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HOUSE OF REPRESENTATIVES

TOURISM AND RECREATIONAL DEVELOPMENT
COMMITTEE HEARING

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HARRISBURG, PA

MAIN CAPITOL BUILDING
ROOM B-31

WEDNESDAY, APRIL 4, 2012
9:00 A.M.

PRESENTATION ON HB 2056
PENNSYLVANIA TOURISM COMMISSION

BEFORE:

HONORABLE JERRY STERN, MAJORITY CHAIRMAN
HONORABLE KAREN BOBACK
HONORABLE SCOTT W. BOYD
HONORABLE ROSEMARY M. BROWN
HONORABLE MIKE FLECK
HONORABLE KEITH GILLESPIE
HONORABLE MAUREE GINGRICH
HONORABLE DOYLE HEFFLEY
HONORABLE SUSAN C. HELM
HONORABLE CARL WALKER METZGAR
HONORABLE DAVID R. MILLARD
HONORABLE DAN MOUL
HONORABLE JOHN D. PAYNE
HONORABLE MARIO M. SCAVELLO
HONORABLE THADDEUS KIRKLAND, DEMOCRATIC CHAIRMAN
HONORABLE VANESSA LOWERY BROWN
HONORABLE GARY HALUSKA
HONORABLE MARK LONGIETTI
HONORABLE ROBERT F. MATZIE
HONORABLE ADAM RAVENSTAHL

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*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

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SUBMITTED TESTIMONY

(see "HANDOUTS")

* * *

RICHARD BURKERT
CHAIR, PA COALITION OF INDEPENDENT MUSEUMS

RUSTY BAKER
EXECUTIVE DIRECTOR, PA FEDERATION OF
MUSEUMS AND HISTORICAL ORGANIZATIONS

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P R O C E E D I N G S

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MAJORITY CHAIRMAN STERN: Good morning, everyone.

We'd like to call to order this morning's meeting of the House Tourism and Recreational Development Committee.

At this time, I would have the secretary take the roll call.

(Roll was taken.)

MAJORITY CHAIRMAN STERN: Thank you.

Today's public hearing is on HB 2056, which was introduced by Representative Kirkland and I, and the legislation creates an independent commission that would serve as the State's official tourism promotion and marketing agency.

The commission would be overseen by an 11-member board of public- and private-sector members appointed by the Governor. The commission would also be the State's official tourism promotion and marketing agency, taking over those duties from DCED.

Today, we'll hear from the Pennsylvania Association of Convention and Visitors Bureaus, who have worked with me on this bill, as well as DCED, the Pennsylvania Tourism and Lodging Association, and a representative from HERCO. I look forward to hearing any ideas, suggestions, recommendations for

1 this bill so that we can move it forward in a spirit of
2 collaboration.

3 Our first witnesses today are Chris Barrett, the
4 President of the Pennsylvania Dutch Convention and Visitors
5 Bureau; and David Brooks, the Executive Director of the Potter
6 County Visitors Association.

7 Gentlemen, welcome, and you may begin whenever you
8 are ready. You can take your places here at the front at the
9 microphone. Just make sure the microphone is on, the little
10 green light right in the middle, and you may begin your
11 testimony.

12 MR. BROOKS: Good morning.

13 Good morning, Chairman Stern, Chairman Kirkland, and
14 Members of the House Tourism Committee. I would like to thank
15 you for the opportunity to testify today about the creation of
16 a Pennsylvania Tourism Commission.

17 I am David Brooks, Executive Director of the Potter
18 County Visitors Association, the official tourist promotion
19 agency for Potter County, Pennsylvania. I am also the
20 President of the Pennsylvania Route 6 Alliance, a regional
21 organization responsible for developing tourism assets and
22 promotions across the northern tier of the Commonwealth,
23 covering 400 miles from the Poconos to Erie.

24 Today I'm here to provide a rural perspective on the
25 proposed legislation and how I believe this would transform the

1 marketing in the Commonwealth for the better. In order to
2 provide that perspective, I would like to briefly review how
3 tourism promotion is currently being conducted in the
4 Commonwealth.

5 The first tourism promotion law was enacted in 1961.
6 The legislation created the officially recognized "tourism
7 promotion agencies." They represent the 67 counties. Along
8 with this act, the Tourism Matching Fund Program was also
9 established, whereby the TPAs would leverage locally generated
10 dollars to receive a State grant award.

11 In 1977, the first enabling legislation to collect
12 hotel room tax was established. By 1997, seven counties, made
13 up of first-, second-, and some third-class counties, had the
14 ability to levy the hotel tax. For those 20 years, those
15 seven counties had the distinct advantage of using their hotel
16 tax to leverage millions of dollars in the Matching Fund
17 Program while the rest of the Commonwealth had to rely on
18 contributions from county government and support from local
19 businesses.

20 During that time, rural counties such as Potter
21 County did what they could to compete, but Potter County, for
22 instance, where the Commonwealth owns nearly 50 percent of the
23 land, did not have the local tax generation base and subsequent
24 number of businesses to contribute to the local TPA for
25 Matching Fund dollars.

1 In 2000, Act 142 enabled the remaining counties of
2 the third through eighth classes to levy a hotel tax, but by
3 then, the Matching Fund Program was already being overmatched
4 and grant rewards were prorated based on the State allocation.

5 In 2008, when the Tourism Promotion Act was passed
6 by the General Assembly, it restructured the way the grant
7 programs were administered and defined the State's tourism
8 regions. Along with the new law, the Department of Community
9 and Economic Development established new grant guidelines,
10 including a formula-based method to award grants. The formula
11 was based on three factors, including hotel tax revenue from
12 the previous year, an applicant's prior year's promotional
13 spending, and the score on the applicant's marketing plan for
14 the coming year.

15 The new law and guidelines were touted as being a
16 competitive awards process which would reward smart planning
17 and increase the effectiveness of the State's tourism promotion
18 agencies. That year, the Potter County marketing plan scored
19 15th in the State out of 48 other applications. As it turned
20 out, the marketing plan score really didn't matter because of
21 the weight given to the other two factors.

22 Potter County does not receive millions of dollars
23 in hotel tax and, therefore, did not have millions of dollars
24 to conduct promotional spending. The result was a grant award
25 that was 52 percent less than the year before and forced my

1 agency to lay off the only other employee we had at the time.
2 It did not even cover the cost of the printing of our annual
3 visitor's guide.

4 Other rural tourist promotion agencies experienced
5 similar setbacks. Despite pleas to DCED by both our
6 legislators and businesses urging them to modify the formula to
7 a more equitable distribution, the formula was never changed
8 and it is still in effect today.

9 It is my sincere belief that the creation of the
10 Pennsylvania Tourism Commission would prevent that situation
11 from recurring. Rural communities, by definition, are
12 different than the more populated areas, but that fact alone
13 should not preclude the rural areas from the opportunity, from
14 the fair opportunity, to seek a worthwhile grant. How are we
15 expected to increase our visitation in order to justify the
16 building of additional lodging if we are penalized year after
17 year for not having the lodging in the first place?

18 The new commission would provide rural areas of the
19 Commonwealth a seat at the decisionmaking table and an
20 opportunity to guide the efforts in a collaborative manner with
21 the larger destinations. Only then will we truly represent the
22 interests of the entire Commonwealth.

23 A true transformation of this process would also
24 allow for long-term marketing strategies and commitments that
25 would save money over time and our activities would not be held

1 hostage by year-to-year State budget negotiations and/or
2 unexpected cuts.

3 With more broad-based representation, there would be
4 greater alignment across the State's tourism industry, which
5 would open new doors to leverage private funding sources. This
6 would be an extremely notable reversal in the current marketing
7 approach, where DCED sets its goals and objectives and dictates
8 that the entire State follow suit if they wish to receive State
9 funding.

10 With the new commission, a bottom-up system would be
11 created and overall State goals and objectives would naturally
12 and purposely reflect the past, present, and future efforts of
13 the tourist promotion agencies, the true experts in destination
14 marketing.

15 Thank you, and I would be happy to answer any
16 questions that you have.

17 MAJORITY CHAIRMAN STERN: Thank you, David.

18 We're going to wait until after Chris's testimony
19 before we ask the Members for any questions at this time. So,
20 Chris, please feel free to begin your testimony.

21 MR. BARRETT: Thank you, Mr. Chairman.

22 And good morning, Mr. Chairman and Mr. Chairman.

23 And I just want to, if I may, a short shout-out to my
24 Representative, Representative Boyd, and, of course,
25 Representative Payne from my home district.

1 And first, before I get into my comments, I just
2 want to thank you for your leadership on this issue. I thank
3 all of you on this committee. This is an extremely important
4 issue for us in our industry, and we appreciate your attention
5 to it.

6 And I think another thing should be said on behalf
7 of us in Lancaster County, and I'm sure a lot of my colleagues
8 behind me, is that we appreciate the investment that has been
9 made in tourism over the last, I know 20 years that I've been
10 involved with it. I think it has definitely been fruitful, and
11 we look forward to the next step here.

12 So now to get into my prepared comments. I want to
13 first thank you for providing me this opportunity to testify
14 today concerning a subject of great importance to our industry.
15 I'm Chris Barrett, President and CEO of the PA Dutch Convention
16 and Visitors Bureau.

17 The PA Dutch CVB represents over 700 hospitality
18 interests within Lancaster County. Our membership is very
19 diverse in that it is comprised of one-room bed and breakfasts,
20 300-room four-diamond hotels, world-class amusement parks, and
21 fine dining or traditional PA Dutch-cooking establishments just
22 to name a few, which is not good for my waistline.

