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Montana Lodging & Hospitality Association Testimony – Matt Sease

Economic Affairs Interim Committee – February 12, 2020

Good morning Chairperson Peregoy and members of the committee, my name is Matt Sease. I stand today to represent the Montana Lodging & Hospitality Association, a membership organization representing lodging facilities, lodging professional and thousands of jobs across Montana.

I also stand as a private businessperson, as the general manager and partner of the Hampton Inn & Suites in Whitefish Montana that proudly supports over 24 team members and their families in the Flathead.

Today, I'd like to share how private lodging businesses collect the bed tax as well as our perspective of what is working under the current bed tax distribution to fund tourism marketing.

We appreciate that Montana's legislators and this committee have taken this topic under review and we are encouraged with the professionals you have gathered to provide further insights this morning.

First, let me provide a quick review on how lodging facilities collect and remit the lodging facility use bed taxes:

- In reality we collect two types of taxes;
 - the 4% which is collected and used predominantly for local & state tourism promotion, called the lodging facility use tax
 - and, another 3% tax, called the lodging sales tax that goes directly to the state general fund which generated over \$26.7 million in tax revenue in FY19. It should be noted that since its inception in 2003 this lodging sales tax has generated over \$262 million in revenue for the state general fund.
 - We collect these taxes through our front desk operating system and remit our collections each quarter to the MT Dept. of Revenue.
 - New this year, an additional 1% sales tax is collected supporting historical assets. This was done with the passage of SB 338 that our association supported during the 2019 session.

Before diving into how the four percent is used to promote tourism, it's worth reviewing and measuring the three percent that historically goes to the general fund.

According to the 2012 legislative fiscal report, the lodging facility use tax generated just over \$15.6 million in general fund revenue, the thirteenth top spot for revenue sources that year. Flash forward to the actual FY19 revenues provided by the legislative fiscal division, lodging facility sales tax crossed the \$26.7 million mark and they are now in the top ten as a source of tax revenue going to the general fund.

This is a 72% increase in dollars that support the general fund based on increases in collections of the lodging facilities tax. This revenue source has sling-shotted ahead of cigarette taxes, liquor excise & license taxes, telecoms excise tax, mineral royalties and coal trust interest within seven years. Our association would take no joy in other industries shrinking revenue collections, rather it is safe to say that if history is any guide to the future, tourism as measured by lodging tax collections is outperforming many industries in Montana. Things are working.

So, looking beyond the success in terms of pure numbers, we want to point out the areas that we believe are working well under the existing policy.

- The current law provides a consistent and reliable source of statutory funding for local and state tourism marketing programs. Reliability is crucial when developing long term marketing strategies that are data driven and can adjust for maximum effect.
- The current law directing 22.5% of the 4% bed tax to local regions and convention and visitors' bureaus distributes needed funding outside of Helena to rural/local tourism areas across the state. The independent structure of local non-profit boards with regions and CVB's also lends itself to strong private sector collaboration with open board positions.
- The current law and provisions which establish the Tourism Advisory Council to oversee and regulate local regions and CVB's marketing budgets is appreciated, not just as a regulatory function, but also as a structure promoting effective communications of best practices amongst tourism partners.
- Montana's overall ranking when compared to other state tourism marketing budgets stands at number 15 in the nation, which makes our state sufficiently competitive with neighboring states who are trying to grab our market-share of visitors.
- One last point, we do believe the current level of Montana's total lodging tax is adequate and should not be raised. According to the information from the National Conference of State Legislators, Montana's total lodging tax rate of 8% places us at 12th in the nation. Other tourism revenue sources should be considered in future legislative efforts aimed at tax reform beyond another increase in the state lodging taxes.

As stated earlier, I'm in private business. The decisions I make on a daily basis contribute to the success of my hotel for myself, my partners and my team members and their families. I'd be concerned to take a successful business model and radically change its revenue or expense

models at the risk of creating a downturn that then negatively impacts myself, my partners and my team members and their families.

Our association has discussed potential enhancements while supporting what is working. We all know with any business there are opportunities to improve. Our goal is to work closely with tourism partners across the state and at the Department of Commerce to develop those improvements and enhancements. It is important to always be asking ourselves how we are going to get to the next level of success?

The effectiveness of how the 4% dollars are deployed drives the success of the 3% that is collected for the state. This symbiotic relationship benefits communities and benefits the state.

In closing, this is a program that works. Stuart Doggett and I look forward to any follow up or questions once you've heard from the full panel.

Montana's lodging industry wants to continue to be strong partners and be involved in solutions, we're all in this together.