states are funded currently:

- New York State has a $60 million budget
- Ohio has an $11 million budget
- Maryland's proposed budget for next year is $12.4 million
- Virginia's budget is $20.2 million
- Visit California, the Tourism Agency for that state, just announced a planned doubling of its budget from $50 million to $100 million.

The effects of cuts to Pennsylvania's budget and increases in other states, including some on our borders, have been significant, and they are obvious to most of the industry stakeholders on an anecdotal basis. But the time has come to quantify the damage done.

For years we have all been working to increase the amount of money that is dedicated to statewide tourism promotion. During that time, we have found that what we are missing in our efforts is the data to truly show how the decrease in statewide tourism promotion has affected Pennsylvania's economy.

Therefore, a consortium of travel and tourism state associations and partners with an interest in the presence of a strong and robust effort to promote Pennsylvania as a desirable tourism destination; have put out a request for proposal (RFP) to compile the information we need to make a stronger case for increased "sustainable" statewide funding for tourism.

Marketing dollars invested today equate to much needed tax revenue for the Commonwealth almost immediately. The lack of sustainable tourism funding for Pennsylvania should be of great concern to the Commonwealth.

PATT along with our partners are working on solutions to address much needed "sustainable" statewide tourism funding. We support SB 676, sponsored by Senator Ward, which creates a $10 million dollar tax credit. We also support the idea of taking 1% of the existing statewide hotel occupancy tax and dedicating it to statewide tourism promotion.

Every visitor, convention, meeting, sporting group and motor coach that comes to Pennsylvania leaves precious dollars behind when they leave. These dollars support our local counties, communities & the Commonwealth, and provide critical tax revenues to their respective budgets.

Local Room Tax History

PATT has been working with the Pennsylvania Restaurant and Lodging Association (PRLA) and the County Commissioners Association (CCAP) to put together proposed local room tax recommendations – HB 794 is that vehicle, which PATT supports.

A review of Pennsylvania's county hotel room tax legislation can be confusing and requires a detailed analysis because of the proliferation of different enabling Statutes for different counties.

The adoption of Hotel Room Taxes in Pennsylvania has been a "piecemeal approach" starting as early as 1977 in Allegheny County, and 1986 in Philadelphia County. The initial Statutes provided for Room Taxes were to be used primarily to support the construction of convention centers (with some taxes going to the local Tourism Promotion Agency(s), (TPA's) for other tourism marketing and development purposes.)

In 1982 there was legislation adopted to support convention centers serving Second Class A Counties (Montgomery, Delaware and Bucks County). It was not until the mid 1990's that legislation was first adopted to authorize the County collection of Hotel Room Taxes exclusively for general tourism and marketing purposes.

Act 142 was the last Enabling Statute to be adopted and authorized all the remaining Counties that did not have Local Room Tax legislation to collect that tax (Forty-five (45) counties). The Enabling Statutes are imprecise, particularly with respect to the definition of some terms. They were written in a manner which results in some flexibility on a county by county basis. This in part has led to the good work our coalition has been doing over the last 18 months and led to the introduction of HB 794 in the House.

Multi-county TPA's have had a particularly difficult time with respect to the administration of Room Taxes, especially where the TPA's counties each have different Enabling Statutes, with different authorized purposes for the Tax. The Statutes are explicitly clear that all of the tax monies collected (less the 2% administrative fee) are to go to the TPA for the specific purposes defined in the Enabling Statue.

When room taxes are dedicated to tourism purposes, everyone benefits, especially local communities, which are the primary beneficiaries of the tourism dollars spent locally and the jobs created to service visitors.

Thank you for allowing me the opportunity to testify today and I am happy to answer any questions from the Committee at the appropriate time.

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