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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

TOURISM AND RECREATIONAL DEVELOPMENT COMMITTEE

STATE CAPITOL  
HARRISBURG, PA

MAIN CAPITOL BUILDING  
ROOM 140

WEDNESDAY, JULY 31, 2013  
10:00 A.M.

PUBLIC HEARING  
HOTEL ROOM TAX

BEFORE:

- HONORABLE JERRY A. STERN, MAJORITY CHAIRMAN
- HONORABLE GORDON DENLINGER
- HONORABLE HAL ENGLISH
- HONORABLE MATTHEW GABLER
- HONORABLE KURT MASSER
- HONORABLE DAVID MILLARD
- HONORABLE DAN MOUL
- HONORABLE MIKE REGAN
- HONORABLE THADDEUS KIRKLAND, MINORITY CHAIRMAN
- HONORABLE MARK LONGIETTI

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Pennsylvania House of Representatives  
Commonwealth of Pennsylvania

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COMMITTEE STAFF PRESENT:

ALLEN TAYLOR  
EXECUTIVE DIRECTOR TOURISM - REPUBLICAN RESEARCH  
LAURA WAGNER-MILLER  
ADMINISTRATIVE ASSISTANT - REPUBLICAN CAUCUS  
  
ERIC BAYNE  
EXECUTIVE DIRECTOR - DEMOCRATIC CAUCUS  
LORI SMITH  
LEGISLATIVE ADMINISTRATIVE ASSISTANT - DEMOCRATIC  
CAUCUS

ALSO PRESENT:

HONORABLE RON MILLER

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## 1 PROCEEDINGS

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3  
4 MAJORITY CHAIRMAN STERN: It's the hour of ten o'clock  
5 being here. We're going to begin this hearing this morning  
6 with the House Tourism and Recreational Development Committee.  
7 I'd like to call this meeting to order at this time and I would  
8 ask the secretary to take the roll.

9 (Roll is taken.)

10 MAJORITY CHAIRMAN STERN: Thank you. The topic of  
11 today's public hearing is the hotel room tax. A little bit of  
12 background information I just want to share with you this  
13 morning. Pennsylvania levies two room taxes on hotel stays; a  
14 6 percent hotel occupancy tax, which is applied statewide, and  
15 then an optional local county room tax varies depending upon  
16 the county. The state tax revenue goes to the General Fund  
17 here in the General Assembly. The county tax goes to the local  
18 tourist promotion agency. And for today's hearing, we're going  
19 to focus mainly on the county room tax.

20 At this point, every county has the authority to impose a  
21 room tax. Taxes levied by the commissioners and is spent by  
22 the TPA or the Tourist Promotion Agency to attract business and  
23 leisure visitors. For most of the 67 counties, the maximum  
24 rate is 3 percent and almost all of them impose that rate.  
25 Until Act 142 of 2000, room taxes were approved on a

1 county-by-county basis, that's is why several counties have  
2 their own room tax law. Act 142 addressed that issue by  
3 providing a general room tax for all counties that didn't have  
4 a room tax law at that point, which was 45 counties. Last  
5 session, we raised the maximum room tax rate for three counties  
6 that have their own room tax laws, which were Adams,  
7 Lackawanna, and Erie County.

8         This session at least three bills are proposed that would  
9 increase rates for other counties. Two of these bills are in  
10 your packets this morning. However, these bills raise some  
11 issues. And unlike last session, these proposals affect laws  
12 that cover groups of counties, not individual counties. Do we  
13 increase the room tax for the entire group or do we hold a  
14 specific county out, given it's own law and rates? And also  
15 should we -- what should we do going forward? Should we keep  
16 going in this piecemeal fashion or should we apply an increase  
17 to all counties, or should we provide an increase at all?  
18 After all, most TPA's are fine with the revenues that they have  
19 now and may not need an increase.

20         Right now, visitors pay 9 percent hotel, state and local  
21 tax, room tax on a stay. Can it go any higher before hotels  
22 and visitors respond negatively? We're going to discuss these  
23 and other questions today with some of the stakeholders who  
24 deal with the room tax on a daily basis. DCD has provided  
25 written testimony that is currently in your packets this

1 morning, you can review. And at this time, I would like to  
2 recognize my counterpart, Representative Thaddeus Kirkland for  
3 opening comments whatever he could like to say to the group  
4 this morning. Thank you.

5 MINORITY CHAIRMAN KIRKLAND: Thank you, Mr. Chairman, and  
6 good morning to you all. I think you covered it all, Mr.  
7 Chairman. We look forward to hearing the testimony from our  
8 colleagues, our friends, and all who will be speaking today on  
9 this very important issue. We've been talking back and forth  
10 for quite some time and I guess it's all going to continue.  
11 Today, we will hear some pertinent information that will steer  
12 us in the right direction. So thank you, Mr. Chairman. I look  
13 forward to hearing the testimony.

14 MAJORITY CHAIRMAN STERN: Thank you, Mr. Chairman. We  
15 had a hearing yesterday for informational purposes.  
16 Yesterday's hearing dealt with the income and the revenue that  
17 Pennsylvania is putting towards as far as Tourism Promotion for  
18 the Commonwealth, so advertising Pennsylvania and trying to  
19 keep us competitive with all the surrounding states that has  
20 really ramped up their spending programs right now. So we're  
21 going to have our first testifier this morning. I know  
22 Representative and Chairman Ron Miller is very, very passionate  
23 about this issue. It's a thing that he's been working on for  
24 some time. And at this time, I would like to have the prime  
25 sponsor of House Bill of 1486 begin and open up by testimony.

1 Welcome this morning, Chairman Miller.

2 REPRESENTATIVE MILLER: Good morning, Chairman Stern,  
3 Chairman Kirkland and Members of the Committee. Thank you for  
4 holding this hearing on the room tax and allowing me to offer  
5 testimony on my legislation, as you referenced House Bill 1486.  
6 Like all of you, I am quite proud of the district I represent.  
7 Indeed, I am quite proud of all of York County. York County is  
8 steeped in history with a claim to being the first capital of  
9 the United States, has managed to maintain a strong  
10 manufacturing and industrial base, including the Harley  
11 Davidson plant and visitor center is home to two very good  
12 colleges and is a strong retail center with the Hanover  
13 Borough, Penn Township area of the county, they rank in the top  
14 7 in the retail areas of the state.

15 Thanks to great vision by past boards of county  
16 commissioners and strong support from the current Board of  
17 County Commissioners, we have 11 county parks over 4300 acres,  
18 two museums, a nature center and preserve historic sites. The  
19 Heritage Rail Trail Park is a linear park along the northern  
20 central railway that continues to be expanded. The Park now  
21 extends from Maryland to Cockeysville, from the Maryland Line  
22 to John Rudy County Park north of the City of York with work in  
23 progress to complete a final section at the north side of the  
24 city. I would also note that at the Maryland Line, we connect  
25 with the section of Rail Trail in Maryland that extends to

1 Cockeyville. When this is complete, we'll have approximately  
2 55 to 60 miles of continuous rail trail from the north side of  
3 the city of York to Cockeyville, Maryland. It's a quite  
4 impressive linear park.

5 A private, non-profit group, Steam Into History, recently  
6 invested over a million of dollars to build and operate a steam  
7 train on the rail line to chronicle the role of York County in  
8 Civil War History and to promote the area as a tourist  
9 destination. I recently had the opportunity to experience this  
10 ride with a stop at Hanover Junction. Hanover Junction's  
11 unique point in history is President Lincoln past through  
12 several times, including his trip to deliver the Gettysburg  
13 Address and, of course, his final trip on his funeral train.  
14 Combine all this with three state parks, the Susquehanna  
15 Gateway Heritage Region along the Susquehanna River, which is  
16 our share border with Lancaster County, and one of the most  
17 successful farmland preservation efforts in the state and you  
18 gain some insight into why residents treasure our county and  
19 why we have been one of the fastest growing population areas of  
20 the state for the past 50 years.

21 You may now be wondering why the area I just described  
22 was desired as the ability to raise the room tax from 3 to 5  
23 percent as I proposed enabling the York County Commissioners to  
24 do in House Bill 1486. To understand this issue, we need to  
25 look at the areas surrounding York County because despite all



1 of our blessings, York County is surrounded by international  
2 tourism destinations. Lancaster County to the east has the  
3 attraction of the Amish and has benefited from marketing this  
4 unique tourism experience. Adams County to the west, as we  
5 were recently reminded by the 150th Anniversary event, has  
6 Gettysburg where the most historic battle and turning point of  
7 our civil war occurred. To the northeast, Dauphin County has  
8 Hershey and the very successful promotion of Hershey Chocolate  
9 and a great amusement park. To the north, we have the state  
10 capital. And as we're all aware of this beautiful complex that  
11 we're sitting in, it in itself is a tourist attraction. To the  
12 south, we compete with Baltimore and the Chesapeake Bay.  
13 Chesapeake Bay is the largest estuary in the United States,  
14 second largest in the world. And most of you have probably had  
15 an opportunity to spend time around the Bay and understand that  
16 it's a natural attraction for tourism.

17 As a destination where people stay, eat and shop and  
18 produce all the economic goods for the local and state economy  
19 that tourism provides, York County must often work harder than  
20 the larger tourism venues that surround us. While we are in  
21 the center of international attraction, tourism in York County  
22 generates a healthy \$850 million per year in revenue and brings  
23 in \$83.2 million in state and local taxes. To explain this  
24 success, you need to understand the use of the room tax at 3  
25 percent in York County over the past 13 years. York County

1 Tourism and Promotion Agency, the York County Convention and  
2 Visitor's Bureau has aggressively marketed York as the  
3 destination for various state, national and international  
4 groups. A unique partnership between the York County  
5 Agricultural Society that operates the York Expo Center, the  
6 county park system, lighted ball field venues at Hoffman Park  
7 in York City, a city-owned ice arena and many other private and  
8 government venues has attracted tremendous amounts of  
9 overnights stays in York County.

10 Some examples of large events that York County has hosted  
11 would be, customers that have been with us for decades  
12 including the National Street Rods Association, the Train  
13 Collector's Association, and the Order of the Eastern Star.  
14 New events coming to York include the 2014 Can-Am Police and  
15 Fire Games and the 2015 American Truck Historical Society  
16 Convention at the York Expo Center. The Can-Am Games will  
17 bring over 2,000 first responders to our region for nine days  
18 of Olympic style and professional competition. This will mark  
19 the first time a Pennsylvania city will host this international  
20 event. York County had to win this bid from stiff competition,  
21 including Green Bay, Wisconsin.

22 In addition, by partnering with 60 businesses in our  
23 region, the York County Convention and Visitor's Bureau is  
24 promoting three strong tourism products, factory tour capital  
25 of the world is a partnership with companies including Harley

1 Davidson, Utz Quality Foods and many others. Mason Dixon Wine  
2 Trail includes 26 wineries in five counties and two states.  
3 Susquehanna Ale Trail includes 15 breweries in three counties.

4 Local room tax dollars support the development of these  
5 tourism trails and the visitation they generate. The York  
6 County Convention and Visitor's Bureau owns federal trademarks  
7 to all of these. This legacy is impressive and was developed  
8 through use of the York County room tax and state funding, but  
9 remember, the high point in state grant funding was reached in  
10 2009 at a level of \$234,000 for York County. In 2013, there is  
11 no state grant money available.

