



Testimony before the Senate Majority Policy Committee

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Fritz Smith, President and CEO

The Happy Valley Adventure Bureau

The official tourism promotion agency for Centre County

Thank you Chairman Scavello and members of the Policy Committee for inviting me to testify today. I'm Fritz Smith, President and CEO of The Happy Valley Adventure Bureau, the official tourism promotion agency for Centre County.

I imagine my testimony will not be unlike most of those testifying today. 2020 was an extremely challenging year across the board. I will focus my remarks specifically on the hospitality industry, for which the pandemic has been particularly hard felt.

In Centre County, this impact has been compounded by what my organization and other community leaders recognize as an over-reliance on Penn State University – our major employer – and specifically, Penn State-driven visitation.

The pandemic hit at a time when our lodging properties (and businesses in general) – counted on two events – the annual Blue White Game and Graduation – to make up for historically slow winter occupancy months. Absent those events, and combined with the overall government shutdown and halt in travel, hotel occupancy in April 2020 was a dismal 11.5 percent, and just 18.2 percent in May 2020. The loss of other major visitor draws, such as the annual Central Pennsylvania Festival of the Arts, and the subsequent prohibition on fans in the stands for Penn State football home games, were additional devastating blows not only for our lodging properties, but restaurants, retail stores and many supporting businesses.

All told, Centre County hotel room revenue was down a staggering 71.6 percent over the past year, reflecting a revenue loss of nearly \$60 million.

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The estimated loss in local and visitor spending in Centre County from March 2020 through December 2020 was more than \$437 million. For the year, local and visitor spending in Centre County was down an estimated \$422.5 million compared to 2019, the difference between the two being higher than normal spending in January and February 2020.

Similarly, we estimate that local and visitor restaurant spending accounted for \$155 million of the spending loss. These estimates are based on Smith Travel Research, Visa Vue and tax revenue data.

At the height of the pandemic, some 1,600 hospitality workers in Centre County were out of work. Currently, about 1,000 hospitality workers remain unemployed, despite the fact that some restaurants are beginning to hire again and jobs are available. This points to what many believe will be the second crisis facing the hospitality industry as travel resumes – a lack of workers to meet the demand of the robust recovery many expect. We are already seeing this play out locally.

Although there are other contributing factors, the enhanced federal unemployment benefits designed to help so many over the past year are now serving as a disincentive for some people to return to the workforce. As one of our restaurant owners struggling with workforce issues said, “The pandemic has trained people not to work.” While this may be an over-simplified, personal opinion, it nonetheless reflects the frustration being felt. This is not just a problem for the hospitality industry. Our employers across industry sectors share this same lament.

I would also be remiss if I did not mention the impact the pandemic has had on my own organization and destination marketing organizations across the Commonwealth, all of which serve vital roles in powering the visitation economy in our respective communities, and will be critical to recovery moving forward.

The HVAB’s primary source of funding is the Centre County Room Tax. A steep decline in hotel room revenue resulted in a \$2.4 million budget hit, which forced a nearly 50 percent reduction in staff or staff hours. Across the commonwealth, approximately 105 full time and 20 part-time tourism professionals lost their jobs as a result of the pandemic. Our revenue loss continues to have significant marketing and operational implications, including on our Tourism Grant Program.

Funded by a dedicated percentage of Room Tax revenue, the annual grant program was down \$600,000.

Administered in partnership with the Centre County Board of Commissioners, this grant program provides critical funding to nonprofits and private businesses for the marketing of events and programs, and certain facility enhancement projects, that attract visitors, specifically overnight guests, to the county.

While Pennsylvania's destination marketing organizations received some relief from the federal Paycheck Protection Program, and vastly varied levels of support from county-administered CARES Act funding, more assistance is needed. To that end, I urge members of the committee and lawmakers in both chambers to support pending legislation, House Bill 554, which would establish a \$15 million grant program for destination marketing organizations for replacement revenue lost during their worst hotel performance month. Financial relief such as that contained in House Bill 554 would greatly help our organizations' ability to spur economic recovery in our respective communities through visitation.

If the pandemic revealed one thing, it is the undeniable importance of the hospitality industry – and leisure, sports and business visitation – to the national, state and local economy. The ability of destination marketing organizations to fully carry out their mission will help ensure that businesses still struggling to stay in operation will not only survive, but thrive post-pandemic.

Thank you.