


FINAL REPORT

FUNDING FUTURES

Research Study into the Options & Opportunities for New or Enhanced Funding of Tourism & DMOs in the Recovery from COVID-19

August 20, 2020

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Report, Separate Section Report & Resources available at: MilesPartnership.com/FundingFutures

ACKNOWLEDGEMENTS

This report was undertaken by Miles Partnership, Civitas and Tourism Economics with most of the time and effort contributed pro bono to allow all DMOs to access the report free of charge.

Some valuable funding was provided by the U.S. Travel Association Destinations Council and the Destination Marketing Association of Canada (DMAC).

Important support was also provided by Destination Analysts in helping lead the research survey of DMOs in the US and Canada.

Additional in-kind assistance was provided by Destinations International.

We would like to thank our esteemed group of DMO discussion group participants, who shared their current funding models and new ideas for 'building back better.'

State DMOs

- David Lorenz, *Pure Michigan (MEDC)*
- Cathy Ritter, *Colorado Tourism Office*
- Rita McClenny, *Virginia Tourism*
- Todd Davidson, *Travel Oregon*
- Caroline Beteta, *Visit California*

Small-to-Medium-Sized U.S. City DMOs

- Kevin Kane, *Memphis Tourism*
- Susie Santo, *Visit Wichita*
- Gary Sherwin, *Visit Newport Beach*

Large-Sized U.S. City DMOs

- Joe D'Alessandro, *San Francisco Travel*
- Leonard Hoops, *Visit Indy*
- David Whitaker, *Choose Chicago*
- Jeff Miller, *Travel Portland*
- Martha Sheridan, *Greater Boston CVB*
- Kaitlin Eskelson, *Visit Salt Lake*

Canadian DMOs

- Scott Beck, *Tourism Toronto*
- Yves Lalumiere, *Tourisme Montreal*
- Paul Nursey, *Tourism Victoria*
- Ross Jefferson, *Discovery Halifax*
- Kathleen Trainor, *DMAC and Tourism Barrie*

Special thanks to DMO leaders who provided feedback via the Funding Futures survey, and those who completed the Discussion Document survey. Your comments were invaluable to this study. We would also like to acknowledge Wendy Kheel, formerly of Los Angeles Tourism & Convention Board, for her contributions to this project.

FUNDING
FUTURES

EXECUTIVE SUMMARY & RECOMMENDATIONS

Introduction & Methodology

Introduction & Methodology

Funding has never been more important to Destination Marketing and/or Management Organizations (DMOs)*. In recent years, as tourism has grown, questions have arisen about the fairness, sufficiency and effectiveness of tourism-related taxes and revenues - plus the most appropriate way to fund DMOs.

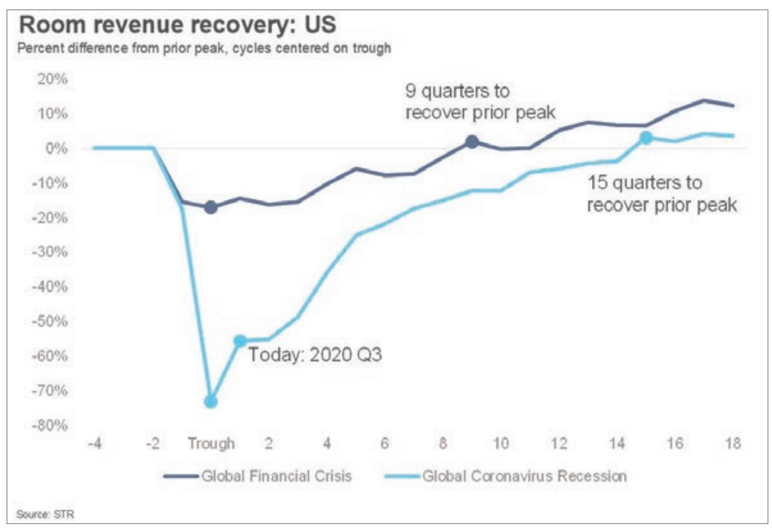
This report is Phase I of a planned more ambitious global study of tourism and DMO funding by Miles Partnership and Civitas. While this larger study was being planned in early 2020, COVID-19 struck, and as with many parts of tourism, the crisis prompted a rethink. We focused this project on North America and the situation, options and opportunities facing tourism and DMOs coming out of the COVID-19 crisis.

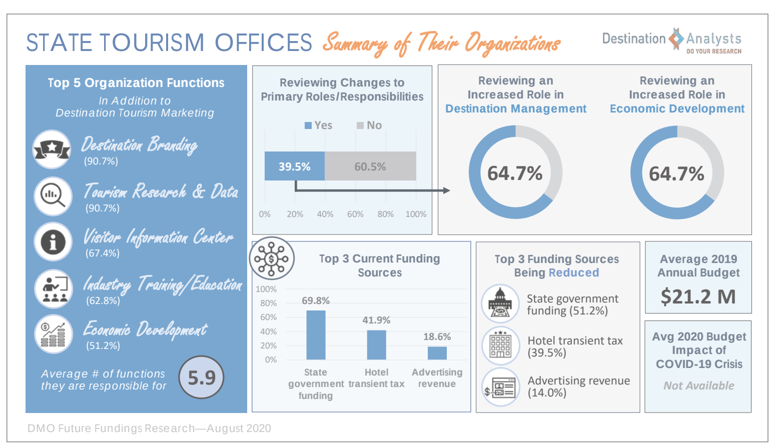
Miles Partnership and Civitas were grateful that Tourism Economics joined the project team to offer their unique insights on the likely impact of the crisis on the economy, tourism industry and predicted DMO revenues.

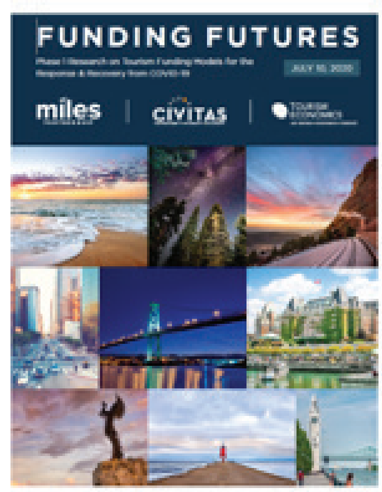
Most of the work in this study was undertaken pro bono, free of charge to the industry, by the agency partners in this project. Through these efforts we aimed to deliver a resource of real value at no cost to DMOs to help tackle this unprecedented crisis in our industry.

We were fortunate to receive some funding from the U.S. Travel Association's Destinations Council and the Destination Marketing Association of Canada (DMAC). They, along with Destinations International, offered expert input and advice.

We were also grateful for the specialist research expertise of Destination Analysts to help lead the major survey of North American DMOs. We invited 175 DMOs in total to participate in the survey, including all 50 US States, 10 Canadian Provinces and 115 US and Canadian Cities. 115 DMOs responded.







In addition to the survey of DMOs and recovery scenarios, Civitas and Miles Partnership undertook extensive desk research and analysis of a huge range of existing resources, plus organized four in-depth discussion groups of DMO leaders from across North America. We also did a deep dive on lessons from past crises impacting tourism, which included hosting an expert panel to offer insights from 9/11, the Great Financial Crisis and other events, such as the Gulf Oil Spill.

Late in the process, we developed an industry discussion document outlining 10 areas of opportunity for improved funding of tourism and DMOs and sought feedback and commentary on these options. This input was incorporated into the final document.

Though extensive, this research study was, by necessity of timing and funding, limited in its scope. Additional opportunities exist to understand the proposed funding models in more detail, including better defining the implementation and management of best practices. Further analysis of important tourism taxation questions that still have not been studied in depth is also needed - for example, the impact on raising tourism-related taxes on traveler demand.

Plus, there is an opportunity to undertake a more comprehensive, global review of the topic.

Our planned global study was to be undertaken with a European-based agency partner, Group NAO, who are proceeding with a similar study on European Cities with support from selected cities, European Cities Marketing (ECM) and European Tourism Association (ETOA). While the COVID-19 crisis and timing of the two projects precluded close integration, we have shared insights and examples and aligned methodology throughout.

We plan to offer comparisons and shared results later in 2020. This may lead to the planned, more global study as a future phase of this project.

We believe that the 'Funding Futures' study is an important contribution to the future of tourism and DMOs - both during and after the recovery from COVID-19.

***Note on the use of "DMO":** We have used DMO as the descriptor for all types of Destination Organizations regardless of whether they are an official National, State/Provincial, Regional or City Tourism Organization, and regardless of whether their focus is marketing, sales and/or management of tourism.*

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Researchers, Contributors, Project Managers, Editors & Designers: Wendy Kheel, Monica Miller, Cori.Spruiel, Geoff Lacher, Nan Marchand Beauvois, Nora Thomas, Kathleen Trainor, Jack Johnson, Andreas Weissenborn, David Reichbach, Mytho Vo, Rachael Mogavero, Madison Deschamps, Alyssa Mahlberg, Amy Overbay, Lauren Fox & other team members of Miles Partnership, Civitas, Tourism Economics, Destination Analysts, Destination Council of US Travel, Destination Marketing Association of Canada & Destinations International.

Thanks to members of the four DMO Discussion Groups and the many states and CVBs who provided feedback and comments - see List of Sources.

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EXECUTIVE SUMMARY & RECOMMENDATIONS

"The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger – but recognize the opportunity."

– John F. Kennedy

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BARRIE, ONTARIO

Travel and tourism has dealt with crises before – from terrorist attacks to financial crises, international disputes to natural disasters. However, this time is different. To use an overworked adjective, the breadth and scale of COVID-19's interruption to global travel and tourism is unprecedented.

"It is imperative to first establish the non-negotiable assumption that travel will fully recover. The pandemic will end. The drivers of travel—income growth, demographic shifts, the importance of meetings, and the intrinsic value of a vacation—will still be intact on the other side. So, recovery is inevitable."

– Adam Sacks, Tourism Economics

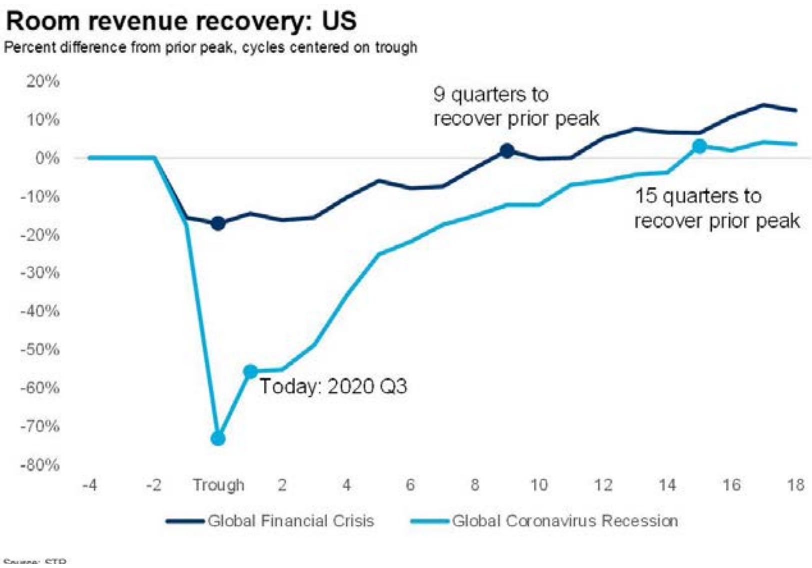
Before we examine the profound impact of the crisis on tourism and DMO funding, and the options and opportunities in response, it is important to stress the medium to longer-term outlook for our industry remains strong and vibrant. As Tourism Economics stresses in the "Outlook for Recovery" section of this report: "It is imperative to first establish the non-negotiable assumption that travel will fully recover. The pandemic will end. The drivers of travel—income growth, demographic shifts, the importance of meetings, and the intrinsic value of a vacation—will still be intact on the other side. So, recovery is inevitable." – Adam Sacks, Tourism Economics.

But in the short to medium term, our industry and the funding from tourism and for DMOs faces profound challenges. The predicted drop in travel and tourism spending in the US for 2020 tops half a trillion dollars with the wider economic impact of these losses hitting $1.2 trillion for 2020. In Canada, earlier estimates of a July reopening of international borders have proven overly optimistic and the latest predictions assess national tourism revenue will decline between 43% and 61% in 2020 (vs. 2019). In nations across Europe and the Asia Pacific there is a similar dire situation. Plus as Destination Canada reminds us in its July 22, 2020 assessment, "there is still a lot of uncertainty moving forward."

"We are at a wonderful inflection point, in the sense that pain can be a great motivator for change within communities and within DMOs."

– Gary Sherwin, Visit Newport Beach

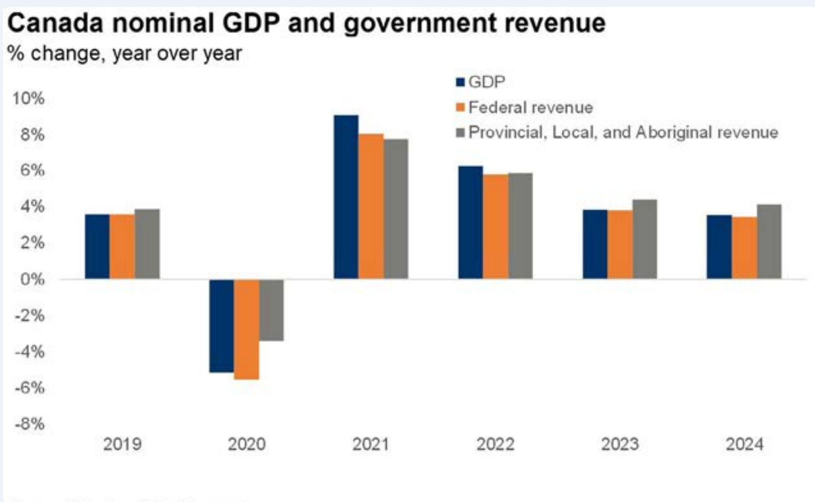
NEWPORT BEACH, CALIFORNIA



The impact of this crisis on DMO revenue is also unprecedented. Tourism Economics' recovery scenarios point to a 52% drop in hotel tax related revenue for DMOs in 2020 (see graphic at left) and a 13% decline in state government budgets – which in turn will put severe pressure on state tourism office funding. A recovery of tourism and some degree of "normal" funding streams for DMOs is estimated by the second half of 2020, but the full recovery in funding is estimated to take 3-4 years.

Our survey of 115 North American DMOs offers an assessment in line with these scenarios.

The DMOs predict a 27% to 47% decline in budgets for 2021, with smaller U.S. DMOs most severely impacted at the top end of this range. Mid-sized U.S. DMOs seem to be in the best shape looking ahead with "only" a 27% drop predicted in their 2021 budgets. Canadian DMOs estimate a 41% drop in budgets in 2021, but for now they are benefiting from a far more substantial range of Federal and Provincial government support to DMOs than available (as of mid-August) to U.S. DMOs. The expected decline in Canadian Federal and Provincial revenues is also less severe than that predicted in the U.S.



COLORADO

Emphasizing the uncertainty, most U.S. states are still waiting for more information to assess the likely impact of the COVID-19 crisis on their budgets.

By comparison, 9/11 and the Great Financial Crisis impacted State Tourism Office and DMO budgets much more modestly. As we outline in the Situation Analysis section of this report, each of these major past crises saw an average of 3-5% declines in average U.S. DMO funding in any single year, and a total decline of between 12-22% in total DMO funding in the 2-4 years after each crisis.

This is therefore both a necessary and unique moment to tackle the issue of funding. COVID-19 presents a significant opportunity to make changes that would not be possible without this seminal crisis. As the quote from John F. Kennedy highlights, such a moment of crisis brings the opportunity for real change that is simply not possible in "normal" times.

DMOs recognize this opportunity with the majority emphasizing they are seeking "new and more sustainable sources of funding." This ranged from 40% of U.S. State Tourism Offices actively seeking new funding options to 64% of Canadian DMOs and 71% of U.S. DMOs.

We outline in this report "10 New & Enhanced Funding Options" for DMOs – highlighting this intersection of the urgent need and opportunity for change with specific options for action.

These 10 new and enhanced options for the future of funding are based on our extensive desk research including four North American DMO discussion groups, the DMO research from over 100 North American DMOs, and an initial review of international (especially European) examples of innovative funding models. These describe both immediate changes needed in the recovery from the COVID-19 crisis and a range of ideas and longer term opportunities for more responsive, resilient and regenerative funding for DMOs of the future.

Of these options, these six funding options ranked as the highest priority by DMOs (based on feedback to our Discussion Document):

1. **Recovery Funding & Stimulus Spending.** DMOs need immediate help to offset the short to medium term collapse in their funding. More support is needed in both nations – with a short term urgency for action in the U.S.

   At the very moment when we will need DMOs to help lead the recovery of tourism in their destination, they will lack either the financial or staffing resources to respond. DMO success in making the argument for Recovery Funding will test the quality of relationships with stakeholders and political partners, and test the depth of understanding of the role and relevance of destination marketing and management.

"I think this crisis... really awakens the state and the city as to the value tourism brings to the community, and I think it was so taken for granted for so long."

– Martha Sheridan, Greater Boston CVB

BOSTON, MASSACHUSETTS

2. **Building Reserves.** A long term weakness in DMO budgeting, most DMOs entered the crisis without adequate reserves and have been found badly exposed. DMOs need to urgently update rules, laws and funding models to build reserves to better manage future crises.

MONTREAL, QUÉBEC

"I think reserves should be mandatory and when you get government funding, that a percentage of the funding should be part of a reserve for rainy days."

– Yves Lalumiere, Tourisme Montreal

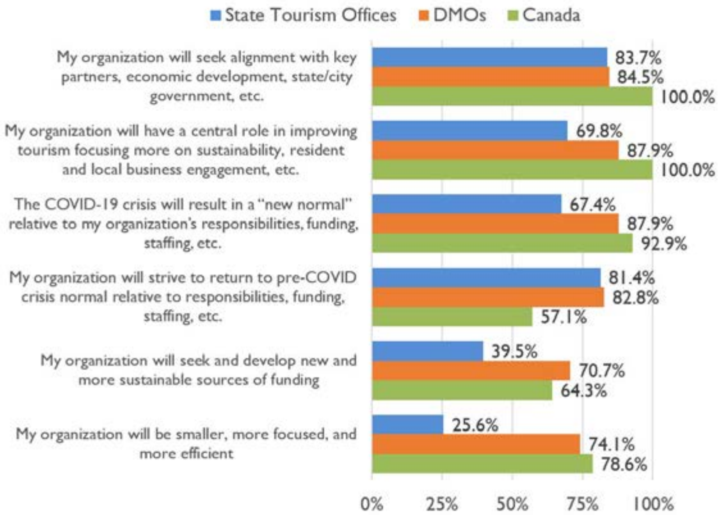
"I think our dependency on lodging really has to change. We need to look at other businesses who all benefit from our work, and the activity that [visitors] generate, the taxes they generate."

– David Lorenz, Pure Michigan (MEDC)

3. **Role, Responsibility & Structure of DMOs.** A review of funding starts with reviewing your DMO's future role, areas of expertise and relationships. This was already underway pre-COVID-19 for many DMOs but has now accelerated. From our research study a majority of DMOs (56% to 80%) are actively looking at an "increased role in destination management" and just over half see an "increased role in economic development" in their destination.

   This commitment to major structural change was also evident in DMOs focus on a range of ways to reshape the future role and responsibilities of their DMOs – as evidenced by their response to the anticipated impact of the COVID-19 crisis on their organization (see below the responses to our survey of 115 North American DMOs). This is parallel with DMOs plans to "bounce back" to their staff and funding levels of the past.

   Most immediately, a range of DMOs have successfully built a model as Community Marketing leaders or are currently building connections with a wide range of partners in their destination around "Community Shared Values" (championed by Destinations International). This envisages building relationships, services and funding with "unusual" suspects from airports to universities, major public facilities to employers and commercial property owners.



4 & 5. **Evolution of Dedicated Funding & Tax Increment Funding.** The crisis has highlighted even further the benefits of dedicated funding models such as Tourism Improvement Districts (TIDs) and Tax Increment Financing (TIF). The control over the funding and the sometimes broader based mix of tourism related businesses contributing make these models a more resilient and responsive solution for DMOs. Adaptations to their funding options for DMOs based on the lessons of the COVID-19 crisis will only enhance their appeal.

> **"As we look forward, the TBID revenue will be more important than ever before as it provides a stable funding source."**
>
> **– Susie Santo, Visit Wichita**

WICHITA, KANSAS

6. **Regenerative Funding Options.** Regenerative funding options were seen by many DMOs as a medium to longer term priority compared to the above more urgent options. However, there is clearly a major structural change underway in the focus on DMOs. 70% to 92% of DMOs agreed with the statement that, coming out of the crisis, ***"my organization will have a central role in improving tourism focusing more on sustainability, resident and local business engagement, etc."*** Over three quarters of all DMOs from our survey are actively pursuing a greater role in destination management. Larger budget DMOs and Canadian DMOs were particularly focused on this priority. In this context, the options of Outcome Based Funding Models and Regenerative Funding commitments are critical to closely connecting DMOs to a more sustainable future for tourism as growth returns. European cities and destinations cited in this report (e.g., Amsterdam, Croatia) are likely to provide the most compelling examples of innovation in these new models of tourism funding.

AMSTERDAM

There is a need for urgent collective and individual action coming out of this study. In our recommendations and next steps from this report, we highlight a range of critical actions.

HERE ARE THREE OF THE MOST IMPORTANT:

1. **Ensure That You Have Exhausted Every Option to Obtain Emergency Funding.** The short to medium term will be extremely challenging – both individually in your destination and collectively at a State, Provincial and National level. DMOs need to ensure their voices are heard. DMOs are central to facilitating the recovery of the travel industry and the return of tourism and hospitality jobs and tax revenue.
2. **Move to a Broader Based, Resilient Funding Structure.** Use the crisis to undertake real, meaningful changes in your funding model. Seek funding that you control and is not subject to the increasing fiscal pressure that government partners will be under coming out of this crisis. Ensure you diversify your funding sources (both public and private) and therefore spread your risk. Plus, plan for a future world post COVID-19 with both greater real and perceived risks by adding reserves and offering specific programs (insurance solutions and expanded industry co-op) to share and mitigate both the risks and rewards of tourism.
3. **Future-Proof Your Role & Relevance as an Organization.** Finally, seize this moment to review and reshape your responsibilities and structure. Focus on building stronger relationships and engagement with key partners and ensuring you are set up for managing a sustainable future of tourism when (and it is "when") strong growth in tourism returns.

A FINAL NOTE

Thank you to our supporting partners - U.S. Travel Association's Destinations Council and the Destination Marketing Association of Canada (DMAC). Plus, thank you to the hundreds of DMOs and others who contributed to this project through survey responses, ideas and comments.

Though extensive, this research study was by necessity of timing and funding limited in its scope. Additional opportunities exist to understand the proposed funding models in more detail including better defining best practices in how they are implemented and managed. Plus there remains an opportunity to undertake a more comprehensive global review of tourism and DMO funding. One immediate opportunity: We plan to share an update later in 2020 with insights from a similar study being undertaken in Europe by our colleagues at Group NAO in collaboration with European Tourism Association (ETOA) and European Cities Marketing (ECM). This will offer additional insights and comparisons with the "Funding Futures" of European DMOs. This may lead to the planned, more global study as a future phase of this project.

We believe that this "Funding Futures" study is an important contribution to the future of tourism and DMOs, both during and after the recovery from COVID-19.

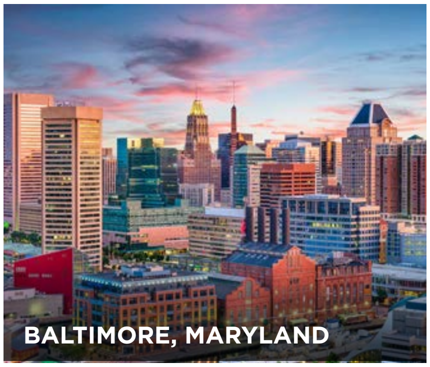
Note on the use of "DMO": *We have used "DMO" as the descriptor for all types of Destination Marketing &/or Management Organizations regardless whether they are an official National, State/Provincial, Regional or a City Tourism Organization and regardless of whether their focus is marketing, sales, and/or management of tourism.*

Recommendations & Next Steps

10 AREAS TO PRIORITIZE– SUGGESTIONS FOR ACTION

In this report we have attempted to explore three core concepts in our “Funding Futures”: (1) the stability and resilience of funding, (2) the sufficiency of funding, and (3) how funding is “future proofed” – helping a destination recover and prosper in the future.

The first relates to how susceptible your funding is to variation based on changes in the political winds, shifts in specific industries or pressures on government, plus the impact of future crises, whether big or small, manmade or natural. The second relates to having enough funding to adequately market and/or manage your destination. In the immediate future, this means recovery funding to help you manage through the crisis and be able to help lead the recovery. Finally and perhaps most importantly, is your funding appropriate to what tourism and your DMO should look like in the future? Is it built off strong relationships with key community partners? Does it help build a tourism industry valued by all your stakeholders and with widely shared benefits?


BALTIMORE, MARYLAND


MICHIGAN

TORONTO

As an agenda for action – both collective and for individual DMOs – we offer the following short-term and long-term recommendations.

1. **Review Your Role, Responsibility & Structure.** As we have stressed, a review of funding starts with a review of your role, responsibilities and structure as a DMO. Our survey of North American DMOs highlighted that many are actively exploring a greater role in destination management, closer engagement with key stakeholder groups such as residents and a stronger participation in wider economic development activities. Proactively engage in and/or lead these investigations rather than having to react to proposals and plans developed without your full involvement. Your funding options become far clearer once you have reviewed and refined your future roles.
2. **Gain a Deep Understanding of Your Current Funding Vulnerabilities.** Many DMOs have been surprised over the years at the volatility of their funding streams, never more so than now during the COVID-19 crisis. A careful inventory of legal and political protections and an analysis of threats to public and private funding can yield new insights into your current vulnerabilities and opportunities for specific action, based on the funding options we have outlined. As part of your analysis – or as part of the fuller review of your DMO’s role and structure – develop a strategic funding plan to establish goals, deliverables and timing associated with new or increased funding.

3. **Be Data Driven: Seek the Latest Research & Data.** Information is power and never more so than during a crisis. In the response and recovery from COVID-19, every destination organization should accelerate their efforts to obtain relevant and current data on a more frequent basis. Those that understand how the recovery is trending, how your different industry partners are faring and how your current funding is tracking will be able to predict pressure points and opportunities, help identify priorities and help lead the discussions on funding options and opportunities.

Two starting points are U.S. Travel's COVID-19 Research and Update Center and Miles Partnership's COVID-19 education and research portal: Clarity in a Time of Crisis.

4. **Ensure That You Have Exhausted Every Option to Secure Emergency Funding.** Though the medium to long term recovery of tourism is clear, in the short to medium term most DMOs face a very challenging funding environment. Ensure you are aggressively exploring all the available options for recovery funding and support from stimulus spending. Federal, State, Provincial and local governments are offering a range of assistance, with more hopefully to come over the next 6-12 months. Many of the programs require significant effort to secure funding. Don't be deterred. Persistence, agility and collaboration will be critical to maximizing the support you can access. It is vital to surviving with as many resources as possible and setting yourself up to lead the recovery of tourism in your destination.


AUSTIN, TEXAS


MT COOK, NZ

5. **Strengthen Predictability & Mitigate Risk in Your Current Revenue Streams.** Many DMOs are taking advantage of the current challenges to secure priority funding mechanisms (as in Toronto – See "Recovery Funding & Stimulus Spending" in our "10 New & Enhanced Funding Options" section of this report) or getting a "rolling average" applied to future funding. The "rolling average" concept (see "Evolution of Dedicated Funding") bases next year's funding on the last three or four years – and sharply moderates dramatic drops (or rises) in revenue, mitigating risks. DMOs are also using this crisis to enact changes to enable the development of meaningful reserves to manage future crises. Plus, it is clear for some conferences and events to return during the recovery that new, innovative private-public insurance models may be needed to manage the risk for organizers and promoters. Make sure you understand these concepts and orchestrate a well-planned campaign to improve the predictability of your revenue and manage the risks for you and your industry partners.
6. **Take Advantage of the Current Political Environment to Secure Action.** For many DMOs there will never be a better time to facilitate change and push through decisions from political partners. Most governments have abruptly recognized the positive and lucrative benefits of tourism, now it is so sharply impacted. They want to help and are willing to act. Make sure you have a clear plan to tell them how.
7. **Explore Additional Funding Streams.** This report includes ideas for new funding streams. Whether you look at creating a Tourism Improvement District, Sales Tax Increment Funding, growing your Short Term Rental revenue or establishing a Regenerative Funding Model, it is an opportune time to message that the destination needs stable and sufficient funding and that additional funding will be necessary. Link your new funding streams both to stimulating the short term "recovery" as well as managing the longer term growth of tourism in a smarter and more thoughtful way. Be sure to then piggy-back on government measures designed to address recovery.
8. **Build the Long-Term Diversification of Your Funding.** As Sir John Templeton (founder of the Templeton Growth Fund) said, "…humility did show me the need for worldwide diversification to reduce risk." We know that reliance on any single source of funding can be disastrous. Destinations International recently encouraged organizations to think about "unlikely suspects" for funding partners (e.g., airports, universities, commercial property owners, employers, etc.) and to begin to build relationships with these entities. DMOs need to better understand their needs, help them understand your activities, and how a great place to visit can also be a great place to study, start or grow a business or invest. Building on "Community Shared Values" will begin the journey that will ultimately lead to a more diversified revenue portfolio.