12 I mentioned the unique relationship between the  
13 convention and visitor's bureau and the York Expo Center. The  
14 Expo Center is our defacto convention center and together they  
15 work to attract the large events that bring significant numbers  
16 of tourists to York County. To attract these groups requires  
17 expenditures to support the groups bringing the events to the  
18 area. This is not unique to York. Any large group can command  
19 support from the local government or the TPA and, indeed, is  
20 part of the bidding process when a venue competes to host the  
21 events. The increased revenue from a room tax will allow the  
22 convention and the visitor's bureau and their partners to  
23 continue what they have done successfully for over a decade.

24 And in closing, I would just remind the Committee that  
25 this does raise the room tax for any county, if this Bill

1 passes. It's enabling legislation that allows the county  
2 commissioners to take a vote to raise the room tax, but they  
3 don't have to do that. It's only enabling legislation. Thank  
4 you, again, for allowing me to testify. I'd be happy to  
5 attempt to answer any of your questions, Mr. Chairman.

6 MAJORITY CHAIRMAN STERN: I think what we're going to do  
7 right now is open it up for questions for you, Representative  
8 Miller, and if anyone has any questions at this time, we're  
9 going to have a panel next. That way you don't have to stay  
10 here. We're welcome to stay, but that way, they can ask  
11 questions of you.

12 REPRESENTATIVE MILLER: Thank you.

13 MAJORITY CHAIRMAN STERN: Any members have any questions  
14 at this time?

15 I'll tell you what, you were pretty -- you're very  
16 complete, very good. That doesn't happen very often, so  
17 usually Representative Moul or somebody has something to say,  
18 so...very good. Well, thank you very much, Representative  
19 Miller for your testimony. Appreciate it.

20 REPRESENTATIVE MILLER: Thank you.

21 MAJORITY CHAIRMAN STERN: We have a panel of -- a room  
22 tax panel here that's going to be appearing before us next.  
23 And I would ask the group to come forward as I call your names  
24 and, if you could just sit -- we're going to need five chairs  
25 here in front of the -- before us. But if we could have Rob

1 Fulton, he's the President/CEO of the Pennsylvania Association  
2 of Travel and Tourism, if you could come forward, Rob. And  
3 what you can do is you can present your testimony in that  
4 particular order and then we should go down the line. We're  
5 going to have the whole panel sitting up here at one time. So  
6 if the panel could come up, Joe Massaro, Chairman of the  
7 Pennsylvania Association of Travel and Tourism; John Oliver,  
8 President of Visit Erie; Douglas Hill, Executive Director of  
9 the County Commissioners Association of Pennsylvania; and Barry  
10 Kidd, Vice President of Hotels, Dommel's Hotels, Incorporated.

11 And if you could just begin testimony, Rob, at your  
12 convenience and you can start from there.

13 MR. FULTON: Thank you, Mr. Chairman. Good morning,  
14 Chairman Stern, Chairman Kirkland and Members of the House  
15 Tourism and Recreational Development Committee. As the  
16 Chairman said, my name is Rob Fulton, I'm the President and CEO  
17 of the Pennsylvania Association of Travel and Tourism.

18 As you may know, the Pennsylvania Association of Travel  
19 and Tourism, otherwise known as PAZ, a statewide non-profit  
20 bipartisan association representing the travel and tourism  
21 industry in Pennsylvania. We're a new organization. We were  
22 founded in July of 2012 and our mission is to unify and lead  
23 Pennsylvania's travel and tourism industry presenting one voice  
24 within our industry.

25 Our industry does need to develop a more coordinated

1 statewide policy on room tax issues. We have supported local  
2 room tax legislation when the law provided for a consistency in  
3 rates and use. When room taxes are dedicated to tourism,  
4 marketing purposes, everyone benefits, especially local  
5 communities, which are the primary beneficiaries of the  
6 economic development resulting from the tourism dollars spent.  
7 Increased visitation, supports, and an increase in jobs, real  
8 estate taxes, income taxes, corporate taxes, state sales tax  
9 and state occupancy taxes, that's benefiting all  
10 Pennsylvanians.

11         The debate over room tax is becoming more common,  
12 especially during tough economic times, faced with budget  
13 deficits and reduced funding local communities in need of money  
14 for brick and mortar economic development projects, road  
15 repairs, community programs and basic services. You, tourists,  
16 is easy targets for increasing taxes that can be used for  
17 non-tourism marketing purposes. The tourism industry continues  
18 to pull it's efforts to use all or part of the room taxes for  
19 non-tourism marketing activities. Using these dollars to  
20 promote increased tourism, meetings and conventions is  
21 instrumental to the financial success of the state's tourism  
22 industry, especially small businesses.

23         Additionally, if this tax is used for non-marketing  
24 purposes or state and local destinations, we'll lose market  
25 share to those with strongly funded marketing budgets. This

1 will result in a decrease in jobs, real estate taxes, income  
2 taxes, corporate taxes, state sales taxes and state occupancy  
3 taxes.

4         The review of Pennsylvania's county hotel room tax  
5 legislation can be confusing and requires a detailed analysis  
6 because of the proliferation of different enabling statues for  
7 different counties. The Chairman gave you a good highlight of  
8 that. I just wanted to hit on a couple of additional points.  
9 I know we have a lot of new members on the committee this year,  
10 so I just wanted to just give you some background. The  
11 adoption of hotel room taxes in Pennsylvania has been a  
12 piecemeal approach as the Chairman said. It started as early  
13 as 1977 in Allegheny County; in 1986, in Philadelphia County.  
14 In 1982, there was legislation adopted to support convention  
15 centers serving second class A counties; Montgomery County,  
16 Delaware County, Bucks County. It was not until the mid-1990's  
17 that legislation was first adopted to authorize the county  
18 collection of hotel room taxes exclusively for general tours in  
19 the marketing purposes.

20         Some of the enabling statues defined the enabled counties  
21 in such a fashion that only one county qualifies, which also  
22 includes the home counties and the Chairman alluded to that;  
23 Dauphin, Adams, Erie and Lackawanna Counties as an example.  
24 The Chairman mentioned Act 142 was the last enabling statute to  
25 be adopted and authorized all the counties that had no other

1 room tax legislation to collect room taxes in the 45 counties  
2 that he referred to.

3 Like most legislation, the enabling statutes are  
4 impressed -- are imprecise particularly with respect to the  
5 definition of some terms. There were resident in a manner  
6 which results in some flexibility on a county-by-county basis.  
7 The philosophical thinking on this was to allow some room for  
8 hoteliers and TPAs to work with their own county commissioners  
9 in developing order under the enabling statute. Multi-county  
10 TPAs have had a particularly difficult time with respect to the  
11 administration of room taxes, especially where the TPA county  
12 each have different enabling statutes with different authorized  
13 purposes for the tax.

14 An inherent tension is incorporated into the structure  
15 under the enabling statutes. The specific purpose of the  
16 enabling statutes frequently involve ambiguous language. Some  
17 counties have interpreted the use of proceeds, language to push  
18 for questionable uses or projects, which the local TPA resists.  
19 Counties have significant leverage if the TPA is not  
20 cooperative. The county can designate under another non-profit  
21 entity as its recognized tourism promotion agency.

22 Under the enabling legislation, the tax proceeds must be  
23 used in the following six ways. And I think most of you are  
24 familiar with this; convention promotion, marketing in the area  
25 certified the agency as a leisure travel destination. Number



1 3, market in the area certified the agency as a business travel  
2 destination. Number 4, using all appropriate marketing tools  
3 to accomplish these purposes, direct marketing, direct sales,  
4 and participation in the trade shows as examples. Number 5,  
5 projects or programs that are directly and substantially  
6 related to tourism within the county. And Number 6, any  
7 another tourism marketing or promotion program deemed necessary  
8 by the recognized tourism promotion agency.

9 Our association and membership are very concerned about  
10 the erosion and continued attempted on the counties, township  
11 and municipal level to divert the room tax dollars away from  
12 those appropriate uses. We are also very concerned about the  
13 piecemeal approach on a county-by-county basis. It puts the  
14 industry in a difficult position, it continues to create a  
15 fragmented approach.

16 As you know, the Chairman mentioned there are two  
17 currently two room tax bills in the General Assembly. I know  
18 he said they're in your packet; House Bill 1486, Representative  
19 Miller talked about and Senate Bill 838 introduced by Senator  
20 Alloway. There are also a number of other county room tax  
21 related issues that I just wanted to mentioned briefly because  
22 I do think it's worth talking about the broader scope of the  
23 room tax issues. There are some other issues other than just  
24 that collection issue. One is the 30-day rule, you've probably  
25 heard us talk about this at other times. There has been no

1 legislation to be introduced this legislation session yet there  
2 are plans, I believe to do so. This legislation would increase  
3 or remove the 30-day cap, which would mean room tax could be  
4 collected beyond 30 days on anyone that is staying at a  
5 property long term. Currently, it's just capped at 30 days.  
6 Right now, PATT does not an official position on this  
7 currently, but we are serving our membership to determine more.

8         The other issue that I would mention is the online travel  
9 companies that we often call the OTC issue. We -- PATT does  
10 support closing of the loophole. Currently, the Commonwealth  
11 is losing money because online travel companies are emitting  
12 taxes on a lesser amount than the actual cost at which they  
13 sell a hotel room. It's the in-state hotels that collect the  
14 room tax properly at a competitive disadvantage. Commonwealth  
15 is losing viable sales tax revenue because the full tax is not  
16 being remitted back to the state. Counties are losing valuable  
17 hotel occupancy tax revenue that is intended for tourism  
18 promotion because the full tax is not being remitted to the  
19 county.

20         In conclusion, I wanted to again thank you for the time  
21 to join you today to listen to our thoughts on this very  
22 important issue. This is a very significant issue for us. I  
23 hope that you will leave here today with a confidence that our  
24 industry is ready to rise to the challenge working in a more  
25 collaborative way and working with this Committee to set some

1 specific timelines and objectives to create and healthy and  
2 vibrant travel and tourism industry. The more room tax  
3 available to the TPA, the more marketing it can do to attract  
4 tourists and visitors to come and stay overnight. Just visitor  
5 spending money will help support a wide array of local county  
6 and regional businesses and business owners. These room tax  
7 revenues generate much needed visitor spending in these local  
8 communities.

9         Joining me today to my right is Joe Massaro, as the  
10 General Manager of the Harrisburg Hilton and PATT current board  
11 chair. I would like to give Joe an opportunity to talk about  
12 some specific recommendations of that PATT and our stakeholders  
13 are offering. It could go a long way to addressing our room  
14 tax concerns. And I did share an attachment, I think which is  
15 in your packet, which is as part of our testimony, which  
16 outlines in more detail our draft. And I just emphasis draft,  
17 it's a working document, our room tax platform, which we would  
18 like to work with this Committee and others on.

19         I would like to leave you with what we would like the  
20 outcome to be from this hearing, we'd like to establish a  
21 workgroup of stakeholders. We set a target date of by  
22 September 1st, that could begin to strategize about proposed  
23 recommendations, those things that we discussed today that have  
24 been made, you know, been suggested, and create a strategy and  
25 agreement on how to accomplish them. We think this is our

1 critical next step. We really want to help to create some  
2 action around these ideas. Again, I thank you for your time.  
3 And again, at the end of testimony, I would be happy to answer  
4 if you have any questions.

