



**Senate Committee on Community, Economic & Recreational Development**  
**Testimony re: Senate Bill 983 & Senate Bill 984**  
**January 26, 2022**

Good morning, Chairman Yudichak, Chair Cappelletti, and members of the Senate Committee on Community, Economic & Recreational Development. Thank you for facilitating this discussion and your willingness to have this conversation. Furthermore, thank you for asking our Association to be a part of it. My name is Zak Pyzik, and I am the Director of Government Affairs at the Pennsylvania Restaurant & Lodging Association (PRLA). We appreciate this opportunity to submit testimony and feedback regarding Senate Bill 983 and Senate Bill 984. PRLA represents restaurants, hotels, and the entirety of the travel and tourism industries. There are more than 26,000 restaurants, 1,500 hotels, and 100 travel and tourism partners that we represent. The Association is guided by our 11 very active chapters divided geographically throughout the state.

As you can all imagine, the last 20 months have been extremely challenging for operators in the travel, tourism, and hospitality industries. The only thing that's been predictable for restaurants, hotels, and so many small businesses in Pennsylvania is unpredictability and uncertainty. The data shows concerning trends – sales are down 30 percent compared to this same time of year in 2019, 93 percent of restaurant operators report staffing shortages, 65 percent report higher food costs now than before the pandemic, and it's estimated that there's been \$20 billion in state and local hotel tax revenue lost nationally. PRLA appreciates the General Assembly providing relief to the industry via programs like the Covid Hospitality Industry Recovery Program, established in 2021. However, additional relief is needed, and it's been needed for months. PRLA has pushed for refunding and expanding the CHIRP program, which we've been told the Governor supports. Nevertheless, we feel the conversation today is a terrific step in the right direction in terms of relief since Senate bills 983 and 984 will provide operators through the state with a more predictable path forward.

Our national partner just released Pennsylvania-specific results from its latest COVID-19 restaurant impact survey. As you can imagine, the omicron variant has negatively impacted business conditions in Pennsylvania. For example:

- 93% of restaurants have experienced a decline in customer demand for indoor on-premises dining in recent weeks
- 56% of operators have reduced hours of operation
- 59% have closed on days it would normally be open
- 22% have reduced seating capacity

As a result, 84% of operators say business conditions for their restaurants are worse now than they were 3 months ago. Only 1% say business conditions improved during the last 3 months. Additionally, 70% of operators say their restaurant accumulated additional debt since the beginning of the pandemic in March 2020.

Another recent survey conducted by the National Restaurant Association indicated that 44 percent of operators think it will be more than one year before business conditions return to normal. We hear from members that are facing eviction, bankruptcy, and drops in sales as they've never seen before.

I am proud to sit here today with Jennifer Fertenbaugh, Partner & Business Director at Café Fresco. If you've been to Fresco or Level 2 in Harrisburg at all recently, you've likely seen Jen running around doing every job imaginable. Jen is a proud small-business operator, PRLA board member, and can tell you firsthand how significantly the pandemic impacted businesses.

PRLA participates in regular calls with caterers and private event venues in Pennsylvania. Their businesses, specifically, have been struggling enormously as of late. Many expected the end of 2021 to represent a turning point, with a brighter future ahead. A New York Times headline summed it up well – *"As Omicron brings new concerns, offices close and holiday parties fade."* As you might imagine, the event industry has taken a huge hit. The catering industry employs hundreds of thousands of employees. The recurrence of the various covid variants, the rise in cases, and the constant unpredictability have put the entire industry in an extremely fragile state.

Senate Bill 983 would create a loan program for businesses that were shut down by the Governor. This program would be capped at \$500 million. Many small businesses are struggling more now than they were in 2020. There is a new economy that many have been left to navigate. Operators face new difficulties every day, like the staffing crisis we're seeing, supply-chain issues, and rising raw material costs. This legislation can serve as a safety net to so many operators, and it couldn't come at a more urgent time.

Senate Bill 984 would create a temporary business improvement tax credit program, modeled off the state's very successful Education Improvement Tax Credit (EITC) program. Businesses who have done well during the pandemic could enter into the tax credit program to make a donation that would go directly to struggling small businesses. And in return, that business that donated would receive a tax credit worth 50 percent of their contribution from their state taxes. Based on predictions, it's expected to provide \$1 billion in aid to restaurants, bars, and other small businesses here in Pennsylvania. There has been a silver lining of the pandemic for the hospitality industry, and we've been fortunate at PRLA to witness it from the front row. At our chapter meetings, events like the Tourism Summit, and on all of our calls, we see businesses from all corners of the hospitality and tourism industries working together every day to improve the industry. They share information, collaborate when possible, and constantly lift each other up. Having seen this generosity play out when times are most challenging makes me highly confident in a program like Senate Bill 984, which relies on businesses stepping up to help one another.

This legislation and relief for the industry is crucial. It can help so many businesses struggling in Pennsylvania. There's one particular item of feedback, specifically that we've received from members with multiple operations, that we'd like to kindly ask the committee to consider. Many operations in the state may be part of a larger corporate entity but are equally struggling location by location. Those larger operations have been cut out of most relief provided during the

pandemic. Some have very different and separate operations that would otherwise be considered a smaller business, but they are nonetheless carved out of much relief due to being under larger umbrellas that just barely cross the 500-employee threshold. Those operators have asked that you think about allowing for situations where businesses with multiple locations, that might come close to that threshold, might be considered for some relief. Based on our estimates, we believe there to be about 17,000 foodservice establishments that have less than 500 employees in Pennsylvania, and about 9,000 that are part of entities with more than 500 employees.

It is a new year, but it truly feels like the same struggles for many business owners throughout the commonwealth. Restaurants, amusement parks, hotels, bed & breakfasts, event venues, and businesses of all sizes are truly struggling. The hospitality industry is in dire straits as we see a surge in cases. And many now having to close and adjust operations due to winter, fear that there may not be enough time to wait for the relief they need.

We are thankful for the conversation this committee is having today. PRLA looks forward to continued dialogue and stands ready to assist in any way that we can. Thank you all for allowing me the opportunity to speak with you today. Jen and I would be happy to help answer any of your questions.

Zak Pyzik  
Director of Government Affairs  
Pennsylvania Restaurant & Lodging Association