9. **"Force for Good" and Review Regenerative Funding.** We need revenue models where tourism not only fully meets the costs of a growing, vibrant visitor industry, but gives back, making the community a better place to visit, to live, study or work. This means both understanding the "Hidden Costs of Tourism" in your destination (see "Outcome Based Funding") but also identifying ways to invest in community or environmental assets (see "Regenerative Funding"). This has the potential to fundamentally reshape the long-term debate over the value of tourism, thus shifting the perception of tourism by residents, government and stakeholders to a community activity that benefits everyone.

10. **Be Agile.** Finally, there are two certainties about the nature of tourism and the wider business, social and political environment post COVID-19: uncertainty and change. Visitors will return, revenue will return but we will operate in an environment of less certainty and rapid change. DMOs that are agile, responsive and resilient will prosper in this environment. Identify a plan to respond to the crisis facing tourism and funding – but be ready to adapt and change.

"It's been fascinating to see how quick and nimble we have become."

– Susie Santo, Visit Wichita

Advocating for Change

WASHINGTON, DC

VICTORIA, BC

"I do see two particular forces that are concerning...One is we are seeing a shift in using hotel taxes for non-tourism use. The second force that we always face is the political dynamics looking at how to change the structure of the model."

– Ross Jefferson, Discover Halifax

All of the opportunities and options outlined in this report will likely involve advocating for, facilitating and managing change. This includes building support from business, community and other stakeholder groups – and critically, both building support and empowering action from politicians. Below is a short summary from Destinations International on the 3 essentials of engaging successfully with political partners and enabling change.

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1. **Make sure they understand what you do:** People tend to hold more extreme positions on complex policies when they don't know very much about them, according to a research article in the academic journal Psychological Science. Having people attempt to explain how the policies work is enough to reduce their sense of certainty, as well as the extremity of their political positions. This can often be an issue for destination organizations, as political leaders, stakeholders and residents often do not fully understand the work that we do. Therefore, it is imperative that you clearly convey the efforts of your organization and what they mean for your community.
2. **Use common language:** LGBTQ+ groups in America won over voters by discussing their quest for equality not in aggressive demands for equal rights, but with language conservatives would refer to when describing their own marriages – love, commitment and family. Similarly, the Association for Psychological Science found that talking about climate change in terms of "purity" and "sanctity" of Earth could win over those with conservative morals, traditionally unconcerned with climate change. Talking about destination promotion in terms of "economic prosperity" and "quality of life" for all residents is most likely to resonate with this audience.
3. **Activating constituents:** Contact with constituencies and voters, and strong, confident dissenting voices from within their own parties, can be balancing forces. The ability to effectively motivate and mobilize constituents to support your efforts is critical to any advocacy initiative. This is another area where ROI studies fall short. Political opinions are based on emotion, not reason, and therefore having your own ideological argument is often the most successful way to rally support.

   The devotion of members is the biggest asset to any advocacy organization, even more so than funding. Successful advocacy campaigns can create this devotion by tapping into what advertising guru David Ogilvy called the power of one "big idea." For our industry, this idea should be that communities that do not invest in destination promotion will be left behind, losing ground economically and in the quality of life for their citizens.

   The typical message that comes from industry leaders is that when a destination markets itself effectively, everything from local businesses to public services and residents win. This message, while valid, often fails to establish that emotional connection and sense of urgency required to activate constituents. Talking about the negative consequences on inaction, however, creates that urgency and taps into community pride, something that is essential for garnering support from your community.

*Excerpt from "Advocacy in the Age of Ideology" – Destinations International. See full report **online** or in the Appendix of this report.*

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EXECUTIVE SUMMARY & RECOMMENDATIONS

Learning from Past Crises

Key Lessons & Insights from 9/11 and the GFC Applicable to the COVID-19 Crisis

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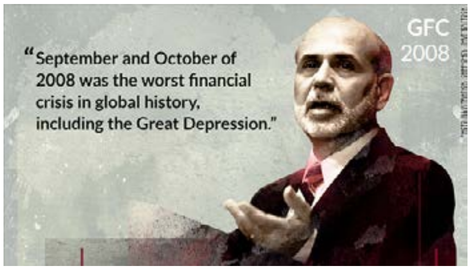
LEARNING FROM PAST CRISES:

KEY LESSONS & INSIGHTS FROM 9/11 AND THE GFC APPLICABLE TO THE COVID-19 CRISIS



The travel industry is facing its biggest challenge ever, with the COVID-19 pandemic affecting every corner of the world. Borders are closed, flights are grounded, and hotels are operating at percentage capacities 30-70% down year on year. Consequently, both state and city Destination Marketing Organizations (DMOs) have experienced loss of funding, resulting in major budget and staff cuts.

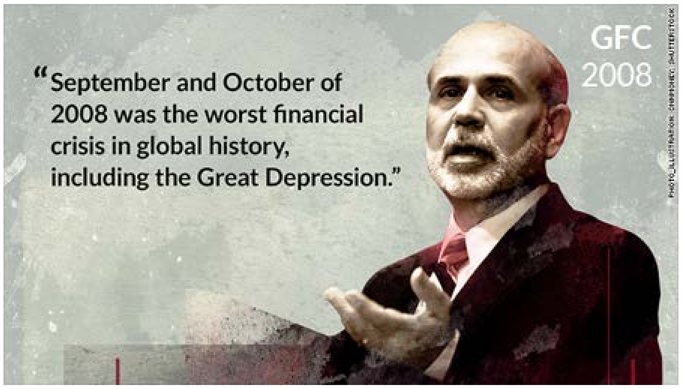
While there has never been a situation of this magnitude before in our lifetime, the travel industry has suffered severely from other past crises, including 9/11 and the Global Financial Crisis of 2008. In specific markets, crises such as the Gulf Oil Spill also had dramatic impacts. There are some key lessons and insights from those disasters that can still apply today and aid in recovery.

As part of the Funding Futures project, we reviewed the analysis and research on the impacts and recovery from these past crises and then hosted a webinar on the subject. On this May 12th event we were joined by three senior industry leaders with extensive history in grappling with these crises: Chris Thompson, President & CEO of Brand USA; DT Munich, President & CEO of Experience Kissimmee; and Ursula Boll, Senior VP of Miles Partnership. [See the webinar resources here.]

From this webinar and the related research, we identified these 13 lessons from past crises for responding to COVID-19:

1. **Build and maintain trust:** Now more than ever it's important to build and maintain trusted relationships with stakeholders worldwide through inclusive, proactive and transparent outreach with commitment to compliance and integrity through words, actions and results. Trust must be there prior to the crisis, as it's difficult to build in mid-crisis.

2. **Communication is key:** Communicate well and often with elected officials, partners, clients and your internal team to keep everyone united and on the same page. Be truthful and transparent, and listen to concerns. Remain flexible, nimble and responsive, taking action and evolving protocols as needed.



3. **Restore consumer confidence:** COVID-19 is a crisis in confidence across the entire travel consortium. Travelers must trust the mode of transportation, the destination and the experience they will have once in destination. They must see that all people within the industry are doing everything they can to create a safe environment.

4. **Separate facts from fear:** Perception is reality, so work to create hope and optimism for travel. It is critically important for both the public and private sectors to dispel fear of worst-case scenarios and unite in messaging, marketing and response during the recovery phase.

5. **Hitting the road:** For those seeking an inexpensive travel alternative after the financial crisis, road trips quickly rose in popularity. With flexible options and extra safety by way of easier social distancing, a road trip revival is expected once again.

6. **The deeper the pain, the slower the recovery:** It wasn't until seven years after the crisis that US consumer spending on travel regained highs. As we look ahead, early signs of recovery and antiviral treatments may begin to surface in the near-term. However, there will be much permanent economic damage done, the extent of which will shine a light on the future of travel. Although we will see different outcomes in various countries, if US employment remains low, the travel industry may not heal entirely for many years.

7. **The return of business travel is a sign of real recovery:** The business travel and event industry came to a screeching halt during the financial crisis. With the travel market composed of price-sensitive leisure travelers, many large travel corporations, such as airlines, hotel chains, global distribution systems and travel management companies, which are built almost entirely for business travel, find themselves faring poorly.

8. **Profit may take priority over top-line:** Guiding top-line to a recovery is key; however, managers must keep profit in mind as the end goal throughout recovery. A poor and unsustainable cost structure will make full recovery meaningless.
9. **Only when the tide goes out do you discover who's been swimming naked:** As noted by Seth Borko and the Skift Research Team, businesses often depend entirely on their own momentum and do not take into account the changes of the market around them. It is usually too late when, in the midst of a crisis, a reevaluation is necessary and these companies uncover the depth of the trouble they are in.
10. **Leisure is step one in recovery:** As occurred with the global financial crisis, it is anticipated that leisure will be an early segment to recover as we move into COVID-19 recovery.
11. **Sacrificing luxury turns into splurge:** Although an economic downturn affects all, luxury customers can usually still better afford travel during times of widespread financial crisis. An example of this is Ritz-Carlton. A Marriott brand, the hotel chain was one of the lowest performers in 2009, but bounced back to rank as one of the best in 2010. As the luxury segment is likely to offer higher levels of service and housekeeping, it tempts luxury travelers to book as soon as recovery begins.
12. **Once prices drop, the climb back up is difficult:** Pricing discipline is key to keeping money coming in, and once the power is lost in a crisis, the price of room rates plummets to extreme lows just to maintain pre-existing market share. Regaining this pricing power is an arduous task and takes a great deal of time. Because of this, although recovery in demand or occupancy may turn around more quickly, RevPAR (Revenue Per Available Room) will have a much slower road to recovery.
13. **In crisis, look for opportunities to grow:** Although embracing a crisis may be difficult, it can provide the silver lining of reinvention. Pursuing new business development, leadership talent or new ways to reinforce the value of DMOs within local communities, crises push the industry to get creative, leverage marketing dollars and develop successful programs that will outlast the hardship.

SOURCES:

Lessons From Past Crises Webinar

Presented by Chris Thompson, President & CEO of Brand USA; DT Minich, President & CEO of Experience Kissimmee; and Ursula Boll, Senior VP of Strategic Partnerships of Miles Partnership. View Recording.

May 2020

Travel Winners and Losers During the 2008 Financial Crisis: Lessons for COVID-19

Seth Borko + Skift Research Team, May 2020. Visit Online.

(log-in required)

The Hotel Industry and COVID-19: Lessons From 9/11 and SARS

Skift Research, April 2020. Visit Online.

(log-in required).

OTHER RESOURCES:

How Destinations Can Bounce Back After Terrorist Attacks

Impact of 9/11 Terrorist Attacks on US and International Tourism Development

The Impact of 9/11 and Other Terrible Global Events on Tourism in the U.S. and Hawaii

Before Coronavirus: How the Travel Industry Overcame its Five Biggest Crises

FUNDING FUTURES

SITUATION ANALYSIS & DMO RESEARCH

Research Study into the Options & Opportunities for New or Enhanced Funding of Tourism & DMOs in the Recovery from COVID-19

MilesPartnership.com/FundingFutures

FUNDING
FUTURES

SITUATION ANALYSIS & DMO RESEARCH

DMO Research

A research survey of 115 North American DMOs including 43 US State Tourism Organizations, 58 US CVBs and 14 Canadian DMOs including Cities & Provinces.

RESEARCH PROJECT LED BY:

Destination Analysts
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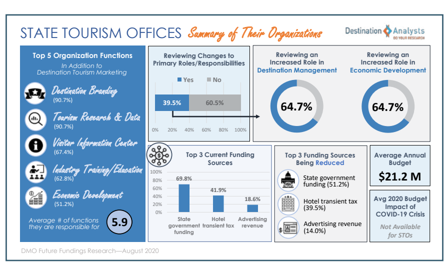
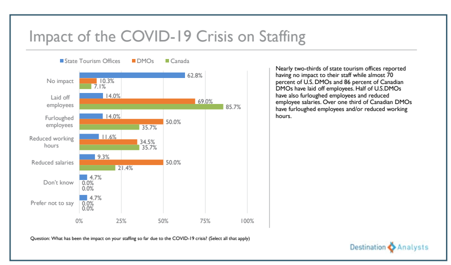
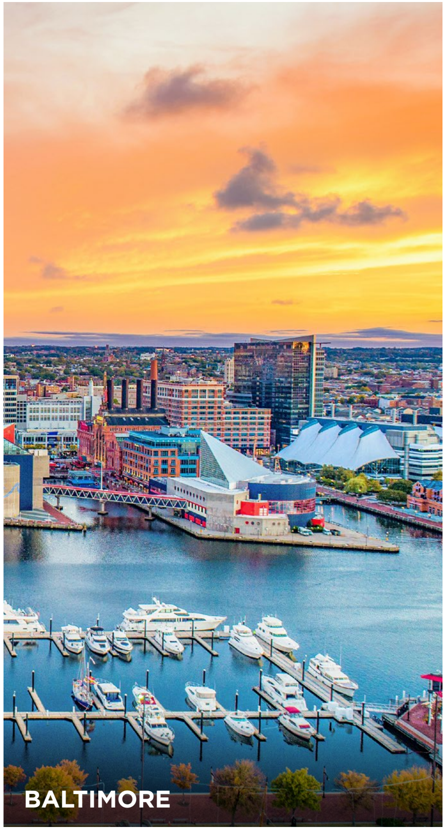
This is a summary of the key learning from the responses of 115 North American DMOs to our survey on current and future funding.

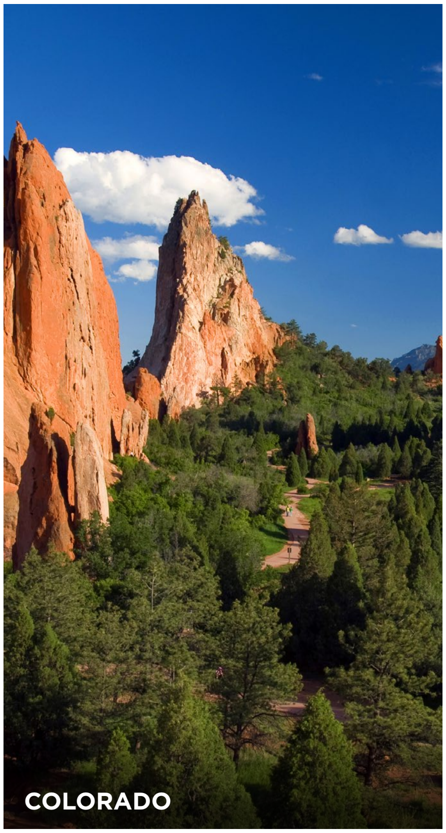
For the full research report, visit
www.MilesPartnership.com/FundingFutures





INTRODUCTION





This research is a component of a larger "Funding Futures" study on tourism funding options being conducted by a collaboration of Miles Partnership, Civitas, Tourism Economics, and Destination Analysts with support from the US Travel Association's Destinations Council, Destinations International, and the Destination Marketing Association of Canada. The Funding Futures study assesses the likely impact of the COVID-19 crisis on tourism funding with the goal of providing revised and future funding options for those organizations responsible for destination marketing.

To gather information and opinions related to current and future tourism funding, a survey was sent to leaders of 175 U.S. and Canadian Destination Marketing Organizations and U.S State Tourism Offices. This included the 100 US cities that were part of the 2018 US Travel - Civitas study on City Lodging & Tourism Taxes and the focus of our latest desk research, all 50 US States, 10 Canadian Provinces and 15 selected Canadian Cities who participated in the 2019 DMAC study on tourism funding.

Between July 20th and August 3rd, 2020, surveys were completed from representatives of 43 State Tourism Offices, 58 U.S. DMOs and 14 Canadian DMOs*.

Description of DMOs:

In this research summary and in the **full research report** "State Tourism Offices" (or "American State Tourism Offices") are described separately from the "US or American DMOs" which describe the 58 City Convention & Visitor Bureaus (CVBs) responding to the survey in the US. "Canadian DMOs" refer to the combined results of the 14 Provincial and City Tourism Organizations responding to the survey.

**Note: The U.S. DMOs surveyed for this project were selected based on their participation in a previous survey conducted by Civitas. Budget data for State Tourism Offices was collected by U.S. Travel Association.*

BOSTON

SUMMARY OF RESEARCH

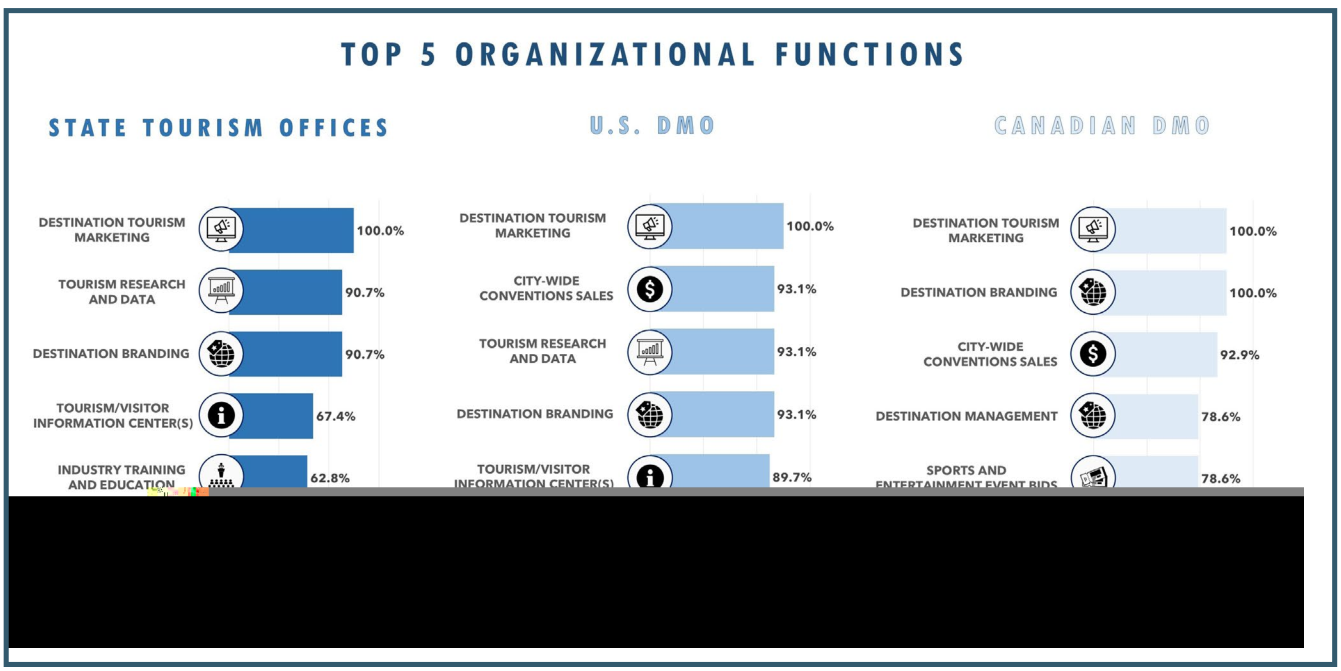
CURRENT ORGANIZATIONAL RESPONSIBILITIES

A critical first step in assessing the best paths forward for tourism funding is inventorying what functions and responsibilities these tourism/destination marketing organizations are currently tasked with. In addition to tourism marketing, destination branding/brand management and supplying tourism research and data are all critical functions of many of these organizations.

American state tourism offices and DMOs are likely to have managing one or more Visitor Information Centers as part of their organizational responsibilities. The majority of these organizations report being charged with tourism industry education and training, as well. Canadian DMOs are more likely to be responsible for destination management functions compared to U.S. based organizations.

City/regional level destination marketing organizations in Canada and the U.S. commonly serve as their community's sales team for city-wide and self-contained conventions and meetings, as well as sports, entertainment and other events. Over 60 percent have programs of work to support a membership. In addition, American DMOs are often charged with public/cultural development events and support. These functions are currently less likely undertaken by state tourism offices.

The tourism/destination marketing organizations with the largest budgets (over $30 million) are likely to own sales functions for bringing convention and group meetings to their destinations. Relative to those with smaller budgets, these organizations are more likely to maintain responsibilities for air service development, sustainability initiatives and membership support.



Those with smaller budgets (under $5 million) are relatively more likely to be responsible for economic development and bids to bring in sports, cultural and other public events.

With the undertaking of group meeting and event sales, American DMOs are, on average, responsible for 10.1 of the 16 functions tested, and Canadian DMOs 8.2. State Tourism Offices are typically responsible for 5.9 of these functions. The organizations with both the largest and smallest budgets report the highest average number of functions that fall under them (9.0 and 8.4 out of 16 tested, respectively).

STATE TOURISM OFFICES

Average # of functions they are responsible for **5.9**

CANADIAN DMOS

Average # of functions they are responsible for **8.2**

AMERICAN DMOS

Average # of functions they are responsible for **10.1**

PRE-COVID-19 CRISIS BUDGETS, FUNDING SOURCES AND STAFFING LEVELS

State Tourism Offices are most likely to be currently funded through their state's government budget (69.8%). Hotel transient tax is the next most common funding source at 41.9%, distantly followed by advertising revenue (18.6%) and partnerships/sponsorships (11.6%). Few receive money from other revenue streams.

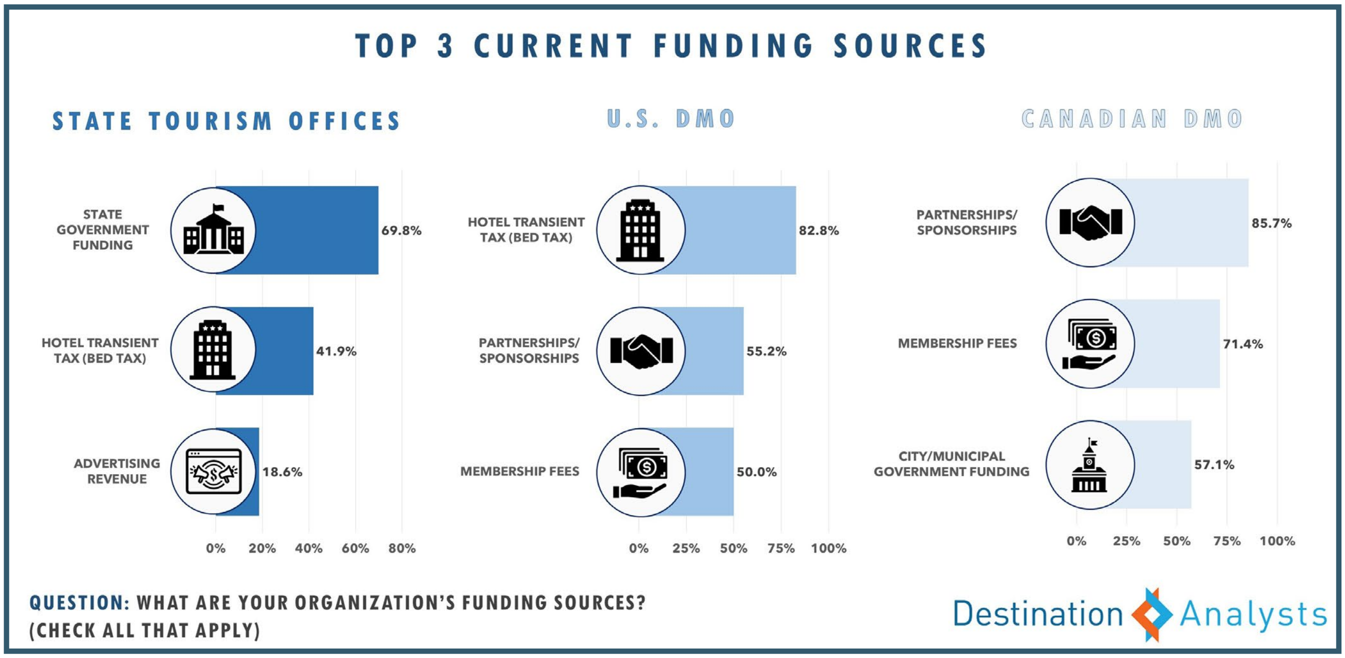
U.S. and Canadian DMOs have more diversity in their funding sources, as do the largest budget tourism/destination marketing organizations. American DMOs surveyed are largely currently funded by hotel transient tax (82.8%), followed by partnerships/sponsorships (55.2%), membership fees (50.0%), and advertising revenue (44.8%). Just under one-third (31.0%) receive government funds; a similar proportion are funded by a Tourism Improvement District. 27.6 percent of U.S. DMOs surveyed are currently receiving funding through taxes levied on AirBnB type rentals.

Canadian DMOs are most commonly funded by partnerships/sponsorships (85.7%), membership fees (71.4%), City/Municipal (57.1%) or provincial (35.7%) government funding, and Municipal Accommodations Tax (42.9%).

Prior to the COVID-19 crisis, American DMOs reported an expected 2020 annual budget of $21.9 million and 50.7 employees on average. Canadian organizations reported an expected 2020 annual budget of $7.7 million CAD and 26.6 employees on average. U.S. State Tourism Offices reported an average 2019 annual budget of $21.1 million and 43.6 employees. Those tourism organizations with a budget above $30 million had an average staff size of 99.2.

99.2

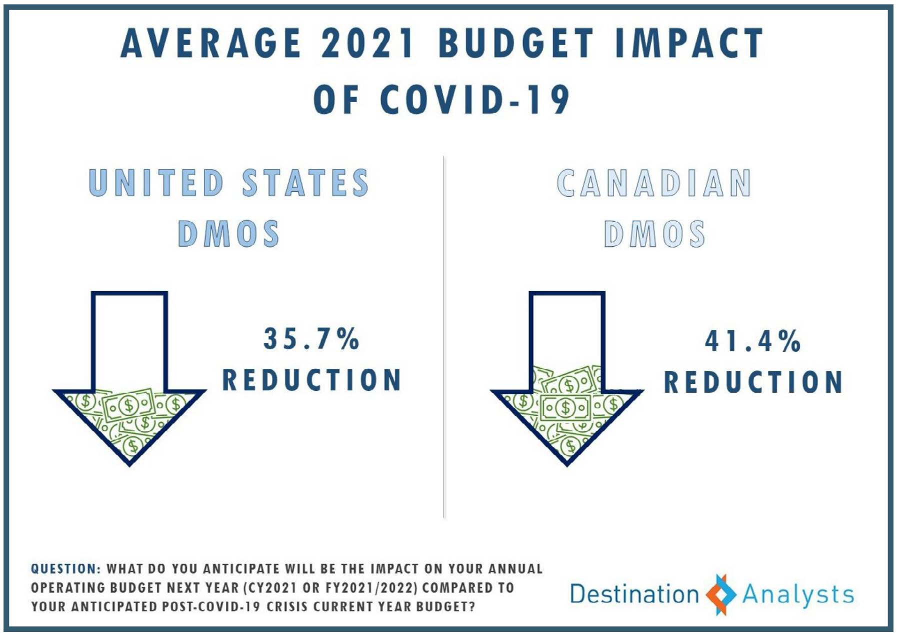
Average number of employees at Tourism/Destination Marketing Organizations with budgets greater than $30 million



THE IMPACT OF THE COVID-19 CRISIS

Nearly 90 percent of U.S. DMOs and 85.7 percent of Canadian DMOs surveyed reported that their current year budget has/will decrease. This reduction will be by 45.1 percent on average for U.S. DMOs and by 59.4 percent on average for Canadian organizations.

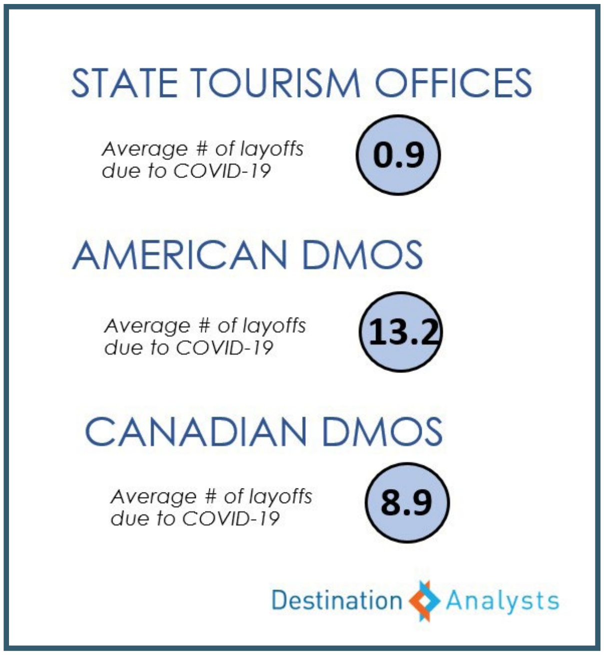
About half of U.S. and Canadian DMOs expect their 2021 annual budget to decrease, as well—by an average of 35.7 percent and 41.4 percent respectively. Approximately one-third are unsure of the impact on their budget right now.