5 MAJORITY CHAIRMAN STERN: Thank you for your testimony,  
6 Rob. Now, at this time, Joe Massaro.

7 MR. MASSARO: Good morning. Thank you, Chairman Stern,  
8 Chairman Kirkland and Members of the House Tourism and  
9 Recreational Development Committee. My name is Joe Massaro, as  
10 was mentioned, I'm the Chairperson on the Board of Directors of  
11 the Pennsylvania Association of Travel and Tourism.

12 There's a significant interest and support from the  
13 industry creating a strategic approach to not only addressing  
14 the concerns with this piecemeal approach to room tax laws, but  
15 also taking the opportunity to address several other concerns  
16 with the enabling legislation. And I will summarize our  
17 recommendations for you today.

18 Recommendation Number 1 is to raise the room tax rate  
19 from 3 percent to no more than 7 percent for those counties  
20 under Act 142 and those counties within House Bill 1486. That  
21 would support giving the counties within these Acts as well as  
22 the counties in 1486 the option of raising the cap from 3 to no  
23 more than to 7, dependant on ensuring 100 percent of this  
24 revenue goes towards marketing and promotional for tourism. We  
25 can address the interest of York County through the support of

1 House Bill 1486 by creating more of an omnibus bill that  
2 included the current 45 counties in Act 142 and the nine  
3 counties in 1486; thus creating one less piece of room tax  
4 legislation. Franklin County's desire also to go to 5 percent  
5 would be addressed by opening up Act 142 and changing the cap  
6 because they are already included in Act 142. So the  
7 recommended steps, all the room tax dollars raised would have  
8 to go back to the designated TPA in or for that county, any  
9 increase in room tax if allowable should follow an outlined  
10 procedure that involves the hotels, TPA and TPA members, submit  
11 an annual audit to the county commissioners and DCED  
12 private/public partnership to demonstrate commitment and ROI or  
13 economic impact on the dollars being raised and spent. We have  
14 worked with the DCED public/private partnership to continue to  
15 conduct an annual statewide economic development study with the  
16 numbers broken down by county. The findings would be  
17 distributed to county commissioners, the TPA board membership  
18 and the DCED public/private partnership.

19 Recommendation Number 2 is to address our concerns with  
20 collection and enforcement of the room tax at the local and  
21 county level. There are several issues with this. We will  
22 create or tighten up the protocol and procedures for room tax  
23 collection, at the beginning of each year, the TPA could submit  
24 a formal letter to the county treasurer listing all properties  
25 within the county that should be collecting room tax and a list

1 of future properties of which to be aware in the upcoming  
2 fiscal year.

3 Recommendation Number 3, stronger definition should be  
4 added to the law in regards to what the appropriate uses for  
5 the room tax are. Better to define the original intent of the  
6 legislation that establishes a sound perspective beyond the TPA  
7 or county commissioners' interpretation and to update and  
8 reissue the letter from the House Tourism Committee in 2001  
9 that was sent to all county commissioners clarifying how the  
10 room tax dollars are to be used.

11 Recommendation Number 4, create a more comprehensive,  
12 protective process at the county level around potential  
13 undesignation of a TPA or the establishment of more than one  
14 designated tourism promotion, tourism development or travel  
15 destination development entity. The goal would be that this  
16 would provide more protection at the county level, more steps  
17 in the process before a TPA could be undesignedated.

18 Recommendation Number 5, consider expanding room tax  
19 definitions to any facility that takes a fee for an overnight  
20 stay. In other words, cabins, campgrounds, vacation rentals,  
21 state-owned lodging facilities, colleges and universities are  
22 all being used for tourism purposes and currently are not  
23 obligated to collect the tax.

24 Recommendation Number 6, future room tax statutes should  
25 not be intended to fund brick and mortar for other non-tourism

1 related projects or initiatives. In the future, we should keep  
2 separate enabling legislation for the development of brick and  
3 mortar facilities such as arenas, stadiums, convention centers  
4 and the like. We need to have clear definitions of what  
5 constitutes brick and mortar. Any hotel tax rate authorized  
6 for capital facilities would be separate and apart from those  
7 authorized under the marketing enabling statute. Future  
8 legislation needs to speak to addressing what happens to room  
9 tax dollars once the bonds are paid off on current obligations.

10 To the question of tourism development, Act 142  
11 establishes that funds generated by such a task must be  
12 extended exclusively for tourism, convention promotion and  
13 tourism development, while at the same time allowing flexible  
14 interpretation of those terms. Second, a dynamic balance not  
15 so readily understood by all parties concerned is established  
16 requiring that county commissioners levy the tax in tourism  
17 promotion agencies administer the funds they generate all  
18 within the framework of local collaborative agreement as to the  
19 objectives to be met by their expenditure.

20 And Recommendation Number 7, as Rob mentioned, workgroup  
21 of stakeholders to be established by September 1st to discuss  
22 proposed recommendations and create a strategy and agreement on  
23 how to accomplish them.

24 In conclusion, the industry needs to develop a  
25 coordinated statewide policy in not only defeating

1 inappropriate uses of the hotel tax dollars but looking at  
2 changes in the law that would benefit travel and tourism and  
3 increase marketing dollars. The more room tax dollars  
4 available to the TPA, the more marketing it can do to attract  
5 tourists and visitors to come and stay overnight. This visitor  
6 spending money will help support a wide array of local, county  
7 and regional businesses and business owners. These room tax  
8 revenues generate much needed visitor spending in those local  
9 communities. Thank you for your time and I look forward to  
10 entertaining questions.

11 MAJORITY CHAIRMAN STERN: I would like to call upon John  
12 Oliver, President/CEO of VisitErie.

13 MR. OLIVER: Good morning, Chairman Stern, Chairman  
14 Kirkland and Members of the House Tourism Committee. As  
15 mentioned, my name is John Oliver and I'm President and CEO of  
16 VisitErie. We're the destination marketing organization or DMO  
17 for Erie County.

18 I want to thank you for allowing me the opportunity to  
19 speak to you before you today. A little over a year ago, this  
20 Committee voted to move House Bill 1478 to the House floor.  
21 After passing the House in May and the Senate in September, it  
22 was signed by the governor in October. It was then enacted by  
23 Erie County's county council in December. This Bill allowed  
24 Erie County to increase its hotel occupancy tax from 5 percent  
25 to 7 percent. The increase was dedicated solely to the DMO.



1 Of the 5 percent, VisitErie received 20 percent and the Erie  
2 Convention Center Authority received 80 percent.

3 I'm here today to update you on what a positive impact  
4 this increase has had on Erie's ability to market and promote  
5 our tourism assets. Our budget has grown from \$800,000 to  
6 slightly over \$2 million. Last year, we budgeted \$60,000 for  
7 advertising. This year, that number is \$800,000. We are now  
8 able to plan a year-round marketing and promotional campaign  
9 targeting our key feeder markets of Pittsburgh, Cleveland,  
10 Buffalo, and Southern Ontario. These campaigns will utilize  
11 multimedia resources including television, radio, print,  
12 outdoor and digital. We are also introducing a mobile  
13 destination app that through leading technology will improve  
14 and enhance the visitors' experience as they select and plot  
15 out their Erie vacation. Our sports commission division now  
16 fully funded has already had success in securing several  
17 national events and assisted in increasing outside  
18 participation and several reoccurring events. We believe that  
19 all of these efforts will lead to \$100 million increase in  
20 visitor spending in Erie County.

21 Pennsylvania has recently slipped from 4th to 8th,  
22 although I believe it may be 7th place in market share  
23 nationally. Michigan is spending \$30 million and New York is  
24 going to be investing \$60 million to promote their states.  
25 With the current budget, Pennsylvania will be spending

1 potentially less than \$3 million. It's apparent it has become  
2 the responsibility of our DMO to promote the state along with  
3 their destinations.

4 I would encourage you to mandate the dedication of any  
5 future hotel tax increase to the designated destination  
6 marketing organization of that county. With the elimination of  
7 funds from the state and the lack of the ability of counties to  
8 fund tourism promotion, the hotel occupancy tax is the primary,  
9 if not only way, for DMO's to fund these vital marketing and  
10 promotional efforts for their destinations. Increase  
11 visitation leads to increased visitor spending. That spending  
12 will support additional employment, new development and  
13 additional tax revenue to the counties. This additional  
14 revenue from visitor spending will allow the counties to fund  
15 services and support facilities they deem important.

16 The hotel occupancy tax model is a way to fund DMO's and  
17 will allow them to become self-sustainable and will reward  
18 those who successfully attract visitors to their destination.

19 In closing, I want to thank you again for your support of  
20 VisitErie's past legislation and your support of the tourism  
21 industry in Pennsylvania.

22 MAJORITY CHAIRMAN STERN: Thank you, John. I didn't know  
23 whether we just slipped one more spot from 7th to 8th overnight  
24 or what, but I appreciate --

25 MR. OLIVER: We might have.

1 MAJORITY CHAIRMAN STERN: I appreciate that. I'm going  
2 to change a little bit here, Doug, if you don't mind. I'd like  
3 to go with Barry at this time and his little short  
4 presentation, a little bit shorter than yours, so we'll finish  
5 up with you.

6 MR. KIDD: Thank you so much. Thanks for your time and  
7 what a great bunch of individuals we have representing us.  
8 Thank you.

9 Good morning, Chairman Stern and Chairman Kirkland. I  
10 really like your tie, by the way. And Members of the House  
11 Tourism and Recreational Development Committee. Thank you for  
12 this opportunity to testify today regarding local hotel taxes  
13 and their vital importance to tourism marketing and the  
14 hospitality industry. My name is Barry Kidd and I am the vice  
15 president of Hotels for Dommel's Hotels.

16 Tourism in Pennsylvania is Pennsylvania's second largest  
17 industry, which I'm sure you're aware, right behind  
18 agriculture. It employs more than 450,000 people and impacts  
19 the state economy by \$32.9 billion annually. Unfortunately,  
20 Pennsylvania is quickly losing its grip on the out-of-state  
21 market for tourism, overshadowed by New Jersey; their theme,  
22 Stronger than the Storm, New York; I Love New York and Summer  
23 in New York is their present, and California, Life in  
24 California.

25 Funding for tourism has steadily declined over the last

1 several years, both at the state and local levels. The  
2 Department of Community and Economic Development is responsible  
3 for promoting the Commonwealth, while tourism promotion  
4 agencies, TPAs, promote their local area to in-state and  
5 out-of-state visitors. I'm here today to discuss the need to  
6 return to the original intent of hotel taxes.

7         Currently, TPAs are primarily funded by local hotel tax  
8 revenues. However, these revenues, originally intended to 100  
9 percent fund tourism promotion of local communities, are being  
10 carved apart and repurposed for non-tourism related activities  
11 by cities, townships, municipalities and counties, resulting in  
12 significant decreases to the TPAs' funding stream.

13         The hotel industry supported the original intention of  
14 the tax because it was viewed as an investment in the local  
15 economy and, therefore, the industry. Our members and our  
16 industry would like to see hotel taxes return to their original  
17 purpose-tourism promotion with 100 percent of the funds going  
18 toward tourism marketing. Any legislation that allocates  
19 percentages of hotel taxes to other projects or entities goes  
20 against the intent of the tax and takes away from tourism  
21 promotion that is already drastically underfunded.