23 Our membership employed 21,000 individuals in 2010,
24 and on average, over 11.3 million guests spend \$1.6 billion
25 in Lancaster County yearly, which translates into over

1 \$300 million in tax impact per year.

2 We find ourselves in difficult times. All of you
3 have the inevitable task of wading through a morass of
4 information and deciding which interests are to be funded under
5 an extremely stressful fiscal climate. This climate demands us
6 to all think differently and to be creative. To be
7 entrepreneurial in our approach is essential.

8 When Governor Corbett shined a light on the
9 possibility of forming public-private partnerships in an effort
10 to shrink government, I was ecstatic, to say the least. Having
11 spent over 18 years in the private sector with Hershey
12 Entertainment and Resorts Company, I became accustomed to
13 creativity and entrepreneurial thinking as a matter of course.

14 Having now spent the last 7 years in the public
15 sector, I can see the merits of combining both. The public
16 sector has the power to convene interests while the private
17 sector has the power to execute the product of both. By
18 "product," I mean the collaboration of both in planning and
19 creating a common roadmap to achieve an aggressive goal.

20 Before presenting my view of the proposed HB 2056
21 put forth by you, Mr. Chairman, I would like to take a moment
22 to reflect on where we have been.

23 For the last 25 years, millions of dollars have been
24 spent branding the product that we know as "Pennsylvania," the
25 fourth most driven-to State in the country. A portion of this

1 investment was often to "rebrand" with the change of
2 administrations. Brand refreshments are merited from time to
3 time to breathe new life into a brand that may have gotten
4 stale or has just plain changed. However, to simple-stamp a
5 new image for the sake of doing so on something is extremely
6 costly.

7 The private sector is concerned with the return on
8 investment and decides how much to spend marketing a product
9 according to ROI considerations. The public sector has
10 different measures that just aren't compatible.

11 For example, regional marketing proposed by the last
12 administration should have made sense, and I would make a
13 comment here that many of us in our industry work very, very
14 closely together, and there are definitely certain times that
15 working together makes a lot of sense. It didn't for most of
16 our destinations, though. We gave it our best effort in trying
17 to make it work. Even when it didn't, the administration
18 continued to insist that it did and designed programs to that
19 end, which, in my opinion, were incredibly wasteful of scant
20 resources. However, no countermeasures were in place to keep
21 the administration in check and grounded in the decisionmaking
22 process of how and where to spend marketing Pennsylvania.

23 I would assert that this distracted our industry
24 dramatically and ultimately hurt the overall tourism marketing
25 effort. This could have cost us jobs in the end.

1 Mr. Chairman, HB 2056 is just what the doctor
2 ordered. It helps to eliminate inconsistency in administration
3 turnover, helps to maintain brand consistency, and more
4 importantly, includes our most important resource:
5 private-sector partners in the decisionmaking process. If we
6 were to align all the disparate tourism and hospitality
7 interests in deciding how, when, and where our tourism
8 marketing dollars are spent, we would be a force to be reckoned
9 with.

10 My biggest fear is the unknown. The brand
11 "Pennsylvania" in the mind of the consumer is eroding slowly
12 but surely. The marketing game is all about consumer
13 top-of-mind awareness. Every day that we don't establish this
14 partnership, we are losing ground to competitive destinations
15 that are spending millions on television in our feeder markets,
16 and I mean New York, Philadelphia, Washington, and Baltimore,
17 which are supplying most of the folks that are driving into our
18 markets.

19 And just in Florida and Michigan, for example, we
20 did a study to find out how much they're spending in our
21 competitive markets, and just those two destinations alone are
22 spending \$30 million a year to drive tourism to their
23 destinations. And Michigan's Governor just released a
24 statement saying that tourism overall increased about 9 to
25 10 percent within that State because of their investment with

1 tourism.

2 All of us are passionate about our industry and its
3 potential for the future. HB 2056 is the next logical step in
4 our evolution of becoming a world-class destination.

5 And again, I want to thank all of you for your time,
6 and I'm happy to answer any questions, Mr. Chairmen.

7 MAJORITY CHAIRMAN STERN: Thank you, David and
8 Chris, for your testimony here this morning. We appreciate you
9 appearing before the committee.

10 Do any of the Members have any questions?

11 Representative Longietti.

12 REPRESENTATIVE LONGIETTI: Thank you, Mr. Chairman.

13 And thank you both for your testimony. It just was
14 interesting listening to it. You know, obviously we're all
15 concerned that the amount of tourism dollars at the State level
16 has very, very significantly shrunk and that's put you all in a
17 very difficult position to promote your areas.

18 I guess what I was surprised and did not realize,
19 from both of your testimonies, because when the new system was
20 put in place, you know, I did not realize from your
21 perspectives that not only the shrinking of dollars but the
22 actual system is not working to the degree that you'd like to
23 see it work.

24 And the other thing that surprised me is, I recall
25 from that discussion a few years ago that it seemed like it was

1 the larger TPAs from the metropolitan areas who were expressing
2 concern, who felt that they were going to lose out with the new
3 formula. And if I heard your testimony correctly, in Potter
4 County, for example, you feel that it worked the exact opposite
5 way. And so if I hear you, you're saying not only do we need
6 to find a way to find additional money, but also we need a
7 better system, that the system isn't working.

8 Do you care to comment on that more?

9 MR. BROOKS: Sure. I mean, you totally got my
10 point. And like I said, you know, I've said this many times:
11 Potter County does not need millions of dollars to promote
12 itself. We need, you know, a worthwhile grant opportunity that
13 does allow us to expand and do, I mean, quite frankly, some of
14 the basic marketing aspects that a destination needs to do.

15 So, you know, in that regard, the way that that
16 whole situation worked out, I mean, the reason I got such a
17 good score on that marketing plan is because much of it was
18 basic things that we need to do. And we're working on it, so
19 thank you.

20 MAJORITY CHAIRMAN STERN: Representative---

21 MR. BARRETT: Mr. Chairman?

22 MAJORITY CHAIRMAN STERN: Go ahead, Chris.

23 MR. BARRETT: Thank you, Mr. Chairman.

24 If I may make one comment to that. My Convention
25 and Visitors Bureau is one of the ones that lost a tremendous

1 amount of funding. As early as 2007, our grant was \$1 million.
2 I would note that our total budget at this point in time is
3 between \$4.8 and \$5 million. We spend \$3.1 million on
4 television in outer markets, and in this market in Harrisburg,
5 the State spent \$28,000 last year on television. So we're
6 spending more than the State, and we're actually spending more
7 than some States surrounding us.

8 I would also note that our marketing plan was ranked
9 No. 1 and our grant was reduced from \$572,000 to \$278,000. So
10 I would agree with David and I would agree with my colleagues
11 that we thought it was actually a good thing for the overall
12 industry. We are concerned about not only ourselves but
13 Pennsylvania's tourism position as a whole, because the more
14 people that are coming to the State, at some point in time
15 they'll come back and visit all of us, is the hope. And a lot
16 of the dollars were redirected into regional programs that was
17 just plain waste.

18 So I'm glad David highlighted his side, and we
19 wanted to highlight our side as well.

20 REPRESENTATIVE LONGIETTI: So just to clarify, you
21 know, were the cuts a function of overall budgetary cuts at the
22 State level or the administration of the new formula or some
23 combination of the two?

24 MR. BARRETT: Yes, sir, it was a combination of
25 both. The funding was cut, so that does have an effect

1 obviously. There's a percentage decrease based upon the
2 decrease in the appropriation. But secondarily, the design of
3 the program was just not -- it was basically the best we could
4 do based upon what was happening at the time.

5 So we had to really accept it. We didn't have a
6 choice. And I think for everybody, for it to be more equal, we
7 understood that, you know, we had to give up something, but it
8 was interesting that our plan was rated No. 1 in the
9 Commonwealth and we lost over \$300,000.

10 REPRESENTATIVE LONGIETTI: Okay. Thank you,
11 Mr. Chairman.

12 MAJORITY CHAIRMAN STERN: Representative Boyd.

13 REPRESENTATIVE BOYD: Thank you, Mr. Chairman.

14 First of all, to my good friend, Mr. Barrett, thanks
15 for the shout-out, even though my hearty Chairman told me there
16 are no shout-outs allowed here, so.

17 MR. BARRETT: Sorry, Mr. Chairman.

18 REPRESENTATIVE BOYD: No more shout-outs.

19 It's good to see you, Chris. Thanks very much.

20 I guess a real simple first question is, you
21 mentioned in your testimony, Chris, that we're the fourth most
22 driven-to State. What are the top three, just out of
23 curiosity? Do you know offhand?

24 MR. BARRETT: I do not, but I could get that for
25 you, Scott.

1 REPRESENTATIVE BOYD: I'd like to know if they're
2 local. I mean, that is, to me, if it's---

3 MR. BARRETT: I believe New York -- unless my
4 colleagues can assist me, I believe New York and New Jersey
5 would be in that top list.

6 REPRESENTATIVE BOYD: Yeah; I think that that
7 substantiates the need to continue to market the brand
8 "Pennsylvania" because of the region in where we're located,
9 travel by car, which is becoming more and more important as
10 travel dollars, flight dollars, become more and more rare in
11 the economy. Would you agree with that?