When asked which of their current funding sources would be reduced as a result of the COVID-19 crisis, the majority anticipated an impact to each of their top funding sources.

While nearly two-thirds of State Tourism Offices reported having no impact to their staff due to the pandemic, almost 70 percent of U.S. DMOs and 86 percent of Canadian DMOs have laid off employees. Half of U.S. DMOs have also furloughed employees and reduced employee salaries. Over one third of Canadian DMOs have furloughed employees and/or reduced working hours. Among State Tourism Offices whose staff size was impacted by the crisis, these organizations let 7.2 employees go and furloughed 5.5 employees on average. Among U.S. DMOs whose staff size was impacted by the crisis, these organizations laid off 19.3 employees and furloughed 25.8 on average. Among Canadian DMOs whose staff size was impacted by the crisis, these organizations laid off 10.3 employees and furloughed 11.6 on average.

Note: The chart at right shows the average number of lay offs across all of these organizations, including those who did not have staff impacts.

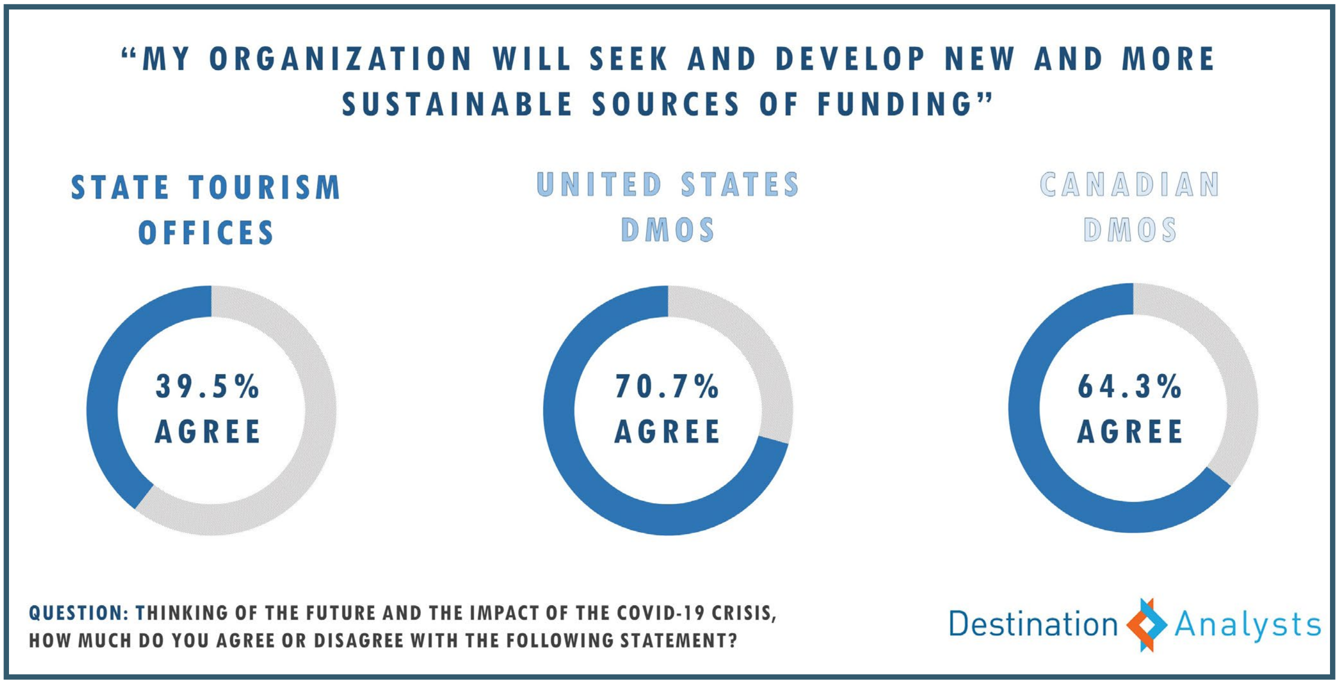


LOOKING AHEAD

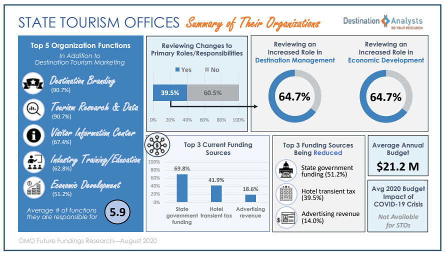
Due to the COVID-19 crisis, destination marketing organizations in the U.S. and Canada are likely to be currently reviewing changes in their primary roles and responsibilities. State Tourism Offices are not as commonly doing so. Over 90 percent of the Canadian DMOs who are reviewing their primary functions are examining having an increased role in destination management in the future. More than 70 percent of the U.S. DMOs who are reviewing their functions are doing the same. About two-thirds of State Tourism Offices who are reviewing their primary functions anticipate an increased role in both destination management and economic development. Over half of destination marketing organizations in Canada and the U.S. are looking at an increased role in economic development in the future.

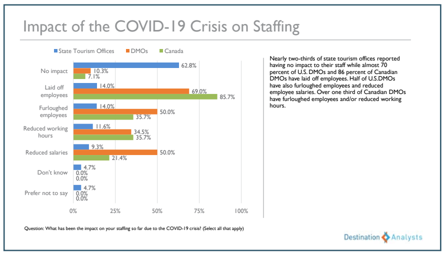
In looking out at other resulting impacts of the pandemic, State Tourism Offices most commonly agree that their organizations will "seek alignment with key partners, economic development, state/city government, etc." and "strive to return to pre-COVID crisis relative to responsibilities, funding, staffing, etc." They are much less likely to agree that their organizations will be "smaller, more focused and more efficient." American DMOs are generally likely to agree with all the potential impact statements tested. Canadian DMOs are as well, with the exception of their organizations, striving to return to return to a pre-COVID crisis normal. The smallest budget DMOs are most likely to feel that the crisis will create a "new normal" for their operations.

As it relates to seeking and developing new and more sustainable sources of funding, U.S. DMOs were the likeliest to agree that this would happen (70.7%). Just under two-thirds of Canadian DMOs anticipate seeking new sources of funding. Just 40 percent of state tourism offices agree. Those seeking new funding models are more likely to be city level DMOs, whose organizations have a greater number of responsibilities, a more diverse set of existing funding resources and who anticipate having an increased role in economic development in the future.



For the full research report, visit
www.MilesPartnership.com/FundingFutures





Destination Analysts
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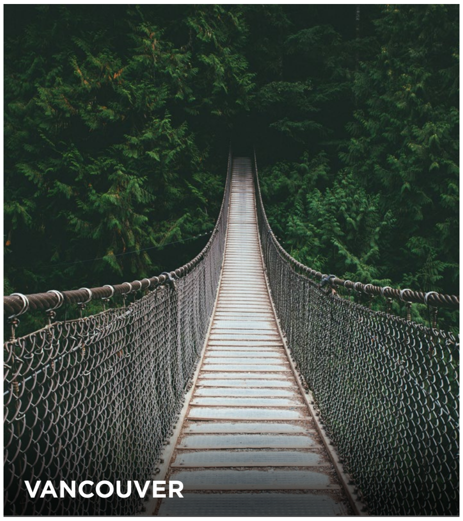
CURRENT SITUATION

A. Overview of Tourism Taxes & DMO Funding in the US & Canada & the Impact of COVID-19

B. An update on the analysis of 100 US Cities' Lodging Charges from 2018

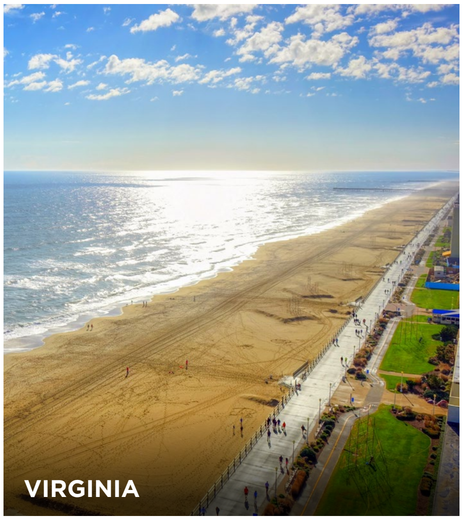
OVERVIEW OF TOURISM TAXES & DMO FUNDING IN THE US & CANADA & THE IMPACT OF COVID-19

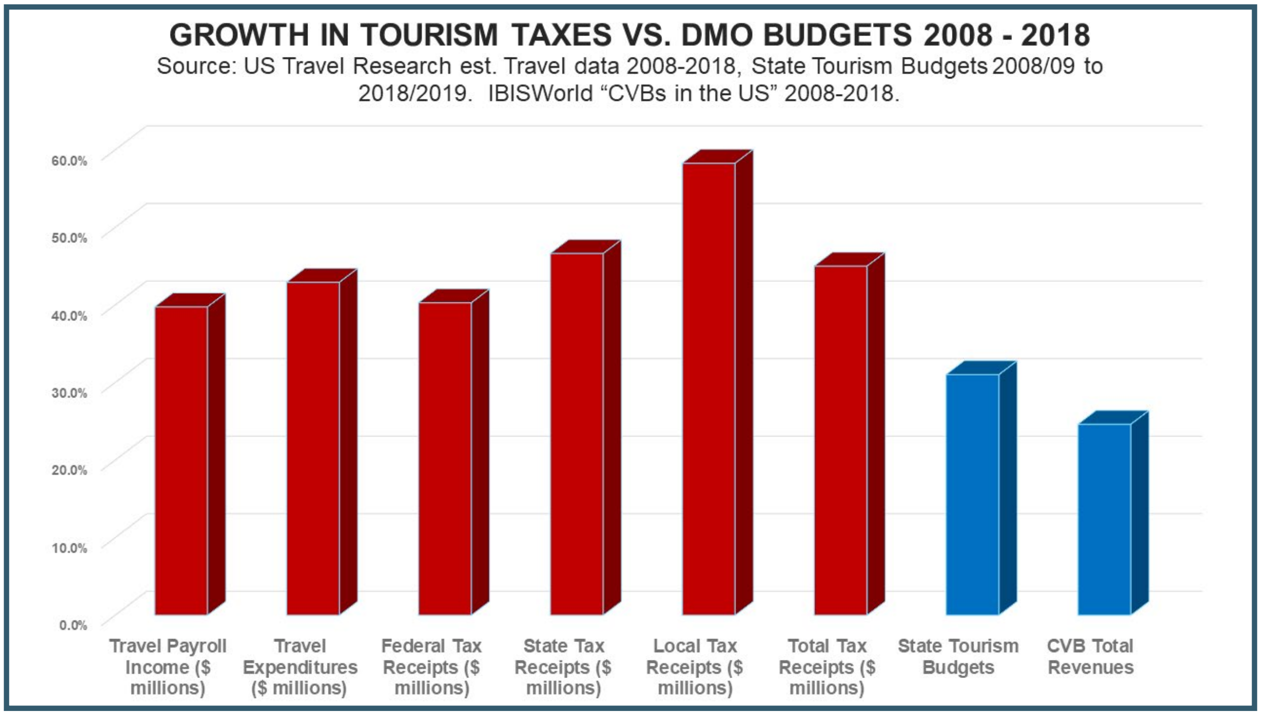
Tourism taxes and related revenues have grown in recent decades to become a highly lucrative and critical source of government revenue at a local, State or Provincial and National level. In 2018 over $31 billion was paid by visitors in the U.S. in local taxes and over $48 billion per annum in tax receipts to the U.S. These funding mechanisms include both sales taxes at city, county and State levels in the U.S. and Harmonised Sales Tax (HST) in Canada - plus bed taxes, called Municipal Accommodation Taxes (MAT) in Canada. Other visitor taxes, e.g. rental car taxes, are also included. Our analysis illustrates the size of this contribution. In the 11 years since the Great Financial Crisis, visitors in the U.S. have cumulatively contributed $241 billion - almost a quarter of a trillion dollars - towards US cities and counties in tax revenue, and over $421 billion was paid by visitors in U.S. State taxes.



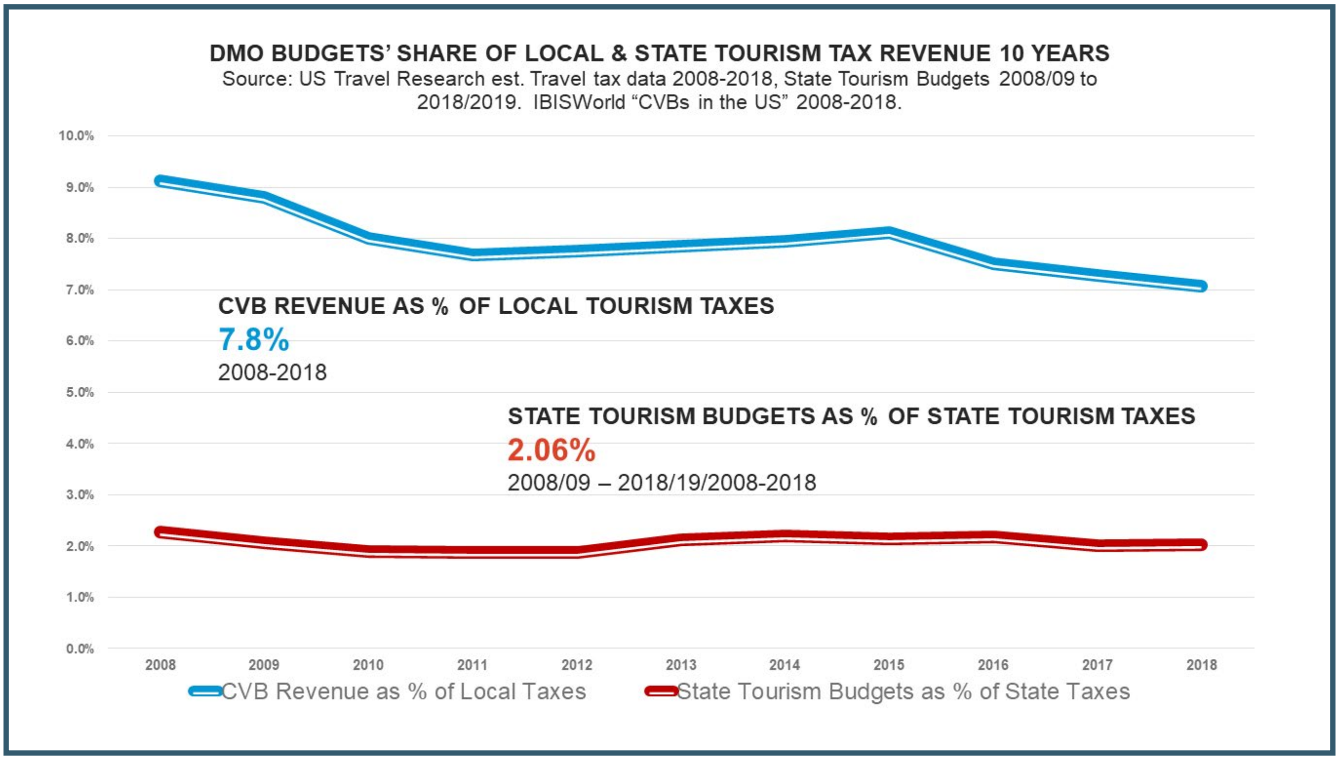
There is no fair share coming to the hospitality, travel and tourism industry... [although] the general fund is reliant on the resources, taxes generated by our industry."

-Rita McClenny, Virginia Tourism





DMOs funding, though often linked to these tourism funding streams, represents only a very small percentage of the total collected. For example, the total funding of DMOs and State Tourism Offices in the U.S. represents just 4.4% of these total local and U.S. state tourism taxes. As the above and below graphs illustrate, this is a share which has been growing more slowly than the growth of taxes paid by visitors. Therefore, the percentage of visitor related taxes used to fund DMOs in the USA has been declining over the last decade. This is particularly true of DMO revenue which has grown more slowly over the last 11 years (vs. U.S. State Tourism Offices) and has declined by over one fifth in its share of local taxes paid by visitors - which has been growing more quickly than any other visitor related tax revenue in the U.S. This has been driven by increases in local sales taxes across the U.S. - which is seldom used to fund DMOs. Hotel bed tax, the primary mechanism for funding DMOs, is also seeing a declining share of revenue reinvested in DMOs. The 2018 US Travel - Civitas study of Lodging Taxes in 100 cities across the U.S. highlighted that around half of all such revenue goes directly into the local government's general fund - with only around one third reinvested back directly into tourism - including funding the DMO and its marketing.



Into this funding environment comes the crisis of COVID-19. The pandemic's impact on tourism and DMO revenue is unprecedented. Tourism Economics' recovery scenarios point to a 52% drop in hotel tax related revenue for DMOs in 2020 and a 13% decline in State Government budgets, which in turn will put severe pressure on State Tourism Office funding. Our survey of 115 North American DMOs offer a prediction broadly in line with these scenarios.

The DMO themselves estimate a 27% to 47% decline in budgets for 2021 with smaller U.S. CVBs most severely impacted at the top end of this range. Mid-sized CVBs seem to be in the "best" shape relative to others, looking ahead with a less severe drop of 27% in their 2021 budgets.

"From a funding standpoint, the thing I worry about is DMOs are just beginning to feel the real pain... once cities realize they are nearly bankrupt... What does this mean for DMOs when police and fire and other essential services are going to have to be cut?"

Gary Sherwin, Visit Newport Beach

"What I'm certainly seeing now is that everyone is going to have holes in their fiscal framework. There is going to be competition for this discretionary lodging tax."

Paul Nursey, Tourism Victoria

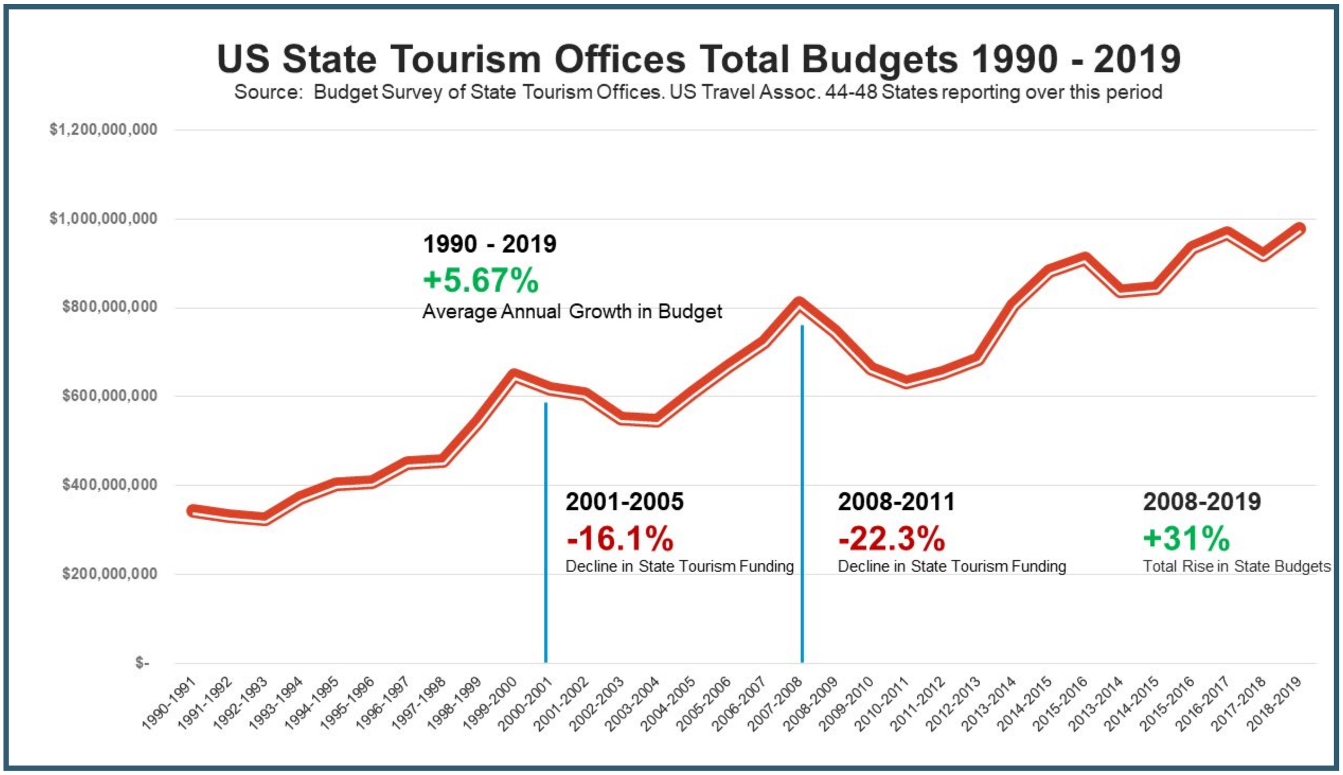
WICHITA

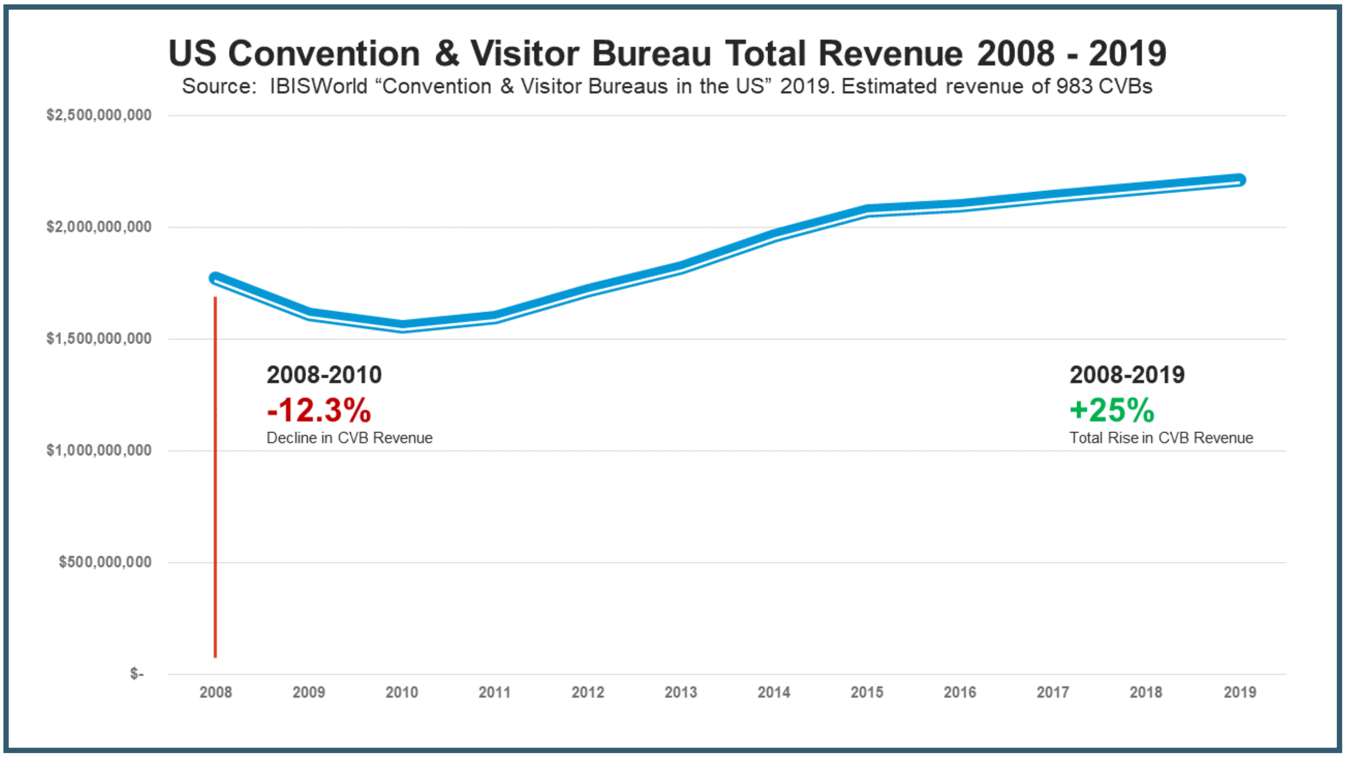
Canadian DMOs estimate a 41% drop in budgets in 2021, however, currently they are benefiting from a far more substantial range of Federal and Provincial government support to DMOs than available (as of mid August) to US DMOs.

Most U.S. states are still waiting for more information to assess the likely impact.

By comparison, 9/11 and the Great Financial Crisis impacted State Tourism Office and CVB budgets much more modestly. The graphs depicted below display an analysis of the impact of these crises on State Tourism budgets and DMO revenue in the U.S. We analyzed State Tourism budgets all the way back to 1991 and sourced DMO revenue dating back to 2008 - the start of the GFC.

Each crisis saw an average of 3-5% declines in average DMO funding in any single year - and a total decline of between 12% and 22% in total DMO funding in the 2-4 years after the crisis.





This illustrates the size and severity of the COVID-19 crisis is at another order of magnitude of any previous crisis. This has left DMOs - particularly CVBs - heavily reliant on bed taxes heavily exposed both in the U.S. and Canada.

COVID-19 saw North American cities come to the end of an historic period of growth in hotel room rates and occupancy - particularly in major U.S. and Canadian with a strong mix of leisure, business and convention travel. This translated to the historic period of growth and stability in hotel bed taxes over the last decade. Indeed the period of 2009 to 2019 was the longest period ever recorded in rising Hotel RevPAR (Revenue Per Available Room) as measured by STR - over 10 years in the US - and 9 years in Canada (which saw a small 0.2% dip in RevPAR in 2019 as a rapid expansion in hotel development outpaced demand).

As of Q1 2020, this came to an abrupt and remarkable end due to the COVID crisis.

"We feel very comfortable with our funding source in normal times, but these are certainly abnormal times."

Joe D'Alessandro,
San Francisco Travel

"When it's stable, it's very stable. When it's unstable, it's very unstable."

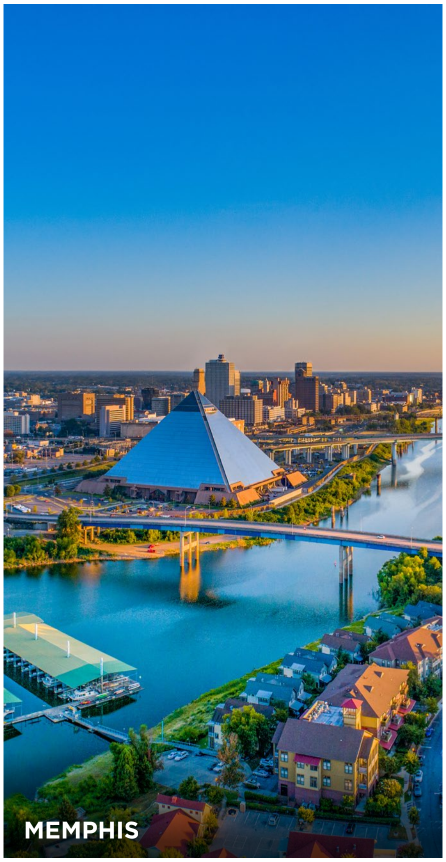
Yves Lalumiere, Tourisme Montreal

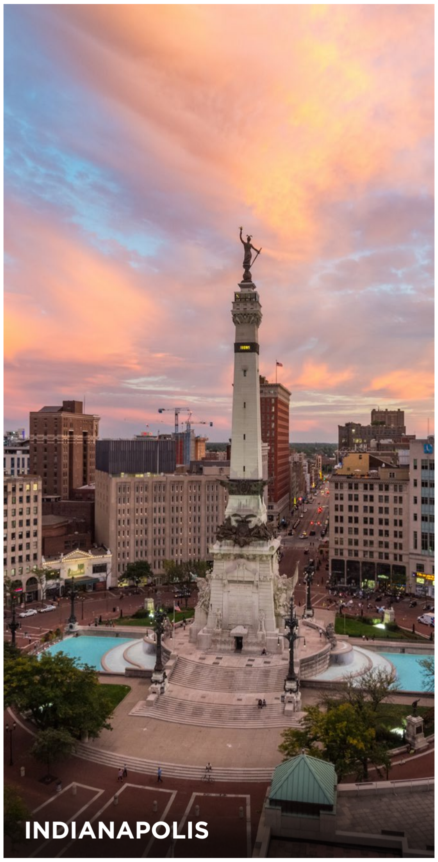
CITY TAX SITUATION ANALYSIS

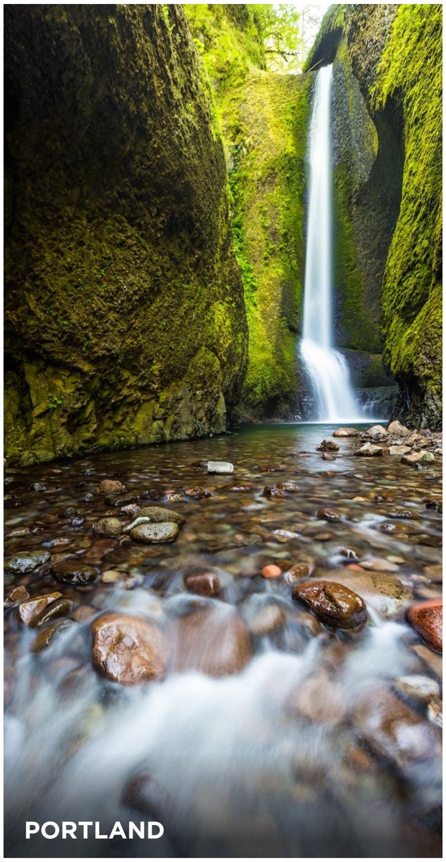
AN UPDATE ON THE ANALYSIS OF 100 US CITIES' LODGING CHARGES FROM 2018

INTRODUCTION

In partnership with the U.S. Travel Association's Destination Council, Civitas prepared a study on lodging charges in February of 2018. This study explored the allocation of revenue generated from taxes and assessments on lodging stays across 100 U.S. cities. One significant component of that study was documenting the lodging charges imposed by each participating destination. To understand how the funding landscape has evolved, this year we updated our database of total lodging charges imposed in each of the destinations documented in 2018.