22         Clarifying this in the statute is critical for improving  
23 tourism promotion in the Commonwealth. Pieces of legislation  
24 are introduced every session that aim to change the enabled tax  
25 rate in multiple counties. Many of these bills also legislate

1 how the money should be spent, making enforcement difficult.

2 PRLA would consider supporting a broad-based tax-enabling  
3 bill that would cap the tax at 5 or 6 percent, so long as all  
4 hotel tax revenue goes toward tourism promotion. Cutting the  
5 grass or paving a roadway, while important in their own  
6 individual right, do not promote tourism.

7 The local hotel tax provides a variety of untapped  
8 revenue sources. For example, this tax should be applied to  
9 all short-term stays, meaning any overnight accommodation  
10 should be subject to the tax. In addition, we recommend  
11 closing the hotel tax loophole where online travel companies  
12 can remit less sales and hotel tax than in-state  
13 accommodations. Closing this loophole ensures all taxes are  
14 remitted on the amount charged for a room, potentially  
15 generating an additional \$3 to \$4 million in state sales tax  
16 and hotel tax.

17 We are willing to work with you to identify solutions  
18 that would ensure the tax is remitted by all businesses in the  
19 industry. However, we believe the cost of this enforcement  
20 should not be borne by the hotel tax itself.

21 Tourism is vital to our local economies. By returning  
22 the local hotel taxes to their original intent of promoting  
23 tourism, we can ensure our Commonwealth's second largest  
24 industry can re-establish its footing in the competitive  
25 out-of-state market. Thank you for allowing me to testify

1 today. I will be happy to take any questions.

2 MAJORITY CHAIRMAN STERN: Thank you, Barry. And Doug, at  
3 this time, you can conclude with your remarks.

4 MR. HILL: Thank you, Mr. Chairman. I'm Doug Hill,  
5 Executive Director of the County Commissioners Association of  
6 Pennsylvania and we are a non-profit, non-partisan association  
7 that represents all the Commonwealth's 67 counties. And I  
8 appreciate the opportunity to appear before the Committee today  
9 to give you our viewpoint on hotel tax. I think it's also  
10 important to note who I'm sitting with. The fact that I am  
11 part of this panel, I hope it's indicative to you that we share  
12 more position in common than areas where we diverge in point of  
13 view.

14 I'm not going to read my testimony. A lot of the things  
15 that we have in our testimony were covered by other panelists.  
16 There are just a handful of things, though, that I might want  
17 to elaborate on or give a little bit of a different  
18 perspective.

19 First, Mr. Chairman, Rob Fulton gave a good history of  
20 how we came to have the hotel tax that's mostly the same for  
21 most of counties, but broadly diverting from a number of other  
22 counties and it's a good historical recitation, also I think is  
23 indicative of the need to collapse the statutes and have a  
24 little bit more uniformity statewide. But there's a couple  
25 other points I want to add to the history. I think it's

1 important to note that our organization actually did start out  
2 advocating for a hotel tax as a general fund tax, so to use  
3 literally any purpose that a county can spend money on. We  
4 worked with the industry over a number of years and our  
5 position gradually moved and I think ultimately moved fairly  
6 significantly to what you see in the statute right now, which  
7 is predominantly, but not exclusively for promotion purposes.

8 I think it's also important to note that we have -- and I  
9 could attach to our testimony -- we have a number of clients in  
10 our Pennsylvania County Platform where cumulative policy  
11 statement that deal with the hotel tax and deal with tourism  
12 issues and so on. We moved our position on the hotel tax from  
13 the taxation section and into economic development. And that,  
14 I think, is reflective of our members point of view that this  
15 is not a revenue raise. This is intended for the purpose of  
16 promoting the local economy and that for many of our counties,  
17 tourism is an integral part in the broader totality of our  
18 economy.

19 The other thing I need I point out is and this echoes  
20 really something Rob said, is that we did work as a part of the  
21 law to do two things: Number 1, provide as much flexibility as  
22 possible, so the list of allowable uses relatively light and  
23 arguably couldn't, based on history now bear a little bit more  
24 definition. But also that it did purposefully set up a process  
25 where you have two different sides at the table; the county --

1 two different sides in the process, I should say; the county on  
2 the one hand levies the tax, the TPA on the other side,  
3 administers the tax. And what that creates is as county sets a  
4 levy and has a discussion with TPA about the levy you get into  
5 that material discussion of how this is going to be used  
6 locally. And it does not give the county the right to dictate  
7 how it's to be used, but it does -- right word -- in many of  
8 the counties and most of the counties, I think it's smoother  
9 than that. But we admit it's contentious from time to time,  
10 but it does create that balance. And I think the other thing  
11 to point out, too, that this is unique among taxes that  
12 counties levy in that almost the entirety or proceeds go to  
13 benefit the end of the year industry from which the proceeds  
14 are derived. So that really sets it apart in many  
15 circumstances and I think justifies its unique administrative  
16 relationship.

17 We talk about a couple of specific issues in the  
18 collection of hotel tax issues. We heard a little bit of  
19 testimony on this already. Our platform actually suggests that  
20 we consider having state do the collection. We think that  
21 would yield very uniformity. Arguably it would cut down on  
22 paperwork on behalf of our hoteliers. Obviously, our  
23 insistence would be that the money collected is returned to the  
24 county of origin. We acknowledge that we always take a deep  
25 breath when we ask the state to get involved in some part of



1 the money handling chain, but we think ultimately it would  
2 provide more uniformity and more equity and greater  
3 enforceability.

4       Absent that though, we do argue for better tools to be  
5 used locally for enforcement of the tax. You heard testimony  
6 on this already as the potential for audits, state audits, and  
7 some other tools. Those are the kinds of things that we think  
8 need to be reviewed, because right now, we do have clear  
9 statutory ability to take a look at any particular properties,  
10 books. Sometimes local arrangements can be worked out to do  
11 that, but there's no statutory reporting for us to require it.  
12 And absent some authority, we have no way to know with finality  
13 whether the taxes being levied whether it's being collected by  
14 any individual property in the manners required by law. And  
15 that's not fair to the law-abiding property owners. So we do  
16 need to have tools of that type.

17       We also agree we need better clarity on who the tax  
18 applies to, Number 1; and Number 2, it needs to be more uniform  
19 from county to county. The fact that we have a hodge-podge of  
20 laws being set if you look at the individual sections on some  
21 of the special levies there is some minor wording differences  
22 and that ends up being interpreted locally to mean certain  
23 types of facilities are included and others are not. We also  
24 agree with the notion that the consideration needs to be  
25 expanded to include the determination of other types of

1 entities that book rooms for transient purposes that were one  
2 of the examples that were given, I don't know if timeshares  
3 gets included in that list or not, but there -- I think you get  
4 the idea.

5 Our organization does support change in the 30-day rule.  
6 We agree with the concept. The concept is that if you're  
7 intending this is your domicile, you shouldn't be paying a  
8 hotel tax. And that's fine. The problem is 30 days seems to  
9 be an easily administered cut-off, but in practice, we don't  
10 think it works the way it's intended. To our point of view is  
11 it intended to apply to the individual who is staying in the  
12 room. Yet we know, that it's practice and I'm not going to say  
13 universally, I'm going to point to any hotel or any industry,  
14 maybe I will a little bit, but the idea is that we have  
15 circumstances where an industry will go to a hotel and say, we  
16 want to book a large block of rooms for a long period of time  
17 and so since this exceeds the 30 days, we can want to be  
18 exempted from the hotel tax. And sometimes that puts the hotel  
19 in a difficult situation, how closely do I adhere to the law  
20 versus how much I need to get the business. And historically,  
21 we saw -- we've seen it with the railroad companies, with the  
22 airlines, and most recently, the shale gas industry. So we  
23 think there needs to be a change, what we recommend this  
24 consideration of domicile as the definition and that's what we  
25 currently use for their income tax, that's what we currently

1 use for the homestead exclusion for our testimony actually  
2 included the definition that's as it reads in the statute now.  
3 We think that gets to the primary intent that if this isn't the  
4 place that you intend to live, then you pay the hotel tax. If  
5 it is, then you don't. And so we don't inadvertently tax  
6 things like motels that have been converted to boarding houses,  
7 for example.

8 On the matter of rates, I am pleased to be part of the  
9 discussion on the allowable rates. Our platform actually says  
10 6 percent, you heard 7 percent. Our platform also says there  
11 should be uniform authorization among the counties and the last  
12 couple -- at least -- moved to the 7 percent level. And so I  
13 would anticipate our members would appreciate that there be a  
14 discussion and want to be a part of that.

15 The other thing that runs along with the legislation  
16 dealing with rates is allowable uses and we have really no  
17 issue with House Bill 1486 because it does not change allowable  
18 uses.

19 The Senate Bill that actually was reported to the  
20 Committee, the Bill 838, while our members have not yet taken  
21 an official position on it, I anticipate they will express  
22 problems with it because it does make very specific allocations  
23 of the revenues that you receive and the point that was made  
24 just a couple moments ago, it does carve out a piece for local  
25 police, it does carve out grants for local municipalities. We

1 do not support legislation making those determinations, rather  
2 we support the way the law reads in general right now through  
3 the majority of the counties and that is county levy and TPA  
4 administered and within this narrowed list.

5       That takes me to the list of allowable uses. You heard  
6 the recitation of six allowable uses. One of the six does  
7 deviate somewhat from the notion of promotion. That's number 5  
8 on the list. And I'll just read it to you, Projects and  
9 programs that are directly and substantially related to tourism  
10 with the county, augment and did not unduly compete with  
11 private sector tourism efforts in improving the span the  
12 counties of destination of market. So although that could  
13 encompass bricks and mortar and in some counties has, the  
14 notion still is that it is directly related to tourism. It  
15 doesn't put one local attraction or one local hotelier at an  
16 advantage or disadvantage and that it doesn't compete with any  
17 part of private sector tourism efforts.

18       When this passed, and this by the way, passed in 2005, it  
19 was in response in part to much less clear language in the  
20 original law and I think, in fact, did respond in part to the  
21 letter that the committee did in 2001. It recognized that  
22 there are negotiations and there are good faith negotiations at  
23 the local level on how the funds should be used. Those local  
24 negotiations when they are done in good faith really mirror  
25 what you see in the statutes that were done for specific county

1 carve-outs, for examples, Adams, Berks, Lackawanna and a number  
2 of the others, where you had local negotiation between the  
3 county, the TPA and the rest of the industry and they came to  
4 the legislature and said, Here's what we want to do and here's  
5 how we want to divide it. And so you'd see in those statutes,  
6 the concept already that there may be valid local reasons for  
7 uses other than pure promotion and that's all we intend to  
8 preserve by indicating that we still support this language  
9 including Number 5.

10 I didn't include it in my testimony. I would like to  
11 comment as well on the online travel companies. We also agreed  
12 that that loophole should be closed. It creates an unfair  
13 advantage in some circumstances and really a matter of inequity  
14 in terms of the traveler. And I also want to comment that we  
15 also have already had some discussions with the group that you  
16 see assembled here on the longer range issues that relative to  
17 a stakeholder workgroup, we strongly support that effort and we  
18 pledge our commitment to work with that workgroup and with this  
19 committee moving forward to make sure that the hotel tax is  
20 properly administered and properly helps to grow our local  
21 travel and tourism industry.

