



Ohio Travel
ASSOCIATION



October 28, 2020

The Honorable Mike DeWine
Governor's Office
Vern Riffe Center for Government and the Arts
77 South High Street, 30th Floor
Columbus, OH 43215-6117

RE: Assistance for pandemic-impacted travel economy

Dear Governor DeWine,

Our thanks and appreciation go to you, members of your administration and Ohio's legislative leaders for the recently-announced steps to direct funding into Ohio businesses and organizations to assist them during a time of economic impacts brought about by COVID-19.

While these steps will direct some much-needed financial support across the spectrum, we write to call attention to the very real and acute impact that the pandemic and the response to it have had on Ohio's travel economy. Businesses in our sector continue to be the most impacted, with devastating results, permanent job losses, and lasting damage to our economic infrastructure on the horizon.

As additional steps are considered for emergency economic relief, and in anticipation of the potential for additional federal support that could be directed to the states at some point in the future, it is our hope that the state will recognize some critical realities:

- Ohio has lost \$10.8 billion in travel and hospitality economic activity since March
- As leisure travel wanes in fall and winter, the inability to secure meetings and conferences is dramatically impacting this loss of revenue. Meeting venues are unable to secure business (and consequently deposits) for 2021-22 given existing limits of 300 persons per venue
- The 2020 tax shortfall from travel-related business will be catastrophic for state and local governments. To date, a loss of \$316 million in state sales tax receipts is caused by this traveler spending loss, as is \$187 million in lost local sales tax receipts
- If losses continue, projections for lost state tax receipts could be as high as \$400 million and \$235 million in lost local sales tax receipts
- The impact is not limited to just one segment – bars and restaurants. Others severely impacted include hotel & lodging, museums, campgrounds, attractions, sightseeing services, airports, convention centers, ferryboats, retail shops, performing arts, tour operator companies and others
- 67% of hotels won't make it another 6 months given current and projected travel demand without emergency financial assistance
- 74% of hotels will be forced to lay off more workers and eliminate more jobs. Four out of ten hotel employees are not working
- 68% of hotels are operating at less than half of pre-pandemic staffing levels. In Ohio, more than 29,000 of Ohio's 42,000 hotel & lodging business employees were displaced at the height of the closures. At least 16,000 of those direct jobs are lost, and that number is projected to increase soon to more than 29,000 direct hotel jobs lost permanently. 86,000 jobs supported by hotels – including contractors, suppliers, etc. – are at risk, with 44,000 already lost by September

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- A wave of hotel foreclosures and permanent closures is coming. Lending analysis showed that by July of this year, more than a quarter of hotels with a specific type of loan were 30 days delinquent, and facing foreclosure
- Two-thirds of hotels remain at or below 50% occupancy, which is below the threshold to break even. In urban areas – hotels with highest employment --- the number is even lower due to continuing limits on meetings and group business
- Ohio’s total hotel occupancy in August should have been above 70%. It was in the high 30s to low 40s. (Note that officials sometimes see inflated occupancy number reports which do not count closed hotels with zero occupancy)
- One-third of museum directors surveyed confirmed there was a “significant risk” of closing permanently by next fall, or they “didn’t know” if they would survive
- 87% of museums have only 12 months or less of financial operating reserves remaining, with 56% having less than six months left to cover operations
- During the pandemic, 75% of museums stepped into their pivotal role as educators providing virtual educational programs, experiences, and curricula to students, parents, and teachers
- 64% of museum directors predict cuts in education, programming, or other public services due to significant budget cuts

Many not-for-profit organizations essential to the travel economy were denied access to the federal Payroll Protection Program, including convention and visitors bureaus throughout Ohio and associations who are key to restoring meetings and conferences to help rebuild our economy. Ohio’s convention and visitors bureaus (also known as Destination Management Organizations) market local and regional assets to drive demand; activate sales efforts to ensure Ohio gets its share of corporate, meeting and convention business; and support local businesses. During the pandemic, most have pivoted to develop safety messaging for visitors and operating businesses. Most associations throughout the state have become the trusted resource for understanding changes in markets and compliance with restrictions. These organizations are also key to driving future meetings and conferences for Ohio businesses. Both of these business types operate as 501(c)(6) organizations and were excluded from federal assistance and the funding announced by the state of Ohio last week. Yet, both are essential for economic recovery and mitigation of ongoing COVID-19 related impacts.

Ohio’s travel economy infrastructure risks irreparable damage, or even collapse. If we plan on these businesses and employers helping to lead the way to economic recovery – which the travel economy regularly does after economic downturns – we must ensure they receive support commensurate with the damage caused by the pandemic and the continuing restrictions, limits and orders issued in response to it.