FINDINGS

Compared to our initial review, 25 out of the 100 destinations studied have increased their lodging rate since 2017, with increases ranging from 0.15% to 2.00%.

One conclusion drawn from the 2018 report was that lodging tax rates were expected to increase over time. This conclusion is supported by the 2020 data. In early 2018, we recorded the average lodging charge for the 100 cities studied in this report to be 14.62%. In 2020, the average lodging charge has increased to 14.92%.

Another important finding from the 2018 study was that larger cities tended to have a higher total lodging rate than smaller cities. Generally, cities with larger populations continue to have a higher total lodging charge than smaller cities. In 2018, we found that cities with less than 350,000 residents had an average total lodging charge of 13.80%, while cities with 350,000 residents or more have an average total lodging charge of 15.44%. Based on the latest Census population data, larger cities maintain this higher average total lodging charge, with cities having more than 350,000 residents showing an average charge of 15.91%, and smaller cities with less than 350,000 residents showing a 14.01% average.

Our 2018 study also illustrated tourism expenditures varying greatly depending on the geographical region. In our 2020 update, we found that the average lodging charge imposed is generally consistent across the six regions, as shown in the chart below. The Midwest region reported the highest average rate at 15.59%. The Northeast region represented the lowest average rate, recorded at 14.33%.

Analysis by Region

Region	# of Cities	States	Average Rate	Median Rate	Mode Rate
Pacific	15	AK, CA, WA, HI, OR	15.25%	15.30%	16.70%
West	8	CO, ID, MT, NV, UT, WY	11.58%	12.11%	N/A
Southwest	13	AZ, NM, OK, TX	15.54%	15.26%	17.00%
Midwest	18	ND, SD, IL, IN, IA, KS, MI, MN, MO, NE, OH, WI	15.59%	15.72%	17.50%
Southeast	31	AL, AR, NC, FL, GA, KY, LA, MD, MS, TN, VA, WV, DC	15.19%	14.95%	13.00%
Northeast	15	CT, DE, ME, MA, NH, NJ, NY, PA, RI, VT	14.33%	14.00%	14.00%
United States	100	47 States	14.92%	15.00%	13.00%

CONCLUSION

The 2018 lodging charge study was intended to create a data set that could be updated over time and utilized by the industry to track changes and identify trends. Our 2020 update accomplishes this intention, as we noticed an upward trend in increased lodging charges across destinations nationwide. In the two years since the 2018 study, 25 out of 100 destinations raised their lodging charge rates. Although this did not significantly impact the overall national average, this clearly indicates an upward trend in lodging charge rates in U.S. destinations, even over a short period of time.

FUNDING FUTURES

OUTLOOK FOR RECOVERY

Forecasts as of August 13, 2020

Research Study into the Options & Opportunities for New or Enhanced Funding of Tourism & DMOs in the Recovery from COVID-19

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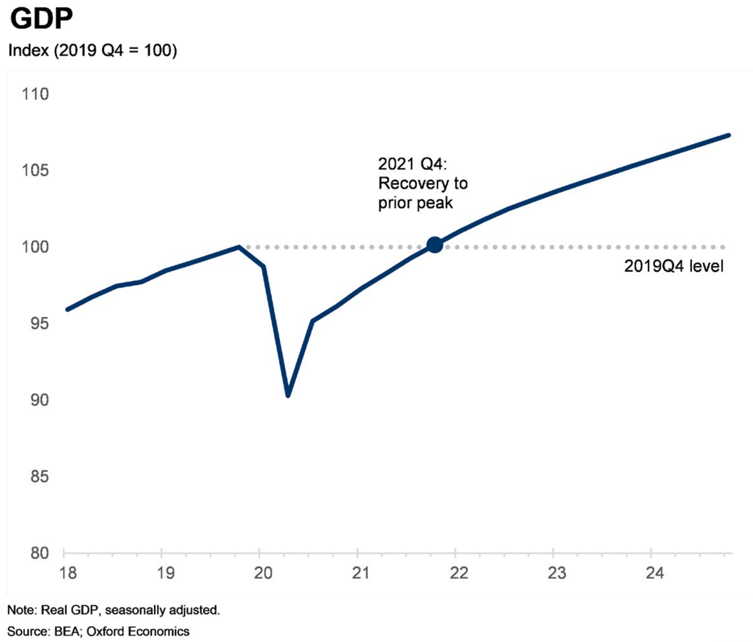
Tourism Economics has developed DMO budget forecasts based on the outlook for travel in general, hotel room revenue, and State and Provincial economies. These forecasts have been extended to 2024, which is the year in which we expect travel spending (at the national level) to reach its prior peak.

As we discuss these forecasts, it is imperative to establish the non-negotiable assumption that travel will fully recover. The pandemic will end. The drivers of travel—income growth, demographic shifts, the importance of meetings, and the intrinsic value of a vacation—will still be intact on the other side. So, recovery is inevitable. This study attempts to define the shape and timing of the recovery and its impact on destination marketing funding.

As we make our way through the steepest declines in travel in history, destination marketing budgets are threatened both directly and indirectly. Direct threats have already been felt, especially by DMOs with funding directly tied to hotel taxes and other income streams connected to visitor activity. Indirect threats lie in wait as state budgets will be downsized in the coming year and tourism offices (both state and local) will not be immune general budget cuts. Additional indirect threats may take the form of redirecting previously earmarked funds away from destination marketing during a period of fiscal austerity at the state and local levels.

The Economic Outlook



The Global Coronavirus Recession (GCR) has hit the economy with unprecedented force and speed, as the first estimate of Q2 GDP confirmed. The 32.9% annualized plunge in Q2 was the sharpest on record, and the 10.6% peak-to-trough contraction has been surpassed only twice in the last century: WWII demobilization and the Great Depression. Beyond its magnitude, the unique feature of this recession is its speed: real GDP fell 2.5 times further than the 2008–9 financial crisis in just two quarters, versus six quarters then.

Importantly, after a rapid first phase of recovery, the economy has now entered the second phase of its rehabilitation with much less momentum and a dire need for fiscal aid. While activity fell sharply in Q2, most of the quarter featured a rebound in the economy with employment, consumer spending, business investment and housing bouncing off their extremely depressed April levels. But, while "rear-view mirror" economics may lure us into a false sense of comfort, our Recovery Tracker points to a stalling rebound since early July. A poorly managed health situation and depressed incomes means the economy risks a double-dip recession without urgent fiscal aid. Indeed, fiscal aid will likely top $3 trillion before the end of August. This should stabilize the economy from another fall but will lift the federal budget deficit towards 25% of GDP.

Oxford Economics Forecast: US

	2020	2021
Current Forecast (July 2020)		
Economic growth (%)		
GDP (real)	-4.2	3.9
Consumer spending (real)	-5.3	4.8
Fixed investment, private, nonres. (real)	-6.8	4.5
Unemployment	9.6	7.6
Inflation, rates, and FX rates (%)		
Inflation (PCE)	1.0	1.6
Inflation (CPI)	1.0	1.6
Short-term interest rate (Fed. Funds)	0.7	0.4
Long-term interest rate (10-yr Treasury)	0.9	1.2
Exchange rate (Index, 2010=100)	120.9	120.4

Note: Inflation (PCE) refers to the personal consumption price deflator.

Oxford Economics produces multiple economic scenarios with assigned probabilities. The three most likely are shown below, with our U.S. GDP forecast for 2020 and 2021.

Baseline forecast (-4.2%, 3.9%; 40% probability)

While growth bounces back following a peak in infections and lockdown stringency in Q2 2020, the COVID-19 induced recession in the first half of the year has some lingering costs for global GDP.

Recovery fades amid renewed wave of infections (-4.7%, -6.4%; 20% probability)

A second coronavirus wave results in renewed lockdowns, with persistent public health concerns weighing on confidence and activity in the medium term.

Scientific advances speed up return to normal (-3.3%, 5.4%; 20% probability)

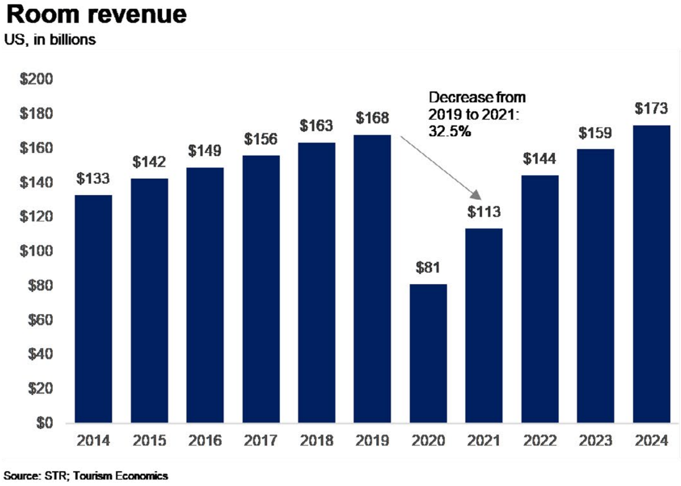
Restrictions are eased more quickly, facilitating a more rapid recovery and limiting permanent damage on the global economy.

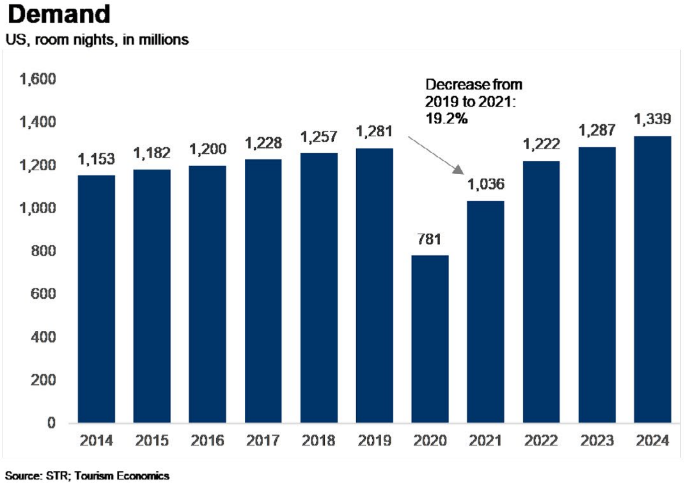
The Outlook for DMO Funding

(HOTEL BED TAXES)

The majority of DMOs are funded through hotel bed tax collections. Whether through a Tourism Improvement District or a traditional earmarked share of the bed tax, a forecast of DMO funding is directly linked to the outlook for hotel performance. In this regard, the STR/Tourism Economics hotel revenue forecast can be instructive.

VICTORIA, B.C.

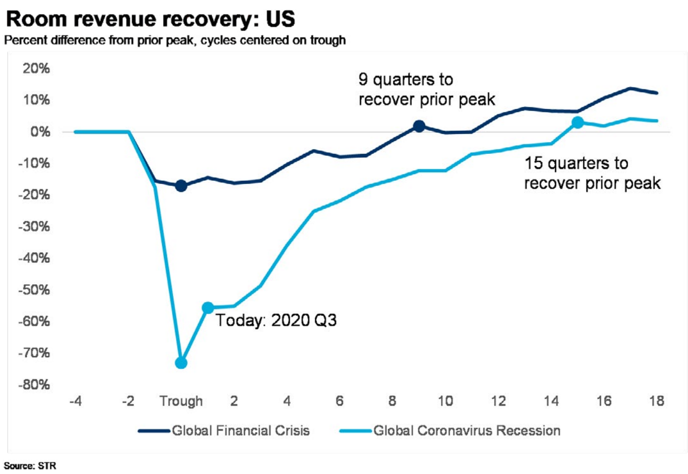




The August STR/TE U.S. hotel revenue forecast predicts a return to 2019 levels of room revenue in late 2023 (and reaching the peak on an annual basis is 2024). Demand will fully recover a year earlier but lower room rates will weigh on the bottom line.

However, an important feature of the recovery forecast is that room revenue (and by extension, most DMO budgets) will be largely whole in 2022. We expect room revenue to reach 68% of 2019 levels in 2021 and 86% of prior peaks in 2022. This implies that most DMOs will be able to function at a mostly normal degree by the second half of 2021.

The length of time to recovery is somewhat longer than after the Great Financial Crisis, when room demand and revenue took nearly two years to reach prior peaks after bottoming out in 2009. Once room revenue hit bottom during the GFC, it took just over two years to fully recover. We expect the current recovery cycle to take approximately four years.

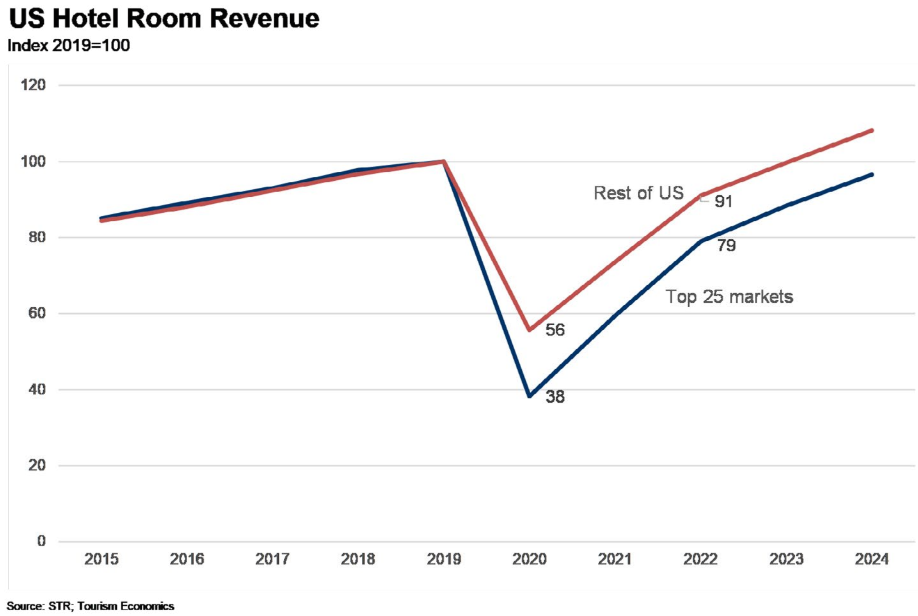


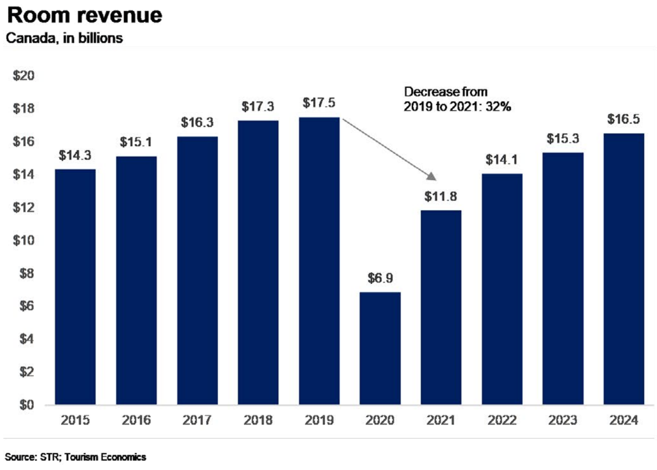
Another feature of the forecasts is incredible disparity across markets that will be defined by the following factors over the coming year:

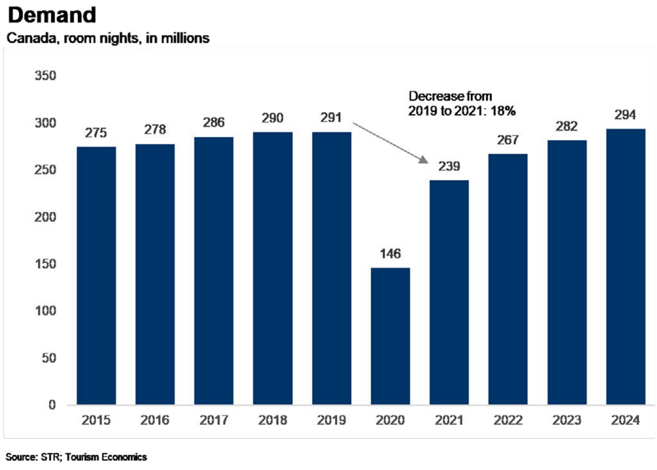
- Local virus activity
- Dependence on international vs. domestic markets
- Dependence on group hotel activity vs. leisure and transient
- Ability to pivot to drive leisure travel away from air markets
- Qualities of the destination (outdoor/low density/resort)

These factors tend to favor non-urban markets. Therefore, the outlook for the top 25 urban markets is weaker than for the rest of the U.S. International and group markets are at rock bottom levels and will be slowest to return. Large events are unlikely to meet in 2020 and many are at risk of cancellation in the first half of 2021. Small and medium-sized events are expected to begin meeting more consistently in early 2021, though there is notable risk to this as well. Cross-border travel between Canada and the U.S. is likely to resume first once the border is reopened. Overseas travel is forecast to begin its recovery in the second half of 2021 with a full restoration to 2019 levels delayed until 2025.

The story is remarkably similar for Canada, with a 61% drop in revenue in 2020 and a large rebound in 2021, bringing the industry to with 68% of 2019 values.







The Outlook for DMO Funding

(GENERAL FUND)


COLORADO SPRINGS, COLORADO

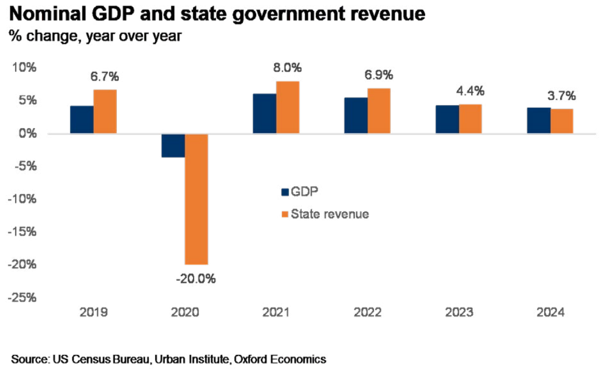

MUNISING, MICHIGAN


PACIFIC COAST LINE, CALIFORNIA


TERREBONNE, OREGON


SHENANDOAH NATIONAL PARK, VIRGINIA

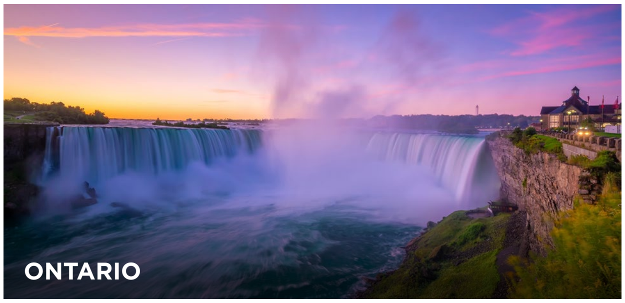
Many state tourism office budgets are allocated from the general fund and some local DMOs are funded through state and local government distributions. As a result, the outlook for state and local budgets will define the prospects for these DMO budgets. And the prospects are bleak. While this funding stream will be more stable in the short term (i.e., the current fiscal year), the recovery may be more prolonged as government revenue has been hit hard. In fact, state government revenue is set to contract by more than five times the rate of the overall economy in nominal terms. State and local tax revenue is forecast to drop 20% in 2020, compared to a nominal GDP decline of 3.5%. For historical context, state and local tax revenue fell 11% in 2009 in tandem with a 2% drop in nominal GDP.



This implies a difficult budgeting environment for DMOs dependent on general fund allocations and likely cuts without either 1) successful advocacy or 2) new funding sources.

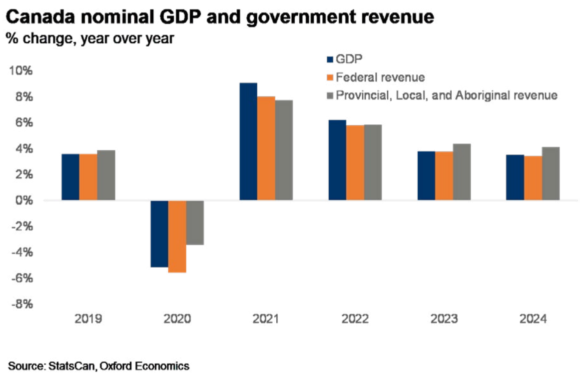
General fund declines in DMO budgets are likely to be less than bed tax-sourced declines initially. However, the recovery of state revenue does not necessarily imply that DMOs will be funded at the same levels in the future.

The Outlook for Canadian DMO Funding



Canadian DMO funding faces a similar risk posed by the downturn in government revenues. Federal tax revenue is forecast to fall 6% in 2020, and tax revenues for provincial, local, and aboriginal governments are forecast to contract 3%, compared to a 5% decline in nominal GDP. This mirrors the effects of the recession in 2009, which also saw nominal GDP drop 5% and federal tax revenue decline 6%; however, provincial, local, and aboriginal government tax revenue was more resilient and diminished only 0.2% in 2009.

While government tax revenue in Canada is more stable in recessions than government tax revenue in the U.S., the strains on available funds necessitate concerted advocacy efforts. A feature that benefits Canadian DMOs that is not enjoyed by DMOs in the U.S. is that provinces can run deficits, and thus, can fund programs and initiatives beyond the limits of their tax revenue. This allows DMOs, through successful advocacy, to overcome the limited funding available through tax revenues and continue operating until regular economic activity resumes.



Summary of DMO Funding Outlook

These two respective outlooks—for hotel room revenue and for state government revenue—provide a helpful framework for forecasting DMO budgets. Those dependent on hotel bed tax will generally see a sharp decline in the 2020 calendar year with the average decline in the range of 50%. Those with a different fiscal calendar may spread those losses more equally across two years. However, a strong rebound in hotel room revenue is expected in the coming two years, bringing these DMO budgets to 86% of 2019 levels in 2022.

For DMOs funded out of state general budgets, the decline may be more tempered as revenue is expected to fall just 20% this year. However, the risk to a tourism promotional budget may indeed be larger as policymakers look for areas to make expenditure cuts. This poses a pressing need to explore new funding options for those DMOs currently relying on general fund appropriations in addition to those reliant on dedicated bed taxes.

Outlook for DMO Funding

	2019	2020	2021	2022	2023	2024
Percent Change						
Hotel room revenue	3%	-52%	40%	27%	10%	9%
State and local gov't revenue	7%	-20%	8%	7%	4%	4%
Index (2019=100)						
Hotel room revenue	100	48	68	86	95	103
State and local gov't revenue	100	80	86	92	96	100
Scenario: $10 million budget in 2019						
If funded by bed tax	$ 10,000,000	$ 4,816,940	$ 6,751,863	$ 8,586,972	$ 9,482,277	$ 10,319,479
If funded by general fund	$ 10,000,000	$ 8,000,000	$ 8,637,080	$ 9,229,338	$ 9,637,779	$ 9,994,933
Scenario: $1 million budget in 2019						
If funded by bed tax	$ 1,000,000	$ 481,694	$ 675,186	$ 858,697	$ 948,228	$ 1,031,948
If funded by general fund	$ 1,000,000	$ 800,000	$ 863,708	$ 922,934	$ 963,778	$ 999,493

FUNDING FUTURES

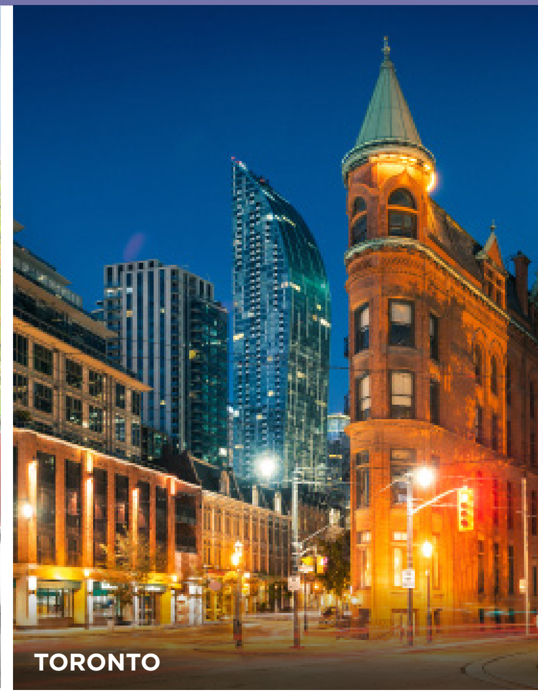
10 NEW & ENHANCED FUNDING OPTIONS

Research Study into the Options & Opportunities for New or Enhanced Funding of Tourism & DMOs in the Recovery from COVID-19

MilesPartnership.com/FundingFutures


PACIFIC COAST, CALIFORNIA


AMSTERDAM


TORONTO

危機

"The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger--but recognize the opportunity." - John F. Kennedy

Introduction

As the situation analysis and DMO* research highlights change in tourism and DMO funding is urgently needed. DMOs recognize this need with the majority emphasizing they are seeking "new and more sustainable sources of funding". This section of the full 'Funding Futures' report focuses on the intersection of this urgent need with specific options for action.

COVID-19 has had a profound impact on the travel and tourism industry, and there is a significant opportunity to make changes that would not be possible without this seminal crisis. As the above quote from John F. Kennedy highlights, such a moment of crisis bring the opportunity for real change.

We outline 10 new and enhanced opportunities and options were first published for the future of funding in your destination. These are based on our extensive desk research including an initial review of international (especially European) examples, four North American DMO discussion groups and the DMO research from over 100 North Americans DMOs. These describe both immediate changes needed in the recovery from the COVID-19 crisis and a range of ideas and longer term opportunities for more responsive, resilient, and regenerative funding for DMOs of the future.

DISCUSSION DOCUMENT & FEEDBACK

These 10 new or enhanced funding options was first published as a Discussion Document on August 5th. Feedback, scoring and comments from DMOs responding to this discussion document are included in our summary of each of the 10 funding options.

***Note on the use of "DMO":** We have used DMO as the descriptor for all types of Destination Marketing &/or Management Organizations regardless whether they are an official National, State/Provincial, Regional or a City Tourism Organization and regardless of whether their focus is marketing, sales, and/or management of tourism.*

Three Types of Funding Models

The 10 funding models are divided into three broad types based on the primary characteristics and benefits of each funding model:

RESPONSE

Funding mechanisms that provide short-to-medium term revenue to directly address the reopening and recovery phases of the COVID-19 crisis over the next one to three years.

1. Stimulus Spending & Recovery Funding

RESILIENCE

Funding that provides a stronger and more resilient source of revenue, such as revenue models that are widely supported, broader based and support the long term, sustainable growth of tourism. Funding that will help tourism and DMOs weather the next crisis – whether natural or man-made, regional, or global in scale.

2. Building Reserves
3. Sharing Risk – Insurance
4. Role, Responsibility & Structure of DMOs
5. Evolution of Dedicated Funding
6. Tax Increment Funding
7. Enhanced Public – Private Co-op Funding
8. Short-term Rental Revenue

REGENERATION

Funding that is focused squarely on 'building back better.' Revenue streams that cover all the costs of tourism, incentivize positive tourism activity, target problematic tourism growth, and/or invest in the long-term assets and amenities for the community and environment.

9. Outcome Based Funding Models
10. Regenerative Funding Models

Note: *This section of the full Funding Futures report is a high level introduction and overview of each of the 10 funding models outlined above. We provide examples and resources for additional review. Destinations and their industry, community and government partners will need to examine each in more detail based on their own specific characteristics and define a mix of funding that best suits their needs.*

FUNDING
FUTURES

10 NEW & ENHANCED FUNDING OPTIONS

Response

Funding mechanisms that provide short-to-medium term revenue to directly address the reopening and recovery phases of the COVID-19 crisis over the next one to three years.