12 MR. BARRETT: Yes, sir. And I can also say that a
13 large degree of the U.S.'s population, if we were to put a pin
14 anywhere in Pennsylvania and draw a circle around that pin of
15 between 150 to 250 miles, we'd find a huge percentage of the
16 U.S.'s population in that sphere.

17 REPRESENTATIVE BOYD: Right.

18 MR. BARRETT: It takes a lot more to be able to
19 market to those individuals. A lot of our private partners
20 such as Hershey Entertainment and Resorts and some operations
21 in our market have marketed to those regions, but we have done
22 it very cooperatively in the past. And, you know, if we don't
23 continue to keep marketing our brand, we're going to erode it.

24 And everything about travel is top-of-mind
25 awareness. If the consumer doesn't see our brand out there,

1 they'll choose another one.

2 REPRESENTATIVE BOYD: Yeah. I appreciate that, what
3 you're saying, and appreciate the job that you've done to
4 market our county, Lancaster County, and with your members. I
5 think a lot of times folks might think that it's a no-brainer:
6 You're Lancaster County and, you know, you're gifted and you're
7 blessed, so it's easy. It's not, and it's a tremendous amount
8 of work which you put in, and we really appreciate it.

9 And I don't know that folks recognize how razor thin
10 the margins and the issue is in terms of how quickly we could
11 lose that market share, how much is tied to one or two main
12 venues, and if those venues -- Sight & Sound and the Millennium
13 Theatre -- don't have a successful season, then that impacts on
14 our overall economy. So this is a tremendously important
15 issue, and I appreciate your testimony.

16 Another point. As Representative Longietti brought
17 out and it's significant to know, I would not say that
18 Lancaster County would be an urban area. So the formula that
19 was driven, clearly we're a little bit more developed than
20 Potter County, but you don't see us as a major urban center and
21 yet we lost dollars, too. So I think that that formula that
22 was put into place is flawed, and I appreciate that this piece
23 of legislation, I believe under Chairman Stern and Chairman
24 Kirkland, repeals that act, if I read the legislation
25 correctly.

1 The last question. Real briefly, both of you. I
2 assume you support 2056 the way it's constructed and would like
3 to see its passage as soon as possible?

4 MR. BROOKS: We do, yes.

5 REPRESENTATIVE BOYD: Okay. Thank you.

6 MR. BROOKS: And, Representative Boyd, Mr. Chairman,
7 just if I may make one -- and thank you for your comments,
8 Representative Boyd. I appreciate it.

9 One thing I would like to impress on everyone here
10 is that, and I think all my colleagues would agree, we have
11 businesses that are very, very entrepreneurial with one
12 employee or two employees. They're building -- a lot of our
13 businesses such as Willow Valley started with one employee
14 selling chicken out of a side road stand. Now it's a huge
15 operation in our county, and I think all of us could probably
16 pick those out. This is what we're supporting: We're
17 supporting the building of these businesses that are really a
18 level that a lot of us work to try to get those businesses to
19 build. They just don't have the money to market, so they
20 depend on us to do that.

21 So from the ground floor, in a really basic way,
22 this is really a very, very strong job creator. So as we
23 consider this, I would hope that -- and I know that you'll
24 consider the job-creation aspect of what we're doing here. And
25 yes, we are very blessed that we have a lot of large

1 operations, like the Sight & Sound, like Hersheypark, that do
2 an incredible job of marketing as well, and that's also
3 affecting a lot of those smaller folks out there that are
4 trying to build a business and trying to live day to day.

5 So thank you, Representative Boyd, and thank you,
6 Mr. Chairman.

7 MAJORITY CHAIRMAN STERN: Representative Brown.

8 REPRESENTATIVE V. BROWN: Thank you, Mr. Chairman.

9 This is more for Mr. Barrett, I believe, and you can
10 chime in if it affects you as well.

11 When African-Americans were migrating from the South
12 back in the thirties and forties, many of them went to
13 Pennsylvania -- it was one of the hubs across the country --
14 and they ended in Pittsburgh and in Philadelphia. And I say
15 that because Lancaster County is the closest thing that
16 resembles home for many people who were born before 1930. And
17 for many years, as a leader in the community, many of us ran
18 trips to Lancaster County annually or even biannually. And
19 this went on, this was a tradition in Philadelphia, especially
20 West Philadelphia, for many, many years.

21 I have seen the trips start to die off, and I'm
22 starting to see that it's because of the correlation of
23 marketing dollars, because now we have a new generation of
24 elders who would, if they knew about it, continue to go to
25 Lancaster as a place that would be closest to home, that would

1 give them that feeling of belonging back at home again. And
2 I'm also wondering if you noticed that it has fallen off.

3 And also for now, I know that there's a challenge
4 with paying for buses because gas is so high, and people still
5 have a desire to go but they just can't afford it. Have you
6 experienced anything like that and have any comments?

7 MR. BARRETT: Yes, ma'am. That's a really good
8 question.

9 One thing I would say, too, is that it was really
10 surprising to me, but welcome, how much of the Underground
11 Railroad started in Lancaster County with Thaddeus Stevens.
12 And I just personally -- I'm a history geek -- I just thought
13 that was really fascinating. So we're trying to tell that
14 story with the Underground Railroad as much as we can.

15 But you're right on target. We've seen an
16 incredible decrease in what we term as the "tour and travel
17 market." However, we're fortunate in the sense that Sight &
18 Sound Theatre is able to still attract that. But the larger
19 part of the market that would just come for the reasons you
20 stated is definitely decreasing, and I think some of it is
21 actually demographic, so to your comments.

22 So we've actually tried to spend more marketing to
23 those markets and being a little bit more targeted. But yeah,
24 I mean, when it comes to choice of resources, you only have so
25 much.

1 REPRESENTATIVE V. BROWN: Well, I would like to
2 offer that we do have a Pennsylvania Legislative Black Caucus,
3 and there are 21 Members, and each of us serves 60,000, 60,000
4 to 65,000, so that's a huge market. So if you would use us as
5 a partner, we would be glad to let folks know that you're out
6 there.

7 MR. BARRETT: I will be calling you.

8 REPRESENTATIVE V. BROWN: Thank you.

9 MR. BARRETT: Thank you, ma'am.

10 MAJORITY CHAIRMAN STERN: Thank you. Thank you for
11 your testimony this morning.

12 Before we move on to our next testifier, I'd like to
13 acknowledge the presence of Representatives Adam Ravenstahl,
14 Mario Scavello, Rosemary Brown, Sue Helm, Mike Fleck,
15 Mauree Gingrich, Dave Millard, Gary Haluska, Keith Gillespie,
16 and Karen Boback, as well as acknowledge the Executive Director
17 this morning for Senator Earll's committee, and that is
18 Cathy Washburn. We would like to thank you for being here this
19 morning.

20 At this time, we're pleased to have before us
21 Kimberly Schaller, who is the Executive Vice President/
22 Marketing Officer for Hershey Entertainment and Resorts.

23 So at any time when you would like to begin,
24 Kimberly, please feel free to begin your testimony.

25 MS. SCHALLER: Good.

1 MAJORITY CHAIRMAN STERN: Just make sure the green
2 light is on.

3 MS. SCHALLER: It's on.

4 Good morning. My name is Kim Schaller. I'm the
5 Executive Vice President/CMO -- Chief Marketing Officer -- for
6 Hershey Entertainment and Resorts Company.

7 I applaud the vision of Chairman Stern and his
8 committee in the proposed establishment of the Pennsylvania
9 Tourism Commission. Representative Stern has really taken the
10 time with me to try to understand the environment that's
11 currently facing the private sector. He is really invested in
12 elevating tourism where it should be as Pennsylvania's second
13 largest industry.

14 I warned him that I would speak openly, but he still
15 invited me, and we turned the microphone on, so I really
16 appreciate this opportunity.

17 I've been with Hershey Entertainment and Resorts for
18 25 years. I'm a student of marketing, and travel is a personal
19 and professional passion of mine.

20 A brief overview of who we are. We're not the
21 \$8 billion international confectionary company. We are a
22 \$300 million entertainment and hospitality company with all of
23 our operations in central Pennsylvania.

24 We welcome approximately 6 million guests every year
25 as either part of a leisure family getaway or as a participant

1 in some sort of business travel. We have over 1,800 full-time
2 employees, but yet on an annual basis, we process over 10,000
3 W-2's due to our significant summer and seasonal holiday
4 activities. We are the largest taxpayer in Dauphin County.

5 Our primary guest markets include Pennsylvania,
6 New Jersey, New York, Washington, DC. Actually, Nassau and
7 Suffolk Counties, Long Island -- two Long Island counties --
8 are our number one in two counties in terms of visitation. But
9 our guest-origins information indicates that every State in the
10 Union is represented and many foreign countries who visit
11 Hershey. We're primarily a drive destination with an average
12 length of stay of 2.2 days.

13 The marketing of the State is clearly tied up in
14 politics. No one has a singular vision of how to market this
15 State and its assets to the traveling public, whether it's to
16 the leisure or business traveler. The plans change with each
17 administration, not just minor modifications but radical
18 wholesale changes.

19 Marketing is a dynamic discipline that requires
20 vision, consistency, flexibility, and clarity. No one should
21 ever underestimate the power of momentum in marketing. It's
22 key to success. The constant rhythm to the messaging is
23 essential to build positive perceptions about a travel
24 destination. It's the regular heartbeat of clear communication
25 that drives results.

