



January 19, 2022

The Honorable Jeremy Miller
Senate Majority Leader
3113 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Melissa Hortman
Speaker of the House
379 State Office Building
St. Paul, MN 55155

The Honorable Melisa Lopez Franzen
Senate Minority Leader
2221 Minnesota Senate Building
St. Paul, MN 55155

The Honorable Kurt Daudt
House Minority Leader
267 State Office Building
St. Paul, MN 55155

Dear Majority Leader Miller, Speaker Hortman, Minority Leader Franzen, and Minority Leader Daudt:

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 \$7.7 billion surplus and another \$1 billion in ARP funds forthcoming, the State has a unique opportunity to rebuild the hospitality economy and help regrow the hospitality workforce. The following are our top priorities this session:

Unemployment Insurance Fund. We support the use of surplus funds and/or American Rescue Plan dollars to fund the \$2.5B needed to repay the federal government and replenish the UI Trust Fund rather than dramatically increasing payroll tax rates on businesses.

Restaurant Revitalization Fund Taxation. We oppose State taxation of emergency relief funds such as RRF assistance. We support the passage of legislation to conform the state to the federal standard which does not tax such emergency assistance payments as income.

Workforce Investment. We support workforce initiatives to promote hospitality training to re-grow the workforce and build a stronger pipeline for the future. We are advocating that the State:

- Support and fund an online hospitality training program modeled after a successful [South Dakota program](#);
- Expand the Department of Labor's Dual Training and Youth Skills programs to include the hospitality industry;
- Provide resources to incentivize districts to expand the ProStart and Hospitality Tourism Management programs at high schools in Minnesota.

Economic Stimulus. We support targeted grant assistance to hospitality operators in need to stimulate the recovery of the hospitality economy. The State received over \$2.8B in American Rescue Plan funding and a portion of these funds should be directed to the recovery of the small businesses that lost the equivalent of up to 249 days of revenue due to government shutdowns and limitations, taking on significant losses. To date, the state has instituted no relief for overnight accommodations operators and limited relief for foodservice operators.

Property Tax Relief. We support the elimination of the statewide property tax levy. In the absence of a total repeal of this tax immediately, we support exempting hospitality operators from the tax for 2 years as proposed last session, paid for not by other taxpayers, but from ARP funds or the historic budget surplus.

Employer Mandates. We oppose any additional mandates on employers at this time. We support allowing small businesses to maintain flexibility in providing the best competitive compensation packages they can to their employees as driven by market forces.

Sales Tax on Restaurant Equipment. We support the repeal of the sales tax on restaurant equipment. Other manufacturing equipment is not taxed in Minnesota. Many foodservice operators have put off needed purchases over the past two years due to financial circumstances and repealing this tax would help foodservice operators in the recovery.

Defending the Lodging Tax. We oppose attempts by local governments to redirect the lodging tax for general funding of government projects rather than its statutory purpose of promoting travel and tourism. Promotion of tourism in the recovery is needed now more than ever.

Hotel Regulation. We oppose additional regulations on overnight accommodations including bills that would allow cities to require *additional* licensure and regulatory requirement *on top of* the longstanding state regulations and a proposal to place carbon monoxide detectors in every room. Cities seeking regulatory responsibility already have the ability to seek a delegation from the State/county and public safety issues can be addressed by local action.

Alcohol Policy. We support alcohol policy that provides greater freedom to hospitality operators. We support operators' ability to sell alcohol to-go with food, as 35 states now allow. This includes our neighbor to the east, Wisconsin, which passed its law last year with wide bipartisan support. 77% of Minnesota adults support allowing restaurants to sell alcohol-to-go in Minnesota. This policy change would provide a sorely needed new revenue stream to many foodservice operators that have faced near collapse over the past two years.

Explore Minnesota Tourism Funding. We support expanded funding for Explore Minnesota Tourism. The agency is requesting an additional \$6 million in supplemental funding to promote tourism and travel recovery in Minnesota, which as noted above is needed now more than ever.

The State is in a unique position with the influx of federal funds and an historic budget surplus to make one-time investments that can spur economic recovery for our critical hospitality industry. We look forward to further conversations with each of you about these ideas and any others that you may have to drive 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,



Liz Rammer, President & CEO
Hospitality Minnesota

Enclosure

cc: Governor Tim Walz, Mr. Chris Schmitter, Mr. Patrick Tanis, Commissioner Steve Grove, Commissioner Robert Doty, Commissioner Roslyn Robertson, Commissioner Heather Mueller, Director Lauren Bennett-McGinty, Senator Julie Rosen, Representative Rena Moran, Senator John Marty, Representative Pat Garofalo