

**Testimony Provided By**

***Rob Fulton - President***

*Pennsylvania Association of Convention and Visitors Bureaus (PACVB)*

*House Tourism Committee*

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Good morning Chairman Kirkland, Chairman Barrar and members of the House Tourism Committee. I appreciated the opportunity to talk to you this morning about "Dedicated Funding" for the Tourism Industry.

My name is Rob Fulton and I am President of the Pennsylvania Association of Convention and Visitors Bureaus and also representing the Pennsylvania Tourism and Lodging Association on this issue.

Since creation of the Commonwealth's Tourist Promotion Act of 1960, DMOs have received significant funds from Pennsylvania's General Fund through a matching funds program and, more recently, outright grants.

In FY 2001, funding for DMOs and the Pennsylvania Tourism Office to attract visitors grew to \$44.2 million. Since that year, combined funding for tourism has

plummeted to a low of \$10.7 million, the most dramatic reductions having been made in the Commonwealth's Fiscal Year 2010 and 2011 budgets.

These Marketing and Promotion dollars have been critical to the success of attracting business and leisure travel to Pennsylvania. Our Industry believes strongly that we are a part of the solution to the economic challenges that Pennsylvania faces through the dollars that our industry brings into the state.

Tourism is critical to the economic well-being of Pennsylvania. Hotels and meeting facilities, attractions, cultural institutions, restaurants, tour companies and transportation providers directly employ more than **495,000 Pennsylvanians**, with a **\$10.7 billion payroll**, in approximately **100,000 predominantly small businesses** that host visitors who spent more than **\$28 billion in 2007**.

A 2009 US Travel Association report on state tourism office budgets ranked Pennsylvania third in total (combined) funding for tourism promotion and third in funding for state tourism office budgets for marketing. Based on FY2010 data compiled for all states, Pennsylvania now ranks 24<sup>th</sup> for combined tourism funding, and 35<sup>th</sup> in state tourism office marketing.

As many of you may remember, we gathered together in Philadelphia in January at the Governor's Tourism Partnership meeting to talk about the concept of Dedicated Funding for Tourism.

I personally believe that that meeting was the catalyst to sparking some really healthy and honest debate about the state of Tourism and where the future of our Industry lies.

It also was very evident in these meetings that we must create a much broader more all encompassing Tourism effort and collaboration as we move forward.

Since that meeting in January the Pennsylvania Tourism Office in partnership with PACVB and PTLA hosted several meetings with other State Tourism Associations to discuss Dedicated Funding. There are 15 other statewide tourism associations who all agree that this effort is of critical importance to the Industry.

On April 1<sup>st</sup> we reported back to the Governor's Tourism Partnership on the meetings we had with the many Tourism Associations, Partners and Legislative Staff of the Senate and House Tourism Committees.

At that meeting PACVB asked the Partnership Board to create a task force that could begin looking at putting together specific "Dedicated Funding Options".

PACVB was willing to chair this effort and the Governor's Tourism Partnership agreed to support our efforts by providing critical research and analysis of other Tourism models around the country.

It is critical that this effort be lead by the industry and that we come prepared to offer specific solutions and ideas.

Since April, a "*Pennsylvania Roundtable*" has been assembled, comprising leadership of the Pennsylvania Association of Convention and Visitors Bureaus (PACVB), Pennsylvania Tourism and Lodging Association (PTLA) and Pennsylvania Restaurant Association (PRA). Within our three associations we have relationships with and or represent the other Tourism related Associations.

We recognize that it is critical to seek *legislative and administration* acceptance of Pennsylvania's tourism and hospitality industry as a proactive partner in addressing and solving the Commonwealth's unprecedented budget challenges.

It is also important to achieve *industry-wide* understanding that it cannot look to government to solve all its problems, but must be a partner *with* government in seeking solutions to them.

The *Pennsylvania Roundtable* is guided by the following principles in pursuit of its goal:

1. Advertising and promotion dollars work.
2. Private industry is a part of this process.
3. Significantly reduce the burden on Pennsylvania's General Fund.
4. Tourism promotion is an appropriate role for public tourism development funding to be used to promote Pennsylvania business, particularly small business.

Our goal is to develop an efficient public-private governance of, and adequate (dedicated) funding for unified branding and marketing efforts of the Pennsylvania Tourism Office and the Commonwealth's network of destination marketing organizations and regional marketing partners, in order to enhance and increase the industry's ability to positively impact Pennsylvania's economy.

Along with members of the State Tourism Office, the *Roundtable* has been meeting regularly, seeking to develop the organizational and funding structures necessary to return Pennsylvania to a position of dominance in the tough competition for visitor spending.

As I mentioned we are working on two parts of this effort:

1. A new Governance Structure and;
2. A funding stream to support the Tourism efforts in Pennsylvania

We have been working on what a sustainable public-private governance structure might look like. While there are still many details to work out in this proposal we are suggesting the creation of a Pennsylvania Tourism Commission.

We believe this presents an opportunity for significantly greater alignment across the tourism industry with regards to the economic opportunities increased Tourism will mean for Pennsylvania.

This Commission would retain the status as the official tourism marketing organization. The Commission would be lead by an Executive Director and governed by a Board of Directors comprised of various segments of the Tourism Industry throughout Pennsylvania.

There are many details still to work on such as the board make up, responsibilities of the Executive Director and Board, how the Commission would function etc...

There are many good examples of other states around the country that operate under this type of a structure.

Much of the challenge for creating a dedicated funding source will lie in what that funding source could be.

You have several handouts in your packet that look at all 50 states and their tourism funding streams, as well as an analysis of how some of those models in theory might work for Pennsylvania.

There is some great information in these handouts thanks to Elizabeth Sechoka with the Tourism Office.

We have begun looking at many of these other models and how they might apply to Pennsylvania.

For example:

- Missouri Plan uses a “performance based” funding mechanism which they established in 1993. Provides dedicated funding source for revenue for tourism through the sales tax on travel related industry SIC codes.

For example you start your year with your prior year funding level and then they receive 50% of increase in travel related sales tax above 3%.

- South Dakota has a 1% Tourism Tax that is imposed year round on Industry related businesses and just the summer months (June – September) on what they call “visitor-intensive businesses.”
- Increasing the State Wide Hotel Tax and using those dollars to fund Tourism. 1% of Hotel Tax is \$28 million dollars.
- A \$1 to \$2 dollar fee on every hotel room sold. Last year we sold 26 million hotel rooms in Pennsylvania.
- Portion of a Rental Car tax.
- Portion of a Gas Tax. 85% of our visitors come by road.

All of these concepts that I have mentioned today are just ideas at this time. We would be interested in your feedback and thoughts on ways to fund tourism.

The Roundtable would expect to have a proposal later this Fall or early Winter for further discussion. We look to the committee for support and potential consideration for legislative language that would be needed to move these efforts forward.

Those states around the Country that were successful in these efforts have had their industry on board and supportive. That will be a critical component for Pennsylvania.



I appreciate the opportunity to present these ideas to you this morning and look forward to your feedback and thoughts as we move forward.

Tourism benefits *all* Pennsylvanians...A successful tourism industry generates tremendous economic impact; we create jobs and taxes for the Commonwealth's budget.

Thank you.