We encourage the State of Ohio to consider suggestions and recommendations forwarded by our organizations, and examples from programs in other states, to direct support to this sector. Future programs to deliver relief should include a needs-based approach which considers the measurements outlined above. Unspent pandemic relief funding sent to local governments should also be considered in the form of matching assistance.

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Throughout the pandemic, our organizations have remained a partner in working with the state on efforts to save lives. We hope to be able to be a partner in helping the state's economic recovery.

Thank you for your consideration,


Melinda Huntley
Executive Director
Ohio Travel Association


Joseph Savarise
Executive Director
Ohio Hotel & Lodging Association

Cc: The Honorable Jon Husted, Lt. Governor
Director Lydia L. Mihalik, Ohio Development Services Agency
Acting Director Lance Himes, Ohio Department of Health

BUSINESS INTERRUPTION GRANTS AND JOB RETENTION PROGRAMS TO SAVE THE OHIO TRAVEL AND HOSPITALITY INDUSTRY*

* In defining businesses that comprise the travel and hospitality industry, we reference the Ohio Department of Taxation **“State and Permissive (Local) Sales and Use Tax Collections for Industries Related to Travel & Tourism”** that has been in existence since July 2010. Please see appendix for Industrial Classifications, NAICS Codes and Number of Entities reporting during July to December 2019.

As not all businesses dependent on travel fall within the Leisure and Hospitality NAICS Industrial Code, we are using the term “Travel and Hospitality” industry throughout this proposal to be more all-encompassing and to reflect Ohio’s long-term definition of industry businesses.

Submitted to Governor Mike DeWine, Lt. Governor Jon Husted and DSA Director Lydia Mihalik by Joe Savarise (Ohio Hotel & Lodging Association) and Melinda Huntley (Ohio Travel Association)

SITUATION ANALYSIS

To protect Ohioans, Ohio Health Department Director Dr. Amy Acton issued an Ohio Public Order limiting mass gatherings to 100 or fewer persons (excluding normal operations at restaurants, shopping malls, etc.), but severely limiting Ohio's meetings and conference viability on March 12, 2020. Subsequent orders followed, including reduction of mass gathering limits to 10 persons on March 18, closing of restaurants and bars on March 15 and closings of indoor entertainment facilities March 16. By March 22, 2020, a Stay-at-Home Ohio Public Health Order was issued.

While retail and restaurants were reopened, and banquet and catering events permitted up to 300 persons, by May 21, many other Travel and Hospitality industry businesses were forced to remain closed until as late as Aug. 25. To date, mandatory reductions in operating capacity and the type of business meeting venues can accept are making it difficult for many Ohio businesses to keep employees. Future layoffs and furloughs are a certainty given the inability to generate business. To exacerbate an already devastated industry, fundamental partners in the travel economy do not qualify for federal payroll relief programs. These businesses and organizations perform key economic development activities and are essential for helping businesses to adapt and mitigate damages and for driving desperately-needed future demand.

Enticing and enabling travel will be crucial to economic recovery due to its ability to quickly generate tax and business revenues. Domestic travel, which accounts for around 75% of the tourism economy in OECD countries and approximately 97% of the Ohio travel economy, is expected to recover more quickly. According to the Organisation [sic] for Economic Co-Operation and Development (OECD), domestic travel offers the main chance for driving recovery, particularly in areas where the sector supports many jobs and businesses. The intent of this proposal is to ensure the businesses and organizations needed for Ohio economic recovery are intact.

RESULTS

While a variety of economic assistance programs through federal and state programs have been available for affected businesses, the sustained economic hardships by Ohio businesses in the Travel and Hospitality industry require additional economic assistance. This targeted assistance is essential to keep Ohioans employed and to ensure these businesses are still around when their vital support for the overall Ohio economy will be needed in the future. Other key players in the industry have been left out of federal relief programs. Many entities and companies critical to Ohio's travel economy could not access key federal relief programs due to ineligibility due to their corporation status or prohibitions in existing loan agreements.

More than a third of all jobs lost in Ohio are from the Travel and Hospitality industry. September data from Ohio Jobs and Family Services indicates there are 131,000 fewer Ohioans employed by just the Leisure and Hospitality NAICS coded businesses from a year ago. Overall, the industry is experiencing a 23% job loss. Arts, Entertainment and Recreation is down 23,900 jobs from this time last year or 29%, while Accommodations and Food Service is down 107,100 jobs representing 22% of this sector's workforce based on last year. Hotel and lodging businesses were forced to eliminate 70% of their workforce at the height of the closure and have only brought back about half of those jobs.