22 With that, I will conclude my remarks and I'll be pleased  
23 to answer your questions.

24 MAJORITY CHAIRMAN STERN: Thank you very much, Doug. I'd  
25 like to also at this time recognize Representative Mark

1 Longiette, who has joined the panel since we first opened to be  
2 in and he's been here practically the whole time, but I didn't  
3 acknowledge him earlier so welcome. And earlier, we had  
4 Representative Stan Saylor, who represents York County as well  
5 here in the room this morning as well so I wanted to recognize  
6 him also.

7 We have several committee members that have questions,  
8 but I wanted to point out to you in your packets of information  
9 this morning, there's a 14-page summary of the room taxes in  
10 Pennsylvania and it's a pretty comprehensive study that was  
11 done by the DCED office of Innovation and Investment by the  
12 Pennsylvania State Tourism Office. And the testimony, she  
13 could not be here this morning, but Secretary Caroline  
14 Newhouse, Deputy Secretary of Innovation and Investment on  
15 behalf of DCED submitted testimony this morning. I think it's  
16 important that we read the testimony into the record this  
17 morning just so we have it.

18 But her testimony states, We applaud the Committee for  
19 holding this public hearing to discuss the current status of  
20 room taxes, as well as what can be done for the future success  
21 of the tax and the programs it funds.

22 In support of this discussion, DCED Tourism Office has  
23 completed a comprehensive spreadsheet -- and you have that in  
24 your packets this morning -- including information on tax  
25 rates, enabling legislation, county tax revenues, and the

1 related disposition of tax revenues.

2 DCED supports the intent of existing room tax laws,  
3 including the following guiding principles developed and  
4 supported by the Pennsylvania General Assembly, previous  
5 Administrations, the tourism industry and county commissioners:

6 - the county is the sole governmental agency authorized  
7 to enact the tax, determine the tax rate and regulate and  
8 collect the tax;

9 - second, the recognized county tourism promotion agency  
10 or (TPA), is the sole recipient of the room tax revenue;

11 - third, the primary use of room tax funds os for tourism  
12 marketing and promotion;

13 - fourth, local room tax law is a partnership between the  
14 county and it recognized tourist promotion agency.

15 As always, DCED stands ready to collaborate with all  
16 public and private room tax stakeholders on any continued  
17 discussions regarding current room tax issues and concerns, and  
18 the future of room taxes in Pennsylvania. We strongly believe  
19 that any effort to improve or modernize current room tax law  
20 should be comprehensive, versus any piecemeal approach.

21 So I wanted to read that into the record this morning  
22 and at this time, I recognize Representative Matt Gabler for  
23 the first set of questions to the panel. If you could also  
24 address, Representative Gabler, who you would like that  
25 question directed to as well, that would be good on the panel

1 or if you have it for the whole panel. However, you want to do  
2 that, however members want to address that.

3 REPRESENTATIVE GABLER: Thank you very much, Mr,  
4 Chairman, and I thank the members of the panel for taking the  
5 time to educate us this morning. It's always helpful to hear  
6 from the subject matter experts on what your input is.

7 I wanted to just dive in a little bit to and actually it  
8 was great, the question occurred to me early on in the  
9 testimony and, Doug, you kind of hit on the topic as well, so I  
10 guess I would direct the question, I guess, both to PATT, both  
11 Rob and Joe and also to Doug. And I'm just trying to get a  
12 little better understanding of there's been a lot of discussion  
13 this morning about the uses of the room tax revenue. And I  
14 understand, I guess, I'll start with the most recent with Doug,  
15 I guess, you were basically advocating that what we've got  
16 right now -- and I'm addressing I guess mainly the Act 142  
17 counties, the ones that are more generalized, those are the  
18 ones that I certainly that I live in. But that you support  
19 basically, the current intent or the current way that it works.  
20 There's some flexibility there. Most of the money goes to the  
21 TPA, but the commissioners have some flexibility with using  
22 those funds in a related way.

23 And am I correct in understanding that from PATT's  
24 perspective that you would advocate maybe reeling back on that  
25 a little bit? Is that basically -- here's, I guess, rather



1 than doing back and forth, I'll just kind of lay it out there  
2 and I'll let you guys both respond. But as I'm conceiving of  
3 this, I'm kind of understanding that I suppose some counties  
4 might utilize the revenue from the room taxes, perhaps, there's  
5 local matching funds in order to qualify for other grants,  
6 etc., whether it's from DCED or DCNR or maybe a federal agency.  
7 Maybe address, just maybe your thoughts on how that may or may  
8 not be appropriate or related to tourism. One thought that  
9 occurred to me as we heard a testifier yesterday talking about  
10 the State of North Dakota that has a pretty significant tourism  
11 budget but not a whole lot of a product to sell. It would seem  
12 to appear to me that some flexibility in these funds may help  
13 to improve the product that each individual county has to sell  
14 by kind of creating a cluster of attractions. But I don't  
15 know, I'm just interested in hearing the differing  
16 perspectives. And with that, I'll turn off my microphone and  
17 look forward to listening. I appreciate it. Thank you.

18 MR. HILL: I go first in the rebuts. Okay. That will  
19 work. The kinds of -- and I think the list you got from DCED  
20 probably gives a little bit more detail in where some of the  
21 counties are making the allocations. One thing I need to be  
22 very clear on the outset, though, we don't reserve a piece of  
23 it. Every dollar we get, we have to turn over to the TPA, but  
24 we still have that negotiation where some of it may be  
25 appropriated by the TPA back out to the county or to another

1 purpose. And that is often part of the negotiation. And it  
2 varies considerably county to county. Some of the things that  
3 you suggested are part of it. We've seen counties do things  
4 like a main street improvement project and then not necessarily  
5 a highly capital intensive project because really the money  
6 isn't sufficient to do those kinds of things, but as you say to  
7 provide some match, draw down some additional funds or to do  
8 some nominal kinds of things to clean up that last lot or some  
9 of those kinds of projects. Some larger projects that have  
10 been included include visitor centers, remodeling, so on, to  
11 accommodate those facilities. And so it's those kinds of  
12 things.

13 We have counseled our counties that this is not a General  
14 Fund, this is not a supplementation. We had one county, for  
15 example, that wanted to extend the sewer line and, you know,  
16 it's got to support where all the tourism is going and that's  
17 nice. But we said we really couldn't support that. And we  
18 have gotten involved sometimes when particular issues have  
19 gotten sticky and we've gotten a call from Rob and others,  
20 could you give your commissioners a call. We've done that.

21 MR. MASSARO: I try and equate this to the problem of  
22 using funds that are available to build a factory and produce a  
23 product, but not having any money left over to tell anyone  
24 you're selling it. And that's what this low creep in many of  
25 the operations of TPAs and the use of those monies have seen,

1 have experienced. The Act that we're discussing right now,  
2 142, has a little more definition around it, actually a lot  
3 more definition around it than some of the other statutes and  
4 it is helpful, but when the conversation happens at the local  
5 level, there tends to be some very loose interpretations of  
6 that and a little bit of that dynamic tension that Rob  
7 discussed where a TPA or decision makers on that TPA's board  
8 feel compelled to comply with the commissioners' wishes for  
9 fear that they will be decertified and the money would be sent  
10 elsewhere.

11 I think the main point that I would like to make is that  
12 if there an increase, there's already money being levied that  
13 uses it for brick and mortar and projects and other things, but  
14 if there is to be an increase, given the decrease in state  
15 funding, we need 100 percent of that to go to marketing or we  
16 will once again have a factory and not tell anyone we're  
17 selling anything. That's the disadvantage that we face right  
18 now. And the notion that, well, if we use a little bit for  
19 product, that's going to help tourism is self-defeating.  
20 You're not marketing, so you are seeing less visitors. There's  
21 a competitive disadvantage as you raise the tax that needs to  
22 be overcome by additional promotion. All of that domino effect  
23 is actually -- has negative result on the income generated as  
24 opposed to the hope of a positive one.

25 MR. KIDD: Can I make a comment on that? Both counties

1 that I am involved in, Lancaster and Dauphin Counties, these  
2 funds are now supporting things that are not necessarily  
3 promoting tourism, although, they're tourism entities, but to  
4 reiterate what Joe said, this is exactly what has happened.  
5 We've lost our funding in Lancaster, the majority of the room  
6 tax is now going to support a convention center to pay for  
7 lights, gas, etc. And the promotion part of it has really  
8 dissipated, so...

9 MR. MASSARO: If I may, you might say that a convention  
10 center is a tourism purpose. Doug mentioned allowing monies to  
11 be used for such a purpose if it is not competing with a  
12 private entity. Well, then it's up to the private business  
13 owner to have the burden of proof that that is not competition.  
14 A convention center could very well be competition with  
15 privately owned facilities in that area.

16 Those folks who might be out and about in shops and  
17 stores and restaurants, depending on that facility, may be  
18 spending their time and money within that facility. So it's  
19 very specific to the circumstances albeit. However, those are  
20 the types of issues that arise.

21 Thank you all very much. Appreciate it.

22 MAJORITY CHAIRMAN STERN: Thank you. Representative  
23 Denlinger.

24 REPRESENTATIVE DENLINGER: Thank you, Mr. Chairman.  
25 Thank you all for your testimony. We appreciate it. As

1 Shakespeare said, Ah, there's the rub. And the rub as I  
2 pointed out where is that line drawn? And I guess, Joe, I  
3 appreciate your thoughts and Rob, perhaps, in helping us to  
4 think through how we get from what I think here would be a  
5 broadly supported concept of more dedicated focus of these  
6 funds, but realizing that practically we have not only the  
7 desire, but legal lockdown on these monies extending for  
8 extended periods of time as Barry mentioned in Lancaster  
9 County. We have debt service tied to this funding that goes  
10 way out into the future. In fact, they're working on a  
11 renegotiation of that at this point.

12 And I think I heard you kind of tip your hand maybe in  
13 your last answer there to the extent that new monies be more  
14 narrowly focused, but do you have any thoughts for us on a  
15 phase-down or what are your thoughts with current situations?

16 MR. MASSARO: It is not our intent to undue any current  
17 connects. Realize that plans have been put in place for in  
18 many counties that to unravel them would harm them. And we're  
19 not proposing that we do that.

20 We are saying two things, future taxes be dedicated and  
21 the current obligations that are made exploring what those  
22 expiration dates are and having a plan for when that bond  
23 matures and when those funds are now available, can we take  
24 that back to its original intent and use it for marketing.

25 REPRESENTATIVE DENLINGER: I appreciate that. And I'd

1 like to also ask Mr. Hill, Doug, if I may a question. Doug,  
2 you mentioned the six big items there that are usable. I think  
3 Joe kind of threw this out a little earlier, convention centers  
4 in Lancaster, a city of the third class, does CCAP view that as  
5 an appropriate use?

6 MR. HILL: Let me phrase it this way. First, I don't  
7 think any county receives enough revenue from the tax that  
8 they're going to be able to support a convention center. And I  
9 think if you see the track record of how it's being expended  
10 now, in most counties, the majority, if not the large majority  
11 is being used for promotional purposes. And so these other  
12 projects tend to be side issues, they tend to be innate, they  
13 tend to be short term or once and done, you know, the example I  
14 gave to convert this storefront and make it our local visitor  
15 center here, here in the borough. And so I don't want the  
16 committee left with the impression that my membership generally  
17 and consistently is pushing to take the money and use it for  
18 bricks and mortar or a particularly larger project like a  
19 convention center.

