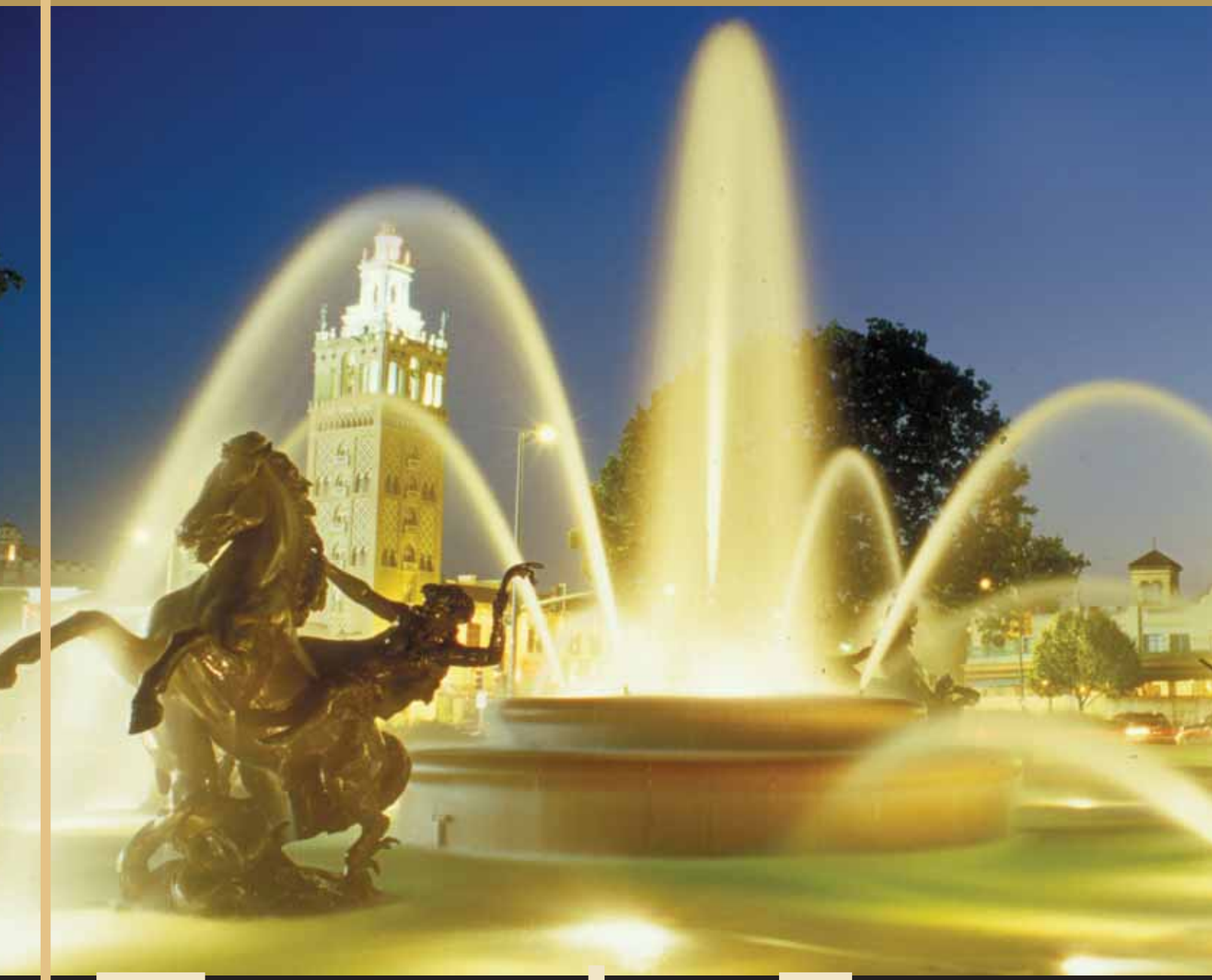

Tour de Force

States reap revenue from $600 billion travel industry

By Jenny Price

Every state wants to hook visitors contemplating where to spend their hard-earned vacation days, but Missouri decided to do more than just tout its award-winning wineries or the fun of seeing the Cardinals play in St. Louis.