Ohio's Travel and Hospitality job losses at its peak in April represented roughly 51% of industry jobs signifying 289,100 displaced Ohioans. This represents 42% of all Ohio service jobs lost including those in

Travel and Hospitality, trade and utilities, professional and business services, educational and health services, financial activities and information services.

Tourism Economics tracking of weekly spending shows that Ohio has lost \$10.8 billion in travel and hospitality activity thus far since March. After holding steady the two previous weeks, Ohio losses dipped 3% the week ending Oct. 10. As leisure travel wanes in fall and winter, the inability to secure meetings and conventions is dramatically impacting this loss of revenue. As many meeting venues should be securing business for 2021 and 2022, they are unable to do so given existing limits of 300 persons per building.

The 2020 tax shortfall from lost travel-related business will be catastrophic for state and local governments. To date, the impact of traveler spending loss is \$316 million in state sales tax receipts, with \$187 million in lost local sales tax receipts. If losses continue at today's pace, projections for lost state tax receipts could be as high as \$400 million with \$235 million in lost local sales tax receipts.

The impact is not limited to just one segment – bars and restaurants. Others severely impacted include hotels and lodging, museums, campgrounds, attractions, sightseeing services, airports, convention centers, ferryboats, retail shops, performing arts, tour operator companies and others as defined in the Appendix.

While some of businesses will receive relief through the recently-announced Ohio economic assistance packages, many will not, including the following.

- **Businesses with more than 25 employees** (such as hotels, attractions and restaurants)
- **Museums**, many of whom do not currently receive operating support from the Ohio Arts Council which is the current basis for eligibility of the relief program
- **Convention and visitors bureaus** – such as Cincinnati USA, Lake Erie Shores & Islands, Destination Mansfield, etc. – who have been excluded from federal PPP and Ohio NGO relief based on their tax designation as a 501c6, yet are essential for marketing local safety messaging, encouraging support of local businesses and future economic recovery
- **Associations** who support small and large businesses across this state with education and tools during this time, and who will be essential for driving economic recovery with Ohio-based meetings and conferences. They've also been overlooked for federal and state funding based on tax designation.

Hotel and lodging business – many of whom are also bar and restaurant operators – are facing the most significant threat to their businesses in history. A survey of hoteliers completed on Sept. 16 found that 67 percent of hotels won't survive another six months given current and projected levels of business and without additional financial assistance. Additional facts about Ohio's hotel industry outlook follows:

- **74 percent of hotels will be forced to lay off more workers and eliminate more jobs.** Four out of ten hotel employees are not working.
- **68 percent of hotels are operating at less than half of pre-pandemic staffing levels.** In Ohio, more than 29,000 of Ohio's 42,000 hotel and lodging business employees were displaced at the height of the closures. At least 16,000 of those direct jobs are lost, and that number is projected to increase soon to **more than 29,000 direct hotel jobs lost permanently.** 86,000 jobs supported by hotels – including contractors, suppliers, etc. – are at risk, with 44,000 already lost by September.
- **Two-thirds of hotels remain at or below 50 percent occupancy, which is below the threshold to break even.** In urban areas – hotels with highest employment --- the number is even lower

due to continuing limits on meetings and group business. Ohio’s total hotel occupancy in August should have been above 70 percent. It was in the low 40s. (Note that officials sometimes see inflated occupancy number reports which do not count closed hotels with zero occupancy.)

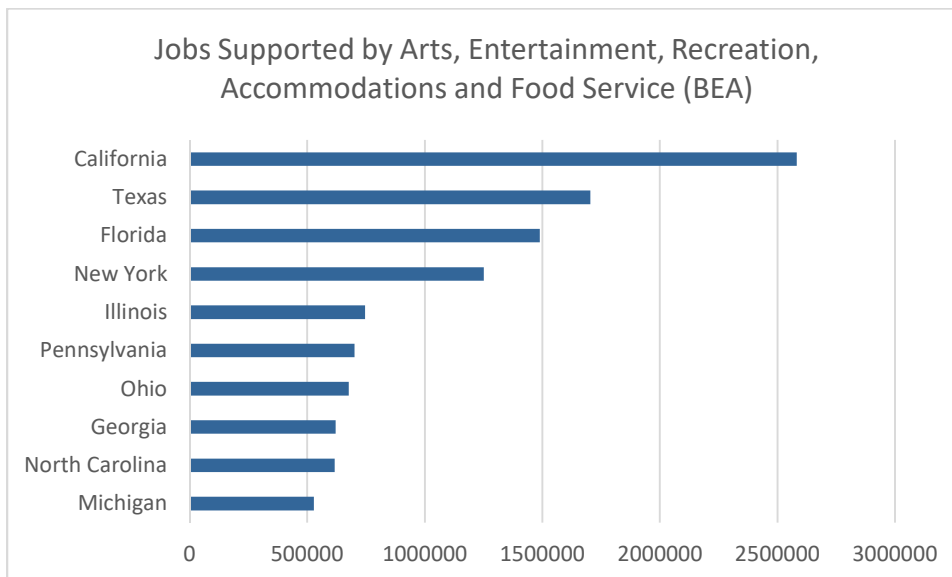
- A wave of hotel foreclosures and permanent closures is coming. Lending analysis showed that by July of this year, **more than a quarter of hotels with a specific type of loan were 30 days delinquent**, and facing foreclosure.

