



New Mexico Hospitality Association Presentation

Economic Development & Policy Committee

November 28, 2022
Santa Fe, New Mexico

The New Mexico Hospitality Association is the state's number one resource for travel, tourism and lodging stakeholders. NMHA focuses on serving its members the hospitality industry through three distinct functions:

- **Uniting** the industry to influence public policy.
- **Creating** and administering networking opportunities and educational programming to further develop the industry
- **Providing** platforms of collaboration to tackle and solve various industry challenges

NMHA members fall into three categories:

- **Lodging** - All lodging properties
- **Tourism** - Destination Marketing Organizations, convention centers, meeting spaces
- **Allied** - Ancillary businesses that support or link to the hospitality tourism industry

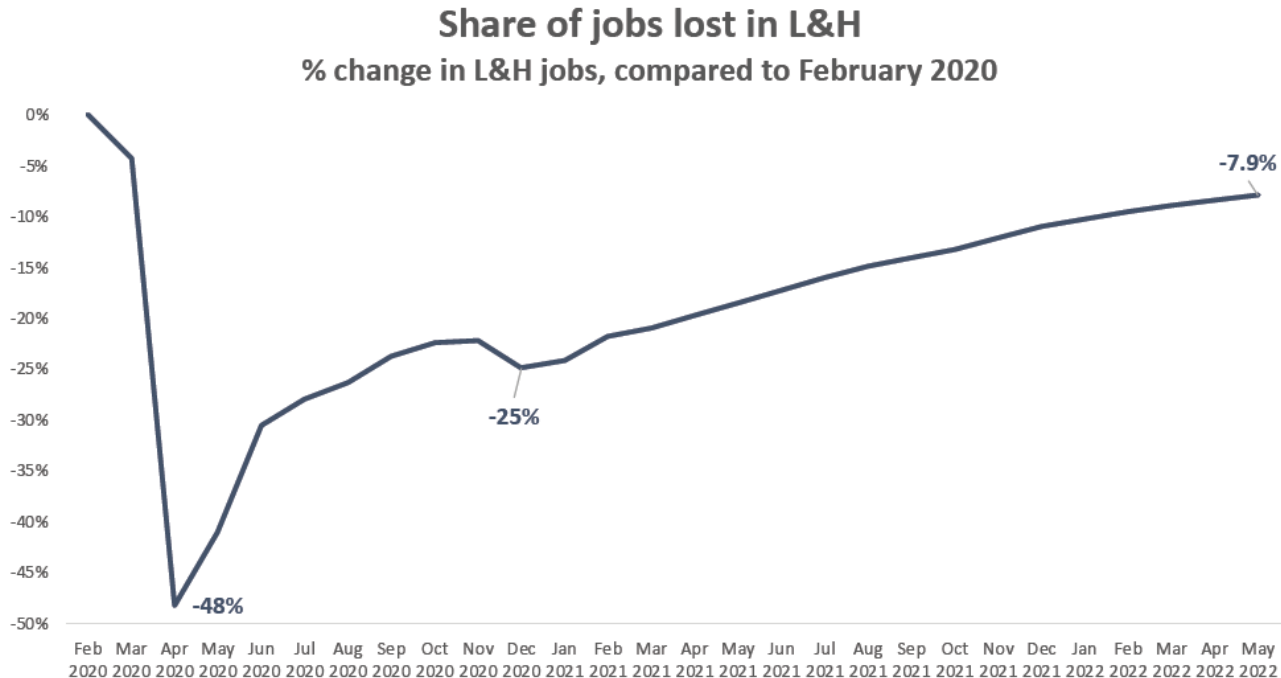
- Until COVID-19, New Mexico's tourism industry was the second fastest-growing in the state, supporting **1-in-12 jobs** (nearly 100,000) and producing \$694 million in state and local tax revenue in 2019.
- COVID-19 hit the tourism industry particularly hard. Hotel occupancy rates decreased to a low of just over 20% in April of 2020 and the industry saw a more than 40% decrease in employment in 2020. The industry continued to struggle with occupancy and employment rates through the middle of 2021. While occupancy rates were severely restricted, businesses still had to cover occupancy costs (mortgages, insurance, utilities, etc.), raised wage rates to retain workers, and many had to take on debt to survive.
- State and local marketing efforts were halted, and events across the state were forced to cancel or convert to virtual formats.