The state took a page out of TV game host Bob Barker's book and gave away a brand new car.

This year's "Missouri Escape" contest brought tens of thousands of visitors to the state's tourism Web page who registered to win a Ford Escape hybrid vehicle.

"We generated a lot of buzz," said Tracey Berry, communications administrator for the Missouri Division of Tourism, which has also given away free trips and a Harley-Davidson motorcycle in its efforts to promote the state.

The contest also provided the agency access to names and contact information for the contest entrants, allowing tourism officials to follow up with potential visitors and send them information about future promotions and places to visit in Missouri. Missouri's efforts are part of a nationwide push to win a piece of a growing industry.

Since 2002, travel expenditures in the United States have increased every year and tourism is the first, second or third largest employer in 29 U.S. states, according to the latest statistics from the Travel Industry Association for America. The industry group estimated that travel expenditures topped $600 billion in 2004.

"Tourism is just something we haven't really been paying attention to as economic development and now it's really the world's largest industry. We have to get serious about its ability to bring dollars into our communities," said Rich Harrill, director of the Institute for Tourism Research at the University of South Carolina.

Why Tourism?

For some communities, states and regions, tourism can fill the hole left when major industries such as manufacturing and textiles go elsewhere, Harrill said.

"Tourism is the world's largest industry and it's going to continue to be very important as an economic development strategy, as an industry nationally," he said.

Harrill's institute works with states and communities nationally to help them develop their tourism industries through research, market analysis and other studies. But his message—that tourism can bring in new dollars—isn't always welcomed by people who are, so he says, "still stuck in the bricks and mortar mindset in terms of economic development."

Despite their potential for generating revenue, tourism organizations and state agencies must often defend how they spend their money and come up with alternative ways to generate funds, according to Harrill, who wrote "Guide to Best Practices in Tourism and Destination Management."

TIAA's 2004-2005 Survey of U.S. State and Territory Tourism Office Budgets found the average state tourism budget has declined 3.1 percent since 2000 and now averages about $12.8 million, though that figure is weighted heavily by budgets for the top 10 spending states.

Images courtesy of Missouri Division of Tourism

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>
> —*Rich Harrill*

"We're still in the process of educating people about tourism, that tourism is the economic development that won't go offshore," Harrill said. "That China can't do U.S. tourism, that Mexico can't do U.S. tourism. That our assets are right here and they're not going anywhere."

How to Pay for Tourism

One model for funding tourism programs is forming a public-private partnership between the government and the travel industry. Another is for states to use formulas allocating a certain amount of tax revenue specifically from travel-related businesses, such as car rental or hotels, to cover tourism budgets.

Visit Florida, established in the mid-1990s to carry out the state's tourism marketing, receives more than $20 million a year from a surcharge on car rentals. The remainder of its $81 million budget comes mostly from voluntary contributions made by more than 3,000 industry partners.

Tourism is Florida's No. 1 industry, bringing in $3.4 billion in state sales tax revenue in 2004, a figure which has increased despite the spate of hurricanes the state has faced in the last couple years. Visit Florida allows the industry to respond more effectively and deal with those challenges, which have also included economic downturns and rising fuel prices, spokeswoman Vanessa Welter said.

"Probably the first thing people will do is pull back on travel when they're concerned about finances or any kind of thing they tend to hunker down," she said. "You have to be very quick to respond and be very in tune with the consumer in the tourism industry … and sometimes governments aren't conducive to that."

Florida's voluntary system differs from California, which places mandatory assessments on tourism-related businesses to fund CalTour, its division of tourism.Businesses that benefit from tourism in California are required to pay $450 per $1 million in tourism revenue, accounting for 90 cents for each $2,000 in travel-generated sales. If businesses don't want to disclose revenues, they can pay a maximum $250,000 assessment.