1 The joke about this State's changing State tagline,
2 it's really not funny. Think "Hershey Park Happy!"; "Hershey,
3 The Sweetest Place On Earth": those are lines that have been
4 consistent, and we won't stray from them, because that's the
5 key. The revolving door of players in the State Tourism
6 Office, from internal staffing to external partnerships
7 constantly changing, does nothing to support the essential
8 ingredients of a longstanding communications plan. With each
9 new personality, new initiatives are set, oftentimes totally
10 stopping all forward momentum.

11 The frustration is not only at the State office
12 level but also with the TPA, or Tourist Promotion Agency,
13 structure. There are 11 regions and 49 TPAs in total, each
14 vying for their own fair slice of the pie, regardless of their
15 ability to actually attract the business or leisure traveler.

16 For the most part, TPAs don't work together in
17 harmony for the greater good. Every individual who sits at the
18 top of the travel pyramid in the State for the past 25 years
19 has agreed that the TPA system is flawed, yet no progress is
20 made. And as a veteran of this game, it's remarkably
21 frustrating and shortsighted.

22 Pennsylvania is blessed and cursed with its
23 location. We're blessed because there are over 60 million
24 people all within a 300-mile radius of the center of the State.
25 I'm telling you, that's an enviable statistic for any State

1 Tourism Office, particularly in these times when there has been
2 a resurgence of drive travel in the wake of 9/11. We're cursed
3 because Pennsylvania's target leisure and business travelers
4 reside in the most expensive media markets in the country.
5 New York, Philadelphia, and Washington, DC, all rank in the
6 top 10 in terms of media costs.

7 The cost to advertise and penetrate these markets
8 with any frequency and depth is excessive. The limited
9 marketing resources are precious, and they must be used
10 carefully. The strategic media plan and creative executions
11 must be targeted and consistent. The constant overhaul in
12 marketing direction, the "stop and start" of markets and
13 messages, and the outdated research data all limit the State's
14 ability to manage the marketing of the State's travel product.

15 I long for the golden days of tourism for
16 Pennsylvania. To clearly illustrate that I do not have a
17 partisan bias, it was during the Casey and Ridge
18 Administrations -- with Mark Hoy and Barb Chaffee -- that both
19 were widely praised for their innovative approach to public and
20 private partnerships. Hershey, PA, was able to have a presence
21 in the New York market in 1996 for the first time through a
22 co-op match program.

23 Okay; now here's how it worked: We put in \$2, the
24 State put in \$1. We created the advertising and tagged it
25 with, "To learn about Hershey and everything there is to do in

1 Pennsylvania call 1-800-HERSHEY or visit 'hersheypa.com.' " We
2 then built our infrastructure to handle the volume of calls and
3 Web hits.

4 In 1997, during peak season, that office had
5 40 agents who handled 800,000 calls on an annual basis, and it
6 cost our organization over a million dollars to run that
7 operation. They provided the information and booked
8 reservations at 30 area hotels -- not just our hotels. We then
9 shared the leads with the State Tourism Office and the regional
10 TPA network. It was a win-win: tourism development, not
11 corporate welfare, as it was later dubbed.

12 We changed the face of business in this region. It
13 was an unqualified success. We dramatically moved the New York
14 market to Hershey, Pennsylvania, and surrounding regions, which
15 was an economic windfall for the region at large. Regional
16 hotels and businesses involved with servicing the thousands of
17 tourists were thrilled with these results, and we have a file
18 full of letters to that effect, making the point that our
19 efforts had truly worked.

20 The program peaked in the year 1999. We put in a
21 million dollars and the State was contributing \$500,000 for
22 New York and the DC market. We were then spending another
23 \$3 million in advertising in our other markets. Our co-op
24 match program with the State was New York and DC only through
25 2003, and then the music stopped and the funding ended

1 abruptly. Our momentum ended.

2 We ended up modifying our media plans, and fast
3 forward to today: We're almost 10 years later and we are
4 completely working on our own with no public-private
5 partnership with this great State. We now partner where it
6 makes sense, with our local TPAs like Lancaster and Harrisburg.
7 Beyond that, we honestly believe we're much better equipped to
8 be in charge of our own destiny by using our resources and the
9 talents of our employees; our shareholder, the Milton Hershey
10 School; our community; and our regional travel partners.

11 Independence is a good thing. We're a State that
12 was founded on it. It's not a good thing in the current
13 environment we're in, and experts have cited that it's through
14 collaboration and finding that third alternative that
15 partnerships will take us into this complicated, cluttered
16 future.

17 I know that we've got to get the attention of the
18 Governor, and I would welcome the opportunity to represent the
19 private sector in those discussions. Nothing changes until
20 something changes, and the formation of a public-private
21 tourism commission will start us on that journey.

22 I thank you for your kind attention and enthusiasm
23 around our industry.

24 MAJORITY CHAIRMAN STERN: Thank you, Kimberly, for
25 that passionate testimony. I think we're all ready to recess

1 here and go out to Hersheypark this afternoon. So I think
2 we're going to have a field trip out to the park. It's a nice
3 day anyhow; why do we want to be indoors, right? But thank you
4 for that testimony.

5 I see Representative Haluska has a question. I
6 would like to acknowledge him at this moment.

7 REPRESENTATIVE HALUSKA: Thank you.

8 Kim, I'm around the corner here. Thank you,
9 Mr. Chairman.

10 Kim, I understand where you're coming from. I've
11 been on this committee 18 years; I've traveled the State pretty
12 extensively in those 18 years, and I think the strength of
13 Pennsylvania is the diversity. Obviously, Hershey is a huge
14 player in this game. But when you travel this State and you
15 get into all the counties and you see how diverse, and that's
16 probably one of the biggest problems we have in marketing in
17 Pennsylvania, because it is so diverse, from the Brandywine
18 Valley up into Erie to southwestern Pennsylvania up to
19 Peddler's Village. I mean, it's just a diverse State,
20 everywhere.

21 But I agree. You know, I found it really
22 disheartening last year when, at the all-time high under the
23 Ridge Administration we spent \$44 million in tourism marketing
24 our State for people to come here, to slide to \$4 million and
25 this year to \$3 million, we couldn't even buy a 30-second ad in

1 the Super Bowl with what we spend marketing the total State.

2 MS. SCHALLER: Yes.

3 REPRESENTATIVE HALUSKA: So I agree with you. I
4 think the administration really doesn't see the big picture.
5 They think that just cutting those funds back is going to save
6 people money, but in the end its going to cost a lot of money,
7 you know, and in the end result. I think Michigan, Colorado,
8 have figured that out after they pulled back their marketing
9 and found out that people quit coming.

10 So I agree with you. You know, I think this bill
11 goes a long way. We've talked about this for years, trying to
12 pry that away. I know E. J. Lucyk, when he was Chairman of the
13 Tourism Committee, he was so frustrated that we took your
14 "You've got a Friend in Pennsylvania." We took that slogan and
15 did away with it, and he thought that was the greatest slogan
16 that we ever had in this State and it appealed to a lot of
17 people.

18 So I'm in total agreement with you. You know, I
19 think we just have to capture the imagination of the
20 administration and make them realize what they're doing to
21 this. You know, some people feel that the room tax is the
22 savior, but the room tax isn't the savior when you have
23 48 different TPAs out there doing their own little thing.
24 You're still not marketing the State to other States; you're
25 marketing within the State almost.

1 So I agree with you. Thank you.

2 MS. SCHALLER: Good. Thank you.

3 MAJORITY CHAIRMAN STERN: Representative Moul.

4 REPRESENTATIVE MOUL: Thank you, Chairman Stern.

5 And, Kimberly, I think Representative Haluska just
6 said exactly what I wanted to say, and I guess I'll ask you for
7 concurrence that picking the proper slogan for the State or
8 branding for the State is probably one of the best things this
9 commission could do and then stick with it---

10 MS. SCHALLER: Absolutely.

11 REPRESENTATIVE MOUL: ---and promote that statewide.

12 MS. SCHALLER: As a career marketer, that whole
13 process has been an embarrassment. And even going out to the
14 public to have the public pick the slogan, I mean, it just
15 totally compromised the integrity of branding and taglines and
16 activating those lines. So I totally agree.

17 REPRESENTATIVE MOUL: Thank you. I'll look forward
18 to your expertise in the future. Thanks.

19 MS. SCHALLER: Thank you.

20 MAJORITY CHAIRMAN STERN: Representative Boyd.

21 REPRESENTATIVE BOYD: Thank you, Mr. Chairman.

22 And, Kimberly, I appreciated your testimony. It is
23 passionate, which is good.

24 As a private-sector guy, I certainly appreciate the
25 point that you made about strategic planning. The one thing

1 I've learned in my 9 years, almost 10 now, in government is,
2 governments don't plan strategically. We do budgets annually,
3 which is in some senses goofy. There's no long-term plan. And
4 it does change with the administration that comes in and goes,
5 and really the change in the legislatures, too. So I really
6 appreciate the point that you made.

7 I'm going to put you on the spot and ask you the
8 hard question.

9 MS. SCHALLER: Okay.

10 REPRESENTATIVE BOYD: In this bill, it talks about
11 the ability to raise funds and any future funding mechanisms.
12 Some of us on this committee, Representative Payne and I, have
13 spoken directly about this. And I don't want to put words in
14 his mouth; I feel we need a solid, dedicated source of funding
15 that goes strictly for tourism promotion. It's in that number
16 of \$30, \$40 million a year. It's controlled by something other
17 than the State government. This public-private partnership is
18 a great idea, and my thought, do you have any idea where we
19 could come up with a dedicated source of funding that would be
20 viable for the industry?