20 In addition and you may correct me if I'm wrong,  
21 Lancaster is a separate section of specific dedicated tax and  
22 is not one of the 142 counties and the same thing with Dauphin  
23 County and so the statute itself does create some of those  
24 allocations off to some of the specific purposes, so it is a  
25 little bit of a different circumstance.

1           REPRESENTATIVE DENLINGER: Very good. I appreciate that.  
2 I sense, though, that CCAP probably is getting a lot of  
3 pressure also from the urban leadership side of the equation of  
4 where we're getting messages about the need to implement more  
5 broad Act 49 reforms, reopen Act 111, other things, so county  
6 to city government, I would presume, a flow of requests or  
7 desire for other revenue streams that you folks are receiving  
8 as well.

9           MR. HILL: We have heard that cities have an interest in  
10 collecting some part of the hotel tax. We don't have any  
11 detail on that, and obviously, we would have to take a look at  
12 that in the context of what they're hoping to do and larger  
13 context of what we're all trying to accomplish because, as I  
14 said in my testimony, our primary interest is that this is an  
15 economic development driver and we want to support the  
16 industry.

17           I will, if I can, just comment briefly, too, when Joe's  
18 suggesting that part of the money goes to build the product and  
19 part of it goes to promote the product, the other side of the  
20 argument, I think prevails, too, that you can't simply promote  
21 your product and not have a good product to begin with. And so  
22 we also have to be sure that we maintain what we have and we  
23 put things in place to grow what we have so that you promote it  
24 and you get the people to come, they're going to want to come  
25 back the second, third, fourth time.

1           REPRESENTATIVE DENLINGER: Very good. Thank you. Thank  
2 you, Mr. Chairman.

3           MAJORITY CHAIRMAN STERN: Thank you. And I think under  
4 the Convention Authority Act that's where Lancaster got  
5 permission to increase their amount to 5 percent. Is that  
6 correct? I believe, so we're talking another law here in  
7 regard to this whole scenario this morning that convention  
8 promotion is part of it under Act 142. And Blair County just  
9 went through a negotiation to deal with this because they  
10 weren't covered under the Convention Authority Act. They were  
11 carved out in a separate piece of legislation by themselves years  
12 ago.

13           So I'm just sharing with you the different scenarios that  
14 are out there.

15           Representative Millard -- one -- before you begin,  
16 Representative Millard, I wanted to also recognize, we have  
17 another representative here from York County, newly elected,  
18 Representative Kevin Schreiber, wanted to recognize him. He  
19 was in the room earlier here and I wanted to make sure everyone  
20 knows that he was here this morning as well. So Representative  
21 Millard?

22           REPRESENTATIVE MILLARD: Thank you, Mr. Chairman, and  
23 thank you panelists for being a part of this hearing today.

24           Yesterday, we had testimony about the strength of  
25 marketing. And if you don't have the dollars and obviously,



1 the area of coverage that you want to market, how the absence  
2 of those dollars has a domino effect in a negative way that we  
3 don't receive those dollars and people coming in.

4 And one of the items that came out of that yesterday was  
5 looking at ads that are very effective, the quality of the ads.  
6 And I guess I just throw this comment out to each of you and,  
7 Rob, I'll focus on you because you lead the tourism in the  
8 state here. Having a state ad or combination of state ads that  
9 leave some room for local entities to dovetail on the end of  
10 that to promote what they're doing. Representative Masser and  
11 I cover the Columbia and Montour County areas, our visitor's  
12 bureau there does a tremendous job of marketing local  
13 activities, historic activities and I know that they're always  
14 trying to maximize the dollars they have to do that, so I think  
15 that a cooperative effort with DCED, with the state in  
16 marketing would stretch those dollars.

17 Now, for my questions. Doug, you mentioned about  
18 collection and Rob mentioned it, too, of the hotel tax at the  
19 state level and then that money being passed back to the  
20 counties. Do you think that that will streamline the process,  
21 will make it more efficient, more effective, do you think that  
22 we're not getting all of the dollars that we should be getting  
23 now?

24 MR. HILL: Well, I'll answer your last question first.  
25 No, I do not believe we are getting all the dollars that are

1 owed right now and that comes in two forms; one is local  
2 hoteliers who don't pay, ignore the bill, don't believe they're  
3 covered, and then second, it might include, and I don't have  
4 any evidence for this because we can't do audits, it might  
5 include hoteliers who are paying, but not properly accounting  
6 the rooms against which it should be paid. And so that's why  
7 we argue for some enforcement mechanism. The same as we have  
8 on any other tax, we have the ability to -- and in fact,  
9 responsibility, to all the other taxpayers, the law-abiding  
10 taxpayers to make sure that it's done uniformly.

11 It would be easiest and most uniform if it's done at the  
12 state level, but that also requires looking at a number of  
13 things most particularly assurances that this isn't going to be  
14 diverted for rather purposes but rather going to be back, go  
15 back to the county from which its generated to the benefit to  
16 those who are paying. And second, in whatever context we have  
17 to have a very serious discussion about who is covered and  
18 under what circumstances.

19 REPRESENTATIVE MILLARD: Rob?

20 MR. FULTON: Thank you, Representative. Just a quick  
21 comment on your original comment. I'll just make a little plug  
22 for the Pennsylvania Tourism Partnership. I fully support what  
23 you're saying in terms of partnering with what the state is  
24 doing from a promotion effort and matching that up with what's  
25 happening at the local level and that's a significant premise

1 of why we've gone down this road at looking at this  
2 public/private Pennsylvania Tourism Partnership with Chairman  
3 Stern and Chairman Kirkland and the Committee, the DCED, of  
4 course and the TPA Foundation, Pennsylvania foundation, so I  
5 just want you to know that's a significant initiative of that  
6 entity to make sure that there's a better cooperation, so I  
7 think you'll see more of that happening.

8 I think that covered it pretty well, you know, it is a  
9 significant concern for us. I think that one of the things  
10 that is my vision of this work, this workgroup of stakeholders  
11 is trying to figure out how realizing the resources are still a  
12 challenge, how to best enforce and collect at the local level.  
13 I think there are some things from an education standpoint that  
14 we can do that don't cost money. I think we need to do a  
15 better job from the industry's perspective in educating those  
16 properties, especially those that are new that come online that  
17 may not be up to speed on what their obligation is from that  
18 perspective. So I think there are some things that we can do  
19 to that, and I can tell you that the counties, I know several  
20 TPAs that have managed to be successful in getting their county  
21 solicitor or somebody from the county to write a letter or send  
22 something out to the properties and that letter is enough to  
23 significantly see a spike in the next collection so you know  
24 that that's happening.

25 So I think that those kinds of things that this workgroup

1 needs to work on because at the end of the day, whether we  
2 raise a cap or not, there are things that need to be done and  
3 enforcement is one and collection is one. That needs to be  
4 tightened up and hopefully that would help, you know, with  
5 collecting what dollars are available.

6 REPRESENTATIVE MILLARD: And I guess that I can see the  
7 benefit of streamlining the process, so to speak, but on the  
8 other hand, I guess my concern is whether we're going to water  
9 down the local control over those dollars in that process and  
10 as we vet this through pros and cons, I think we need to keep  
11 that in the back of the mind to ensure that whatever comes into  
12 the state, comes back 100 percent for local consideration how  
13 it would be spent, so thank you. Thank you, Mr. Chairman.

14 MAJORITY CHAIRMAN STERN: Representative Longietti.

15 REPRESENTATIVE LONGIETTE: Thank you, Mr. Chairman and  
16 thank you to all of you as well for your time today. And I  
17 think Mr. Massaro has been relatively clear, but I still want  
18 to explore just a little bit. And I'll start with a shameless  
19 promotion.

20 So I live in Mercer County, the Mercer County I think  
21 it's been a good relationship between the TPA and the county  
22 commissioners and folks have done the right thing. An event  
23 that we have actually coming up this weekend is called  
24 Waterfire Sharon, it started in Providence, Rhode Island and  
25 it's an interesting concept, draws about a quarter of a million

1 of people of Providence when they do Waterfire and it involves  
2 construction in the river baskets, what we call brazers, where  
3 wood is placed. I think we have 50 of them now on the Shenango  
4 River for this weekend and then they burn the wood and then  
5 around the river, it's a tourism opportunity. It's  
6 entertainment and arts and food and music and so it creates  
7 this -- with the wood burning, this visual and aromatic effect  
8 and then creates a gathering for all these other activities to  
9 happen. And I know that, I believe in doing that, it's about a  
10 \$600,000 investment for our area because it's patented.  
11 There's a licensing fee, and then there's a cost to the brazers  
12 and then installing them into the river. And then there are  
13 boats that have to tender the fires during the event.

14 And I believe that some of our hotel tax dollars were  
15 dedicated for that. And when I listen to Mr. Hill, this is one  
16 of those examples of, I guess, tourism development, is a bricks  
17 and mortar, I guess as a capital expenditure. It's a one  
18 time -- I believe a one-time expenditure. I think he  
19 referenced that idea. Is that something, I know you've been  
20 relatively clear, is that something that PATT is open to  
21 explore or do you feel strongly that these dollars just need to  
22 go strictly to the promotion side, which I agree is very, very  
23 important. So I just wanted to get your reaction to that.

24 MR. MASSARO: This is the fine line that we've talked  
25 about that sometimes difficult to express. I believe that is

1 an appropriate in my opinion appropriate use of room tax  
2 dollars and it's a decision that's made locally through the  
3 TPA, its board of directors and it's a deliberate marketing  
4 decision with a very clear rate of return to be measured. When  
5 oftentimes, money's being solicited to be used for those brick  
6 and mortar projects, it's oftentimes used to support operating  
7 expenses or some minor improvements to a facility that frankly  
8 becomes an easy out sometimes for an organization that could  
9 otherwise go raise that privately. And you see portions of  
10 operating budgets and some of these organizations that will  
11 just automatically increase that line item and then go lobby to  
12 have it distributed to them because it's easier than going to  
13 the community and to local business who would and having the  
14 past supported that. And again, what happens then is that's  
15 less money to tell somebody facility is there and it is  
16 self-defeating.

17 REPRESENTATIVE LONGIETTI: Thank you. I appreciate that.  
18 And I think this venture has been an example of a real  
19 partnership where local businesses have stepped up and  
20 contributed some of that \$600,00, and, obviously, a significant  
21 amount is going to tourism promotion, but some it is tourism  
22 development and I give that plug again, it's  
23 WaterfireSharonPA.org. It's on the Net.

24 But one other question, I just want to explore just a  
25 little bit. You talked a little bit about the problem of TPAs

1 being undesignated. And I haven't experienced it in my county,  
2 but I've also heard issues in the Capitol as well, in some  
3 cases, the county commissioners decide who the board members  
4 are on the TPA and by that process, have influence and where  
5 those dollars end up.

6 I just want you to comment on are there examples of  
7 problems like that, obviously, there must be if you brought it  
8 up.

9 MR. MASSARO: There definitely are examples across the  
10 state and in some cases, there's probably justification for  
11 concern and a discussion about whether decertification is  
12 appropriate, but there are also examples of when it is simply  
13 this is where I want you to spend the money or we will  
14 decertify you. And there's real process, formal process in  
15 place for that decertification, so we're just asking for that  
16 to be put in place to separate those that are legitimately  
17 concerned from those who are just trying to dictate the use of  
18 the money without local input beyond the county board.