Missouri's Division of Tourism gets its funding from a performance-based formula that has been in place since 1994. Since that time, the state's tourism budget has increased from about $6 million to a high of $17.8 million in fiscal year 2004.

The formula identifies tax revenue generated by businesses that serve travelers and the tourism fund gets a percentage of the growth in sales tax revenue from those businesses. It allows for 3 percent inflation each year and the fund cannot grow by more than $3 million in any one year.

Other states, including Colorado, Iowa, Kansas, Maryland, Minnesota, Montana, Nebraska, North Carolina, Ohio, Rhode Island and Wisconsin have studied, adopted or are considering implementing funding plans patterned after Missouri's.

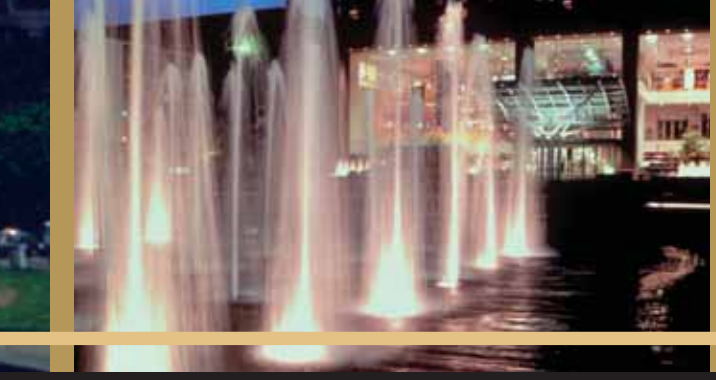
But Missouri's Division of Tourism still has to lobby for funding each budget cycle, even though state tax revenues from tourism totaled $627 million in fiscal year 2004. For the current budget year, the governor used his veto pen to cut 26 percent from the tourism division's budget, even though legislators approved full funding.

"There is a lot of recognition amongst our lawmakers of the fact that tourism is an economic engine for our state, but not everyone has the message," Berry said. "For every dollar you give us, we're going to give you $2.80 back. It's a good deal."

Dedicating Money to Tourism

When Dann Lewis took over as director of Maine's Office of Tourism in 1995, its budget was just $1.25 million, "not competitive with the rest of the country and certainly not adequate for any sort of a global reach or global competitive reach."

Lewis said that although Maine had a rich history of tourism dating back to the 1800s, when families would travel north in the summer months to escape the heat of the big city, state govern-



ment was not quick to recognize the important of tourism to its economy.

"Most of textile mills, shoe factories and all of these things are long gone from this area and it was just very, very slow for people to accept the fact they were gone or disappearing and that wasn't going to change," he said. "It wasn't until the early '80s that the state devoted any resources whatsoever to try and promote or nurture tourism."

Three years ago, the state Legislature approved a bill that dedicated a portion of the state's meals and lodging tax to tourism to provide the agency with a non-lapsing, dedicated funding stream. Now the office gets an annual budget of about $7.5 million and tourism has become the state's largest industry, amounting to 20 percent of tax revenues.

"We no longer have to go before the Legislature each year and compete with all the other people with their hands out looking for money," Lewis said. "It is so difficult to plan and execute a long-term marketing program when you don't know from year to year how much money you're going to have."

Calculating Tourism's Value

Some tourism officials are turning to a new method, rather than relying on industry data or consultants' reports, for measuring the value of tourism. And the results help them make the case for more financial support for advertising, marketing and other activities aimed at attracting visitors.

Fewer than a dozen states use what are called "satellite accounts," which measure the supply side as well as the demand side of tourism business. Satellite accounts were initiated by the World Tourism Organization and adopted by the United Nations Statistical Commission in 2000.