21 MS. SCHALLER: I mean, I don't right now, no, but I
22 think it's going to take partners like Hershey -- we have to be
23 a part of that, and I think that we've just got to get
24 everybody believing that they're truly on the right course, and
25 I think that people are feeling pretty jaded right now.

1 REPRESENTATIVE BOYD: I agree.

2 Probably a hard question, but what impact on
3 Hersheypark, on the industries that you know of, if there was a
4 simple flat fee, the use fee, a dollar a ticket, 50 cents a
5 ticket, that would hit every ticket that sold, whether it's a
6 sporting event, you know, at the Giant Center, at the various
7 ball games, at the -- you know, that would go into this? Would
8 that have a massive negative impact if it was implemented a
9 year later so that it wouldn't hit anybody, that it wouldn't be
10 retroactive? Would something like that be conceivably viable
11 for the industry?

12 MS. SCHALLER: You know, I am not going to sit here
13 and say that, "Oh, sure, any incremental tax would be welcome
14 from the private sector."

15 REPRESENTATIVE BOYD: Mr. Chairman, I tried.

16 MS. SCHALLER: Dang. Thank you.

17 MAJORITY CHAIRMAN STERN: Well, you have to give
18 this committee at least credit for thinking and trying to think
19 outside the box.

20 MS. SCHALLER: Sure.

21 MAJORITY CHAIRMAN STERN: We're trying to be
22 creative in these economic times.

23 But we appreciate your testimony today, Kim, as you
24 brought that testimony before us from the private sector, and
25 we appreciate everything you do at Hershey Entertainment. And

1 thank you for being a good community partner and also being
2 part of "The Sweetest Place On Earth."

3 MS. SCHALLER: Thank you.

4 REPRESENTATIVE HALUSKA: Mr. Chairman? Just one
5 comment.

6 I think people don't realize the tax that this
7 industry already generates. Now, not only the room tax, the
8 sales tax, the gasoline taxes for people when they talk about
9 we're the most driven-to, the third most driven-to State, you
10 know, for tourism. That means, you know, obviously we're
11 reaping benefits from gasoline taxes, from sales taxes on the
12 restaurants and the foods, the admissions and everything else.

13 So I think this industry already has a big stake in
14 the revenue that comes into this State, so when you look at
15 ways to make revenue to market this State, I think you really
16 have to look back and say, I think this industry already makes
17 that revenue, but we're just spending it in other ways. So
18 that's my thought.

19 MAJORITY CHAIRMAN STERN: Well, and that's a good
20 point, Representative Haluska. I think it's something to the
21 tune of \$3 billion that tourism brings in to the State coffers,
22 and local coffers as well as far as local taxes. So we're
23 looking at a huge economic impact here on State tax dollars
24 already that's going into our budget. So that's a point well
25 made.

1 REPRESENTATIVE HALUSKA: It's not like we're paupers
2 and we have our hand out and we're asking for a free handout.
3 I think this industry is already generating that money. I
4 think they just want their fair share back, you know, to make
5 this industry even better.

6 MAJORITY CHAIRMAN STERN: Thank you.

7 Thank you again, Kim.

8 At this time, some of our Members have to go.
9 They're going to be running to a press conference here at
10 10 o'clock, so Members will be coming in and out.

11 But right now we're really pleased to have before us
12 the new Deputy Secretary for Community and Economic
13 Development, or the Secretary for Innovation and Investment in
14 the Department of Community and Economic Development. We'd
15 like to welcome before us today Carolyn Newhouse.

16 And I know you're new in your role, Carolyn, but I
17 know you certainly are enthusiastic about your role and what
18 you would like to do with tourism in Pennsylvania. So we'd
19 like to turn it over to you right now and gather testimony from
20 you. Thank you for being here today.

21 DEPUTY SECRETARY NEWHOUSE: Chairman Stern, thank
22 you for that introduction. Chairman Kirkland, Members of the
23 committee, thank you for the opportunity to be here today.

24 My name is Carolyn Boser Newhouse, and I am Deputy
25 Secretary for Pennsylvania's Office of Innovation and

1 Investment through the Department of Community and Economic
2 Development.

3 Governor Corbett has placed tourism within my
4 deputate, and that's because of the recognition, the important
5 role tourism plays in the Commonwealth's overall economy and
6 our economic development efforts.

7 Prior to my appointment by Governor Corbett earlier
8 this year, the bulk of my professional career has been spent as
9 a serial entrepreneur in a diverse set of businesses. My
10 experience ranges from being a CEO of a wired and wireless
11 communications company to being co-founder and president of an
12 engineering company that specializes in automated data
13 collection. I have also been in and founded a limited
14 partnership of commercial real estate, as well as an LLC of
15 diverse retail operations.

16 I'd like to note that I hail from Bradford, PA,
17 which is in McKean County -- so I see some of my neighbors here
18 from Potter County -- in the north-central region of the State.

19 As a business owner, I have faced the typical
20 challenges of many business owners, including many of the
21 challenges that the small tourism businesses face throughout
22 the State. No matter the challenge, however, the successes I
23 have realized in the private sector directly correlate to my
24 ability to identify a market need, to then define and
25 effectively execute a plan to profitably address that need, and

1 to pull together the team necessary to realize success.

2 I have always embraced the challenges inherent in
3 identifying and then solving problems, and I look forward to
4 working closely with the Governor's Office, with the
5 legislature, with the Tourism Committee, and the important
6 tourism industry to define and execute a successful
7 public-private partnership transition plan.

8 Towards this, we are convening a Tourism
9 Privatization Work Group that is currently comprised of many
10 individuals who worked to create HB 2056 that would establish
11 the public-private partnership for statewide tourism marketing.
12 We have held two highly productive meetings in the past
13 3 weeks, and I am personally committed to making this a top
14 priority of my deputate.

15 What became clear at the first meeting is that this
16 is not an easy issue. There are challenges the Tourism
17 Privatization Work Group needs to work through, with the
18 funding source being one of them. Other States have addressed
19 the funding issue in a number of ways, and what is clear from
20 our review is that Pennsylvania's solution will need to be
21 unique to Pennsylvania. It must involve the private sector and
22 be flexible enough to take on the challenges that may arise,
23 regardless of the State's financial or funding picture.

24 I commend our Pennsylvania tourism industry for
25 their vision and their passion in stepping forward to be an

1 integral part of the solution, and we all recognize that this
2 State can no longer operate in the way it has in the past. We
3 realize it is time for us to embrace a new paradigm in the way
4 we structure and fund our tourism marketing operations.

5 One of the first meetings that I had as Deputy
6 Secretary was with the Pennsylvania Association of Convention
7 and Visitors Bureaus, PACVB's executive committee. In addition
8 to meeting with the PACVB, I've also made it a priority to meet
9 with our local tourism partners throughout the State, to listen
10 to their concerns and really hear what the challenges are that
11 they face. It has been a great experience to learn about all
12 the things these partners are doing to market and bring
13 tourists to our State and to their respective region.

14 So far, I've had five meetings, starting in Erie
15 with a meeting with the tourism promotion agency directors from
16 Pennsylvania's Great Lakes region, then on to Philadelphia for
17 a meeting with individuals from the Philadelphia and
18 Countryside region. I next went to State College where I met
19 with the leaders of the Alleghenies, and then up to Moosic for
20 the Upstate PA and Lehigh Valley regions. Most recently I met
21 with Pittsburgh and it's Countryside region, as well as the
22 Laurel Highlands region. I am looking forward to upcoming
23 meetings scheduled with leaders with the Pennsylvania Wilds,
24 with the Valleys of the Susquehanna, and the Dutch Country
25 Roads regions.

1 I've come away from each of these meetings humbled
2 by the commitment, the passion, the experience, and the
3 concerns that the group has conveyed as they market and promote
4 Pennsylvania at the local level. I've been deeply impressed by
5 their understanding that the status quo no longer exists. We
6 recognize that and their need to convey that statewide
7 marketing is essential if Pennsylvania is to be successful in
8 the highly competitive marketing industry.

9 We are not just competing with our neighboring
10 States for tourists and the tourist dollar but with every
11 other State in the country. I am sure you've all seen the ads,
12 and it has been raised already, in regard to Michigan,
13 North Carolina, Colorado, and even California, but the
14 competition is greater than that. Every nation is actively
15 competing in the tourist market. Many of them have budgets in
16 the hundreds of millions of dollars. They recognize that
17 tourism means jobs and tourism brings much needed revenues. We
18 here in this room recognize that as well.

19 It is within this highly competitive environment
20 that the Commonwealth and our local tourism partners are
21 operating. They have told me they rely on statewide marketing
22 to help drive tourists to their destination and to maintain and
23 cultivate brand "Pennsylvania." They've also told me they know
24 the tourism industry has to be a part of the solution in
25 supporting statewide marketing and it needs to be consistent.

1 HB 2056, developed in partnership with
2 Pennsylvania's tourism industry, provides a solid foundation on
3 which the Privatization Work Group can build. The initial
4 members of this work group are reviewing the latest data on how
5 other States structure their statewide tourism marketing
6 operations. We are cognizant of the fact that what works for
7 one State may not be ideal for Pennsylvania, but we would be
8 remiss if we did not examine the current data on how other
9 States have confronted these challenges, both successfully and
10 unsuccessfully.

11 Our initial review has shown that while many States
12 have retained their statewide tourism operations in-house as
13 either standalone agencies or as part of a larger agency, as
14 Pennsylvania does now, there are also other models that warrant
15 our attention and investigation. Many of those involve various
16 forms of public-private partnerships. Most of these are
17 governed by a board comprised of members from both the public
18 and the private sector.