Museums, convention centers, attractions, tour operator companies and other businesses who experienced extended closures and are severely restricted through state-mandatory customer capacities also report dire need. According to the American Alliance of Museums:

- **One-third (33%) of museum directors surveyed confirmed there was a “significant risk” of closing permanently** by next fall, or they “didn’t know” if they would survive.
- The vast majority (87%) of museums have only 12 months or less of financial operating reserves remaining, with **56% having less than six months left** to cover operations.
- During the pandemic, **75% of museums stepped into their pivotal role as educators** providing virtual educational programs, experiences, and curricula to students, parents, and teachers.
- **Two-thirds (64%) of directors predict cuts in education, programming, or other public services** due to significant budget cuts.

USE OF STATE CARES FUNDING TO SUPPORT THE INDUSTRY

Ohio ranks 7th in the country in the number of jobs supported by Travel and Hospitality based on just those jobs within Leisure and Hospitality NAICS codes (BEA). The average targeted amount of relief being provided per state job within businesses falling in these codes at risk is \$91, with a high of \$352 in Arkansas and a low of \$18.78 in Illinois. Wisconsin and Arkansas announced their programs just this week, so we anticipate others will follow.



Estimated Economic Relief Being Provided per Job Supported by Leisure and Hospitality Industry	
Arkansas	\$ 352.00
Montana	\$ 180.68
Virginia	\$ 141.38
Vermont	\$ 101.30
Mississippi	\$ 93.78
Utah	\$ 63.76
Tennessee	\$ 57.00
Missouri	\$ 41.18
Alabama	\$ 40.51
Wisconsin	\$ 34.71
Indiana	\$ 27.29
North Carolina	\$ 26.75
Illinois	\$ 18.78

PRIORITIES OF PROPOSED ASSISTANCE IN OHIO

Based on analysis of existing assistance being provided by states thus far, the following program priorities are submitted for consideration:

- Funding should be needs-based. While many businesses have suffered losses, some have not. An across-the-board general eligibility will not save the most jobs. Assistance should be targeted to those employers who have experienced the greatest losses due to government-imposed operating restrictions on their business and reduced demand.
- Funding should be enough to make a difference. Widely-distributed small grants are not going to make much of a difference given the deep and long-term need.
- Application and reporting process should be streamlined.
- Permissible use of funds should be broad, allowing businesses to cover personnel and operational needs.

PROPOSED ECONOMIC RELIEF PROGRAMS TO SAVE OHIO JOBS

Two programs are proposed based on state priorities above and analysis of existing relief. They are based on \$148 of economic relief per industry-supported job.

OHIO TRAVEL AND HOSPITALITY BUSINESS INTERRUPTION GRANTS

Program objectives

The program will provide a direct grant opportunity to Ohio Travel and Hospitality businesses for expenses associated with COVID-19 mitigation and for certain listed business interruption expenses due directly to local, state, or federal government COVID-19 directives and arising through no fault of the business. The grant program will provide financial assistance for business expenses incurred as a direct result of COVID-19 mitigation or for business losses incurred by a business as a direct result of a government-mandated business closure or restriction. Secondary losses should be considered and affected businesses made eligible. As an example, although hotels and lodging properties were not ordered to close, demand diminished because of restrictions on business, meeting, conference and leisure travel. The program will use funds provided to the state of Ohio through the federal CARES Act.