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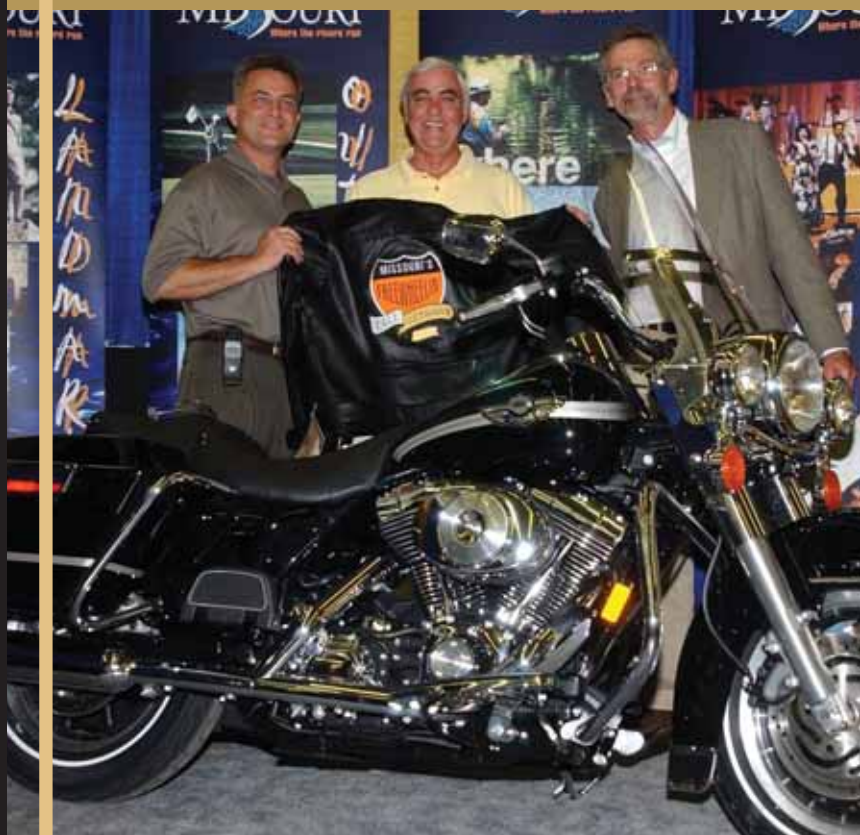

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The statistical framework makes it possible to compare how much each state's government spends to support tourism with how much revenue it gets back in tourism dollars g It also allows lawmakers to compare tourism's growth with that of other industries, measures how other industries benefit from tourism and shows how much of each tourist dollar the state retains.

South Carolina, one of the first states to begin using satellite accounts in 2000, found that the state government got back $2.46 for every $1 it spent on tourism, not including marketing dollars, according to Julie Flowers, state tourism economist for the South Carolina Department of Arts, Recreation and Tourism.

And Flowers said the more detailed accounting of tourism's impact on the state has helped tourism officials convince lawmakers to give them more money each year, even after the recession that followed the Sept. 11 terrorist attacks.

In North Carolina, the accounts have showed tourism's impact extends to its banking, textile and manufacturing industries, according to Lynn Minges, executive director of the North Carolina Division of Tourism, Film and Sports Development.

"It's more than just a few jobs in hotels and motels and restaurants and seasonal employment," Minges said. "It's about a whole industry that brings new dollars into the state, dollars that wouldn't have been here to help to support thousands of small businesses."

—Jenny Price is a freelance writer based in Madison, Wisconsin.

2004–2005 Projected State Tourism Office Budgets (Public funding)

1. Hawaii $69 million
2. Illinois $47.8 million
3. Pennsylvania $33 million
4. Texas $30.6 million
5. Florida $28.6 million
6. West Virginia $23.1 million
7. Louisiana $18.4 million
8. Missouri $17.8 million
9. South Carolina $16.1 million
10. Arizona $15.9 million

Source: Travel Industry Association for America