19 REPRESENTATIVE LONGIETTI: Thank you.

20 MAJORITY CHAIRMAN STERN: Well, that was a pretty good  
21 promotion there, Mark. He loves Mercer County. Let it be  
22 recorded on the record. What was that again? You ought to  
23 share that one more time.

24 REPRESENTATIVE LONGIETTI: It's  
25 [www.WaterFireSharonPA.org](http://www.WaterFireSharonPA.org). And it starts -- it's Saturday,

1 August 3rd, this Saturday, and then there's a second one on  
2 September 14th and third one on October 12th.

3 MAJORITY CHAIRMAN STERN: Thank you. We want to get our  
4 money's worth here. Representative Masser.

5 REPRESENTATIVE MASSER: I'm going to stay on that  
6 decertification for a minute, if I may. I have a number of  
7 questions, some of them were already answered, but in my mind,  
8 I look at it that we already have a decertification process in  
9 place by the members of the board that are generally served by  
10 that TPA. The TPA isn't doing a good job, it's not serving its  
11 membership, which is the membership comprised of those folks in  
12 that industry. Those are the folks that are going to be the  
13 most effected. If the TPA isn't doing the job that it should,  
14 then the TPA, the administrator, would be gone, we'd be looking  
15 at new leadership to administer that TPA. That's how I look at  
16 it. I may tend to oversimplify some things but that's how I  
17 look at it from a business person's point of view.

18 We're blessed in my district. I have two different TPAs,  
19 both of which do a great job. I think, certainly I think both  
20 sets don't have any issues with the commissioners at all,  
21 looking at Otto for confirmation on that, but I know -- I don't  
22 think we have any issues. But I'm curious to know what CCAP's  
23 stance is on that decertification or really tightening down  
24 that decertification hammer that could be held over some of  
25 these TPAs.



1           MR. HILL: We actually have a plank in our platform that  
2 calls for a study and work on clarification and the law and  
3 talks about including issues such as composition boards,  
4 regional cooperation, funding, planning, administration,  
5 certification, decertification, so yes, we are interested in  
6 working with our partners here on providing a clear and  
7 balanced process.

8           REPRESENTATIVE MASSER: Good. I'm glad to hear that  
9 you're part of the discussion and willing at least take a look  
10 at that. Who is -- who are -- who is putting this group of  
11 stakeholders together? Is it PATT? Are you looking for the  
12 Committee to put together a group of stakeholders?

13           MR. FULTON: No, that's a great question. It's PATT and  
14 Pennsylvania Restaurant and Lodging Association are working  
15 together on this issue. We have a -- had a statewide hotel  
16 tax, room tax task force for the last maybe year or so. We  
17 have this conversation last week. So we think it's our role to  
18 convene it as the private sector, so we're going to work  
19 together to do that.

20           We certainly would like it to include, you know, the  
21 Senate and the House in terms of appropriate committees, county  
22 commissioners, of course, and have any discussion about any  
23 other appropriate stakeholders. I think to get us all in a  
24 room, we have some specifics in front of us. I think the  
25 questions today have been very -- very specifically highlighted

1 the concerns that we have. So I think we're going to get our  
2 heads together after this and come up with that group and  
3 convene that. We did this similarly when we changed Act 50  
4 back in, I think, 2008 or 2009 where we sat at a table like  
5 this and it took us a couple of months. It wasn't, you know,  
6 not -- the art of negotiation, everybody walks away a little  
7 unhappy, so get in a room and try to figure out how to make  
8 these things happen. And we had a preliminary conversation  
9 with Doug and others before. We've all agreed that that is  
10 something we're committed to doing. So we'll look to convene  
11 that and then reach out to the committee and ask for appropriate  
12 representation or involvement.

13 REPRESENTATIVE MASSER: I'd also just like one more  
14 question. Give me an example of how dorm rooms are being used.  
15 I don't understand that.

16 MR. OLIVER: I can give you an example. Two weeks ago,  
17 we had an event in Erie, a local university went out and  
18 advertised and promoted to the group that they had dorm rooms  
19 available for rent for the group coming in. In this case, it  
20 wasn't a real problem since there wasn't a hotel room available  
21 within 40 miles, but when that does occur, they're not paying  
22 or they're not liable to pay any kind of hotel occupancy tax,  
23 which one gives them unfair competitive advantage against the  
24 hoteliers that are collecting it, and two, we, as the TPA, lose  
25 out on that revenue to go out and promote.

1           REPRESENTATIVE MASSER: Thank you. Thank you, Mr.  
2 Chairman.

3           MAJORITY CHAIRMAN STERN: Representative Moul.

4           REPRESENTATIVE MOUL: Thank you, Mr. Chairman. Thank  
5 you, panel. That is [www.GettysburgTravel](http://www.GettysburgTravel.com). I would be remiss  
6 if I did not mention Norris Flowers today from Gettysburg.  
7 Thank you for coming up here, sir. I know your interest and I  
8 appreciate it.

9           Just a couple of things. More statements than questions  
10 and the county commissioners do determine, and correct me  
11 somebody if I'm wrong about this, who the TPA or CBB is in  
12 Pennsylvania with each individual county, which brings us to  
13 the fact that, like I said, yesterday, it is a careful  
14 negotiation when you draw up the distribution of the pillow tax  
15 usage in each county. Norris and I and Al Taylor experienced  
16 that with about two years approximately of negotiation with our  
17 county to get things done and get it worked out where everybody  
18 could actually agree on it that we could put legislation  
19 together to make it happen in our county.

20           That being said, after looking at the data that I  
21 received, we have Philadelphia is at 8.2 percent and I don't  
22 think that they're numbers dropped when they went to that 8.2  
23 percent so anyone that wants to argue against going from 3 to 5  
24 or 5 to 7, I think it would kind dispel the argument that it  
25 would hurt the industry. So as far as putting it out there in

1 public, we have the examples right here and go to New York  
2 City, I spent two nights there, I had to re-mortgage the house.  
3 People still go. And when they come here to Pennsylvania, they  
4 see a 3 percent tax and they go, Oh, my gosh, this is the deal  
5 of the decade. And because it's the deal of the decade, we're  
6 missing out.

7 One of the questions that I have for whoever wants to  
8 answer this, who determines in Pennsylvania who the collection  
9 organizations are, who those entities are. If you have a bed  
10 and breakfast, obviously, somebody is going to say, you're  
11 renting rooms, you need to pay this. If you're a hotel,  
12 somebody obviously says you're renting rooms, you need to pay  
13 this. In our case, right in the middle of Adams County, we  
14 have Gettysburg College. I love the college, don't get me  
15 wrong, but I don't think they collect when they rent their  
16 rooms out. We just had, obviously, the 150th, huge, huge  
17 event. The largest in Pennsylvania ever. And rooms were  
18 rented out, but if I'm not mistaken, there was no hotel tax  
19 collected. Am I correct on that, Norris?

20 So who is it that says, You must collect hotel tax if  
21 you're renting these rooms? Does anybody want to take a shot  
22 at that? Is that the county commissioners? Is it set forth in  
23 state law?

24 MR. HILL: The state law vests primary responsibility  
25 with the county treasurer. And in terms of enforcement, the

1 county solicitor would make a determination reminding the  
2 responsible properties that they are on the list and they're  
3 required, but that really is part of the problem is that there  
4 is a lack of clarity and lack of enforcement in the law. But  
5 it is, it is just the county treasurer. Treasurer's normal  
6 responsibility to collect any fees that are owed to the county.

7 MR. FULTON: And I think the point was made that they're  
8 not collecting any state tax either. It's just not the local  
9 share. There's no tax collected whatsoever, so that's --

10 REPRESENTATIVE MOUL: So it's a double whammy?

11 MR. FULTON: Yes, and it just hasn't been defined in the  
12 law to enforce that.

13 REPRESENTATIVE MOUL: Is that something that would be  
14 easily defined in the law? Is it an easy fix, Rob?

15 MR. FULTON: -- easily because I'm sure that they would  
16 not want to be defined a lot, so I would expect a pushback.

17 REPRESENTATIVE MOUL: But there would be a lot of  
18 pushback on that.

19 MR. FULTON: It's one of our recommendations that if, you  
20 know, that if you have an overnight stay, obviously, colleges  
21 is exempting students, but they fall within that parameter than  
22 they should be paying.

23 REPRESENTATIVE MOUL: What about -- curiosity, what about  
24 campsites?

25 MR. FULTON: We have all that -- if you go down that list

1 of campsites --

2 MAJORITY CHAIRMAN STERN: Representative Moul, I'll just  
3 read, the term does not include any portion of a facility that  
4 is devoted to persons who have an established permanent  
5 residence or a college or university, students, residents, hall  
6 or any private campground or any cabins, public campgrounds, or  
7 other facilities on state land. That's for hotel. It does not  
8 include on state land.

9 MR. HILL: With clarification, some of that is the cabins  
10 on state land. It's a cabin that is privately operated, so  
11 that's still subject. But I think from this discussion, you  
12 get the point that some additional clarity would be helpful.

13 REPRESENTATIVE MOUL: And I'll throw out an example of  
14 something that actually happened in the township that I live in  
15 where we had a -- you know, and I don't know how to fix this,  
16 I'm just throwing it out for conversation sake, where we have a  
17 developer who built under the auspice hotels, two of them, side  
18 by side and turned them into efficiencies and now rent them for  
19 as apartments, and therefore, does not pay any pillow tax, but  
20 yet he built them in a commercial zone under a hotel permit.  
21 So how do we address that by eliminating the 30 day? Do we  
22 want to limit the 30-day rule? Because he found a loophole in  
23 the law to go around it, but yet he's building a commercial  
24 area as a hotel and not paying taxes. This is many rooms, two  
25 buildings.

1           MR. HILL: We would argue that the apartment and  
2 apartment use like that where it is intended as a domicile,  
3 that is, the person staying in the room is intended is as their  
4 residence would not be subject to the hotel tax. What your  
5 describing, I think sounds more like an issue with the  
6 municipal zoning ordinance than it does with the application of  
7 hotel tax.

8           REPRESENTATIVE MOUL: All right. I just threw that out  
9 there. One of the things that I think that was said yesterday,  
10 and not for anything but I do agree that Pennsylvania has to  
11 take a larger role in the tourism industry as for promoting all  
12 of Pennsylvania. Some of the smaller TPAs don't have the  
13 resources to promote. And to me, after being on this  
14 committee, this is my seventh year and I've come to appreciate  
15 and understand the tourism industry and it's great when one TPA  
16 competes with another TPA to bring people from Gettysburg to  
17 Erie, like I like to travel and back and forth, and that's  
18 good. But the real big win is when you bring people in from  
19 out of state, they let their money here and then they go home.  
20 That's the huge win in this industry.

21           So I think as a committee, I think trying to push for  
22 that, the state to be more involved at this level to promote  
23 Pennsylvania much like other states do. Hell, I even want to  
24 go to Michigan.

25           My last but not least, one other thing that I think that

1 we need to concentrate on is -- and maybe Representative  
2 Godshall still has this bill, I don't know. I didn't look  
3 before I come in here, just a last moment thought, about  
4 starting schools before labor day. My school district that I  
5 pay taxes to will be starting on the 21st of August. We have  
6 now taken all those families that could be touring and spending  
7 money hopefully here in Pennsylvania, out of that realm of  
8 possibility.