HIGHEST PRIORITY

74% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Funding and stimulus spending from governments are critical to the operation of many DMOs during the crisis and their active role in the recovery of travel
- Dozens of countries including Canada, but not the United States, have already targeted significant funding support to DMOs in this crisis
- This public recovery funding for DMOs and/or prioritized DMO funding mechanisms will be critical to ensure DMOs are ready to help lead the recovery
- In addition, spending by governments on health and safety protocols for travel plus stimulus investment in areas including domestic tourism campaigns or incentives to travelers also greatly aid the work of DMOs in reopening tourism

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

1. STIMULUS SPENDING & RECOVERY FUNDING

A. Introduction to Stimulus Spending & Recovery Funding

B. Recovery Funding of DMOs

C. Funding of Local & Domestic Campaigns

D. Restarting International Travel

E. Prioritized DMO Funding Mechanism

F. Public Borrowing Against Future Tourism Funding

G. Other Government funding supporting the Recovery of Tourism

CHICAGO

A. INTRODUCTION TO STIMULUS SPENDING & RECOVERY FUNDING

Travel and tourism are seeing historic drops in visitor arrivals and spending in many parts of the world. In the US, this decline in spending is estimated at over $500 billion for 2020 – a more than 35% drop from 2019 levels. Almost 40% of all the newly unemployed in the US as of May 2020 are estimated to come directly or indirectly from travel and hospitality (Tourism Economics & U.S. Travel Association estimates to July 2020). The U.S. Travel Association has dubbed this 'The Great Travel Depression.' (See graphic)

Tourism and travel face a momentous challenge in the recovery from COVID-19. With deep declines in tourism spending during the pandemic, both public and private funding have been massively disrupted. This is especially true of transaction-based funding models including bed taxes, rental car fees, visitor arrival levies and more. At the very moment when tourism and DMO resources will be necessary to help to lead the recovery of tourism and hospitality, many DMOs and their industry partners will be facing unprecedented declines in their funding.

Here are a range of stimulus spending and recovery funding opportunities that will be important to the recovery of tourism and DMOs.

"It's been fascinating to see how quick and nimble we have become"

– Susie Santo, Visit Wichita

B. RECOVERY FUNDING OF DMOS

The COVID-19 pandemic has prompted unprecedented levels of public spending, largely funded by debt. Around the world, a wide range of governments are directly supporting DMOs or tourism specific campaigns related to DMOs through direct funding and grants. Some nations such as Canada, Australia, New Zealand, and a range of European countries have provided other recovery funding to DMOs. These funds are usually linked to specific programs as recovery strategies and destination management planning, but in some cases cover overhead during the crisis. Wage subsidy schemes in a range of nations have also helped.

"I have told my team that every action we take has to produce a room night."

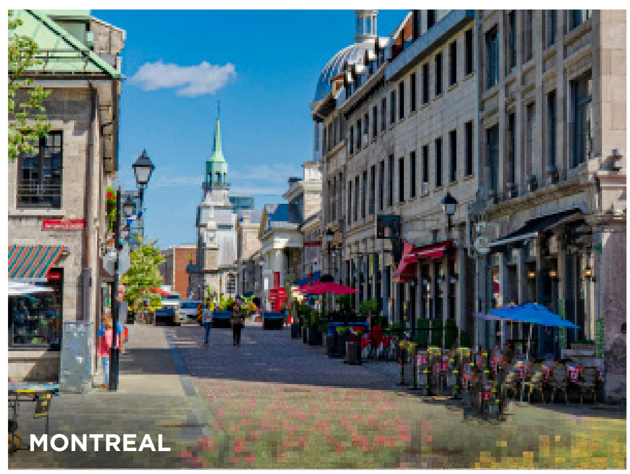
– Jeff Miller, Travel Portland

Summary as of August 17th 2020: *The details and options around Recovery Funding and Stimulus Spending is rapidly evolving - especially in the US where Congress may finally act on a another major COVID-19 Relief Bill that could include specific support for DMOs. Before the election. It is important to seek up to date information on government funding options and stimulus spending from an authoritative source such as US Travel, TIAC or Destinations International.*

Canada

In Canada, DMOs have been able to access both wage subsidies, rent support and a range of specific grants and other funding from both the Federal and Provincial governments.

a. **Wage Subsidies & Rent Support:** In Canada, many DMOs have been able to access Federal Government support including the Canadian Emergency Wage Subsidy (CEWS) - available to any employer who is able to demonstrate a decline of at least 30% in revenue. Plus, rent support is available through the CECRA - the Canadian Emergency Commercial Rent Assistance Program. Both programs have covered important parts of the overhead costs of many DMOs and enabled them to retain staff and resources to respond to the crisis.



b. **Canada Summer Jobs Program:** In addition, Canada has expanded its Summer Jobs Program during COVID-19 allowing DMOs and tourism businesses to access more temporary positions ideal for students over the summer with subsidies up to 100% of their wages. This program provides a way for Canadian DMOs and tourism businesses to access talented young workers to boost staffing and help deal with the immediate crisis. The program traditionally has been an effective way for tourism in Canada to not only fill summer jobs but showcase the industry as a longer term career choice.

c. **DMO Grants & Funding Support:** Canada has provided substantive funding support for DMOs from both the Federal and Provincial levels of government. This was kicked off in late May during tourism week by Destination Canada's announcement of a $30 million Canadian (CAD) partnership fund. This will be invested over the next 18 months to support the recovery of communities through the work of

Provincial and Territorial Marketing Organizations. See a summary here. This compliments programs in each Province. For example in Alberta, Travel Alberta announced in late June a $4 million CAD 'Alberta DMO COVID-19 Operational Relief Program' to support 9 DMOs in the Province plus a further $4 million CAD program to support city DMOs in regional and provincial domestic tourism marketing initiatives. See overview here. In British Columbia, $10 million CAD was made available to DMOs though this was largely to make up for the freezing of the Municipal and Regional District Tax (MRDT) accommodation tax that funds DMOs - part of the freeze of sales tax in the Province in response to the COVID-19 crisis.

d. **Regional Relief & Recovery Program**
In addition, Canada's Seven Economic Development Agencies, received substantive additional funding to help the economy respond to the COVID-19 crisis - with parts of this funding directly supporting Canadian DMOs and tourism businesses. This Regional Relief & Recovery Fund (RRRF), valued at more than $962 million nationally has slightly different criteria and areas of focus in each region of Canada. For example the Atlantic Canada Opportunities Agency (ACOA), one of the six national EDAs, has injected money into Maritime DMOs including efforts to support main street businesses into selected cities including Moncton, Saint John, Fredericton, Halifax, and Charlottetown.

"We got Regional Recovery Funding (RRFF) that just came from the federal government, and 59 DMOs in Ontario got 50% of their 6 months funding... It was a lifeline for some of them."

– Kathleen Trainor, Tourism Barrie in Ontario, Canada & Destination Marketing Association of Canada

In Ontario, a focus of the RRRF funding available through the two Regional Development Agencies in the Province provides financial contributions (interest-free loans) to help support fixed operating costs of SMEs, where business revenues have been affected by the COVID-19 pandemic and they have been unable to access other Government of Canada measures.

As one example of a Canadian DMO benefiting from this range of support, Discover Saint John in Canada's maritime provinces saw an immediate cut to their budget of $800,000 CAD as the COVID-19 crisis unfolded. However, they were able to mitigate this through a range of Federal and Provincial support programs. They were able to access the wage subsidy, get additional support in the form of student positions, leverage the ACOA marketing investments and Destination Canada's marketing investment and tap into the ACOA Regional Relief & Recovery Fund.

USA

In the US, DMOs have had much more difficulty accessing public support after being excluded from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) scheme (part of the CARES Act passed by Congress, more information below). As of the end of July 2020, the U.S. Travel Association is still advocating for specific DMO support as part of an additional congressional relief, and that support is critical for DMOs to have the ability to lead the recovery of tourism. In the meantime, DMOs are taking advantage of additional grant opportunities such as Economic Injury Disaster Loans, Economic Development Administration Grants, and Coronavirus Relief Funds, outlined below:

a. **PPP:** The Paycheck Protection Program (PPP) in the US is a federal loan program that provides funds to assist small businesses retain employees. Those who qualify are eligible for full or partial loan forgiveness if the grant funds are used for payroll, rent, mortgage interest, utilities, and other qualifying costs. PPP fund applications are administered through private banks.

   - As of this writing, PPP loans are targeted at small businesses and some nonprofit organizations. PPP funds are not currently available to government entities, 501(c)(6) corporations, nor 501(c)(4) organizations.
   - There are promising indications that Congress will revise PPP qualifications to include 501(c)(6) corporations. This change could occur at any time and being prepared ahead of the application announcement may provide a distinct advantage over organizations who wait until that time to begin the application process. We encourage those who are interested in the funds to begin compiling the required resources immediately. In the past, PPP loan applications have required, at a minimum the following items: a bank application, payroll records for one year, health care payment information for one year, vision and dental insurance payment information for one year and lease agreements or mortgage information. We will not know the final rules for the next round until Congress concludes its work, but most organizations would be well-advised to begin collecting their records immediately.
   - Working together with your local bank is essential for success in applying for PPP funds. Some banks are keeping lists of organizations that have expressed interest in applying for PPP funds, once Congress passes amendments to the qualifying businesses. Reaching out to your local bank to begin this process, and compiling the aforementioned materials, ensures that you are ready to hit the ground running with a PPP application.

"Boy, that PPP would come in handy right about now...I'm sure you all agree. If we could get that thing going, it would be a game-changer and free up our resources we are using to pay staff to deploy our campaigns."

– Martha Sheridan, Greater Boston CVB

b. EDA: The Economic Development Administration (EDA) is a US federal agency that provides grant assistance to economically distressed areas as authorized by the Public Works and Economic Development Act of 1965 (PWEDA), as amended. EDA supports local, state and regional economic development efforts targeting areas of highest distress within the United States. Ordinarily, the EDA determines area eligibility for the grants based on the level of unemployment, per capita income, or special need, and cost sharing or matching is required.

- However, since the President declared the COVID crisis a national emergency, and since the CARES Act allocated $1.5 billion to the EDA, EDA grants are available throughout the country to local and state governments, and nonprofits working with governments, based on an 80/20 match. EDA provides direct grants for projects that will create and retain private-sector jobs and leverage public and private investment.
- The EDA has issued guidance in support of travel promotional campaigns but has also stated that the grant funds cannot be used for advertising. While some of the guidance may appear to be contradictory, the prospects of being awarded these funds for a variety of other efforts has been a blessing for many travel and tourism organizations. Collaborating with other DMOs or other regional organizations generally makes EDA grant applications more competitive. The EDA has encouraged DMOs to connect with their local economic development organizations and professionals to encourage collaboration. The EDA has been supportive of DMOs investing in planning grants, including recovery plans, master plans, and communication plans. In addition, the EDA has expressed their support for applications that include economic research.

"We have a PPP ask as well, in addition, one of our larger asks is funding for the Global Virus Diversity Advisory Council to go through the sanitization program for facilities...to send that safety and cleanliness message statewide."

– Kaitlin Eskelson, Visit Salt Lake

c. **EIDL:** Small business owners and non-profit organizations may apply for an Economic Injury Disaster Loan (EIDL) through the Small Business Administration (SBA). The EIDL program is a mechanism for increased liquidity for destination organizations, intended to provide economic relief to businesses and non-profit organizations that have experienced a loss of revenue due to COVID-19. EIDL funds may be used to fund operating expenses, including health care, utilities, and fixed debt payments. Typically, recipients of EIDL funds are receiving loans of up to $150,000 and have favorable repayment terms with low interest rates and long pay back periods. Many applicants have received a forgivable grant of up to $10,000 as part of the EIDL process. Even organizations that do not anticipate taking out the loan, have applied for the EIDL loan as a way of adding liquidity to their organization.

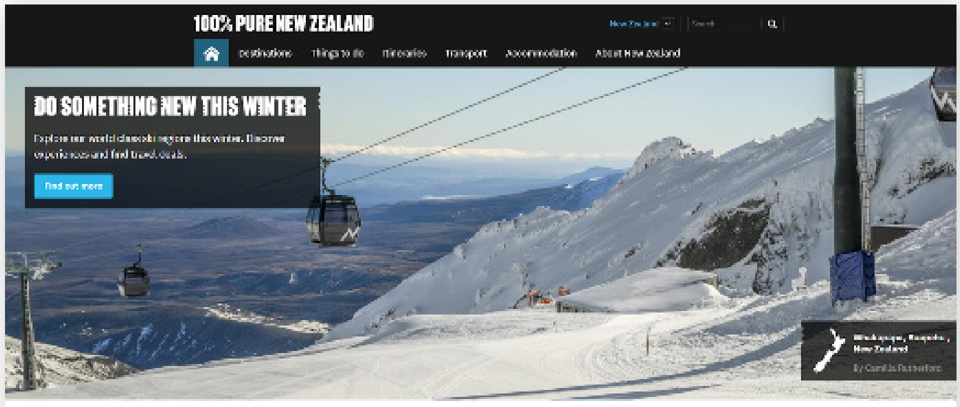
d. **CRF:** The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the Coronavirus Relief Fund and appropriated $150 billion to the Fund. Under the law, Coronavirus Relief Funds (CRFs) can be used to make payments for specified uses to States and certain local governments. The intent of these funds is to reimburse local governments and help jurisdictions mitigate the immediate impacts of the COVID-19 emergency. These critical funds allow communities to cover critical expenses, including isolation and quarantine sites, staffing and the procurement of medical supplies and equipment for health care, and planning for safe reopening and recovery. CRFs may only be used to cover costs that are necessary expenditures during COVID-19 that were not accounted for in the budget most recently approved as of March 27, 2020. Several DMOs are currently working with their local governments in an effort to secure these funds.

e. **Discretionary Grants from Local Governments:** Some DMOs have been successful at working with their local city or county government to secure additional funding. While local government budgets have been severely impacted by the COVID crises, many local government leaders understand the importance of their DMO. Shortages of general fund dollars has made these other discretionary grants relatively rare. However, if DMOs see an opportunity to fight for additional local funding either to assist communities in the depth of the crises, or to be the primary catalyst for additional jobs in recovery, they are actively pursuing the additional investment.


SAN FRANCISCO

C. FUNDING OF LOCAL & DOMESTIC CAMPAIGNS

In a range of nations including Thailand, Australia, New Zealand, and a number of European nations, funding for DMOs is also focused on supporting recovery campaigns to activate local and domestic tourism. In destinations heavily reliant on international tourism, government support is often critical to activate domestic tourism – previously not a major focus. Thailand's 'We Love Thailand' and New Zealand's 'Do Something New New Zealand' domestic campaigns (see right) are examples of exactly this.



Part of this funding is in many cases directed through the National Tourism Office who have pivoted to lead a national campaign to stimulate local and domestic travel. Additional campaign support is then invested in city and regional DMOs. These campaigns urge residents and visitors to support local businesses and to, when appropriate, travel locally (sometimes called "staycations") and/or domestically. Such campaigns aim to offset the almost complete loss of international tourism with the closure of borders during the COVID-19 crisis.

D. RESTARTING INTERNATIONAL TRAVEL

With many borders closed and the pandemic still raging, this particular goal may be a long way off. Stimulus funding to restart and recover international tourism will likely come into play once the pandemic is under control and international travel can be actively encouraged. Given that every international destination has been impacted, the response and reopening strategies of nations, and the funding involved, will be an important area to monitor and benchmark against.

E. PRIORITIZED DMO FUNDING MECHANISM

A prioritized funding mechanism helps destinations respond during a crisis by managing the allocation of bed/hotel taxes to favor the DMO and other tourism recovery budgets. Prioritized funding mechanisms are already in place in cities such as Toronto (see below). This model can work in the wide range of destinations where bed taxes and other tourism funding are diverted into other non-tourism areas. Based on an agreement with the appropriate tax authority (e.g., City or State Government), the allocation of bed or other visitor taxes can be prioritized toward DMO budgets during periods of crisis, thus resourcing them to help empower the recovery.

Example: Visit Toronto funding agreements with their City Council prioritizes the full allocation of the Municipal Accommodation Tax or MAT (bed tax) revenue to the DMO to support the recovery of tourism. This new progressive funding agreement with the city of Toronto has been complimented by a stimulus package from the Federal Government of Canada. This government support was based on 50% of six months operating budget, and served as the foundation for additional funding from the province. See the DMO Funding section for a fuller outline of federal and provincial government support of Canadian DMOs.

More resources on the Toronto MAT tax revenue here.

F. PUBLIC BORROWING AGAINST FUTURE TOURISM FUNDING

Indirectly this is happening already in tourism stimulus spending by governments (see above). In multiple countries, governments are borrowing to help support and reopen tourism with loans that will be repaid in part through tourism related tax and fee revenue when visitors return. It may be possible in some destinations to formalize this process through the issue of specific debt or bonds. In jurisdictions without the ability to run deficits (e.g., US state governments), this would likely be a difficult option due to legal or political opposition.

Note: See the Appendix for Public investments in Health & Safety Protocols & Traveler Incentive & Rebates. Though not specifically funding for DMOs this type of public support and stimulus spending can greatly aid the DMO's work in the reopening & recovery of tourism.

**More: For a summary of tourism recovery funding around the world see* OECD 'Tourism Policy Responses to Coronavirus' here *and UNTWO's* 'COVID-19 Measures to Support Travel & Tourism'.

Feedback from Discussion Document - Selected Comments

"It would be extremely valuable for a new round of EDA funding to include more flexibility on ways that state tourism offices could use funding to drive recovery, including marketing."

"If we can get the rules for using the EDA grants adjusted so that we could execute marketing campaigns (paid media, creative developments, client events) this would be a key resource we could use almost immediately."

"Recognizing it as one-time funding, it would still be invaluable to dedicate a resource like this to recovery messaging."

"Without Federal Wage subsidies, we would have had to permanently lay off 50% of our staff."

"Without Fed Dev RRRF (Regional Relief and Recovery Fund) funding from the Ministry of Economic Development, the organization would have had no money to kick start our destination marketing efforts."

"This provides the immediate funding needed to restore the tourism industry. Most likely source is general revenue funds aimed at increasing overnight visits which then creates the spending and lodging tax revenue that traditionally funds the DMO's. I see this as a one time "prime the pump" method."

10 NEW & ENHANCED FUNDING OPTIONS

Resilience

Funding that provides a stronger and more resilient source of revenue, such as revenue models that are widely supported, broader based and support the long term, sustainable growth of tourism.


ASPEN

2. BUILDING RESERVES

HIGHEST PRIORITY
73% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Many DMOs have little or no reserves to help manage any crisis – including COVID-19
- Rules and regulations often restrict and prohibit reserves – these need to be changed!
- Plan a reserve fund that is customized to your DMOs needs and crisis plans. A guideline is one year's operating budget
- Other funding mechanisms (e.g. Tax Increment Finance/ Funding) could be useful in building reserves

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

A. Why Reserves Matter

B. Requiring DMO Reserves

C. Building DMO Reserves

D. Encouraging Private Sector Reserves

DMOs need funding models, including building reserves to better manage increased risks (both real and perceived) from both natural and man-made disasters and regional, national, and global crises.

MEMPHIS

HALIFAX

A. WHY RESERVES MATTER

Most DMOs have no significant reserve funds to deal with events such as economic downturns, natural disasters (e.g., hurricanes or wildfires) or 'Black Swan' events such as COVID-19. The funds that are in place are often inadequate to deal with a major regional or economic crisis, let alone once-in-a-generation or lifetime event.

The events of 2020 and the increasing frequency of natural and man-made disasters have highlighted that risks are rising. Climate change will bring more extreme weather events, and COVID-19 has illuminated how uniquely vulnerable the interconnected, global travel market is. In the future, operating a DMO without a significant reserve is not only risky, it borders on financial malfeasance.

"Our model is a combination of bed and TID. The bed tax has been relatively consistent over the years until this pandemic. No one saw this coming. The model is still sound even though we are questioning that now. The key in the future is to build reserves. This is a challenge because some jurisdictions do not allow to carry forward public monies."

– Kevin Kane, Memphis Tourism

B. REQUIRING DMO RESERVES

For many DMOs, having reserves is precluded by their rules and regulations. Some are specifically mandated to spend all their revenue each financial year. The first necessity for every DMO is to review and if necessary, update the rules and regulations of the DMO to remove any such clause and specifically require building meaningful reserves. A second, critical part of such rules is placing strict criteria around when and how the reserve fund can be accessed and spent. DMOs need to ensure these reserves are protected from political interference or short-term marketing pressures, and the funds remain untouched in the interim and readily available when a crisis hits.

"I think reserves should be mandatory and when you get government funding, that a percentage of the funding should be part of a reserve for rainy days."

– Yves Lalumiere, Tourisme Montreal

C. BUILDING DMO RESERVES

The size, timing and details of the reserve fund will vary by the type and nature of each DMO and its specific crisis response plan. DMOs in areas facing increasing frequency of extreme weather events should assign greater urgency to action. Building the reserve to the targeted level may take many years, and that length of time will be unique to each DMO. DMOs with dedicated funding will almost certainly have an advantage in budgeting for annual investments in building their reserve funds, compared to DMOs relying on politicians to allocate this in the annual funding. An indicative guideline is building a reserve which is at least one year's full operating budget. Funding options like Tax Increment Financing/ Funding (see Funding Option #6) are also effective in allowing reserves to be built up during the 'good times.' Reserves can be supplemented by insurance options to share the costs of covering certain risks, such as restarting major events and conferences in the destination (see Funding Option #3 'Shared Insurance').

D. ENCOURAGING PRIVATE SECTOR RESERVES

A destination's industry also needs to respond to these increased risks. Tourism businesses of all types need to plan for investing in their own reserves to help weather future crises. Public sector debt will dramatically rise coming out of the pandemic. In future crises it is likely that governments will be far more fiscally constrained in the support they can offer, based on their debt position. This means businesses will need to rely on their own resources to pivot, adapt, survive, and recover in future crises. Reserve funds can and should be part of every credible business plan.

Example: Memphis Tourism implemented a Tourism Improvement District which supported the building of reserves equivalent to at least one year's full operating budget. It is one of the most securely protected DMOs in the US. Overview of the Memphis Tourism Improvement District here.

Building reserves is one part of a wider challenge of risk mitigation which will be a priority for every DMO coming out of COVID-19. Addressing risk can also include exploring new, broader-based funding options (see Funding Option #4 'Role, Responsibility & Structure of DMOs') and investigating insurance solutions to share the risk, especially for major events and conferences (see Funding Option #3 'Shared Risk – Insurance' below).

Feedback from Discussion Document - Selected Comments

"This probably is not an issue for all DMOs, because funding guidelines vary by jurisdiction and source. However, it is unquestionable that DMOs, because they are tasked in many ways with operating as businesses do, be allowed to build reserves to support their destinations through downturns."

"Needs to be done and can't right now under our operating contract."

"This should be a common practice of all DMOs. This safeguards against changes in the marketplace that can be economical as well as hazard-based."

"State and local legislative changes are needed to allow for reserves. Also, a national effort is needed to establish the importance of those reserves to build back the tourism industry so they are not raided (especially at the state level) by governments need to balance budgets in difficult times."

"Our DMO has been very fortunate in having a long-time top notch strategic/financial professional in charge of our budget -- so that we have not had to follow drastic steps to stay operational. We are now operating at 70% of our previous budget but have been able to maintain the majority of our staff, who are all making sacrifices and are very much committed as we plan for our recovery. Without the current leadership in place, we could be in a dire situation. This is a plan to have to be put in place for ALL DMOs!"

3. SHARING RISK – INSURANCE

MEDIUM PRIORITY

29% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- COVID-19 has sharply elevated the perceived future risks of tourism and hospitality
- Outside of this pandemic, risks such as extreme weather events are also rising
- DMOs need to investigate, implement and fund ways to share and offset risk
- Offering insurance to major conferences and events could be critical for their return
- Private - Public pooled insurance offers an excellent model worth exploring

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

Insurance solutions such as that available to cover events and conferences held in Florida during hurricane season need to expand in a post COVID-19 world.

A. The Need for Insurance

B. Implementing & Funding Insurance

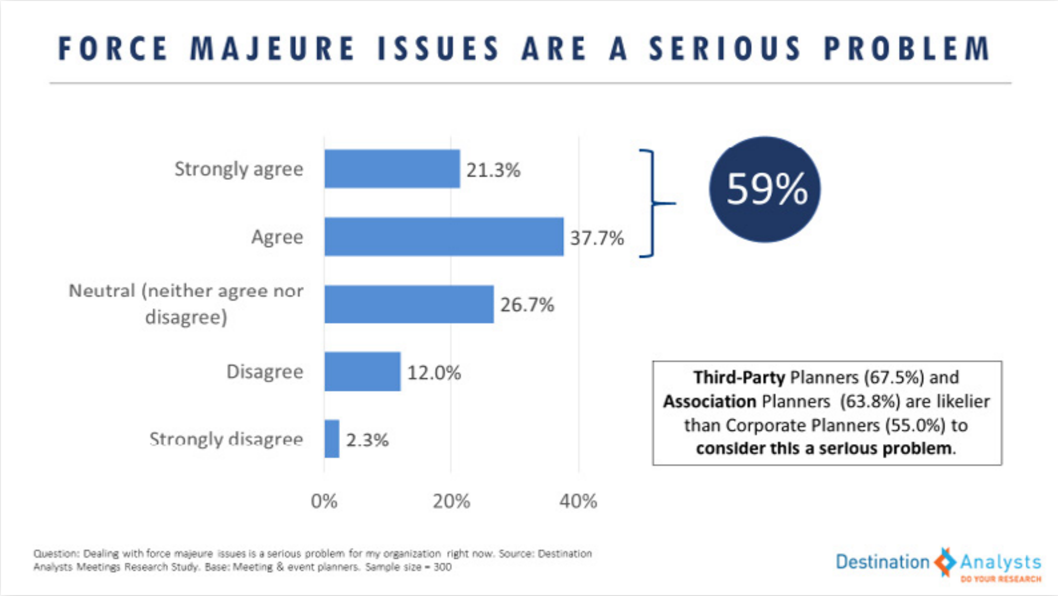
The COVID-19 crisis has accelerated a long-term challenge of increased risks for tourism, especially in international travel and meetings and events. Whether from the real or perceived possibility of another pandemic or rising risks from extreme weather events, travel and tourism will be considered an industry with real uncertainty and potential cost. Building reserves will help, but specific parts of tourism will need other solutions.

A. THE NEED FOR INSURANCE

Emerging from the devastation of COVID-19 is an urgent need for DMOs and the tourism industry as a whole to implement a wider range of insurance solutions to mitigate and manage future risks. Insurance may be essential to restarting some sectors of the tourism industry, such as larger events, conferences, or international travel. Insurance will allow meeting planners and inbound tourism companies to cover financial losses if restrictions or closures are imposed by governments. Indeed, 'Force Majeure' clauses in event and conference insurance have exclusions for risks such as a pandemic and pass all the costs of event cancellation and interruption to venues, meeting professionals and their clients.

A July 2020 survey of 300 meeting planners by Destination Analysts, in collaboration with Miles Partnership, highlighted the scale of this problem. It identified that 'Force Majeure' clauses and future risks were going to be a serious problem in any path of recovery for meetings and events. This is occurring in an industry where 73% of meeting planners agree with the statement that "some live events will never return" (Destination Analysts research study of Meeting Planners, June 2020, presented at Destinations International Annual Convention, July 14, 2020).

B. IMPLEMENTING & FUNDING INSURANCE



New insurance solutions are likely needed to help fully restart the travel and tourism industry. This includes a shared private - public insurance model where claims are capped in their cost to private sector insurance partners and the risk is shared with a long-term insurance pool, reinsurers, and/or the Government. Such private - public pooled insurance models already operate to share risk for natural disasters across a wide range of countries including flood, earthquake, or hurricane insurance. There is also precedent in the US conference and event industry where hurricane insurance for events and conferences has been offered for many years by VISIT FLORIDA (see below). It is likely that innovative shared private – public insurance models for major events, conferences and international travel will be urgently needed to help aid the recovery from COVID-19.

The funding for such insurance will need to be factored into each DMO's review of future funding models. This could include an increase on existing taxes or levies targeting the appropriate events and conferences that would be covered by such insurance. Alternatively, it could be included by participating convention and event spaces in the venue hire and related costs.

Example: VISIT FLORIDA has for many years offered free event insurance covering the risk of hurricane season for events held in the state from August to November each year.

Feedback from Discussion Document - Selected Comments

"It is likely that this could become common business practice post-COVID. Kudos to Roger for having the foresight to do this long before it was on the general radar."

"While I think important, I am not sure the DMOs role is to facilitate these insurance programs."

"Short of cash to buy payments directly to the client, I'm cynical about the prospect of for-real (for-profit) insurance models allowing the necessary protection in the future, when it's been hit and miss with what was available and able to be used pre-pandemic. That doesn't mean I'm not on board with the idea of real insurance, but if all it is becomes cash payouts to protect clients, with no additional cash source to fund those, we're back at Square One."

"We are a DMO and would not be interested in purchasing insurance to assist as the contracts are between the facilities and the client. It is not our role."

"Great idea!"

4. ROLE, RESPONSIBILITY & STRUCTURE OF DMOS

HIGHEST PRIORITY

71% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Reimagining your DMO's future role and responsibility is the foundation for reimagining your funding
- The role, responsibility, and structure of DMOs was undergoing profound changes even before COVID-19 – a process accelerated by the pandemic
- Many DMOs are taking a greater role in the broader coordination and marketing of shared community amenities, values, and brand and in-destination management
- There are also opportunities and challenges for DMOs to consolidate or integrate more closely with related organizations such as EDAs (Economic Development Authorities)
- DMOs should proactively explore these opportunities rather than respond to pressure from funding agencies

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

A. INTRODUCTION

A review of future funding options needs to start with a review of the role, responsibility, and mission of your destination marketing and/or management organization. The COVID-19 crisis is an ideal time to reevaluate and reimagine what your DMO, including its funding, should look like. Here are four important areas in which your DMO's role and structure could evolve coming out of COVID-19.