19 However, a few States, notably California, Florida,
20 and Oregon, have structured their statewide tourism governance
21 boards primarily, if not solely, on the private sector,
22 representing various components of the State's tourism industry
23 with requirements to ensure geographic as well as
24 industry-sector representation.

25 We are also looking at Washington State, which

1 closed its State office last June and has a purely private
2 model. They have established a 501(c)(6) and have a governing
3 board and bylaws. They, too, are struggling with the critical
4 issue of funding. Right now, they are relying on membership at
5 varying levels of contributions to fund their operations and
6 recognize that their current \$40,000 budget is simply not
7 enough to mount a comprehensive and effective statewide tourism
8 marketing.

9 I would like to close with the following beliefs and
10 core values that I have brought from my life in the private
11 sector.

12 First, I've always looked to provide a solution that
13 serves the clients' interests first and foremost; in this case,
14 the thousands of tourism businesses throughout the
15 Commonwealth, many of which are small like the companies that I
16 had started.

17 Second, to represent ourselves, the Commonwealth,
18 and our partners with respect, passion, perseverance, and
19 consistency.

20 And finally, to embrace the change, both for the
21 prospect of growth that it brings to the industry and for the
22 opportunity to define a statewide tourism marketing program
23 that becomes the model other States look to.

24 DCED is committed to making the time, the resources,
25 and the research necessary to find a viable, long-term,

1 sustainable solution for the State.

2 Thank you for providing me the opportunity to
3 comment on this vitally important issue.

4 MAJORITY CHAIRMAN STERN: Thank you, Carolyn, for
5 that very informative testimony, and thank you for bringing
6 your background into it as well, you know, as a private
7 business owner. We appreciate that.

8 One of the things that I wanted to, first of all,
9 acknowledge in your testimony was mentioning -- and first of
10 all, I want to thank you also for continuing the working
11 partnerships, the meetings that you've continued, along with
12 the tourism industry, to continue looking at private-public
13 partnerships and what we should be looking at here in
14 Pennsylvania.

15 One of the things you mentioned in your testimony,
16 you mentioned about California, Florida, and Oregon have
17 structured their statewide tourism governance boards primarily,
18 not solely, of private-sector individuals representative of
19 "various components of their state's tourism industry, with
20 requirements to ensure geographic, as well as industry sector
21 representation," and basically that really sums up HB 2056.
22 That's what the industry is attempting to do as we move
23 forward. So I applaud you for looking at those States and
24 trying to model something, something that's already working in
25 these other States.

1 I would suggest to drop Washington State, that they
2 completely went to the private sector and basically is
3 struggling and almost ready to shut their doors, because we
4 don't want to do that in Pennsylvania. So we don't want to
5 model other States that aren't successful. But we do want to
6 set a standard in PA that is second to none, and that's what I
7 think that the industry folks in Pennsylvania tourism want to
8 do, and that's what we're here to help them to do as Committee
9 Members.

10 So I appreciate your testimony, and I have a
11 question by other Members at this time, but we thank you for
12 your efforts in making this move forward within the
13 administration, because it truly is -- it has to be a public
14 partnership, because we can't do this strictly on the private
15 side, because we have to market Pennsylvania and it's all about
16 Pennsylvania. We have the regions, but it's like a big
17 shopping mall with all the little stores in all the other areas
18 in Pennsylvania. But we have to market them all, and if we
19 don't get the people here, then the little shop down at the end
20 in Potter County here may not get included, so.

21 I also would like to acknowledge Representative
22 Payne for a question at this time.

23 REPRESENTATIVE PAYNE: Thank you, Mr. Chairman.

24 Secretary, reading your testimony here, you're the
25 Deputy Secretary for the Pennsylvania Office of Innovation and

1 Investment in the Department of Community and Economic
2 Development, and the Governor has placed tourism within the
3 department. Where was it before it was placed under you?

4 DEPUTY SECRETARY NEWHOUSE: Oh; it says within my
5 deputate.

6 REPRESENTATIVE PAYNE: Okay. So it has always been
7 within DCED; they just moved it over under your oversight.

8 DEPUTY SECRETARY NEWHOUSE: Correct. Previously
9 there was the Deputy Secretary of Tourism, Film and Marketing,
10 for example, and with the increased recognition and its part of
11 economic development, which is the primary focus of my
12 deputate, the tourism, film, and marketing group is brought in
13 under my area.

14 REPRESENTATIVE PAYNE: All right. And the reason I
15 asked, and, Mr. Chairman, I just find it interesting, I think
16 tourism is the second largest industry in Pennsylvania.

17 MAJORITY CHAIRMAN STERN: You're correct.

18 REPRESENTATIVE PAYNE: And agriculture is the first.

19 MAJORITY CHAIRMAN STERN: You're correct.

20 REPRESENTATIVE PAYNE: And ag has their own
21 department, their own Secretary, their own State staff, but
22 tourism is now incorporated under, in my mind, my statement, an
23 afterthought in another department.

24 How many employees under you work just in
25 tourism?

1 DEPUTY SECRETARY NEWHOUSE: Well, right now, as you
2 may be aware, with the budget cuts, the department is quite
3 small.

4 If I could respond to that in terms of being---

5 REPRESENTATIVE PAYNE: Do you know the number of how
6 many employees?

7 DEPUTY SECRETARY NEWHOUSE: I'll count: Five; five.

8 REPRESENTATIVE PAYNE: Okay. I appreciate that,
9 because I think it's just woeful that we as a State have
10 decided that the second largest business -- and it is a
11 business; it generates money for the State -- is now entitled
12 to five employees in a department that doesn't even get its due
13 recognition, doesn't have its own designation as ag does.

14 One of the things, and Representative Boyd indicated
15 that he and I have had conversations on how we have stepped to
16 the plate to not fund tourism. We think the current Chairman's
17 bill is an excellent way to go in privatization, but I think
18 the State still has a role to play.

19 And there was some debate on all the hotel taxes
20 that are currently coming up. We have three bills before us
21 today. One goes from 3 to 5 and the other two go from 5 to 7.
22 I flirted the idea that anything over 5 in Pennsylvania,
23 1 percent has got to go statewide to help promote tourism.
24 Otherwise, we're going to have, you know, 60 counties --
25 50 counties, because Philly is separate -- we're going to have

1 all these counties floating hotel taxes doing nothing to
2 promote the statewide effort and spending some of that hotel
3 tax money for things other than promoting tourism.

4 So we're trying to get a handle on that. I know he,
5 without giving me a hint, had indicated that maybe we should
6 look at a price on a venue. Being from Hershey, I can tell you
7 that Hersheypark already pays an amusement tax, a sales tax, a
8 parking lot tax, the real estate tax. I think the only tax we
9 haven't figured out yet is how to tax when people come and have
10 fun, when they laugh, but we're probably working on that one.

11 So I'm all for the privatization. I'm just -- I
12 think the State has a role, and I don't think that role is five
13 people in a department -- and no offense to you; you didn't do
14 it -- but I don't think that role is five people in a
15 department that doesn't have the recognition or the statute
16 that it deserves being the second largest business now.

17 DEPUTY SECRETARY NEWHOUSE: Okay. Thank you for
18 those comments. I appreciate them and respect them.

19 One of the things that, one of the reasons that
20 Tourism, Film and Marketing was put under my deputate, along
21 with economic development, is because of the strong connection
22 with economic development.

23 And if I could comment. In one of the TPAs that I
24 visited, I was talking to a gentleman who wanted to put in an
25 amusement park and they were having trouble -- there were some

1 issues relative to the developer and funding. That's a perfect
2 example of the intent of having tourism tied so closely with
3 economic development, which also falls under my area of
4 business assistance, so that I could follow up with him and
5 facilitate economic development with this developer, with this
6 amusement park, because it impacts tourism. So there is a
7 correlation.

8 REPRESENTATIVE PAYNE: And I appreciate that
9 example. I guess my point is, you can build the amusement
10 park, but nobody's going to come here if we don't advertise it.
11 And the competition is so keen out there. I mean, I'm so sick
12 and tired of seeing Michigan and North Carolina commercials on
13 cable inet that I'm like---

14 DEPUTY SECRETARY NEWHOUSE: Right.

15 REPRESENTATIVE PAYNE: ---I hope people in Michigan
16 are tired of seeing Hersheypark or Pennsylvania, and I know
17 they're not tired of seeing Pennsylvania because we're not
18 doing it.

19 One last question. You brought up the film tax
20 credit. I was a "yes" vote. I was a proponent that we ought
21 to do that.

22 DEPUTY SECRETARY NEWHOUSE: Okay.

23 REPRESENTATIVE PAYNE: But it's also the only thing
24 in that category of "tourism" right now that has not been cut.
25 And I am going to propose an amendment to the budget process

1 this year to Chairman Adolph that we take \$10 million from the
2 film tax credit and we transfer it over to promote tourism in
3 Pennsylvania.

4 Now, that's just a Band-Aid; that's a step to try to
5 hold the flow, but I don't know how in good conscience I can
6 sit here and vote, when we're cutting education, when we're
7 cutting children and youth, when we're cutting everything else,
8 but we're not going to cut the film tax credit. I think it
9 needs cut, and I think money needs to be transferred over to
10 promote Pennsylvania.

