



Testimony of John Longstreet, President & CEO
Pennsylvania Restaurant & Lodging Association

Senate Community, Economic & Recreational Development Committee
Tourism: Impact & Status of Marketing/Promoting PA Tourism & Travel
June 3, 2015

Chairwoman Ward, Chairman Wiley and members of the Senate Community, Economic & Recreational Development Committee, thank you for allowing me to testify today regarding PRLA's concerns and priorities as it pertains to tourism promotion in Pennsylvania. My name is John Longstreet and I am the President & CEO of the Pennsylvania Restaurant & Lodging Association (PRLA) our association represents 2,500 members, representing 7,000 locations in the Commonwealth.

There are a few topics that I want to touch on today ranging from the need for increased statewide tourism funding, a sustainable long-term funding source, current legislation regarding tax credits for tourism promotion and finally--agreed to legislation between the Pennsylvania Association of Travel & Tourism (PATT), the County Commissioners Association of Pennsylvania (CCAP) and the PRLA as it relates to local tourism funding.

The tourism and hospitality industry is the second largest in Pennsylvania, second only to agriculture. Our industry also has the distinction of being one of the few items that the Commonwealth can invest in and see a return many times over on that investment. During the Ridge administration, tourism was recognized for its importance and \$40 million was invested in statewide tourism promotion at that time.

Unfortunately, over the years, that investment in statewide promotion has dwindled. In 2014, of the \$7.5 million in the tourism line-item of that year's budget, only \$2.5 million was dedicated to promoting the Commonwealth. The most straight-forward example of this is the non-existence of commercials about Pennsylvania. Every day we see commercials on television for Michigan, New Jersey, New York, California--Pennsylvania is not doing any promotion and the potential revenue to the state from the industry is impacted because of it.

PRLA is in support of SB 676, sponsored by Senator Ward, which creates a \$10 million dollar tax credit for investment in tourism promotion. We believe this legislation is important because it infuses revenue into promotion of the state in the short term. This will allow for the development of a long terms brand ID for Pennsylvania—something we have not had in years.

PRLA also supports taking 1 percent of the existing *statewide* hotel occupancy tax and dedicating it as a long term sustainable funding source for statewide promotion. Currently, the entire 6 percent hotel occupancy tax s put into the general fund. In order to demonstrate the high return on investment the state would receive if the money were dedicated to statewide promotion—the PRLA along with other

tourism entities across the state are commissioning a study that will show the impact of tourism dollars in Pennsylvania. We look forward to sharing that information with you in the fall.

Just as important as the need to promote the state of Pennsylvania as a whole—is the need for counties to promote their local areas as well. Currently, 54 counties are enabled to have a 3 percent *local* hotel occupancy tax. We support legislation, HB 794, which would do a few important things relating to the local hotel tax. First, let me provide some background.

PRLA, PATT and CCAP were tasked in the fall of 2013 to develop a comprehensive agreement as it relates to local hotel taxes. Talks began and while some points of agreement were reached, real progress took place in the summer of 2014. In June of that year, the five different piecemeal hotel tax increases were added to HB 1177, which contained language to increase Philadelphia’s cigarette tax. Four of these increases, increased the tax in the County—in some cases funneling the monies off to non-tourism related entities and the fifth increased the tax in a municipality and gave all of the money to the local police department. These piecemeal increases not only usurped the work that had taken place within our coalition, but took away the entire purpose of these local hotel taxes—tourism promotion—to put heads in beds. This legislation was sent back and forth between the House & Senate a few times, before a bill was passed that ultimately did not increase any hotel tax increases. This became the catalyst to bring all three entities to agreement on HB 794. It was clear that if we did not develop a comprehensive bill, this scenario was likely to repeat itself.

HB 794 contains the following key provisions:

1. Makes possible a local hotel tax increase from 3 to 5 percent for 54 counties across the Commonwealth.
2. Strengthens the definition of the use of these monies to ensure they are used strictly for tourism promotion. For example—the word “marketing” was never defined in the past and open to interpretation--this legislation defines the term. With statewide funding at an all-time low—these tightened definitions are more important than ever to ensure the monies are being used properly.
3. Creates a uniform application of the local hotel tax. If you are providing overnight accommodations in a facility and advertising as such—you need to remit the local hotel tax in addition to the state occupancy tax.

As you might imagine, at the beginning of these discussions, PRLA’s members were not supportive of a potential tax increase because of the concerns about the funds being misused. However, strengthening the definition for the use of the funds to promote tourism was important enough to our members that they are now in support.

As we enter into another busy budget season, it is extremely important to get HB 794 passed to ensure a level playing field for all current three percent counties and more importantly to protect the funds which provide the only current funding we have advertising the many wonderful areas of our Commonwealth.

It is also important to have a separate focus on statewide tourism funding as well and ensuring a

separate source of funding to promote the great state of Pennsylvania to other states, as they are already doing here in PA.

Thank you for allowing me to testify today and I am happy to answer any questions.