B. COMMUNITY MARKETING LEADERSHIP

In a small but growing number of destinations, the DMO acts as a 'Community Marketing Agency.' This means the DMO formally takes on the marketing and communications functions for other government, public or community facilities or services, and/or targeted private sector partners.

Example: Visit Newport Beach is a 'Community Marketing Agency' that is also contracted to support other public and community institutions such as museums plus new development projects including a new boutique hotel. These contracted marketing and communications services are part of Visit Newport Beach's 'Integrated Destination Marketing' (see the CVB's Marketing Plan) that generates additional revenue to complement the city's Tourism Improvement District.

"It has given us a more robust way of not only sustaining ourselves, but creating a better, and more pronounced value proposition for the community."

– Kevin Kane, Memphis Tourism

"I think our dependency on lodging really has to change. We need to look at other businesses who all benefit from our work, and the activity that they generate, the taxes they generate- we need to look at all tourism related businesses to the degree that travel and tourism plays in the success of their businesses."

– David Lorenz, Pure Michigan (MEDC)

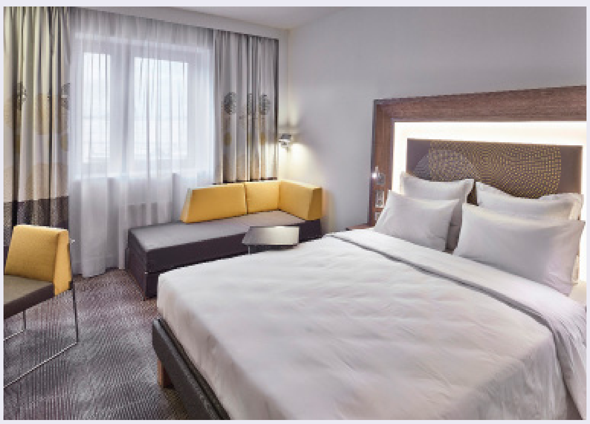
NEWPORT BEACH

HISTORY OF DMO FUNDING

The development of funding for Destination Marketing &/or Management Organizations.

Based on input from Destinations International

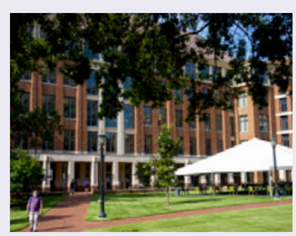
Before we begin to discuss the role and responsibilities of DMOs - and the related options for funding, it is important for us to take stock of the history. How have we been funded? As we note in section #7 'Enhanced Public - Private Coop Funding' the early origins of DMOs were driven by private businesses and had private sector funding as a major part of their activities. However, this has shifted overwhelmingly towards public funding. Destination International's Destination Organization Performance Reporting highlights that 94% of DMOs funding now comes from public sources of tax based revenue (2020).



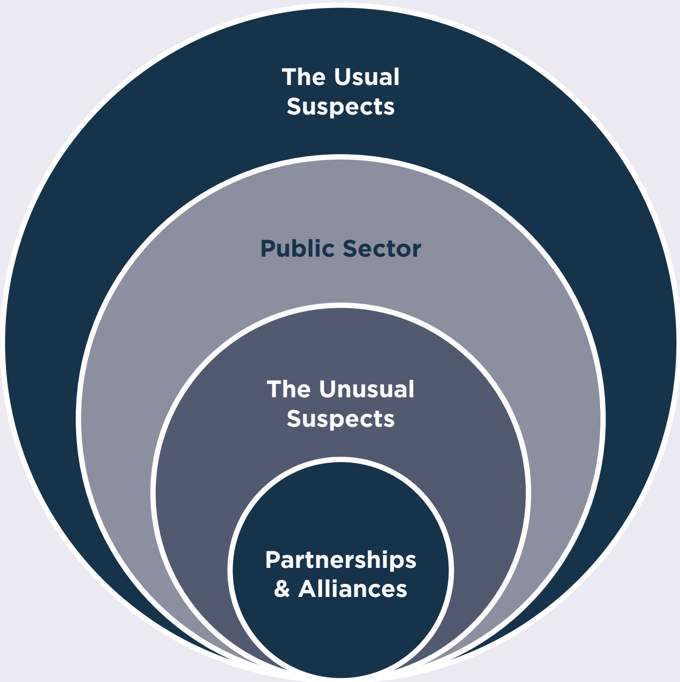
The mainstay of many destination organizations, particularly US and Canadian cities is the hotel, transient occupancy, room night tax, also know as heads in beds.. Levied by a government entity and remitted to the government by the hotel for it to hand over in its entirety or some percentage of the total. This 'transaction' through government, no matter the level, makes the destination organization the recipient of public money.

This imbalance has created risks. Even before this pandemic, this risk on DMO's 'supply chain' was already in jeopardy and COVID-19 merely struck the hardest.

Many DMOs reliant on bed tax revenue have worked to expand beyond the hotels, with money levied from the traditional sales tax or simply institute many other supplemental taxes or transactions on food & beverage, short term auto leasing, airport livery fees, or convention center levied taxes. Many have flipped the model on its head to set up a Tourism Improvement District with assessments that stand outside the government treasury. At a more fundamental level an increasing range of DMOs have sought to broaden their role and relevance in the community - from taking on marketing responsibilities for a wide range of community assets to market the destination and its brand in partnership with economic development, education, health care and other sectors. Finally many DMOs are developing stronger destination development strategies and adopting assertive roles in destination management.



All these opportunities are explored in this section on the 'Role, Responsibilities & Structure of DMOs'.



Source: Destinations International Foundation 2020

COMMUNITY-BENEFIT FUNDING MODEL

The Usual Suspects

Lodging, Restaurant, Livery, Auto Leasing, Attractions, Venues

Public Sector

National, State/Province, Local

The Unusual Suspects

Employers, Property Owners/Managers/ Sellers, Airports, Hospitals, Colleges & Universities

Partnerships & Alliances

Events, Royalties, Co-Ops, Services, Sponsorship, Membership

C. COMMUNITY SHARED VALUES

A natural extension of this Community Marketing role is that DMOs not only market different community entities but more broadly help develop, coordinate, and communicate 'Community Shared Values.'

This opportunity is based on an increasing recognition that DMO programs have value well beyond tourism. A broader 'halo effect' has long been measured and defined by research companies such as Longwoods International; how a great place to visit is often synonymous with being a great place to study, work, start a business and more. This connection between tourism and wider economic and community development goals has been championed by Destinations International's thought leadership on promoting shared community values. As part of this concept, Destinations International has discussed the opportunity for DMOs to engage with other stakeholders who also benefit from a strong community brand, and a DMO's work on both destination marketing and destination management. This 'Community-Benefit Funding Model' identifies different types of funding partners including 'Unusual Suspects' such as employers, property owners, universities and even hospitals that are potential paying partners.

This Community Shared Values approach is an extension of the community marketing role and services that DMOs such as Newport Beach are already undertaking (see above).

In addition, the community benefit funding model is a natural extension of the evolution of Tourism Improvement Districts, and these districts themselves are becoming more diversified in their funding partners. (See Funding Option #5 'Evolution of Dedicated Funding').

More: *Destinations International – article, presentation and resources on Community Shared Values*

On diversified funding: "It's not bulletproof…but for this particular moment in time, it has held up better than most."

– Leonard Hoops, Visit Indy

D. BROADER DESTINATION MANAGEMENT ROLE

With the growth of tourism and increasing pressure from visitors, an increasing number of DMOs in recent years have been reevaluating their role and responsibility in broader destination management. This has significant implications for tourism funding.

A wide range of successful destinations – including many destinations under pressure from tourism growth – argue that most, if not all DMOs should have an active and formal role in destination management. Destination marketing is not enough, and a narrow focus on destination marketing is ultimately self-defeating to the support and funding of DMOs, as tourism and its impacts grow. This broader role of the DMO should be based on a clear, long-term destination development strategy (see example for Sedona, Arizona at right). This strategy is created and managed in close collaboration with local residents, industry and other stakeholders and with specific DMO destination management responsibilities for which public funding is provided. This should focus on ensuring tourism growth is well managed, sustainable, and offers widely shared benefits. A focused, destination management strategy makes the destination not just a great place to visit but also work and live.

A destination management role will define a range of specific roles and functions for the DMO against which funding can be based. Ongoing engagement with local residents and other stakeholders is critical, and DMOs should consistently seek feedback on how tourism should be developed. Collaboration with other public agencies is also encouraged to help plan, manage and measure the natural and/or built environment, such as visitor use of public transport, public infrastructure, parks and other natural spaces.

E. DMO CONSOLIDATION & COORDINATION

Though often politically challenging, there are opportunities for using the crisis to consider the number, boundaries, shared capabilities, roles, and responsibilities of DMOs with neighboring and/or related organizations. This consolidation may have significant financial benefits both in cost savings and/or in rethinking and revising the funding model(s) used by the 'new' organization. Examples of possible consolidation include:

Consolidation with EDAs & Other Marketing Entities

A first and increasingly common area of consolidation is the tighter coordination or integration of DMOs more tightly into broader EDAs and/or Place Branding entities that cover multiple economic sectors. This type of consolidation is part of the trend outlined above in Community Shared Values of a broader perspective on 'place branding' and related marketing that can position a destination as a great place to visit, do business, work, study or invest. Despite the increasing frequency of such integration, little or no research has been done on the pros and cons of combining these organizations. While integrated DMO – EDA groups can support a more tightly coordinated place brand, spur greater cross sector collaboration and shared overheads, they also can result in challenges such as greater bureaucracy, issues in supporting different sectors with very different needs and the loss of specialist tourism focus and skills.

Example: Visit Britain is part of the 'Great Britain national branding campaign' which covers a wide range of sectors including arts & culture, fashion, science & engineering and more, and includes a wide range of private sector partners.

Example: Tourism New Zealand is working with the national branding and certification program – the New Zealand Story on a national, multi-agency campaign during COVID-19 to communicate overarching messaging about New Zealand.

Regional Consolidation & Coordination

In many destinations, political boundaries rather than logical visitor or even community entities have defined DMO geographic responsibilities, roles and funding relationships. This has led to a proliferation and often duplication of DMO type organizations across the US and around the world.

At a minimum there are many opportunities for neighboring or complimentary DMOs to collaborate on marketing projects. Already common in international marketing this cooperation can be extended to additional areas in marketing (e.g.: meetings and events, and/or in sharing overhead costs.)

More ambitiously, there are opportunities to create integrated DMOs - covering a larger, better defined visitor region that is more efficient, and better resourced. For example, a number of metropolitan areas in the US have a large number of individual DMOs each covering separate political boundaries, which arguably have little visitor recognition. A wide range of destinations fund multiple organizations that manage different parts of the broader travel and leisure sector (e.g. meetings and conventions, sports and entertainment, business and leisure travel). The challenge remains balancing efficiency and economies of scale while retaining and strengthening strong local community and political connections.

Example: The DMOs for Dallas and Fort Worth have expanded their collaboration by jointly developing a shared Travel Agents training platform - the DFW Training and Sales Companion.

Example: The State of New South Wales & Destination NSW created 6 macro Regional Tourism Organizations to replace dozens of smaller county/shire RTOs. More: Destination New South Wales Destination Plan.

2,478

DMOs in the US

Estimated number of organizations with Destination Marketing responsibilities including 'traditional' DMOs, Chambers of Commerce, Mainstreet & Downtown Associations, EDAs etc.

In the US while there are an estimated 1,000 DMOs and State Tourism offices, a far larger number of other entities also undertake Destination Marketing type functions. These include Chambers of Commerce, Downtown or Mainstreet Associations and Economic Development Agencies. A quick survey from Destinations International estimates there are almost 2,500 such organizations in the US. This is likely a conservative estimate. See the appendix for a summary.

"There's all this confusion in the market. At some point where the balance of regionalism and where the balance of product can lie, those are discussions that can't really happen at the top down, national level, they have to happen at the regional level. ...Where is that tipping point to regionalism? Where is that benefi?"

– Scott Beck, Tourism Toronto

Macro Regional 'Umbrella' DMOs

In a number of nations and states such as Slovenia and Oregon (see below) macro regional DMOs have been established with central funding to provide core services (e.g., industry and community education and support, destination management strategies and international marketing). These 'macro regional' entities aim to enhance the impact of existing DMOs by enabling cooperation where this makes sense (e.g., in international markets) and providing strategy, training and support services that the DMOs themselves have difficulty in providing.

Example: Oregon in the US and Slovenia in the Eastern European nation are two examples of destinations which have created a number of macro regional tourism entities for helping support and manage critical parts of the tourism industry including destination management functions, education, and training. More: Oregon's 2019 – 2021 Strategic Plan and OECD Summary of Tourism in Slovenia

Feedback from Discussion Document - Selected Comments

"It is important for DMOs to work in alignment with larger state agencies so that they are aligned in efforts. Smaller communities should also look to larger DMOs to align and coordinate efforts."

"I think we need to constantly be doing this regardless of the national or global situation."

"Very important for every DMO, every size, every geographic location."

"This has been an ongoing part of our strategic planning."

"Hotels (lodging tax) have been the primary source of funding for DMO's for decades. The current crisis made it very clear that many businesses (retail, restaurants, attractions, lodging, and more) are benefiting from tourism marketing even though hotels are the primary source of the revenue. A more balanced funding model is needed."

HIGH PRIORITY
65% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Outside of DMOs funded directly from government budgets, those reliant on bed tax revenue are the most numerous
- Bed tax-only revenue streams have been highlighted by COVID-19 as particularly vulnerable to a major crisis
- They are also vulnerable to bed tax being diverted. Almost half of all bed tax revenue collected in the US is diverted by the government to other non-tourism areas
- Dedicated funding including Tourism Improvement Districts (TIDs) offer a range of advantages over bed taxes including broader-based business contribution and greater control over how the money is raised and spent
- Tourism Recovery Districts have proven political appeal and offer a funding mechanism more specifically focused around recovery

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

5. EVOLUTION OF DEDICATED FUNDING

A. Overview of Tax & Assessment Based Funding

B. Tourism Improvement Districts

C. Tourism Recovery Districts

D. Diversification of Dedicated Funding: Culinary Districts & Wine Marketing Districts

E. Rolling Average Funding to Flatten the Curve

A. OVERVIEW OF TAX & ASSESSMENT BASED FUNDING

Sufficient and stable funding has been a long-term and often unattainable goal for DMOs. While a majority of DMOs globally are still reliant on discretionary grants of funding from local, state/provincial, or national governments, a growing proportion of DMOs source a lot or all of their funding from tourism related tax and assessment revenues. Bed tax revenue is the most important of these tax based funding streams. Bed taxes provide a majority of funding for hundreds of DMOs in North American cities and an increasing range of international cities. Such taxes can also be referred to by other names such as Municipal Accommodation Taxes (MAT) in Canada. Bed taxes vary from a few percent to more than 20%, and now average almost 15% across our sample of 100 US Cities.

One major weakness of bed taxes and other similar tourism related taxes (e.g, rental car fees) is that they are not dedicated. In 2018, a major report prepared by Civitas and commissioned by the U.S. Travel Association's Destinations Council study of 100 US cities highlighted that almost 50% of bed tax revenue is diverted off into non-tourism areas of government spending. This diversion has been growing and could accelerate with added pressures on government budgets coming out of COVID-19. With such pressures, mechanisms such as 'Prioritized DMO funding' (see Funding

Option #1 'Recovery Funding & Stimulus Spending') will be important to ensure DMOs can help lead the recovery of tourism.

Hence, a number of dedicated funding models in tourism have emerged, offering both targeted revenue raising from tourism focused businesses and/or city areas and with far great control over the funds raised. This includes Tourism Improvement Districts and more recently, Tourism Recovery Districts, funding entities focused on the recovery from natural or man-made disasters.

Tourism Improvement Districts – An Introduction

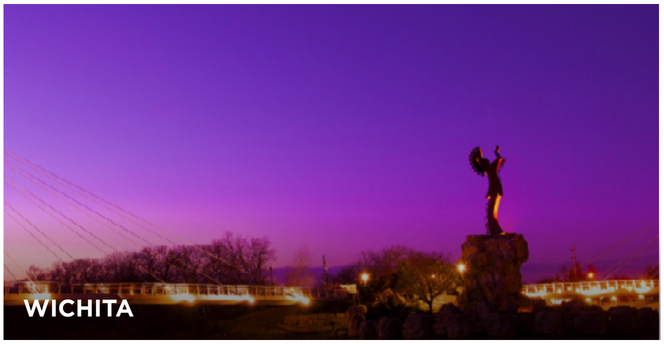
Thirty years ago, in 1990, tourism leaders found an innovative, alternative method to combat government dependency. Relying on an old but proven funding mechanism, these leaders were able to create a dedicated source of funding. Special benefit assessments date back to early English Common Law. The principle is simple: individuals receiving benefits from an improvement or service shall also pay for the improvement or service. These types of levies are defined by benefit to the payers and cannot be diverted for other purposes. There are legal protections that prohibit government leaders from taking the funds and using them on politically expedient projects.

The tourism industry has taken advantage of this benefit-levy mechanism to create an assessment on tourism businesses that allows for funds to be spent on services to directly benefit businesses paying the assessment. Tourism Improvement Districts (TIDs) may include hotels, restaurants, attractions, and retail by levying an assessment or fee on tourism-related businesses that will benefit from the programs and services provided by the TID. TIDs may have other acronyms, a few of which include Tourism Marketing Districts (TMDs), Tourism Promotion Areas (TPAs) and Tourism Business Improvement Districts (TBIDs).

Most TIDs have chosen to levy on only hotels, but some have included levies on restaurants, attractions, and retail.

"Dedication" of TID funds comes in two forms: legal dedication and political dedication. Special benefit assessments exist in all 50 States in the US and can be found in other common law countries, including Canada and the United Kingdom. The use of this legal tool has provided legal protections to keep elected leaders from diverting funds. In addition, because TIDs are proposed, voted on, and managed by the industry, government officials often view them as "your funds," separate and distinct from tax revenue that is held in the government's general fund.

TIDs come in destinations of all types and sizes from smaller communities such as Napa Valley to major metropolitan areas such as Philadelphia. A type of TID operates to fund Visit California - collecting assessments from over 21,000 tourism related businesses across the state – with a heavy emphasis on rental cars (52% of revenue collected) and the accommodation sector (38%).



Cities as diverse as Wichita, Kansas; Philadelphia, Pennsylvania; Portland, Oregon; and Manchester, England have set up Tourism Improvement Districts.

B. TOURISM IMPROVEMENT DISTRICTS

The COVID-19 crisis has highlighted that Tourism Improvement Districts (TIDs) offer important benefits not provided by other public taxation funding sources such as bed taxes. TIDs can provide broader based, controllable, and more resilient funding, especially in times of crisis. TIDs are able to source revenue from a wider range of tourism related businesses well beyond accommodation that provide a more representative sample of where visitors spend their money. TIDS offer far greater control over the use of funds, including the essential ability to build reserves to weather difficult situations such as economic downturns, natural disasters, and the like.

TIDs are becoming more diversified in the businesses they include – a trend that is expected to accelerate. Many TIDs are funded with significant contributions related to the hotel industry and in some cases, the food and beverage industry. A few TIDs have included attractions, retail, and car rental to their funding diversification. We expect to see more diversified TID funding models in the future including partners such as universities, employers, property owners and more identified in Destination International's 'Community Shared Values' concept of funding partners (see Funding Option #4, Role, Responsibility & Structure of DMOs').

"As we look forward, the TBID revenue will be more important than ever before as it provides a stable funding source.

– Susie Santo, Visit Wichita

C. TOURISM RECOVERY DISTRICTS

Most elected and appointed officials recognize the tremendous devastation that COVID-19 has wrought on the tourism and hospitality industry. In fact, numerous officials are looking for ways to assist our industry, particularly if the proposal doesn't involve an additional commitment of dollars from their general fund. Many destinations have found that local and state governments have an increased willingness to approve measures to help the industry. A "Tourism Recovery District" (TRD) or a "Self-help Tourism Recovery District" is a special benefit assessment tool specifically designed to assist the industry with critically needed funding as recovery begins. Just as TIDs are flexible and can be created to meet the unique needs of a destination, so too can a TRD be tailored to start based on a specified date, allow for increases, set the desired term, and define a customized governance structure.

More: Civitas Self Help Recovery District Overview *and* Recovery Toolkit Funding Module for U.S. Travel

D. DIVERSIFICATION OF DEDICATED FUNDING: CULINARY DISTRICTS & WINE MARKETING DISTRICTS

The latest evolution of dedicated funding has come in the form of contributions by other industries, often working with their DMO, utilizing the same stable source of assessment funding. There are several culinary districts that have been supported by groups of restaurants to fund restaurant specific programming. These culinary districts are typically managed by the DMO, sometimes by independent organizations. The levy is generally assigned as a percentage of revenue (e.g., 1% or 1.5%) and the funds are used for activities that benefit the restaurants that pay the assessment. A majority of the funds are spent on marketing and events. In addition, several wine regions are in the process of forming wine marketing districts. In this concept, assessments are based on products sold at tasting rooms. The funds are used to attract more customers to those regions and those wineries. Other industry groups have discussed using the same model for a beer trail or a specific hard beverage trail.

E. ROLLING AVERAGE FUNDING TO FLATTEN THE CURVE

Many destinations receive government appropriations based upon a percentage of bed tax revenue. Some DMOs have worked to insulate their organization from precipitous swings in such funding. As we know, in good times bed tax can spike, and in difficult times it may be severely reduced. The concept of protecting DMO budgets from wild fluctuations is timely given the current global pandemic. In an effort to avoid sudden and severe increases or decreases in their allocation, some bureaus have requested that local, state, or provincial governments appropriate funds based on a rolling average over multiple years. This approach used by DMOs such as Visit Phoenix "flattens the curve" for distributions – creating less significant spikes and troughs. The rolling average, usually over two to four years, requires that the government entity use other funds to make up the difference in challenging years but affords them additional revenue in years of significant economic growth. The years selected for averaging could include only previous years or a mixture of previous years plus forecasted revenue.

Feedback from Discussion Document - Selected Comments

"Just like a stock portfolio, a DMO should look to diversify its funding sources so that one source may not be vulnerable to governmental whims or market fluctuations."

"May be the key as occupancy taxes are being taken for non-tourism marketing and development purposes."

"I think these are all important, but I also don't want to see us abdicate the use of Hotel Occupancy Tax for what we do. Now is the time to be working closely with orgs like AH&LA to protect the use of HOT funds for these purposes. And even though a TID/TRD (really need a better acronym for that latter one, btw), is a good option, it's still from a hotelier perspective "their money" and even more so. So while it creates another stream, it creates another stream from the same source. Now is NOT the time to be talking with the Restaurant Association about a share there (whether through a dedicated piece of current taxes, something new or a TID approach), but a teeny tiny share of a restaurant check - 1/10 of a percent, a penny, something, could add up significantly in our communities. The liquor industry should be investing in us, UBER should be investing in us, the short-term rental community should be investing in us. That's ice that needs to be broken across the board."

"This is timely and increasingly important. Knowing what has worked (and what has not worked) in other states and destinations is relevant and useful."

"Our businesses would not be in favor of implementing yet another tax. We do not have a tourism district as our tourism is spread out across the city."

6. TAX INCREMENT FUNDING

HIGH PRIORITY

65% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Tax increment financing or funding (TIF) has been a long-term mechanism for funding urban redevelopment projects
- A small number of DMOs (US Cities & States) now use the mechanism for part of their funding
- TIF offers a number of advantages including clearly linking tourism growth to DMO funding
- TIF can offer responsive funding for improved management of tourism growth, as well as funding for building reserves in periods of strong growth
- TIFs need the back stop of a robust base-level of base funding especially in times of crisis

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

A. An Introduction to Tax Increment Financing/Funding

B. Evolution of Tax Increment Financing/Funding

C. Opportunity of Tax Increment Financing/Funding

Tax increment financing or funding is a 'value capture mechanism' that helps address some of the weaknesses of traditional sales, bed, rental car, and other tourism related tax revenue. As visitor spending increases and tourism related tax revenues grow, funding to DMOs and other tourism related programs (e.g., funding for National Park visitor services) is often capped, and decreasing proportions of the visitor related revenue is reinvested back into tourism and tourism related projects.

PACIFIC COAST HIGHWAY, CALIFORNIA

Tax increment financing (or funding) was first used in California in 1952 and there are currently thousands of TIF districts across the US from small and mid-sized cities to large urban areas.

A. AN INTRODUCTION TO TAX INCREMENT FINANCING/ FUNDING

First introduced into California urban areas in 1952, property tax increment financing (TIF) was designed to create a virtuous cycle of investment. Typically, the supporters of the TIF would designate an area they wanted to target for redevelopment. The original concept was to set a baseline of property tax proceeds and use future increases in those proceeds (the increment) to reinvest in capital improvements, oftentimes infrastructure improvements, within the district. The additional capital improvements generate more property tax, driving up the increment and increasing the TIF funds that could be reinvested in future years. The property tax increment model has been used in 49 of the 50 US states, in thousands of individual towns and cities and has been an important factor in the revitalization of a wide range of urban areas.

B. EVOLUTION OF TAX INCREMENT FINANCING/FUNDING

Washington, D.C. and a handful of states have utilized a sales tax increment model in addition to the traditional property tax increment model. Both TIF mechanisms are based on increment, but one uses the increase in property taxes while the other uses increases in sales taxes.

In 1993, Missouri pioneered the use of the sales tax increment mechanism to fund their state travel office. The TIF focuses on sales tax paid by out of state visitors and is based on 17 SIC (Standard Industry Classification) codes and provides half of the tax growth over 3% to the tourism industry, limited to an increase of no more than $3 million per year. Known as House Bill 188, the funding model increased the Division of Tourism's budget from $6 million in 1993 to $22 million in 2015. Other states, including Utah and Ohio, have also used this mechanism to help fund their state travel offices.

KANSAS CITY

C. THE OPPORTUNITY OF TAX INCREMENT FINANCING/ FUNDING

Although novel, the tax increment financing mechanism presents an opportunity for the tourism sector and DMOs.

TIFs have a major advantage in linking increases in tourism spending and tourism related tax revenue to increased revenue for tourism, DMOs and other agency partners to better manage this growth. Secondly, TIFs do not target current tax revenue, only the diversion of a proportion of future increases. They are therefore often more politically palatable. However, in some places, the TIF allocation still requires an appropriation by the government and is subject to political interference. In this case, the industry may see fluctuations in revenue (usually on the downside) based on political considerations.

While TIFs are currently limited to property or sales tax revenue, the approach of incremental funding mechanism could be applied to other visitor related tax or fees including bed tax, rental car taxes and fees and other visitor levies.

Tax increment funding helps solve this problem, linking increased tourism to increased tourism funding. TIFs could be especially valuable beyond core tourism and DMO funding, to provide funding in periods of strong growth for building reserves and/or for regenerative projects which enhance the built or natural environment enjoyed by visitors.

Conversely, in periods of crisis or travel ‘recessions,’ DMOs reliant on TIFs need the back stop of robust base level funding provided from other sources (e.g., government budget allocations).

TIF mechanisms could be especially impactful in nations with Value Added Taxes (VAT) or Good & Services Tax (GST) which can range up to 20% and bring in large and increasing revenue from all tourism related spending – including international visitors. Such increased tax revenue is seldom linked in any responsive way to managing tourism growth, and the payment of VAT by international visitors is an anomaly. In almost all cases exports are specifically excluded from paying VAT.

Feedback from Discussion Document - Selected Comments

“All DMOs need a bigger share of the pot -- and should explore every opportunity available to us to make this happen!”

“Most logical idea there is. Bring more visitors, and get more funds. Can’t understand why more don’t operate that way. It would be a big advantage most of the time.”

“This is how it should be.”

“Increased taxes for travelers is way too hard to pass which is why we will look at Tourism Marketing Assessment options where Hotel decide to assess themselves regarding a per room night fee that goes directly to DMO for Marketing Only.”

“While part of the overall funding source this cannot be sustainable to continue to raise the tax source. It should be a part of the overall funding but not the only source.”