11 We won't have anybody to come here, and I've been to
12 Philly and I've done the movie tour, which is really neat --
13 you get to see where all the scenes were shot, the movies were
14 shot. Nobody's going to come here to see those if we don't
15 promote ourselves. The people that went to the "Witness" tour
16 in Lancaster, they're not going to know it if we don't promote
17 Pennsylvania.

18 So I'm encouraging you to work with us and work with
19 the privatization to see if we can't really expand tourism to
20 where it belongs.

21 Thank you, Mr. Chairman.

22 MAJORITY CHAIRMAN STERN: Representative Longietti.

23 REPRESENTATIVE LONGIETTI: Thank you, Mr. Chairman.

24 Thank you, Deputy Secretary.

25 The legislation that we have would create the

1 Pennsylvania Tourism Commission. As I understand it, the
2 Governor would appoint those members, and it would essentially,
3 you know, have a perpetual life, provided that we didn't step
4 away from this legislation. Are you able to say whether or not
5 the administration is willing to embrace the creation of such a
6 commission?

7 DEPUTY SECRETARY NEWHOUSE: My response to that is
8 that we support very much the goal of a public-private
9 partnership. We believe further consideration should be given
10 to the exact structure.

11 So to maybe tie in to Representative Payne, we need
12 to compete with a \$25 million campaign from Michigan. Getting
13 \$3 million from the General Fund isn't going to cut it. So if
14 we can look at a public-private partnership model where we can
15 take that \$3 million, possibly a seed, and we can fund it
16 through additional mechanisms so we have the dollars that these
17 people behind me need to be successful, then that's what we
18 hope will come out of the public privatization work group
19 meeting.

20 So it's just the structure that we want to work with
21 you all on.

22 REPRESENTATIVE LONGIETTI: Okay. And just to try to
23 further clarify that, if that modified structure would take the
24 form of a commission that's appointed by the Governor that
25 would continue on, is that something that the administration is

1 willing to entertain, or is that off the table?

2 DEPUTY SECRETARY NEWHOUSE: Well, the Corbett
3 Administration as a whole is looking at all areas where we can
4 find efficiencies and where there are opportunities for
5 public-private partnerships that leverage more moneys than the
6 General Fund.

7 REPRESENTATIVE LONGIETTI: That sounds like---

8 DEPUTY SECRETARY NEWHOUSE: A politician?

9 REPRESENTATIVE LONGIETTI: I did not say that. It
10 sounds a little noncommittal.

11 DEPUTY SECRETARY NEWHOUSE: Well, we want to work
12 through -- we don't want to make that commitment. We're saying
13 we want a fast track; make this a high priority, you know, and
14 work it through with a work group in order that that structure
15 can be a unifying solution.

16 REPRESENTATIVE LONGIETTI: Okay. I was just trying
17 to boil down whether an additional commission is a hang-up.

18 DEPUTY SECRETARY NEWHOUSE: Well, I think in general
19 if you look at where everyone's going, it's working more
20 towards public-private partnerships that leverage inside and
21 outside dollars.

22 REPRESENTATIVE LONGIETTI: Thank you, Mr. Chairman.

23 MAJORITY CHAIRMAN STERN: Thank you, Deputy
24 Secretary. We appreciate your testimony this morning, Carolyn,
25 and thank you for coming out---

1 DEPUTY SECRETARY NEWHOUSE: Thank you very much.

2 MAJORITY CHAIRMAN STERN: ---and testifying before
3 the committee.

4 We have a final panel before us here today
5 representing the Pennsylvania Tourism and Lodging Association,
6 and at this time we'd like to call Daniel Johnson and
7 Carl Kosko and Robert Howell before us to present testimony.
8 And what we'll do at this time is just allow you gentlemen to
9 identify yourselves before you begin your testimony, and you
10 may begin in whatever order you have worked out.

11 MR. JOHNSON: Good morning, for those that are still
12 here.

13 My name is Dan Johnson, and I wanted to thank you,
14 obviously, for the opportunity to come in and testify before
15 you.

16 I have been in the hospitality industry since 1993.
17 I'm currently the General Manager of the largest hotel in York
18 County. I'm also a member of the Pennsylvania Tourism and
19 Lodging Association and also the York County Convention and
20 Visitors Bureau. I'm on the boards of those two groups.

21 As has already been said earlier, tourism and
22 hospitality is Pennsylvania's second largest industry, employs
23 over 400,000 people, roughly 7 percent of the workforce in our
24 State.

25 As an industry, we have both private-sector

1 strengths and relationships with the public sector. The
2 building of operational facilities, providing entertainment and
3 recreation, as has been testified to earlier, operating tours
4 and much more are just some of the things that are firmly
5 rooted in the private sector.

6 Public-sector relationships: from building and
7 maintaining our infrastructure so people can get here and get
8 to the places that have been built; and then promotion of the
9 State as a whole. The statement "If you build it, they will
10 come" certainly rings true for our industry. From creating
11 jobs, the residual benefits of construction and development,
12 ongoing supplier relationships to keep those businesses
13 running, all are an important component to our State's economy,
14 and therefore, there's a clear harmony of interest between
15 industry and government.

16 But it's easy to recognize that even in the best of
17 times, government has that challenge of balancing spending
18 while doing the most good, and when the economy sours, as it
19 has recently, often very painful cuts in spending have to be
20 made, and that's why I believe that the proposed commission
21 would be a benefit both to the State and the taxpayer and the
22 tourism industry as a whole.

23 As a public-private partnership, or P3, the
24 commission would be able to share resources, risk and rewards
25 between government and private industry. It will create better

1 efficiencies, provide access to public-sector investment.
2 Obviously we're talking about tax reliance, and that would
3 change. Including also the most important component, as
4 mentioned earlier, the human-capital side, where key industry
5 experts and stakeholders who can be a part of this commission
6 can ensure its success and the future direction of its efforts.

7 Is a public-private partnership the way to go? I
8 think so. This past weekend, the Maryland House of Delegates
9 voted in favor of looking into that for road and building
10 projects. This is obviously different than that, but it is
11 certainly something that is popular right now. So I believe it
12 can work with tourism promotion.

13 An action like this, I believe, relieves the burden
14 on the taxpayer through shared funding as we work through the
15 funding model. I think it solidifies the relationship with
16 industry instead of just complete State direction and control,
17 which should make advocates for smaller government happy. And
18 it also includes the involvement of industry experts to ensure
19 its success, and the State would then have an opportunity to
20 focus on the areas that maybe are a little bit more concerning
21 to it as it moves into oversight, direction, fault, or blame.
22 It's something that we share between the two sides, public and
23 private.

24 So I think we all share the resulting benefits of
25 tourism in our communities and the economy. I think that

1 building on the private sector successes to get things done in
2 Pennsylvania and reducing the reliance on government are always
3 good, and I think that we certainly have experts behind us who
4 would want to be involved that could help bring more tourists
5 to the State if we marketed it the right way.

6 So I support the creation of the commission as a way
7 to build on individual success and a way to advance tourism in
8 Pennsylvania in a positive way. Thank you.

9 MAJORITY CHAIRMAN STERN: Thank you, Daniel, for
10 your testimony.

11 MR. HOWELL: Hi. Good morning, Chairman Stern and
12 the rest of the Members here today.

13 I am Rob Howell. I am the General Manager of
14 The Shawnee Inn and Golf Resort located in the Pocono Mountains
15 of Pennsylvania.

16 As with any tourism property, we're special. The
17 Shawnee Inn and Golf Resort is independently-owned property, so
18 our reliance on the marketing campaigns launched by regional
19 tourism bureaus and other State agencies and associations is
20 really instrumental to the survival of our property and many
21 other properties like ours.

22 Now, I understand that budgets are tight, and not
23 only at the property level where we are but at the State level
24 where balancing the welfare of many competing interests is a
25 challenge, so that everything must be taken into consideration.

1 For the Pocono Mountains and the surrounding areas, tourism is
2 really a vital economic driver for our region.

3 Just a little information. In 2010, a DCED report
4 stated that nearly 35 percent of the labor force in the Pocono
5 Mountains is tied to tourism, so making the Pocono Mountains
6 area sort of, I guess, one of the most tourism-dependent
7 regions in the Commonwealth.

8 This is an important reason why I'm interested in
9 the formation of this agency, whose sole purpose would be to
10 ensure the viability and foster the growth of the tourism
11 industry as the second largest industry, as we've all
12 discussed. Here in Pennsylvania, with over 400,000 jobs
13 created and \$3 billion generated in tax revenue to the State, a
14 public-private agency dedicated to tourism is a worthy
15 consideration. Continuing to market Pennsylvania as a viable
16 tourist destination would be, I think, a prudent investment in
17 Pennsylvania's future.

18 Two-thirds of the visitors to the Pocono Mountains
19 of Pennsylvania and consequently the revenue generated from
20 those visitors spending \$2.1 billion comes from nonresidents,
21 and the influx of that new money, as we talk about those
22 60 million within a driving range, secures jobs and tax dollars
23 from visitors who do not actually use our social services. So
24 I, along with the Pocono Mountains Vacation Bureau, support the
25 creation of the Pennsylvania Tourism Commission as an agency

1 that has the potential to encourage innovation, creativity, and
2 accountability across, as we've been talking, a long-term plan
3 and stable environment.

4 This proposed public-private partnership would
5 provide an excellent framework to strategically promote
6 Pennsylvania as a top-tier tourism destination and prove to be
7 a very sound investment in the future of Pennsylvania's
8 economic viability.

