



January 19, 2022

The Honorable Eric Pratt, Chair
Senate Jobs Committee
3219 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Bobby Joe Champion
Minnesota Senate
2401 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Mohamud Noor, Chair
House Workforce Committee
379 State Office Building
St. Paul, MN 55155

The Honorable Rod Hamilton
Minnesota House of Representatives
277 State Office Building
St. Paul, MN 55155

Dear Chairs Pratt and Noor and Ranking Members Champion and Hamilton:

Please find attached a copy of the December 2021 Hospitality Minnesota Economic Snapshot reflecting the economic state of the industry.

As you can see, the economic recovery for Minnesota's hospitality industry stalled in the fourth quarter of 2021, with troubling projections for the first quarter of 2022. Concerns about workforce shortage, COVID-driven debt, inflation, supply chain challenges, and proposed new costs for businesses threaten to dampen the pace and depth of the economic rebound.

With a \$7.7B surplus and another \$1B in ARP funds forthcoming, the State has a unique opportunity to help regrow the hospitality workforce and stimulate the hospitality economy through direct grant relief. The following are our top priorities that come under the jurisdiction of the Jobs/Workforce Committee:

Rebuilding Minnesota's Hospitality Workforce. In normal times Minnesota's hospitality and leisure industry provides one-in-ten jobs in the state (nearly 300,000 workers in peak summer season). While the workforce picture has improved from December 2020—when it was essentially sliced in half—we are still down 20,000 workers from pre-pandemic levels for Q4. Data from DEED indicates that approximately 20,000 workers permanently left their jobs during the first government-mandated business closures in March 2020. While we are awaiting additional data from DEED regarding the second round of closures in November

2020–January 2021, we anticipate a similar number of employees, if not more, left the industry. In many ways the industry is rebuilding nearly from scratch. A high volume of new hires tend to be younger employees who have not worked in the industry before (or elsewhere). Operators indicate that training new employees can cost between \$1,000–2,000 and getting them to a point of efficient contribution is a challenge due to limited resources. At the same time wage pressures have pushed up significantly. The average hospitality worker now earns \$19.30/hour in Minnesota up 12% from just one year ago. Operators are meeting these challenges at the same time they are facing increased costs for goods and services and supply chain shortages, and many continue to face significant debt taken on over the past 2 years due the economic conditions forced upon them.

The State can help. We propose 3 targeted actions the State can take immediately to help Minnesota's hospitality industry grow a healthy workforce pipeline for the future:

1. **Free Online Hospitality Training Program.** Visit South Dakota runs a highly successful [online hospitality training program](#) that originated in their higher education system.

We have been in consultation with SD officials, educators from the University of Minnesota, and officials from Explore Minnesota Tourism, and we have reached the considered conclusion that Minnesota would benefit greatly by funding and creating a similar model here. Based on South Dakota's usage rate, we anticipate a Minnesota program could train 3,800 new workers (or those needed continuing education) per year.

2. **Expand Minnesota's Youth Skills Training/Dual-Training Pipeline to Include Hospitality.** Minnesota's successful Youth Skills Training program through the Department of Labor:

"...encourages, promotes and supports the development of local partnerships between schools, employers and community organizations. These local partnerships provide students with related classroom instruction, safety training, industry-recognized credentials and paid work experience in high-growth and high-demand occupations in the industries of advanced manufacturing, agriculture, automotive, health care and information technology."

Minnesota should fund an expansion of this program to include training and partnerships with the hospitality industry. It would build on the existing certifications available such as ServeSafe and other training programs, as well as ProStart and the Hospitality Tourism Management Program offered in over 100 Minnesota high schools.

3. **Grow the ProStart and Hospitality Tourism Management Program in Minnesota.**

These successful national high school training programs train and certify young people to begin their careers in the hospitality industry. The number of schools offering ProStart and HTMP in Minnesota has grown by 45% and 58% respectively in the past

three years as these career training programs are extremely popular with young people. One Minneapolis teacher indicates that in just two short years, he quadrupled the number of students taking the program, and could quadruple it *again* if the school had resources for another teacher. It is the first elective to fill each semester. The State should consider funding incentives to districts for expanding these programs including resources for additional teachers. Alternatively, the State could consider increasing the reimbursement rate to districts for career technical programs such as ProStart/HTMP.

Financial Stimulus Relief. Given the \$7.7B state budget surplus and \$1.15B in additional American Rescue Plan (ARP) funding forthcoming, there is ample cause and resources for Minnesota to invest in the recovery of its hospitality sector. To date, our state has only spent 2.5% of its American Rescue Plan funds on small business grant relief—\$70M, compared to the \$420M Wisconsin dedicated, representing 13% of its funds. This is troubling given that the ARP dollars sent to the state specifically called out “aid to impacted industries such as tourism, travel, and hospitality” in the federal law.

Minnesota’s hospitality industry lost \$10B in revenue over the past two years. For too many operators just staying in business has meant taking on significant debt. As you will note in the attached Economic Snapshot:

- 59% of restaurants have taken on debt due to COVID, with an average debt of \$558,334, projecting to \$3.3 billion in debt statewide for restaurants.
- 48% of hotels took on debt, with an average debt of \$1.5M projecting to \$743 million statewide.

While the state is not in a position to offset all of this debt, it can take targeted steps to help. We suggest consideration of direct financial grant relief as follows:

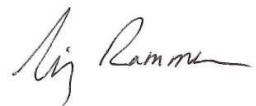
- Grant Relief to Hotels/Motels. While other states in the region like Wisconsin, Illinois and Nebraska have directed grant relief to hotels/motels, Minnesota has not. Add to that, there been no targeted federal relief. We suggest consideration of a per-room grant program for hotels/motels that operated at a loss, similar to programs in other jurisdictions.
- Grant Relief to Foodservice Businesses. Many operators and catering companies have been left behind by the federal Restaurant Revitalization Fund (RRF). We suggest the State develop a grant relief program for those 2,500 restaurants left behind by this underfunded program, with payback provisions in the event RRF is ever fully funded, as well as relief for those that operated at a loss in 2021.

The State is in a unique position with the influx of federal funds and a historic budget surplus to make one-time investments to propel our critical hospitality industry to a swifter and more robust economic recovery. We look forward to further conversations with each of you about

these ideas and any others that you may have to spur economic growth and jobs in this sector.

Thank you for your consideration of our suggestions and we look forward to further dialogue with each of you about how we can move Minnesota's hospitality industry forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Liz Rammer".

Liz Rammer, President & CEO
Hospitality Minnesota