VICTORIA

7. ENHANCED PUBLIC - PRIVATE CO-OP FUNDING

HIGH PRIORITY
50% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Public – Private marketing cooperatives date back to the earliest years of DMOs
- However, private sector revenue is now a far more modest part of DMO revenue – with the standout being Brand USA. 50% of the US' National Tourism Office by law must be third party, matching contributions
- Co-op revenue can greatly strengthen the content, creative and/or campaign spend of your marketing programs and other initiatives
- Co-op revenue offers a range of other benefits, including closer connections with the industry and demonstrating to government that the private sector is committed to your success

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

A. Introduction to Public – Private Marketing Co-ops

B. Co-ops in a Period of Crisis

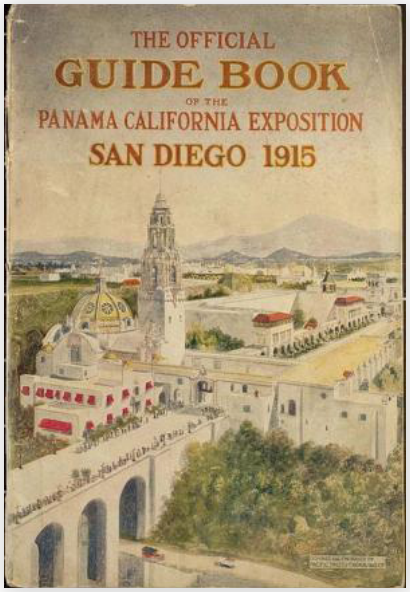
C. Co-op Best Practices

"We're not just another state agency...we actually perform a function more akin to private enterprise function"

– Cathy Ritter, Colorado Tourism Office

A. INTRODUCTION TO PUBLIC – PRIVATE MARKETING COOPERATIVE (CO-OPS)

DMOs have been funded from their first years in the late 1800s with private sector contributions as an important revenue stream. For example, Seattle's national marketing to Klondike Gold Rush prospectors in the 1890s and San Diego's huge Panama California Exposition in 1915 (see right) were both run as public – private marketing cooperatives. See Gold Rushes & Exhibitions – The History of DMO Partnership Models

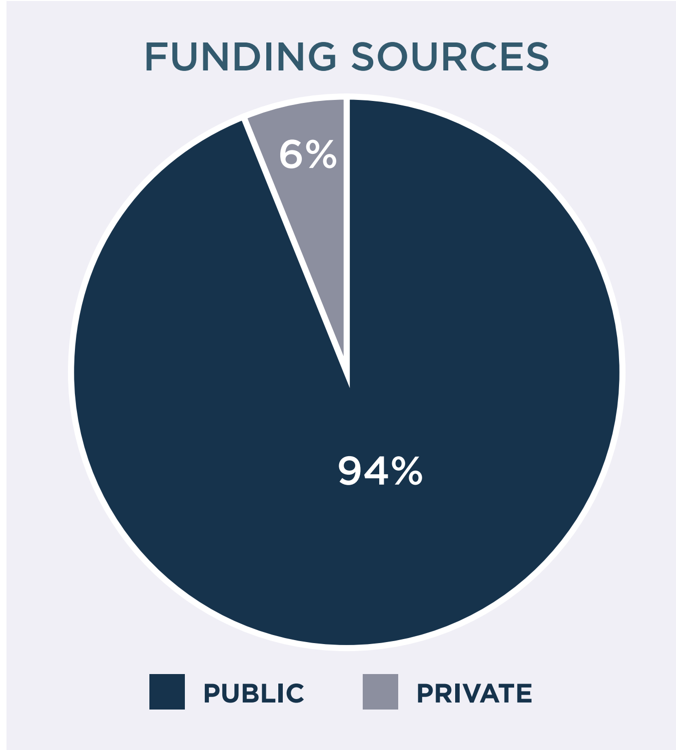


However, over the years the role of private sector contributions for many DMOs has become a far smaller part of their revenue. Despite the direct benefits to the tourism industry of DMO marketing programs – less than 10% of US CVB funding comes from private sector partners or industry co-ops (2019 survey of Members by Destinations International.)* A stand-out DMO is Brand USA – the National Tourism Office of the United States. Brand USA was founded based on equal public funding and private industry contributions. By law, Brand USA must be 50% funded by private sector spending on co-op programs and in-kind contributions – which totals more than $100 million a year.

While the COVID-19 crisis will severely impact short term co-op revenue, the medium to longer term opportunity for public – private partnership programs is now more relevant than ever. Such partnerships not only drive revenue but also build closer connections with the industry, making the DMO more responsive to their needs and to market signals from visitors. Significant private sector funding also demonstrates to local residents and their representatives that the industry is invested in the success of the DMO. In addition, some of the other future funding models (e.g., Tourism Improvement District levies) may be introduced initially as voluntary assessments for businesses. In these situations, the range and results of co-op marketing solutions adds a compelling benefit to participating business partners.

**Important. This figure for many DMOs likely understates or excludes the advertising and sponsorship revenue generated to fund their DMO visitor guide, website and/or email program.*

Example: [Destination Greater Victoria](#) *introduced a voluntary Destination Marketing Fee currently collected by 19 hotels on a voluntary basis to assist in the marketing of the destination including its convention center.*




WICHITA

encourage locals to share their views on tourism as it recovers.

C. CO-OP BEST PRACTICES

For both locals and visitors, successful marketing co-ops are built on a clear understanding of the target audience and how to reach them. Invest in leading edge analytics and reporting, and review it regularly with industry partners to fine tune creative content and media mix. As you achieve successful outreach, engaging with locals and visitors, your industry partners will be mobilized to help fund these programs.

More: ['Cooperative marketing for destinations'] *– a white paper including a summary of the benefits and types of industry participation models including examples. Miles Partnership 2018.*

Feedback from Discussion Document - Selected Comments

"Absolutely!! If this crisis doesn't underscore the importance of the hospitality, travel & tourism, meetings/conventions industries -- and what happens to communities when we crash -- I'm not sure what will and what it will take! Those that benefit from our industry from the private sector need to step up to the plate!!"

"This is accomplished when partners truly see the value in what we do."

"We have asked our hoteliers for collaborative marketing dollars. Hotel chains need to do more with the destinations than just market their brands. Ski resorts need to do more with the destination."

"These are in motion. Ad sales on DMO-owned channels are a solid means of revenue generation, but shattered local/tourism budgets impact these revenues. For co-op marketing offerings to be successful, typically a match and much value is required as inducement for private or nonprofit partners to participate."

"Co-ops are tricky as oftentimes in an effort to create revenue there is not a solid return on investment. A co-op is only as good as the program that is put together. Larger programs can. provide better trickle-down effects with less overall management of the program."

HIGH PRIORITY
53% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Short term rentals (STRs) notably vacation rentals have emerged an important part of the accommodation offerings available for visitors. They seem to have specific appeal during the COVID-19 crisis
- The piecemeal and fragmented nature of taxation on STRs across the US and around the world offers opportunities for many destinations to grow funding from the sector.
- There are three funding related areas to consider - Permitting, Tax Assessment and Treatment and Enforcement plus the wider Destination Management issues that STRs create
- Many destinations can generate new or incremental funding from STRs - that in turn will support a more thoughtful and balanced oversight and management of the sector.

**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

8. SHORT-TERM RENTAL REVENUE

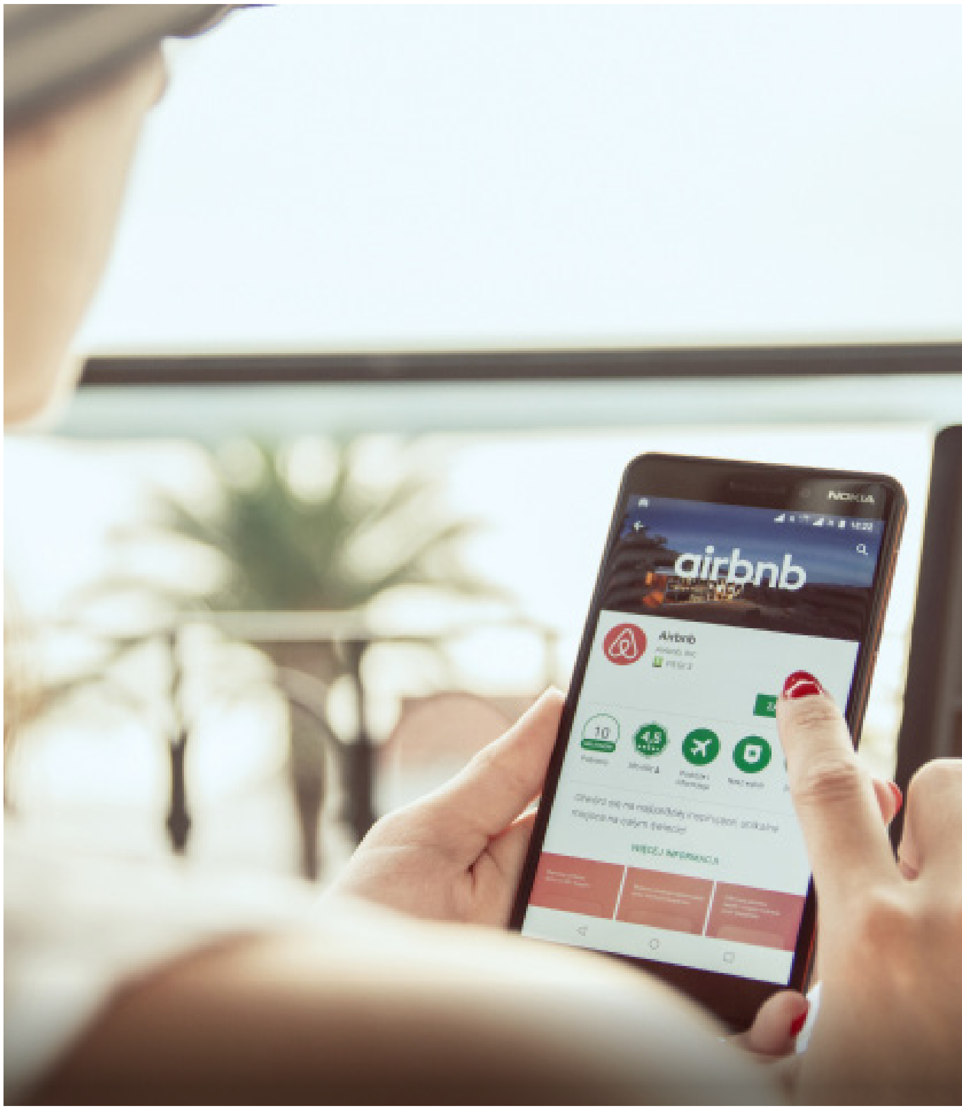
A. Overview

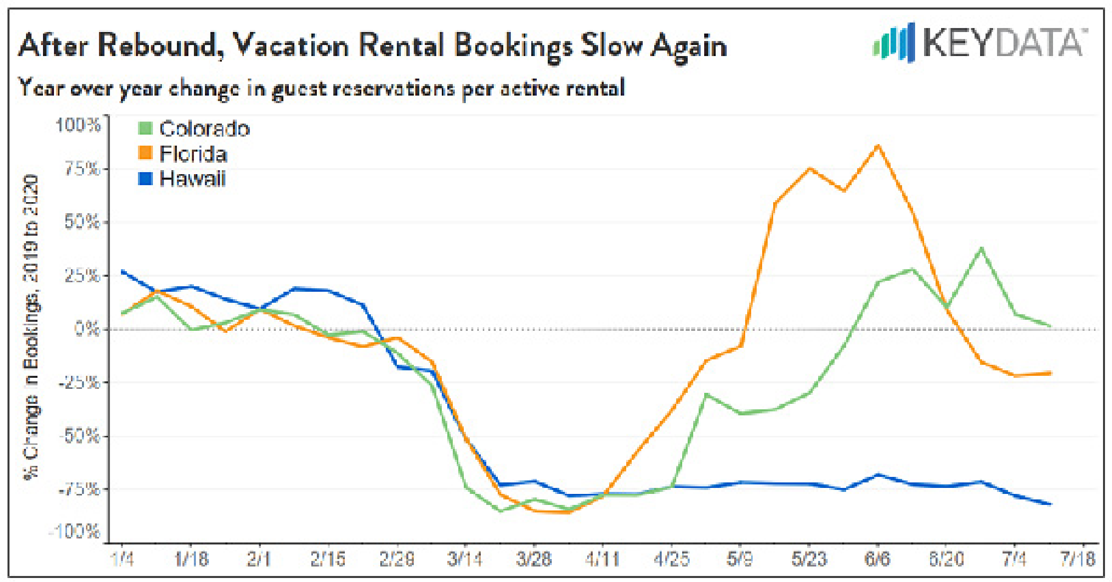
B. Permitting

C. Tax and Assessment Treatment

D. Enforcement

E. Destination Management Issues





A. OVERVIEW

Short term rentals (STRs) notably vacation rentals have experienced an unprecedented surge in popularity over the past decade. After the 2008 recession, finding alternative ways to travel and accommodate consumers was at the forefront of the tourism industry's mind. New platforms such as AirBnB helped spur the rapid growth of the sector. STRs are an extremely successful product of this shift in consumer behavior. Pre-pandemic, STRs were expected to overtake traditional hotels in 2020 in terms of popularity, and growth expectations had never been higher for the STR industry. Like other parts of the tourism industry, STRs have not been immune to the challenges of the COVID-19 pandemic but seem to have particular appeal in time of pandemic. Analysis from companies like KeyData highlights that in many destinations STRs initially recovered more strongly than hotel accommodation.

Looking forward in a post-COVID world, STRs provide yet another opportunity for struggling jurisdictions and DMOs to generate additional revenue.

COVID-19 has presented an opportunity to take advantage of local travel like never before, and STRs are a popular choice for those traveling short distances. Vacation Rental data has also suggested that compared to larger city destinations that have struggled to retain guests at STRs, rural and suburban STRs have seen an influx of visitors. DMOs and jurisdictions can take this opportunity to evaluate how the emerging importance of STRs can be utilized to provide another source of revenue.

There has been a wide range of methods in which jurisdictions and DMOs have approached STR participation in funding and activities. Depending on the location, STRs can operate as untaxed, unassessed, and unregulated entities. In other cases, STRs are universally prohibited. Even in cases where STRs are regulated, depending on the location, they may only be subject to some regulations, but not all. With these variances, there is an opportunity to evaluate the operation of STRs in your respective destinations, and to assess the benefit of either amending or taking advantage of STR operations to create an alternative source of revenue. There are four parts to assessing your STR market: permitting, tax and assessment treatment, enforcement and the broader area of destination management issues. Understanding each is vital to understanding the funding potential offered to DMO's and the wider opportunities and challenges of the sector.

B. PERMITTING

The permitting of STRs runs the gamut. Some destinations allow them comprehensively, some prohibit STRs completely, and some have strict rules and regulations associated with operation or none at all. The regulations and rules also vary. Some destinations have imposed a cap on how many nights an STR can be operational. Others have implemented strict guidelines on the types of properties that may function as an STR. This wide discrepancy in permitting STRs can be challenging when considering the function of STRs in their respective jurisdictions. Understanding the permitting requirements in your destination is a helpful first step to knowing if STRs are already a viable revenue source, or if policy change is needed.

C. TAX AND ASSESSMENT TREATMENT

Similar to permitting, the tax and assessment treatment of STRs differs by destination. In some places, STRs are subject to bed tax. Similarly, in some places that have formed Tourism Improvement Districts (TIDs), STRs have been included in the properties that pay into the assessment. Others do not levy a bed tax nor a TID assessment. Some jurisdictions have signed voluntary collection agreements (VCAs) that provide for collection of assessment and taxes by short term rental platforms.

D. ENFORCEMENT

Finally, in some cases, STRs may be subject to regulations, but may be generally out of compliance because of a lack of enforcement. In these cases, for example, an STR may be subject to taxes or assessments that are not collected. Many destinations have ramped up their enforcement efforts to ensure that STRs are in compliance with permitting and tax rules, ensuring that they are not missing out on this important source of revenue.

E. DESTINATION MANAGEMENT ISSUES

Permitting and enforcement policies for STRs are also a critical part of managing the impact of the sector. Balancing the benefits vs. costs of STRs and the voices of property owners, commercial accommodation (e.g., hotels), visitors and the residents, especially long term renters. The issues and trade offs can be complex and challenging. With many DMOs taking a more active role in destination management these wider considerations will need to be part of the process and decision making (see pg. 72).

The funding opportunity: By conducting a professional evaluation of permitting, tax and assessment treatment, and enforcement of STRs in your destination, jurisdictions and DMOs can seize the opportunity to either take advantage of an existing revenue source, or to explore ways to implement new policies that will lead to enhanced revenue generation. This should lead to a far more consistent and professional taxation regime for STRs. This will help support the recovery of tourism and a more thoughtful and balanced oversight and management of the sector.

Feedback from Discussion Document - Selected Comments

"This is a must. Should not even be a question. as they share in the benefits of the marketplace."

"Yes, this is an ongoing challenge and definitely a viable option."

"This is necessary if the STR groups want to be a part of Tourism then it makes sense that the help fund their promotion. If their growth hurts the funding for DMOs then they will also be hurt."

"This is a growing part of the tourism industry and lodging tax should be applied and collected from short term rentals just like hotels."

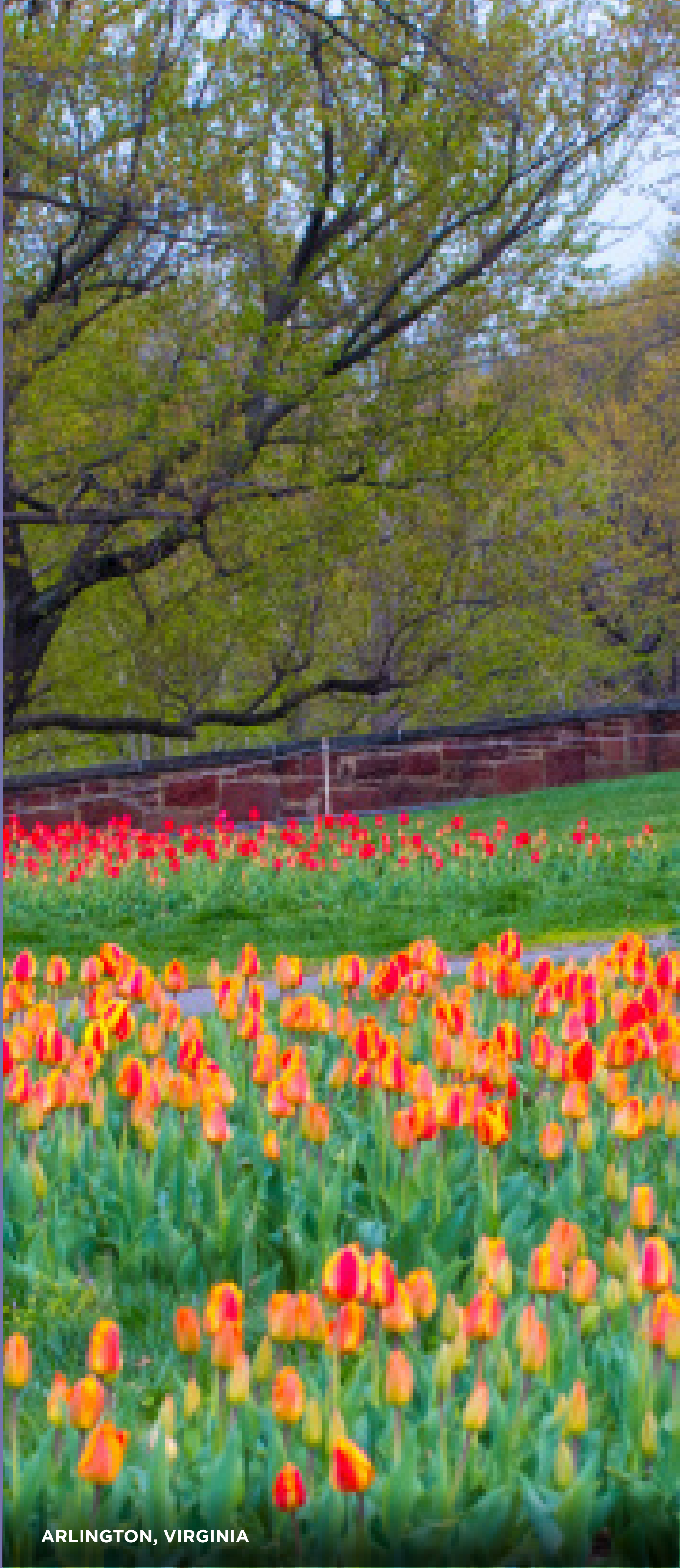
"Yes, the hotel association has been lobbying the city to change the bylaws so that vacation homes also have to pay the accommodation tax. The city does not have much appetite to do this - but the decision to include the homes is sitting with them."

FUNDING
FUTURES

10 NEW & ENHANCED FUNDING OPTIONS

Regeneration

Funding that is focused squarely on 'building back better.' Revenue streams that cover all the costs of tourism, incentivize positive tourism activity, target problematic tourism growth, and/or invest in the long-term assets and amenities for the community and environment.



ARLINGTON, VIRGINIA

9. OUTCOME BASED FUNDING MODELS

MEDIUM PRIORITY

30% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Outcome based funding seeks to recoup the full costs of tourism plus incentivize certain types of travel
- A review of funding should start with an assessment of the full costs of tourism including the costs of congestion, costs of managing peak demands and the loss of amenity values
- Funding mechanism can use variable pricing to encourage certain types of travel and discourage others
- Locals pricing is a related mechanism that encourages locals and/ or domestic travelers – especially important in the recovery from COVID-19

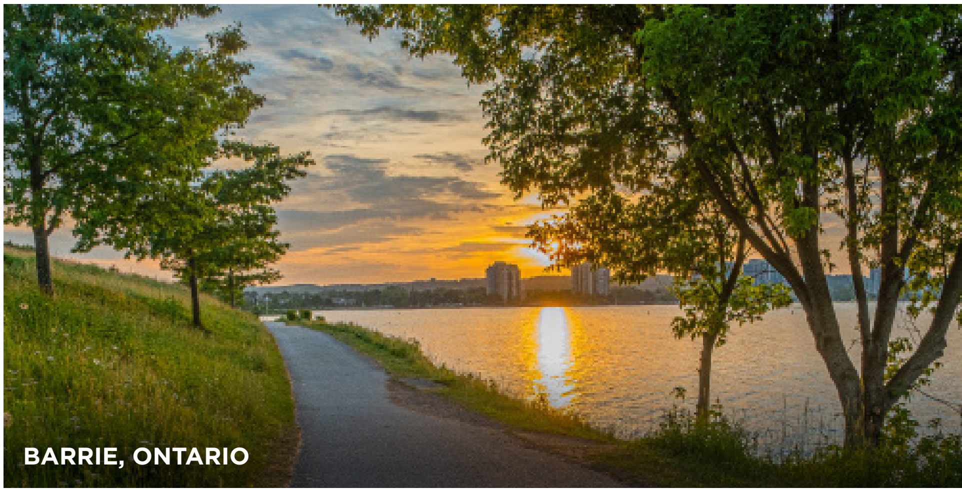
**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

"Simply put, we have failed to properly account for the full risks and costs of tourism growth"

– The Invisible Burden of Tourism, 2019

A. INTRODUCTION TO OUTCOME BASED FUNDING MODELS

Prior to COVID-19 an increasing number of destinations were instituting funding models that sought to cover the wider costs of tourism's growth and/or incentivized certain types of tourism and visitor behavior, while discouraging others. We have dubbed these 'Outcome based' funding models - mechanisms that attempt to not only raise revenue – but more accurately measure and recoup the full costs of tourism in communities and natural environments, simulating preferred travel through pricing decisions or market based mechanisms.



BARRIE, ONTARIO

B. FULL COST BASED PRICING

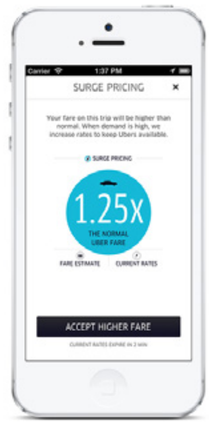
Tourism is unique in that many of its most valued experiences – natural areas, spectacular views, and historic urban precincts, for example, are usually enjoyed for free, paid for neither by visitors nor by tourism companies. Under full cost based pricing, taxes, fees and other targeted funding mechanisms attempt to measure and recover the full costs of tourism in a community and/or natural environment. This includes accurately measuring and assessing the wider costs and impacts of tourism including congestion, loss of amenity values, costs of infrastructure upgrades (e.g., to manage peak visitor flows), the impact on the local community and short and longer term environmental costs including climate change.

Example: Destinations at Risk – The Invisible Burden of Tourism" is a 2019 report (see above from Cornell University and NGO partners) provides guidance and best practices for destinations assessing the true costs of tourism on their destination.

C. MARKET BASED PRICING

Travel and tourism have a vigorous and sophisticated application of market based pricing. However, this mechanism is generally applied in a limited way to tourism-related fees and taxes. Matching supply and demand suggest that taxes and fees could be raised significantly in peak seasons and lowered in the off season, sending stronger market signals to discourage or encourage travel by season. Market based pricing mechanisms could also be applied to airport landing fees, road tolls, and cruise docking fees. This leads to vigorous maximizing of funding in times of strong demand versus limited supply and regularly applying market pricing mechanisms, such as surge pricing (as used by Uber – see below), auctions or bidding.

Example: Visit California is exploring market based pricing mechanisms as part of its review of possible refinements and improvements to its statewide tourism assessment funding model coming out of the COVID-19 crisis.



D. INCENTIVE & DISINCENTIVE PRICING

In this type of outcome based pricing, the government and its industry partners pick winners and losers. Certain types of travel can be encouraged through lower taxes, fees or levies and other types of travel is discouraged through elevated costs. This can include higher tax or levies for visitors arriving in the peak season or visiting a destination for only one day or less. By comparison, visitors in the off season and/or staying longer can enjoy lower tax rates and/or levies.

Example: A range of European destinations have differential taxes or fees to penalize day trippers into a city (e.g. from a Cruise Ships - see Amsterdam), or tour coaches and groups transiting through a destination (e.g. Croatia's transit tax).


DUBROVNIK

HAWAII

E. LOCALS PRICING

Another common form of incentive versus disincentive pricing is through the market practice of offering lower prices for local, regional/in state or domestic travelers versus other visitors. This is often utilized in developing countries (e.g., Malaysia, India, and Vietnam), as well as in some developed nations such as Hawaii in the US with 'Kama'aina Discounts.' The Hawaiian tourism industry has used this to stimulate domestic visitation of otherwise expensive attractions, activities, and accommodation – especially in the shoulder and off season. This practice is also used by major attractions such as the Disneyland Resort to build loyalty and repeat visitation from California visitors (e.g., special California resident rates).

Locals pricing raises challenges of equity and can create tensions with other visitors. However, there are ways to focus such pricing and offers at times of the year and/or in distribution channels that do not exclude other visitors, but are far more accessible by locals.

During the recovery from COVID-19, targeting local and domestic tourism (in the absence of international visitors) is a priority focus in many countries. The pandemic has highlighted the risks of being heavily dependent on international visitors alone. Even when other travel markets return, the long-term importance of nurturing loyal, repeat domestic visitation will remain a foundation for many.

More: Hawaii Locals Rates: What Are Kama'aina Discounts & How Do I Get One?

Feedback from Discussion Document - Selected Comments

"A wonderful idea in theory and could address concerns about the "wrong" kind of tourism. This would require action of the legislature and a statewide vote by taxpayers -- a difficult proposition in a state that faces funding needs for highway improvement, schools, etc."

"Sounds great in bigger sophisticated destinations, but much harder to do in smaller destinations."

"Very hard to implement and track."

"Overtourism isn't really a concern right now for my destination. Especially during COVID. Many good management options for DMOs where this is an issue that needs to be addressed."

HIGH PRIORITY
59% rated it 'Extremely' or 'Very' Relevant & Important

Highlights

- Regenerative funding seeks to not simply protect but to restore and enhance the social/ cultural, business, and natural environment of a destination (the 'triple bottom line')
- It builds on an understanding that tourism must respect the constraints to growth inherent in every destination
- It is also informed by new models of economics and markets
- Regenerative funding can include community funding to enhance arts and culture enjoyed by both locals and visitors (e.g., Austin, Texas' local music bed tax allotment)
- It can also directly fund investments in protecting and restoring the natural environment (e.g., New Zealand's international visitor arrival levy which funds conservation projects)

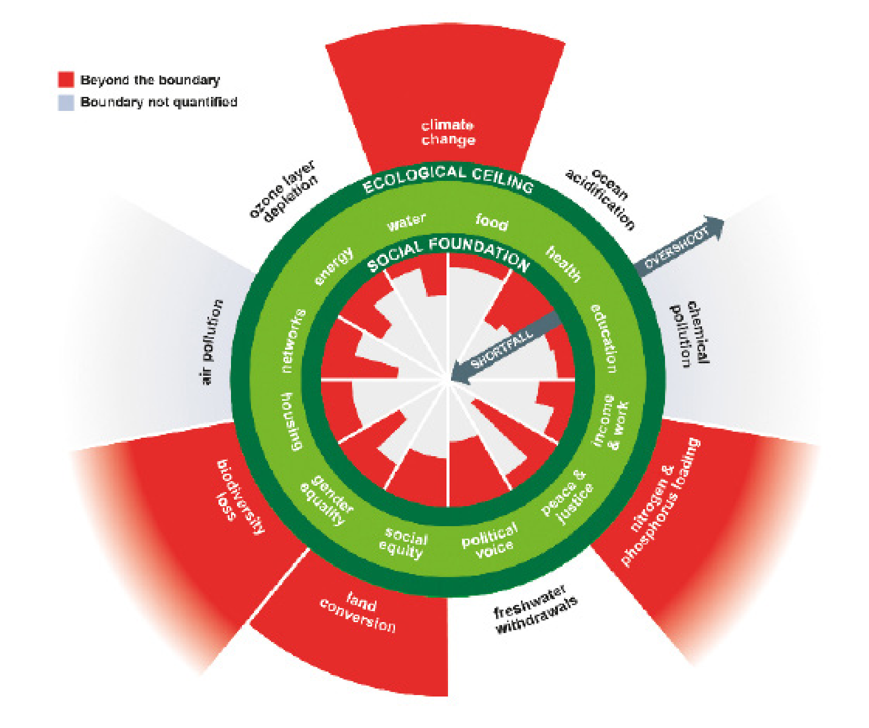
**Survey feedback from our Discussion Document of these 10 funding options. See more details & quotes at the end of this section.*

10. REGENERATIVE FUNDING MODELS

A. Introduction

B. Community Funding

C. Environmental Funding



A. INTRODUCTION TO REGENERATIVE FUNDING

Regenerative funding builds on the principles outlined in Funding Option #9 'Outcome Based Funding Models'. Regenerative funding models go further, recognizing not only that the full costs of tourism need to be assessed and covered but also targeting parts of this revenue into critical community, social and environmental assets. Regenerative funding models therefore source tourism related revenue to not only fund the operation of the DMO and other tourism related management or marketing programs, but to directly contribute to the restoration or enhancement of the community or its natural or built environment. Through this method of regenerative funding, tourism can directly 'give back' to sustain and improve the destination.