Program general parameters:

Based on review of relief packages being offered by other states and the number of jobs supported by the Travel and Hospitality industry, we propose the following general guidelines:

- \$85 million dedicated to providing economic relief for Ohio businesses and organizations most affected by the pandemic and resulting business restrictions
- \$85 million of CARES Act funds allocated to local governments to be used for local match to state grants
- Amount of awards established by need and of enough substance to save jobs

Considerations for eligibility:

- Operates primarily within the Ohio Travel and Hospitality industry, as well as those businesses who supply goods and services to businesses and organizations operating within the aforementioned industry;
- Was established on or before March 1, 2020 and is in good standing;
- Defines necessity of assistance necessary to support the ongoing operations of the applicant;
- Must have incurred revenue losses from the preceding fiscal or calendar year greater than 20% due to the pandemic and/or resulting restrictions

Considerations for eligible expenses under this grant program are defined as costs incurred due to public health measures or business interruption. These expenses may consist of the following:

- Business expenses incurred as a direct result of COVID-19 mitigation; and/or
- Certain ordinary business expenses incurred by an eligible business as a direct result of a government mandated business closure or restriction due to COVID-19; and/or
- Business expenses incurred due to diminished capacity of operations that are likely to continue until health conditions allow functioning at full capacity.

OHIO TRAVEL AND HOSPITALITY JOB RETENTION PROGRAM

Program objectives:

Many nonprofit organizations essential to the travel economy were denied access to the federal Payroll Protection Program, including convention and visitors bureaus throughout Ohio and associations who are key to restoring meetings and conferences to help rebuild our economy. Ohio's convention and visitors bureaus (also known as Destination Management Organizations) market local and regional assets to drive demand; activate sales efforts to ensure Ohio gets its share of corporate, meeting and convention business; and support local businesses. During the pandemic, most have pivoted to develop safety messaging for visitors and operating businesses. Most associations throughout the state have become the trusted resource for understanding changes in markets and compliance with restrictions. These organizations are also key to driving future meetings and conferences for Ohio businesses. Both of these business types operate as 501 (c) 6 organizations and were excluded from federal assistance, yet both are essential for economic recovery and mitigation of ongoing COVID-19 related impacts.

Program general parameters:

Based on review of relief packages being offered by other states and the number of jobs supported by the Travel and Hospitality industry, we propose the following general guidelines:

- \$15 million dedicated to providing economic relief for Ohio Convention and Visitors Bureaus and business associations who were ineligible for federal PPP programs to retain jobs
- \$15 million of CARES Act allocated to local governments to be used for matching grants
- Amount of awards established by need and of enough substance to save jobs

Considerations for eligibility:

- Operates within Ohio
- Was established on or before March 1, 2020 and is in good standing;
- Defines necessity of assistance necessary to support the ongoing operations of the applicant;
- Must have incurred revenue losses greater than 30% due to the pandemic and/or resulting restrictions;
- Associations must provide validation of having and/or contracted with meeting venues for no fewer than 300 attendees

Considerations for eligible expenses under this grant program are defined as costs incurred due to public health measures or business interruption. These expenses may consist of the following:

- Maximum of three months' salary and benefit costs, plus an additional 25% to cover fixed operating expenses
- Cap disbursements at \$250,000

APPENDIX

State and Permissive (Local) Sales and Use Tax Collections for Industries Related to Travel & Tourism

<https://tax.ohio.gov/wps/portal/gov/tax/researcher/tax-analysis/tax-data-series/sales-and-use/publications-tds-sales/S-6-1FY20>

Industrial Classification	Codes	Entities
TRANSPORTATION		
Air and Water transportation	481000, and 483000	97
Taxi service	485310	360
Limousine service	485320	123
Support activities for air transportation	488100	72
Interurban and rural bus transportation, scenic and sightseeing transportation, and other transit and ground passenger transportation	485210, 487000, and 485990	94
TOURISM-RELATED SERVICES		
Automotive equipment rental and leasing, and travel arrangement and reservation services	532100, and 561500	679
ARTS, ENTERTAINMENT, & RECREATION		
Performing arts companies	711100	177
Spectator sports	711210	90
Independent artists, writers, and performers	711510	2,381
Museums, historical sites, and similar institutions	712100	110
Amusement parks and arcades	713100	94
Gambling industries	713200	37
ACCOMMODATION & FOOD SERVICES		
Hotels and motels, including casino hotels	721110, and 721120	1,389
Bed-and-breakfast inns	721191	160
Other travel accommodations	721199	126
Recreational vehicle parks and recreational camps	721210	74
Full-service restaurants	722110, and 722511	7,949
Limited-service eating places	722210, 722513, 722514, and 722515	6,570
Drinking places (alcoholic beverages)	722410	2,711
TOTAL		23,293