9 Marketing works. The Pocono Mountains grew to
10 prominence as a "honeymoon destination" through the
11 implementation of a strong marketing campaign that stretched
12 across decades, so this consistency supplies strength and focus
13 to maintain a high level of exposure and interest in that
14 region.

15 Now, I see the formation of the Pennsylvania Tourism
16 Commission as a private-public agency as an opportunity to
17 encourage a laser-like focus to marketing Pennsylvania as a
18 destination. This agency will foster the needed continuity
19 through administration changes that will give tourism the
20 consistent attention it deserves and maintain or improve
21 Pennsylvania's position as one of the top five visited States,
22 driven-to States in the country.

23 Thank you very much for the time and letting me
24 speak today. Thank you.

25 MAJORITY CHAIRMAN STERN: Thank you.

1 Carl.

2 MR. KOSKO: Chairman Stern and Members of the House
3 Tourism Committee, I'd like to take this opportunity to say
4 thank you for allowing us to speak on tourism's behalf today,
5 and my goal today is to speak to you on behalf of the small
6 mom-and-pop places in the State.

7 I currently run the Harvest Moon Bed and Breakfast.
8 I've been in the industry since 1987, working in inns and
9 country establishments, small restaurants, and currently owning
10 my own bed and breakfast.

11 My prepared speech today is to thank you all for the
12 opportunity to testify about the creation of the Pennsylvania
13 Tourism Commission. My name is Carl Kosko, Vice President of
14 the Pennsylvania Association of Bed and Breakfast Inns. PABBI
15 represents the unique lodging segment throughout the
16 Commonwealth.

17 We had just formed our organization on January 1,
18 2012. Our membership will cater to innkeepers' needs in regard
19 to operations, education, and lobbying efforts. Being a new
20 association, we are excited to be able to reach out to over or
21 nearly 900 innkeepers throughout the State.

22 The B&Bs, inns, and farmstays see each other as an
23 extension of our individual product lines, and we have learned
24 to work well together. We are all, for the most part, small
25 mom-and-pop type businesses and have realized that in order for

1 us to move forward, we must be able to work together in unison
2 to achieve a voice in the tourism arena. To that end is where
3 I would like to reach out to explain the role of an innkeeper
4 and the importance we have in the tourism field.

5 Although we are small, most of us having an average
6 of five guest rooms in our establishments, we multiply that by
7 the number of inns throughout the State, and you begin to
8 realize that collectively, we are near 5,000 potential room
9 nights throughout the State.

10 My point is that we, as a small business, have to
11 cater to these guests. Our guests will want great morning
12 offerings -- local-made soaps, fine PA handcrafted furniture.
13 We will need to go and find the right restaurant for their
14 dining while here and need to know exactly where they go to
15 enjoy their day. We, in turn, must reach out to our local
16 garden shops, local soap makers, area butchers for smoked
17 breakfast meats, PA furniture makers, area restaurants, and the
18 dairyman making fresh cheese and providing great farm-fresh
19 produce for the needs of our guests. During the course of any
20 given week, I have touched, on minimum, 10 different local
21 vendors in my area that help me in making the traveling tourist
22 in our State comfortable.

23 So how does this have anything to do with House
24 tourism bill 2056? Well, when you consider the fact that we
25 are nearly 900 strong and we reach out to many within our local

1 area, the economic impact is exponentially significant. We as
2 an industry have supported the State and have garnered tax
3 revenues in many ways.

4 When you tie it all together, we see the formation
5 of the Pennsylvania Tourism Commission as an agency that will
6 catapult the tourism industry into an arena it once used to
7 play in. The goal might be to bring it back to one of the top
8 five marketing States in tourism in the country rather than
9 where it currently stands, in 44th position. Here in this
10 position, we could possibly be one of the top travel States in
11 the country, offering all travelers something unique.

12 Tourism spending alone accounted for \$31.1 billion
13 in revenue during 2009. Tourism means employment. Currently,
14 we -- the whole of tourism -- employ nearly 433,000 people
15 throughout the State. If we were to try to make up for the
16 loss in travel and tourism tax revenues which we received in
17 2009, each PA household would be assessed \$690 per year to make
18 up for that loss.

19 Finally, as a small businessman relying on myself to
20 market my business, I ask myself sometimes, what can I do to
21 help the State see the significance of State tourism? It is,
22 after all, the second largest industry in the State next to
23 agriculture. The only thing I can do is offer insight and
24 understanding of my personal industry. I hope it has been
25 helpful, and I certainly welcome any questions you may have.

1 MAJORITY CHAIRMAN STERN: Thank you, Carl, for
2 your testimony; and also, Robert, for yours; and, Dan, for
3 yours.

4 Any questions from any of the Members at this time?
5 Representative Millard.

6 REPRESENTATIVE MILLARD: Thank you, Mr. Chairman.

7 And thank you to each of our testifiers for
8 appearing before us today. I really don't have any questions,
9 just a couple of comments and observations of today.

10 You know, it seems that the large job providers in
11 Pennsylvania -- a new industry that comes in and opens up a
12 factory or a business and they employ 100 people, 1,000 people
13 -- that's the big headline; that's the 3-inch headline above
14 the fold. And so many times when you compare those jobs, one
15 shot, with the jobs that can be created through tourism and
16 proper marketing, they pale in comparison, but you don't get
17 the headlines.

18 You know, we look for return on investment in
19 Pennsylvania with every dollar that we put out. We heard the
20 Deputy Secretary talk about the ability to utilize the staff to
21 market Pennsylvania in a proper way. And we as legislators
22 always look for that good return on the dollar. We're not
23 interested in a dollar-for-dollar return; we're always
24 interested in \$2 or \$3 or even more for every dollar that we
25 put in.

1 And I think that Kimberly Schaller from Hershey said
2 it the best: that when you've got a slogan, a brand, a tagline,
3 that is tried and true, don't mess with something that's not
4 broken. And apparently the history of tourism in Pennsylvania,
5 which is the reason why Chairman Stern and Chairman Kirkland
6 are trying to drive this legislation to create a commission
7 that has a wide spectrum of participation on it and expertise,
8 is because of the failures in the past, that we played with
9 tried and true brands and we didn't have success on top of
10 success.

11 So we need to go back to the basics. Kimberly, I
12 hope that you will be a part of this commission when it's
13 established. You bring an awful lot of expertise and wisdom to
14 the table, and I thank you.

15 As we look for a cross-section on the board, I think
16 that it is imperative. And one of the things that was
17 mentioned today was not only the expertise in the industry as
18 we're going to try and form a quasi triple-P here but that we
19 have expertise geographically, because southeast Pennsylvania
20 may not know all of the historical intricacies and tourism
21 delights of northwest Pennsylvania, so I think that's a crucial
22 element here.

23 And I think that, finally, as I look through this,
24 that as we go through establishing this, that one of the things
25 that you do with any marketing scheme is you've got

1 introduction of your product, you've got market penetration,
2 market saturation, along with the branding, and I think that
3 these have to be elements that this group on this tourism
4 board, statewide board, would always keep in consideration.

5 So it's refreshing today to look at you as a
6 cross-section of the industry in Pennsylvania, of the
7 participants in the tourism industry in Pennsylvania, and know
8 that you are also in favor of the establishment of this. And I
9 hope, it is my hope that our Chairman, that this committee,
10 will be able to convince this administration that this is a
11 win-win and that the payback will be enormous.

12 That's my comments. Thank you.

13 MAJORITY CHAIRMAN STERN: Thank you, Representative
14 Millard.

15 I wrote that for him for my closing remarks -- and
16 he memorized it overnight. But no, he really summed up
17 everything that we've been trying to do. And as you
18 understand, you know, the Committee Members understand; they
19 get it. And it's not a Republican and Democrat issue; it's a
20 tourism issue, and as we move forward, we need to make it
21 tourism and talk about that in Pennsylvania and how we work
22 together to promote our State to be the best it can be.

23 And so as we move forward, we're going to continue
24 to do that. We're going to continue to set that bar at the top
25 level, at the highest level, and we're going to reach it, and

1 that's our goal as this committee moves forward.

2 And I wanted to thank, first of all, all the people
3 who attended today's hearing, but also all the testifiers who
4 testified today. We'd like to thank you for being here and
5 presenting your testimony. We're looking for input; we're
6 looking for any advice, any information that you can share that
7 makes this bill a better bill. And as we move forward, we all
8 want to work together to make this the best for all our
9 partners that have a stake in tourism.

10 And I wanted to also, at this point, read into the
11 record today two letters that we received. They couldn't be
12 here to testify, but the Pennsylvania Coalition of Independent
13 Museums would like to voice its support for HB 2056,
14 establishing the Pennsylvania Tourism Commission; and there's
15 also another letter here from the Pennsylvania Federation of
16 Museums and Historical Organizations, also a not-for-profit
17 statewide museum association who strongly supports HB 2056,
18 establishing the Pennsylvania Tourism Commission. I'd like to
19 have those two letters read into the record here today as
20 well.

21 If I see no other Members here seeking recognition,
22 we're going to close here about on time. I figured 10:30 and
23 it is about 10:26. We're closing 4 minutes early.

24 Any of the three of you have any final comments
25 before---

1 MR. HOWELL: Thank you, but no. Thank you.

2 MR. KOSKO: Thank you.

3 MR. JOHNSON: Thank you.

4 MAJORITY CHAIRMAN STERN: We thank you for being
5 here and thank you for attending today's hearing.

6 This meeting stands adjourned. Thank you.

7

8 (The hearing concluded at 10:26 a.m.)

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2 a true and accurate transcription produced from audio on the
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