United States Senate
WASHINGTON, DC 20510

July 31, 2020

The Honorable Emily W. Murphy
Administrator
General Services Administration
1800 F Street, NW
Washington, DC 20405

Dear Administrator Murphy:

We write today to express our concern about the negative long-term impacts the COVID-19 pandemic will have on the hotel and lodging industry, and particularly the potential impact on federal per diem rates paid to lodging facilities in future fiscal years (FYs). We request that you use your statutory authority to take meaningful steps to ensure per diem rates are not artificially lowered due to the ongoing pandemic—such as by freezing the daily per diem spending limit for FY 2021 and 2022 at FY 2020 levels or basing per diem rates on the months before the COVID-19 pandemic significantly impacted travel in order to ensure a fair per diem rate in the coming years.[1]

As you know, the General Services Administration (GSA) sets per diem rates for federal travel within the United States, and those rates are updated annually according to average daily rate (ADR) information, less five percent. Due to stay-at-home orders, mandatory shutdowns, and social distancing measures that are still currently in place, the ADR collected this year and in the upcoming months will produce significantly depressed per diem rates. Federal travelers are a significant customer base for the hotel and lodging industry, and federal per diem rates have a large influence on per diem rates in the private sector. As a result, the per diem level will have a significant impact on the hotel and travel industry's recovery.

The hotel and lodging industry has experienced an unprecedented decline since the COVID-19 pandemic started. Occupancy rates nationwide fell to 24.5% in April,[2] lower than during the Great Depression, and have only risen above 40% in recent weeks.[3] For comparison, in 2019, the nationwide occupancy rate was 66.1%.[4] Low occupancy rates exert downward pressure on room rates. After the September 11, 2001 terrorist attacks, it took roughly three years before hotel room rates returned to the same level as before the crisis. Following the 2008 financial crisis, hotel rates did not rebound for almost six years.

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[1] 5 U.S.C § 5702
[2] https://str.com/press-release/str-us-hotel-performance-april-2020
[3] https://str.com/press-release/str-us-hotel-results-week-ending-27-june
[4] https://str.com/press-release/us-hotel-industry-posts-record-levels-2019-lowest-growth-recession

The hotel room rate declines related to COVID-19 are significantly outpacing those seen in prior downturns, with rates in May down nearly 40%.[5] These depressed rates were caused by an unprecedented set of circumstances and reflect a period where travel has been exceedingly difficult and, in many places, impossible. Factoring in rates produced under these circumstances in future FYs will produce an artificially low ADR that likely won't reflect market conditions as the travel sector begins to recover.

Since GSA per diem rates are typically calculated on a 12-month basis beginning in April of the prior calendar year through March of the current calendar year, action is necessary to prevent lingering COVID-19-related rate impacts from drastically lowering future per diem rates. It is vital that you consider the extraordinary impact of COVID-19 in determining the per diem rates for federal travel for fiscal year 2021 and 2022 and adjust rates accordingly to mitigate the disastrous impacts of this crisis on the hotel industry.

We appreciate your attention to this matter and look forward to your response.

Sincerely,

/s/ Tim Kaine
United States Senator

/s/ Chris Van Hollen
United States Senator

/s/ Cory Gardner
United States Senator

/s/ David A. Perdue
United States Senator

/s/ Mark R. Warner
United States Senator

/s/ Benjamin L. Cardin
United States Senator

/s/ Kelly Loeffler
United States Senator

[5] https://str.com/press-release/str-us-hotel-performance-may-2020