Since the middle of 2021, the industry has seen recovery, but significant challenges remain:

- While sports and leisure travel have started to rebound, business travel continues to lag behind pre-pandemic rates. Recent studies show that business travel is not expected to recover until late 2024 [\(#1\)](#).
- Events are starting to rebuild, but they need continued marketing assistance to promote events and bring travelers back.
- The industry continues to face a workforce shortage [\(#2\)](#), [\(#4\)](#). In spite of wage increases, hotels and tourism related businesses struggle to maintain staffing levels that support full occupancy/service levels.

- Hotels and tourism businesses face challenges accessing affordable insurance (property, liability, disaster coverage, cyber-security) [\(#3\)](#).
- In addition to industry-specific challenges, businesses are also dealing with the universal issues of inflation, economic volatility, travel disruptions, the burden of debt service from loan assistance/deferrals, and a shortage of services like child-care.

Leisure & Hospitality (L&H) employment remains 7.9% below pre-pandemic levels



After falling to roughly half of pre-pandemic levels in April 2020, L&H employment recovered most of its losses.

Nevertheless, while jobs in the overall economy are nearly back (-0.5%) to pre-pandemic levels, as of May 2022, L&H remains at -7.9% ...**an equivalent of 1.3 million jobs that are still lost.**

Source: BLS

Average L&H wages have surged as the industry competed for a limited number of workers.

L&H wages grew significantly since the end of 2020, from \$17.12 in December 2020 to \$19.86 in May 2022

L&H wages were 20% above 2019 levels in May 2022 (and +10% YOY) while overall private sector wages were 15% above 2019 levels (and +5% YOY) ([#2](#)).



Policy Priorities

NMHA - 2023 Legislative Session

Tourism is economic development, and it creates good paying jobs in both rural and urban communities. It leads to increased investment in the state which in turn leads to increased property taxes, GRT revenue, and corporate income tax revenue.

Tourism also helps facilitate economic development and diversification of our economy by providing base services (restaurants, hotels, large events, small events, outdoor activities, concerts, tours, museums, etc.) that make NM a more attractive place to visit, live and ultimately locate businesses. In order to attract business to NM it needs to be a place people want to visit.

Rebuilding tourism rebuilds New Mexico!

Policy Priorities –

First of all - thank you to all of you, to the Tourism Department, and to the Department of Workforce Solutions for all you've done to support the industry throughout the pandemic and the state's recovery! The support of the state through funding and program development allowed the industry to get to this point. We know that with continued focus and support, we can rebuild to full capacity for the industry and the state. Our industry priorities for 2023 include:

- Support a robust, comprehensive Tourism Department marketing budget to share New Mexico's story and continue to bring travelers and events back to New Mexico
- Continue to develop and fund programs that assist local communities with marketing and event development (event support, co-op marketing, etc.)

- Develop and support existing workforce programs that address both the short-term and the long-term needs of the industry to build back to pre-pandemic staffing levels:
 - Continue hiring/retention assistance programs
 - Continue to educate potential workers about career opportunities in the hospitality and tourism industry (workforce training, job boards, etc.)
- Ensure that the travel and tourism industry is included and prioritized as policy and funding programs continue to be developed (the industry needs more than loan programs to rebuild):
 - Establish tax incentives/deferrals to help businesses address the looming debt crisis and to allow them to invest in workforce retention and development

Resource References:

- 1 <https://str.com/data-insights-blog/business-travel-back-return-pre-pandemic-levels-remains-far>
- 2 https://www.ustravel.org/sites/default/files/2022-06/leisure-hospitality-employment_june22-update.pdf
- 3 <https://www.businessinsurance.com/article/20220216/NEWS06/912347777/Cyber-concerns-stress-hospitality-sector-insurance-rates-technology->
- 4 <https://lodgingmagazine.com/ahla-survey-most-hotels-are-experiencing-staffing-shortages/>

General Research:

- <https://www.bu.edu/bhr/2021/05/31/hotels-in-financial-distress-and-their-resolution/>
- <https://www.currentargus.com/story/news/2022/05/27/carlsbad-shares-concerns-childcare-state-officials-meeting/9910437002/>
- <https://www.hotelmanagement.net/operate/hospitality-industry-moves-post-pandemic-recovery-mode>



Thank You!

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