This reinvestment is undertaken with an understanding of the 'triple bottom line' of tourism – enhancing the business, social and natural environments. The UN and UNWTO 17 Sustainable Development Goals speak to this holistic view of tourism. Reinvestment via regenerative funding is also done with an understanding of the finite resources that every destination relies on to nurture and sustain tourism. Every destination has natural and man-made assets with constraints and limits. Whether availability of fresh water and clean air, or the physical space in historic town centers or on beaches, there are constraints that limit the size, type and potential growth of tourism. One part of Modern Economic Theory, 'Doughnut Economics,' has emerged in recent years to champion the concept of economics and markets within a world of finite resources - a reality that tourism has acutely faced in many destinations.

B. COMMUNITY FUNDING

In this model of regenerative funding, a proportion of tourism related revenue is directly allocated to a social, artistic, or cultural cause to improve the local community, and to build and maintain support for tourism. Ideally, the DMO is directly involved in this process – helping identify and coordinate with these programs – integrating them into their tourism marketing and management responsibilities.

Example: 15% of new bed tax revenue from the 2% increase to the Hotel Occupancy Tax of Austin, Texas, directly funds live music in the city. This estimated $3 million in 2019 seeks to benefit both the local arts and music scene and supports a unique part of the Austin experience for visitors.

More: Austin City Council approves hotel tax funding for live music.

AUSTIN

NEW ZEALAND

C. ENVIRONMENTAL FUNDING

This type of regenerative funding complements community funding that directly allocates to an environment project(s) that improve the natural environment in tangible and significant ways. This type of Regenerative Funding is being invested in by an increasing number of destinations around the world including New Zealand, Iceland and Balearic Islands, Spain

Example: The New Zealand international visitor arrival fee of $35 NZ per person directly funds an increased budget for the Department of Conservation, as well as a range of other tourism support programs (the details of which are currently being finalized).

More: International Visitor Conservation and Tourism Levy.

More:

- What is the Opportunity of Regenerative Tourism? Jenny Anderson.
- Exploring Doughnut Economics with Kate Raworth.
- '8 Ways to Build a more Sustainable Future for Tourism' – 2 Part Blog, Chris Adams, Miles Partnership

Feedback from Discussion Document - Selected Comments

"This could potentially win support for tourism funding."

"This is our long term need to keep the management of our destination assets for future generations. Funding needs to be established for this. For example, National Park revenue goes elsewhere."

"Not a huge issue for my destination at the moment, but very critical to others. Good round up of options here. Austin example is a really good one."

"There are several organizations without our city that is looking at protection and restoration. Enhancement would be up to the individual company."

"Currently beginning program of work with Leave No Trace."

"This will be in the eye of the beholder - and while every community should have these issues on their radars, for some it is a higher priority than others. If this is supplemental to core operational funding, it's easy to be on board if you're in a community that doesn't see this as a Right Now Priority. But if it's instead of, I'm not sure that's going to be as helpful."

Example: Balearic Islands, Spain Sustainable Tourism Tax

The Balearic Islands including Mallorca and Ibiza, are part of Spain in the Western Mediterranean. A hugely popular visitor destination the islands welcomed almost 14 million visitors in 2019. Since 2016 a Sustainable Tourism Tax has been applied to all tourist accommodation in the Islands – to mitigate the impact of this tourism and restore and enhance the natural environment for both visitors and locals alike. The tax directly funds the work of the Commission for the Promotion of Sustainable Tourism on the islands – which set objectives and have a specific fund to take action. All the investments are fully transparent and overseen by the Commission Board which consists of 27 – including Minsters, Government, industry and local representative.

More: Balearic Island Sustainable Tourism Tax *and* Commission for the Promotion of Sustainable Tourism

Example: The Iceland Tourist Site Protection Fund

Funded by a mix of bed tax revenues and Government support the Tourist Site Protection Fund in Iceland is designed to protect, restore and enhance both manmade and natural areas used by visitors. The Board is managed directly by the Iceland Tourist Board and is focused on driving dispersal – investing in new or emerging locations that could support additional visitation. Set up under an Act of the national parliament of Iceland (Althing) the fund is overseen by a board including representatives of the Minister of Industry and Tourism, local government, the tourism industry association and Ministry of the Environment and Natural Resources. All investments are fully public and transparent.

More: Iceland Tourist Site Protection Fund

Additional Government Support of Tourism During COVID-19

FUNDING OF SUPPORTIVE PROGRAMS: HEALTH & SAFETY AND VISITOR STIMULUS SPENDING

A range of other publicly funded initiatives in the response to COVID-19 are critical to a robust tourism recovery. Though typically not funded through DMOs, the funding of these programs can be critical to support and amplify the DMO's work in reopening and growing visitor spending in their destinations. DMOs should work with their State/Provincial and national organizations to petition for these types of investment - and to coordinate their efforts with these programs. Such supportive programs include:

A. Health & Safety Investments

COVID-19 is first and foremost a health crisis, and a recovery in travel and tourism relies on locals and visitors feeling safe venturing out. Stimulated travel needs to be built off a successful health response managed by the government. One aspect of this can be tourism specific health and safety initiatives that are publicly funded and help rebuild confidence in traveling. Leading examples of this include Singapore's SGClean national health and hygiene program (see below) and Failte Ireland's 'COVID-19 Safety Charter' which is a central part of their "Ireland, make a break for it' domestic campaign.

In the US, many health experts have pointed to a lack of leadership from the Federal Government on a nationally coordinated response - including how travel and tourism reopens and manages visitors. Most of the response has been left to State and County officials - and to private sector companies and associations. The U.S. Travel Association has attempted to provide some national guidance to the tourism sector with initiatives such as national reopening guidelines for travel: 'Travel in the New Normal".

National, State/Provincial and local investment in coordinated, consistent and clear health and safety protocols is critical to tourism's recovery – see 'A Critical Opportunity for Tourism & DMOs to Lead in the Recovery'

B. Stimulus Spending: Travel Vouchers, Gift Certificates & Rebates

In a few countries, including a range of European nations including Iceland (see below) plus Canadian provinces (New Brunswick), this recovery extends to offering direct payments to travelers. Part of the State of Utah's $25 million in Coronavirus Relief Funding targeted to support small businesses has a customer incentive element, offering a discount funded by the Fund. These seek to activate local and/or wider domestic travel by residents by offering an incentive - in the form of gift certificates or vouchers as in Iceland or a rebate scheme as in New Brunswick (see here).

Iceland is one of a number of European countries where the government funded a campaign to target domestic tourism and also offered vouchers worth around $50 USD to all local residents over the age of 18 to redeem against local travel.

FUNDING FUTURES

APPENDICES & RESOURCES

Research Study into the Options & Opportunities for New or Enhanced Funding of Tourism & DMOs in the Recovery from COVID-19

MilesPartnership.com/FundingFutures

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APPENDICES & RESOURCES

DMO Funding Futures Survey

A research survey of 115 North American DMOs including 43 US State Tourism Organizations, 58 US CVBs and 14 Canadian DMOs including Cities & Provinces. Feedback was collected July 20 - August 3, 2020.

SMITH ROCK STATE PARK, OREGON

DMO Funding Futures Survey

Thank you for being part of the “Funding Futures” study on tourism funding options being conducted by a collaboration between Miles Partnership, Civitas, Tourism Economics and Destination Analysts with support from the US Travel Association’s Destinations Council, Destinations International and the Destination Marketing Association of Canada.

The research study will assess the likely impact of the COVID-19 crisis on tourism funding with the goal of providing revised and future funding options in a free, comprehensive report.

All responses to the information that is not public will only be presented as aggregated and/or averaged information as part of the final report.

This questionnaire should only take a few minutes to answer. We greatly appreciate you completing as soon as possible, and before July 27th.

In which country is the organization you work for primarily located?

- ○ United States
- ○ Canada
- ○ Other. Please specify: ______________________

Which best defines your organization?

- ○ Municipal/City Organization
- ○ County or Regional Organization
- ○ State/Provincial Organization
- ○ Other. Please specify: ______________________

Which of the following functions is your organization responsible for?

(check all that apply)

- ☐ Destination tourism marketing
- ☐ Destination branding
- ☐ Destination management
- ☐ Economic development
- ☐ Sustainability initiatives, i.e., recycling and waste management, public transportation, energy conservation, etc.
- ☐ City-wide conventions sales
- ☐ Self-contained hotel meetings/conferences sales
- ☐ Convention center management
- ☐ Other public facilities management
- ☐ Sports and entertainment event bids
- ☐ Airport route development
- ☐ Public/cultural event development and support
- ☐ Tourism research and data
- ☐ Membership support
- ☐ Tourism/Visitor information center(s)
- ☐ Industry training and education
- ☐ Other: Please specify ______________________

Is your organization reviewing changes to its primary roles and responsibilities?

- ○ Yes
- ○ No
- ○ Don't know

What changes to your organization are being reviewed?

(check all that apply)

- ☐ Increased role in destination management
- ☐ Increased role in economic development
- ☐ Other: Please specify ______________________

Is your annual operating budget based on the calendar year or a fiscal year?

- ○ Calendar Year (January-December)
- ○ Fiscal Year

What is your fiscal year?

- ○ April to March
- ○ July to June
- ○ October to September
- ○ Other: Please specify ______________________

What are your organization's funding sources?

(check all that apply)

- ☐ Self-directed Destination Marketing Funds (DMF)
- ☐ Municipal Accommodation Tax/Levy (MAT)
- ☐ Provincial Accommodation Tax/Levy
- ☐ Municipal & Regional District Tax Program (MRDT)
- ☐ City/Municipal government funding
- ☐ Regional government funding
- ☐ State government funding
- ☐ Provincial government funding
- ☐ Federal government funding
- ☐ Hotel transient tax (bed tax)
- ☐ Voluntary "tax" contributions from hotels
- ☐ Airbnb tax
- ☐ Airbnb levy
- ☐ Tourism Improvement Fee (TIF)
- ☐ Tourism Improvement District/Tourism Marketing District
- ☐ Sales tax
- ☐ Airport fees
- ☐ Membership fees
- ☐ Partnerships/sponsorships
- ☐ Foundations/trusts
- ☐ Public/cultural events
- ☐ Advertising revenue
- ☐ Commercial income (ticket sales, merchandise, city cards, etc.)
- ☐ Conferences &/or event revenue
- ☐ Licensing revenue
- ☐ Other taxes: Please specify ______________________
- ☐ Other non-tax sources: Please specify ______________________

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Which of the following funding sources will be reduced as a result of the COVID-19 crisis?

- ☐ Self-directed Destination Marketing Funds (DMF)
- ☐ Municipal Accommodation Tax/Levy (MAT)
- ☐ Provincial Accommodation Tax/Levy
- ☐ Municipal & Regional District Tax Program (MRDT)
- ☐ City/Municipal government funding
- ☐ Regional government funding
- ☐ State government funding
- ☐ Provincial government funding
- ☐ Federal government funding
- ☐ Hotel transient tax (bed tax)
- ☐ Voluntary “tax” contributions from hotels
- ☐ Airbnb tax
- ☐ Airbnb levy
- ☐ Tourism Improvement Fee (TIF)
- ☐ Tourism Improvement District/Tourism Marketing District
- ☐ Sales tax
- ☐ Airport fees
- ☐ Membership fees
- ☐ Partnerships/sponsorships
- ☐ Foundations/trusts
- ☐ Public/cultural events
- ☐ Advertising revenue
- ☐ Commercial income (ticket sales, merchandise, city cards, etc.)
- ☐ Conferences &/or event revenue
- ☐ Licensing revenue
- ☐ Other taxes: Please specify ______________________
- ☐ Other non-tax sources: Please specify ______________________

Does your organization expect to receive any COVID-19 recovery funds?

- ○ Yes
- ○ No
- ○ Don’t know

Which of the following recovery funds does your organization expect to receive?

(check all that apply)

- ☐ Federal government recovery funds
- ☐ State/Province government recovery funds
- ☐ Regional government recovery funds
- ☐ City/Municipality government recovery funds
- ☐ Other: Please specify ______________________

What was your total annual operating budget for last year (CY 2019 or FY 2019/2020)?

Please indicate in whole dollars (i.e. $1,000,000)

- ○ $ U.S. ______________________
- ○ $ Canadian ______________________
- ○ Prefer not to answer

Prior to the COVID-19 crisis, what was your total annual operating budget for this current year (CY2020 or FY2020/2021)?

Please indicate in whole dollars (i.e. $1,000,000)

- ○ $ U.S. ______________________
- ○ $ Canadian ______________________
- ○ Prefer not to answer

What is or will be the impact of the COVID-19 crisis on your current year (CY2020 or FY2020/2021) budget?

Please indicate as whole percentage (i.e. 10%)

- ○ Current budget will increase by % ______________________
- ○ Current budget will decrease by % ______________________
- ○ No change
- ○ Don’t know

What do you anticipate will be the impact on your annual operating budget next year (CY2021 or FY2021/2022) compared to your anticipated post-COVID-19 crisis current year budget?

Please indicate as whole percentage (i.e. 10%)

- ○ Next year's budget will increase by % ______________________
- ○ Next year's budget will decrease by % ______________________
- ○ No change
- ○ Don't know

What was your total number of full-time equivalent employees prior to the COVID-19 crisis?

Please indicate as whole number (i.e. 2)

____

What has been the impact on your staffing so far due to the COVID-19 crisis?

(Select all that apply)

- ☐ No impact
- ☐ Laid off employees. Please enter the number of employees that have been laid off to date: _______
- ☐ Furloughed employees. How many employees have been furloughed so far? ______________________
- ☐ Reduced working hours
- ☐ Reduced salaries
- ☐ Prefer not to say
- ☐ Don't know

Thinking of the future and the impact of the COVID-19 crisis, how much do you agree or disagree with the following statements?

	Completely Agree	Somewhat Agree	Neither Agree or Disagree	Somewhat Agree	Completely Disagree	Don't Know
My organization will strive to return to pre-COVID crisis normal relative to responsibilities, funding, staffing, etc.	○	○	○	○	○	○
The COVID-19 crisis will result in a "new normal" relative to my organization's responsibilities, funding, staffing, etc.	○	○	○	○	○	○
My organization will have a central role in improving tourism, focusing more on sustainability, resident and local business engagement, etc.	○	○	○	○	○	○
My organization will be smaller, more focused and more efficient	○	○	○	○	○	○
My organization will seek alignment with key partners, economic development, state/city government, etc.	○	○	○	○	○	○
My organization will seek and develop new and more sustainable sources of funding	○	○	○	○	○	○

Survey Page 8/8

Is there anything else you would like to share with us?

____

____

____

We request your name/details in case we need to contact you for clarification. Your answers outside of already publicly available information are confidential and will only be presented as aggregated and averaged information in the final report.

Your name ____

Title ____

Organization ____

Email ____

Thank you for your help with this survey. Please click the “Submit Survey” button below to send your response.

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APPENDICES & RESOURCES

Advocacy in the Face of Ideology

Creating the Ideological Case for Destination Promotion

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TORONTO

POLICY BRIEF

DESTINATIONS INTERNATIONAL

ADVOCACY IN THE FACE OF IDEOLOGY

In a 2015 Skift article entitled ***The Secret to Bigger Destination Marketing Budgets***, the author suggests that, “Although funding remains a constant challenge for destination marketing organizations, several leaders in the industry are learning that the key to a bigger budget lies is measurement.” In the same article, Don Welsh, then CEO of Choose Chicago, stated, “The organizations that are much more prudent and demonstrate ROI are the ones that will continue to get funding.”

For years, this has been the industry mantra: proving the economic value of tourism marketing is critical to attracting more funding. And for good reason. As Don emphasizes in the article, “Everything that a destination marketing organization does with taxpayer money has to be measurable.”

Yet over the past year, destinations across the United States have had their funding attacked, regardless of their ability to demonstrate a positive ROI. The president’s fiscal 2018 budget called for the elimination of Brand USA, despite the agency being responsible for adding $8.9 billion to the U.S. economy last year—a 27-to-1 return. Visit Florida also found their funding under attack, even with an ROI study demonstrating that for every $1 that Florida spends in destination marketing, the state gets $3.20 in increased tax revenue. The Missouri Division of Tourism demonstrated an ROI of $91 to $1 in 2015, yet this year had their budget cut in half by the incoming governor!

So, what gives? Why are destinations who seem to be proving the economic value of funding continuing the have their funding challenged? SMARInsights recently conducted research amongst political leaders and residents to help answer that question. They found that political leaders are often inundated with ROI studies from multiple industries and sectors, diluting the impact of data from our industry. They also discovered that while politicians are beginning to understand the economic impact of tourism in communities, it’s the need for promotion that they continue to struggle with. As Tourism New Zealand CEO Kevin Bowler stated, “I don’t think policy makers struggle to understand the economic value of tourism. They struggle with understanding the additional value that a destination marketing organization brings to the industry.” This sentiment is showcased in a tweet from incoming Florida House Speaker Jose Oliva: “Tourism existed long before gov’t involvement. Year-round sun and beaches is what made it happen.”

How can this statement be made when Visit Florida has demonstrated a $3.20 increase in tax revenue for every $1 they spend? The answer can be found in another statement given by Representative Oliva, “I can tell you that so long as we keep our principles and our values and our ideology in line, no matter what comes our way, we’ll be able to navigate it.” The key word here is ideology. Government spending on tourism promotion flies in the face of Representative Oliva’s “free market” ideology, as he defines it.

The disturbing fact for any destination organization in the state of Florida is that this deep-rooted ideology actually makes the representative less likely to believe data demonstrating the success of their efforts. And it’s not because of stubbornness; it’s a psychological

POLICY BRIEF

phenomenon known as cognitive dissonance, which occurs when individuals are confronted with new information that contradicts their beliefs, ideals and values. People see evidence that disagrees with them as weaker, because ultimately, they're asking themselves fundamentally different questions when evaluating that evidence, depending on whether they want to believe what it suggests or not. Or, as some put it, "minds don't want to change."

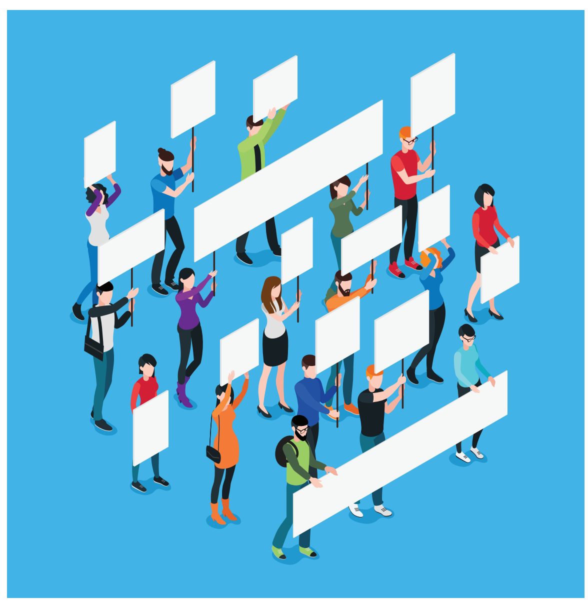
This ideology that calls for a strictly limited role for government is being pushed heavily across the country by well-funded organizations such as Americans for Prosperity, and no ROI study alone is going to effectively combat it. Instead, this battle must also be fought on the ideological front, which calls for a unified ideological case for destination promotion.

Combatting Ideology

So, what would get someone to change their mind about a belief that is deeply tied to their identity? "Probably nothing," says Carol Tavris, a social psychologist and co-author of *Mistakes Were Made (But Not by Me): Why We Justify Foolish Beliefs, Bad Decisions, and Hurtful Acts*. "I mean that seriously," she says.

There's no doubt that changing a person's core beliefs is difficult. But there are methods to sway politicians and constituents who believe destination promotion goes against their core beliefs.

1. **Make sure they understand what you do:** People tend to hold more extreme positions on complex policies when they don't know very much about them, according to a research article in the academic journal Psychological Science. Having people attempt to explain how the policies work is enough to reduce their sense of certainty, as well as the extremity of their political positions. This can often be an issue for destination organizations, as political leaders, stakeholders and residents often do not fully understand the work that we do. Therefore, it is imperative that you clearly convey the efforts of your organization and what they mean for your community.
2. **Use common language:** LGBTQ+ groups in America won over voters by discussing their quest for equality not in aggressive demands for equal rights, but with language conservatives would refer to when describing their own marriages: love, commitment and family. Similarly, The Association for Psychological Science found that talking about climate change in terms of "purity" and "sanctity" of Earth could win over those with conservative morals, traditionally unconcerned with climate change. Talking about destination promotion in terms of "economic prosperity" and "qualify of life" for all residents is most likely to resonate with this audience.
3. **Activating Constituents:** Contact with constituencies and voters, and strong, confident dissenting voices from within their own parties, can be balancing forces. The ability to effectively motivate and mobilize constituents to support your efforts is critical to any advocacy initiative. This is another area where ROI studies fall short. Political opinions are based on emotion, not reason, and therefore having your own ideological argument is often the most successful way to rally support.



POLICY BRIEF

The Ideological Case for Destination Promotion

The devotion of members is the biggest asset to any advocacy organization, even more so than funding. Successful advocacy campaigns are able to create this devotion by tapping into what advertising guru David Ogilvy called the power of one "big idea." For our industry, this idea should be that communities who do not invest in destination promotion will be left behind, losing ground economically and in the quality of life for their citizens.

The typical message that comes from industry leaders is that when a destination markets itself effectively, everything from local businesses to public services and residents win. This message, while valid, often fails to establish that emotional connection and sense of urgency required to activate constituents. Talking about the negative consequences on inaction however, creates that urgency and taps into community pride, something that is essential for garnering support from your community.

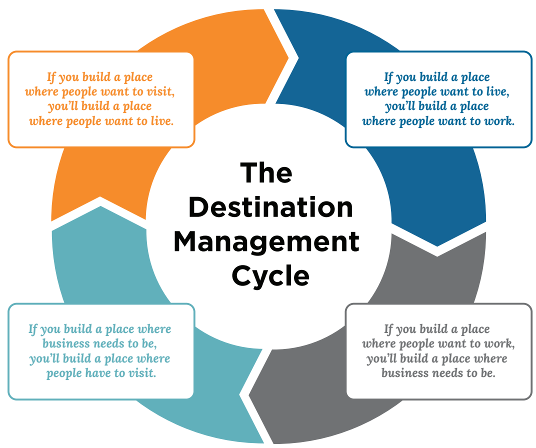
This argument has been made so effectively on behalf of Brand USA. As Jim Murren, Chairman and CEO of MGM Resorts International, eloquently states, "The world is in the midst of a global travel boom. America cannot afford to lose our rightful share of that market to our competitors." It was this very argument, in fact, that was used to motivate Congress sign the Travel Promotion Act into law in 2010.

One critical aspect of this argument is the willingness to shed light on industry failures. It's easier to talk about the United States losing market share when there was no destination organization representing the country. What if there had been? Destinations are all too willing to highlight their successes. We're constantly overwhelmed with stories of recording breaking visitation. But we often sweep under the rug our shortcomings. In making the argument that without destination promotion a community will be left behind, it's critical to point out areas of disappointment, and to make the case that more investment is needed to ensure this does not happen again.

The reality is that this concept applies not only to the visitor economy but to all facets of economic activity. As policy advisor Simon Anholt suggests, "In today's globalized, networked world, every place has to compete with every other place for its share of the world's consumers, tourists, businesses, investment, capital, respect and attention. Cities, the economic and cultural powerhouses of nations, are increasingly the focus of this international competition for funds, talent and fame." We're not just competing for visitors anymore. We're also competing for talent, investment and business; and destination promotion is critical in driving each of these. This concept needs to be engrained into the minds of stakeholders within your community.

As Resonance Consultancy points out in their *U.S. Place Equity Index Report*, "As developed economies have shifted from a manufacturing orientation to services, physical location has become less important in determining the economic success of not only cities but also states and countries. Today, it is increasingly quality of place that determines where talent, capital and tourism flows. Increasingly, reputation, identity and the perceived quality of place determine where talent, capital and tourism flow."

Destination organizations are uniquely positioned to act as the community stewards of this reputation and identity. As Maura Gast, Executive Director of the Irving CVB states, "If you build a place where people want to visit, you'll build a place where people want to live. And, if you build a place where people want to live, you'll build a place where people have to work. If you build a place where people want to work, you'll build a place where business wants to be. It all starts with a visit and the visit starts with us."



Longwoods International's "Halo Effect" research demonstrates how tourism promotion campaigns lift not only visitation but also improve public perceptions of the destination as a place to live, attend school, start a career or business, or purchase a home. When combined with an actual visit, the impact of tourism marketing on all these activities was even more magnified.

This competitive environment is a reality of our times, and how a destination claims and communicates its distinctive place within it largely decides which destinations succeed and which falter in the race for economic prosperity. **For this reason, we believe destination promotion is a public good for the benefit and well-being of all; an essential investment no community can afford to abate without causing detriment to the community's future economic and social well-being.**

"Advocacy in the Face of Ideology" was underwritten in part by the Destinations International Foundation.

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Estimated Number of Organizations with Destination Marketing Responsibilities

Survey of DMO type organizations in all 50 States

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SALT LAKE CITY, UTAH

Estimated Number of Organizations with Destination Marketing Responsibilities

Survey of DMO-type organizations in all 50 States

A wide range of organizations undertake destination marketing functions in the US—not just State Tourism Offices or DMOs. An estimated 1,000 of these organizations operate in the US (estimates based on figures from Destinations International, IBIS World and US Travel). In addition, destination marketing can be undertaken by Chambers of Commerce, Downtown and Mainstreet Associations and Economic Development entities.

Below is a summary of the number of DMO-type organizations compiled by Destinations International. Conducted by Andreas Weissenborn of Destinations International, this was a survey of all 50 US States of known DMOs or entities that perform destination promotion for their city/county/state. It is likely a conservative count, but this is a compiled list from the state-based tourism offices and/or trade associations.

State	Distinct Count of Destination Organizations
NE	183
TX	181
KS	163
NC	117
VA	114
OH	96
KY	93
GA	86
CA	78
ID	77
NY	65

MN	64
OR	63
IN	57
FL	55
TN	54
LA	53
PA	50
MI	49
NH	47
MO	47
AR	44
SC	42
IL	42
WI	38
AK	38
WV	36
OK	32
CO	32
NM	32
VT	30
AL	30
MD	29
UT	28
WA	27

MS	26
WY	25
MA	25
NJ	20
ND	18
MT	18
HI	17
AZ	14
IA	11
SD	10
NV	7
DE	6
RI	6
CT	4
ME	3
Grand Total	**2,478**

Source: estimates compiled by Destinations International.

FUNDING FUTURES

APPENDICES & RESOURCES
Sources

BOSTON, MASSACHUSETTS

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TOURISM ECONOMICS AN OXFORD ECONOMICS COMPANY

List of Sources

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*NORTH AMERICAN DMO DISCUSSION GROUP PARTICIPANTS

Small-to-Medium-Sized U.S. City DMOs

May 22, 2020

- Kevin Kane, *Memphis Tourism*
- Susie Santo, *Visit Wichita*
- Gary Sherwin, *Visit Newport Beach*

State DMOs

June 4, 2020

- David Lorenz, *Pure Michigan (MEDC)*
- Cathy Ritter, *Colorado Tourism Office*
- Rita McClenny, *Virginia Tourism*
- Todd Davidson, *Travel Oregon*
- Caroline Beteta, *Visit California*

Large-Sized U.S. City DMOs

June 16, 2020

- Joe D'Alessandro, *San Francisco Travel*
- Leonard Hoops, *Visit Indy*
- David Whitaker, *Choose Chicago*
- Jeff Miller, *Travel Portland*
- Martha Sheridan, *Greater Boston CVB*
- Kaitlin Eskelson, *Visit Salt Lake*

Canadian DMOs

July 6, 2020

- Scott Beck, *Tourism Toronto*
- Yves Lalumiere, *Tourisme Montreal*
- Paul Nursey, *Tourism Victoria*
- Ross Jefferson, *Discover Halifax*
- Kathleen Trainor, *DMAC and Tourism Barrie*

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