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A QUICK LOOK INTO IMPORTANT ISSUES OF THE DAY

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Additional Resource

- U.S. Travel Association

Pure Marketing: State Tourism Office Budgets

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While we might live in the United States of America, there is no denying that our states are often in competition with each other. States compete for industries, workers, investors—and even for tourists.

According to the U.S. Travel Association, total domestic travel in the United States was up 1.9% in 2018. And tourists are spending more, too, with leisure travelers spending 7.1% more in 2018 than in 2017, for a total of nearly $650 billion. That's no small piece of the economic pie, and states are increasingly doing more to ensure they get a slice.

The majority of states have a state tourism office responsible for marketing their state, and according to the U.S. Travel Association, average state tourism office funding is about $18.7 million per year. During the Great Recession, tourism budgets were often on the chopping block as states struggled to balance their budgets. Tourism office budgets reached a low of an average of $13.3 million, but have since rebounded, according to the U.S. Travel Association.

One of the responsibilities of tourism offices is to devise marketing campaigns to lure visitors who will contribute to the state's economy, and some states have been getting creative.

In 2008, in the midst of the Great Recession, Michigan launched a new marketing campaign called Pure Michigan aimed at attracting visitors to the Great Lakes state. Funding for the state tourism office jumped from just under $20 million in 2008, to nearly $30 million in 2009, and the state allocated about $35 million for the office in 2018, though only a portion of the funds are dedicated to the campaign.

The campaign has continued for over 10 years, and while there is disagreement about the full economic impact of the campaign (the state has not released the methodology used to calculate the return on investment), it has certainly raised

Michigan's profile with tourists. Consultants hired to study the effectiveness of the campaign note that awareness of the ads is high, and many tourists interviewed cited the ads as a reason for their visit to the state. Using an outside consultant, Travel Michigan, the state's tourism office, estimates that the Pure Michigan campaign generated $153 million in state tax revenue in 2018.

In 2017, MMGY, a travel and tourism integrated marketing company, named Nebraska the least visited U.S. state. The Nebraska Tourism Commission decided to tackle this problem with a very clever campaign, declaring about Nebraska: "Honestly, it's not for everyone." The campaign launched in October 2018 takes the stereotypes many Americans associate with Nebraska—flat and dusty, for example—and overlays those misconceptions with humorous photos of the state. One billboard proclaims "Another Day on the Dusty Plains" and features a boy crossing a scenic waterfall. While not everyone in Nebraska loves the self-deprecating campaign, it's received national attention, raising the profile of Nebraska's tourism offerings.

Funding for the Nebraska Tourism Commission has remained fairly steady over the last few years at about $5.5 million. The commission is funded by a 1% state lodging tax. Several states apply a statewide tax on lodging and accommodations. In many cases, the tax is in addition to a statewide sales tax, and local taxes can also apply. According to the U.S. Travel Association, which surveys state tourism offices every year to learn more about their funding mechanisms, 14 states' tourism offices are funded either all, or in part, by a statewide lodging tax.

The most common way states fund their tourism offices is appropriations from the state's general fund. Sixteen states reported to the U.S. Travel Association that they receive all their funds from the general fund. A handful of states also rely in part on gaming and lottery revenues to fund their tourism offices.

While some states have reduced funding for tourism offices in recent years, others have been increasing their budgets and directing offices to create destination marketing campaigns.

State Action

■ **Massachusetts.** In 2016, the Massachusetts legislature established a dedicated way to fund the state's tourism efforts. Lawmakers established the Massachusetts Tourism Trust Fund, investing $10 million from occupancy tax revenue into the fund. The goal of the fund is to promote destination marketing. Sixty percent of the funds are earmarked for the Regional Tourism Councils in the state, and 40% goes to the Office of Travel and Tourism, responsible for marketing Massachusetts. In addition to this dedicated fund, the legislature appropriates additional funds for travel and tourism promotion in the state's annual budgets.

■ **Oregon.** In 2016, the Oregon Legislature approved a temporary increase of the state's transient lodging tax rate from 1% to 1.8% for four years. Legislation requires 65% of revenues to be used for state tourism programs. The result was an increase in the tourism office budget from about $20.2 million in 2016 to about $30.4 million in 2018, according to the U.S. Travel Association. That same year, the state launched its most successful marketing campaign ever—"Only Slightly Exaggerated." The ad campaign features Oregon's sights combined with whimsical animation.

Did You Know?

- In 1993, Colorado became the first state to eliminate its tourism marketing budget. Funding has since been restored.
- According to the U.S. Travel Association, 27 states increased their tourism office budgets in FY 2017.
- California is the most visited state in the U.S.

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