9 That being said, thank you, Mr. Chairman, I appreciate  
10 your time. Thank you.

11 MAJORITY CHAIRMAN STERN: Oh, another issue,  
12 Representative Moul. That's for another day.

13 MR. KIDD: Mr. Chairman, just one comment on what I would  
14 respectfully disagree with there is a limit on the tax that you  
15 tax people. You can't compare Lancaster County with New York  
16 City and there is a limit. And especially when there is  
17 disparity between people choosing and Lancaster has a huge  
18 motorcoach industry that utilizes us and on a motorcoach, when  
19 you're talking 2 percent, you're talking about a lot of money  
20 and they will stay somewhere, you know, less and day trip,  
21 which doesn't help any of it. So there is definitely a ceiling  
22 on this.

23 MAJORITY CHAIRMAN STERN: Thank you, Barry.  
24 Representative English.

25 REPRESENTATIVE ENGLISH: Thank you, Mr. Chairman. I'm



1 one of the new members of this committee, new members to the  
2 House, so I just think about this incredibly enormous task of  
3 trying to unscramble 60 to 67 eggs, all these little formulas  
4 and I just want to get some feedback has there been discussion  
5 and I hate to say, an additional tax, but a percentage, whether  
6 it's 1 percent across the board or York County can bump it up  
7 because they're not at 5 percent or 7 percent or where they  
8 hope to go to get the need. Has there been discussion of a  
9 percentage, whether it varies amongst different counties to use  
10 that money to go back into what I think the state purposes,  
11 let's have dollars generated from this tax go directly back to  
12 tourism, marketing and promotion and then -- well, I'll stop  
13 there so you can follow-up.

14 MR. FULTON: It's a great question. And it has been  
15 addressed, I guess I would sum it up this way: I think,  
16 again, in the spirit of the workgroup, which is why we dissect  
17 all of these conversations, I don't think anything's up,  
18 something's brought up, but I think it's an opportunity to  
19 explore these -- it has been discussed, I think the prevailing  
20 -- at least in my opinion -- the prevailing thoughts in the  
21 industry is if you're talking about funding tourism at the  
22 state level then you heard Carl mention yesterday and Chairman  
23 Stern about contribution of 6 percent at the state level. We  
24 can let the TPAs continue to fund and promote tourism in the  
25 counties and allow due to the local shares. So I think

1 philosophically want to continue that approach. I think  
2 Representative Millard's comment and others do a better job,  
3 which is make a plug for the Pennsylvania Partnership, which  
4 this committee to create is at that -- that creates that  
5 public/private partnership. So you've got more coordination  
6 with what the state is doing from a promotion with what's  
7 happening at the county regional level with promotion.

8         So what you've suggested has been discussed, the big task  
9 for us moving forward is figure how to pay for this tourism  
10 partnership and so that will be -- in some respects a whole  
11 another conversation, but we're open to finding ways to do it.  
12 I think to continue to use what's been collected on the local  
13 share, to continue to promote what's happening there and find a  
14 way to assist and provide recourses at the state level for what  
15 they're doing and make sure that those commercials and those  
16 things that you talked about yesterday and today are being done  
17 together. So there's a potential to use a portion of the state  
18 share, there's some other things that we've talked about as  
19 well. But we'll certainly tried to be open-minded about the  
20 best way to do that. We just realized there's two different  
21 promotion efforts going on, but then you'd be more collected or  
22 together.

23         REPRESENTATIVE ENGLISH: Yeah, just seems -- of course,  
24 it's overwhelming. That's why it's stagnating.

25         MR. FULTON: And that's the thing, that chart thing that

1 you have, and, Joe mentioned this, it's in a perfect world, we  
2 would like uniformity across the Commonwealth. The reality is  
3 that is probably an unrealistic approach, so what we would  
4 recommend today is specifically to primarily those counties in  
5 Act 142, those 45 counties have potentially assist what York's  
6 doing in their piece of legislation with the other 8 counties.  
7 And then the better position should those other counties that  
8 have their own piece of enabling legislation decide to open  
9 that up in some point in the future, we're better prepared to  
10 protect those dollars than we have been.

11 So that chart presents -- and when you look at that --  
12 we've allowed ourselves to get to that point and some of that  
13 is on the industry so we want to make sure we don't -- are  
14 better prepared going forward, but your comment is something  
15 we've been open to.

16 MR. HILL: If I could just add to that, just briefly, the  
17 majority of the counties that are listed there, it is a matter  
18 of local determination, so it's only a handful of the counties  
19 where it's the underlying statutes that creates all these  
20 diverse issues. And so the fact that the majority of those  
21 still have diverse allocations, I think accurately reflects  
22 that local conditions are different. Each of your counties has  
23 something different that is your favorite thing to promote,  
24 your favorite event, your favorite natural feature or whatever  
25 it might be. And that tends to evidence itself in differing

1 allocations from county to county, but we would argue that's a  
2 good thing because it's local determination where we all get  
3 around the table and say, Here's what makes us special, now  
4 come on and see it.

5 REPRESENTATIVE ENGLISH: My follow-up would be -- I like  
6 the idea of the county commissioner maybe, perhaps, if we  
7 tighten up the 30-day rule, the domicile issue or the online  
8 bookings, but that maybe the county commissioners, county  
9 treasurer to have that teeth to go see where revenue, maybe  
10 it's been lacking that should have been fade, but maybe that's  
11 better than the TPAs try to individually go do it. They might  
12 be a little hesitant, they might not have the recourses, they  
13 not have the time or the talent to do it. And maybe that  
14 should -- treasure the county a little better. That's all.  
15 Thank you, Mr. Chair. Thank you.

16 MAJORITY CHAIRMAN STERN: Thank you. I have a couple  
17 closing comments as we finish up here this morning. First of  
18 all, we're about right on time. We said 11:45 and here it is,  
19 11:45, so I wanted to first of all thank Representative Miller  
20 for introducing House Bill 1486 and also Anne Druck, who's here  
21 from York County. Welcome and thank you for your advocacy on  
22 behalf of York County. And as you can see by the testimony  
23 this morning, it's pretty detailed and it's difficult to  
24 understand for a lot of people to understand the complexities  
25 of the room tax as listed here in the printout, you know, from

1 DCED. All you have to do is go under the enabling legislation  
2 to see how confusing it truly is.

3 In past years, I've referred since becoming chairman of  
4 the Committee, I've always referred to this scenario. If we  
5 just think of it in this way, if we can compare Pennsylvania to  
6 a mall, okay, and think of a mall, any mall, whatever your  
7 favorite mall is that all the stores that are located inside  
8 the mall, if you think of all the tourism promotion agencies,  
9 they're the stores within the mall. But the mall has to be  
10 advertised before anyone is going to come to any one of those  
11 respective stores. You have to, you have to advertise the mall  
12 and here's where we are, come and see us, come visit us before  
13 you're going to go to any one of those stores or regions or  
14 counties in Pennsylvania.

15 It's as simple as that. And that's what the state's  
16 responsibility is to advertise Pennsylvania as a whole. So I'm  
17 just putting it out there. We have a responsibility as elected  
18 officials as the Tourism Committee to advertise Pennsylvania as  
19 a tourism destination area nationwide and I would add  
20 internationally as well. So we have that responsibility. We  
21 need to come up with the funding to do so. Each and every one  
22 of the TPAs that are represented this morning that are in this  
23 room today and the ones that even aren't here this morning,  
24 they're doing a phenomenal job in each and every one of the  
25 counties.

1 I congratulate them. They do very well with the  
2 recourses that they have, but they do need help from the  
3 Commonwealth of Pennsylvania where we advertise the mall or the  
4 Commonwealth of Pennsylvania. That's the only way that we're  
5 going to continue keeping our fair share as far as tax revenue,  
6 visitors to Pennsylvania and a few -- as you all know, everyone  
7 here in this room knows, if you don't develop your  
8 infrastructure, your house is going to fall apart. That's  
9 what's happening to Pennsylvania right now. It's crumbling  
10 because we're seeing a deterioration in visitor numbers while  
11 other states are picking up those numbers that we used to  
12 receive.

13 So we've got to continue to advertise the mall;  
14 Pennsylvania because we have all the attractions in the world  
15 that anyone would possibly ever want in the nation and we can  
16 attract international visitors. We have the historic sites, we  
17 have the malls, the shopping venues, the restaurants. We have  
18 great outdoors, natural areas for people to get away to. We  
19 are just unique, and I see a Brandy-name thing coming here, but  
20 I'm not going to reveal it at this time. But we need to  
21 promote Pennsylvania.

22 And that's really the purpose of today's hearing. And  
23 also taking testimony yesterday and having Carl Wilgus share  
24 testimony with us yesterday and I appreciate that, Carl,  
25 yesterday's testimony. You got the members talking, you got

1    them thinking.  And there's going to be more discussion on  
2    this, but we need to allow the local TPAs to do your job and  
3    what you're doing promoting your areas, but the state has the  
4    responsibility as well and it's a shared responsibility.

5           Now, we have offered bills for private/public  
6    partnerships, tax credits, percentage of the sales tax going to  
7    the Commonwealth of Pennsylvania and allowing Pennsylvania to  
8    advertise similar to what Carl was mentioning yesterday in his  
9    testimony.  But those are the things we need to be looking at  
10   as we move -- if we want to move forward in Pennsylvania.

11           So I'm going to close with that and thank each and every  
12   one of the panel that's here for testifying this morning.  And  
13   I thank you for your patience, your indulgence, but I also  
14   thank you for looking ahead, working together as we move  
15   forward to promote our number 2 industry in Pennsylvania, which  
16   is tourism.  And you know, you're looking at job creation.  
17   You're looking at anywhere from 460,000 jobs to 550,000 jobs  
18   somewhere in that neighborhood that are all put in together  
19   that are under a tourism destination or tourism heading.  Those  
20   are Federal Labor statistics.  And so it is a huge part of  
21   Pennsylvania's economy and it's a huge generator of the General  
22   Fund in Pennsylvania tourism dollars and the tax revenues that  
23   we receive by sales tax.

24           So we want to talk about growing the economy in  
25   Pennsylvania.  We need to grow tourism, and we can do that

1 because we have the product.

2           So I'm done with my commercial at this time. Chairman  
3 Kirkland and I are very passionate about this. We're both very  
4 supportive of this moving Pennsylvania forward and he shares  
5 this compassion with me. And we work in a bipartisan way.  
6 It's not a Republican or Democratic issue. In this Committee,  
7 we promote tourism. And I've said that from the beginning  
8 since I first starting chairing tourism. It's not Republican  
9 or Democrat. We just promote tourism in Pennsylvania.

10           So with that, I'm going to conclude this meeting today,  
11 this hearing. And we're only five minutes over. That was, of  
12 course, my longevity. So we will conclude at this time. And  
13 the meeting stands adjourned. Thank you, panelists for being  
14 here and for all those in attendance today. Thank you.

15                           (Hearing adjourned at 11:50 a.m.)

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CERTIFICATE

I hereby certify that the proceedings are contained fully and accurately in the notes taken by me from the video file of the foregoing cause and that this is a correct transcript of the same.

\_\_\_\_\_  
Denise M. McCartney, Reporter  
Notary Public in and for the  
Commonwealth of Pennsylvania

My commission expires  
April 17, 2016.