Forging the Future: Funding for Destinations

NCSTD - ESTO
August 16, 2025

John Lambeth
Founder & CEO

AGENDA

- Overview of Funding
- Paradigm Shift on Funding
- Funding Advocacy
- Funding Resources

The Struggle to Secure Stable & Sufficient Funding

1 Intense Competition for Scarce Public Funding

- Bed Tax, Sales Tax, Government Grants
- Strong Competitors – Police, Fire, Parks – RFP
- Claims that Marketing is Not Needed/Doesn't Work

2 Philosophical Opposition to Tourism Funding

- Politically Opposed to Government Spending $ to Help Any Industry

3 Increased Demand to Mitigate Travel Impacts / Affordable Housing, Infrastructure

- New Laws That Allow Diversion from Marketing to Other Uses

Legislation Allowing for Diversion of DMO Funds

1. S. 284 – South Carolina – May 2023 - Divert Up To 15% of Bed Tax
2. HB 1117 – Colorado – March 2022 - At least 10% of Funding for Marketing
3. HB 1247 – Colorado – May 2025 - Raises allowable county bed tax from 2% to 5%, adds uses of infrastructure and public safety.

<u>5 Bills Not Passed in Florida</u>

- Diversion of all TDT to property tax relief
- Expansion of TDT for affordable housing & public safety
- Cap of $50 million
- 1:1 match
- Referendum every 8 years

"The progress we made this session breathes new energy into the TDT reform movement and gives us a head start for next year."

– Sen. Carlos Guillermo Smith, the Orlando Democrat who had been fighting for changes

The Mackinac Center

A Mackinac Center report titled, “An Analysis of State-Funded Tourism Promotion” claims that state travel office destination marketing has not increased travel and tourism.

Adam Sacks, President of Tourism Economics, challenges the assumptions in the report.

Roberto S. Mariano, Professor of Economics Emeritus at the University of Pennsylvania, debunks the statistical data in the report.

Destination Funding

8% Private, 92% Public

Private

- Membership/Partnerships
- Private Grants
- Event Revenue
- Contract Services
- Licensing, Naming Rights
- **Voluntary District (Voluntary TID)**

Public

- Untethered Tax Allocations
- Tethered Tax Allocations
- Property Tax Increment Financing
- Gov't Grants (e.g., EDA)
- **Sales/Hotel Tax Increment Financing**
- **Assessments (TID)**

From Defending Budget to Going on Offense

Defense mindset: "Let's wait and see what they do, then respond."
Offense mindset: "Let's make a move that forces them to adapt to us."

- **Defense**: responding to what others do, countering threats, playing catch-up.
- **Offense:** Taking proactive steps to set the agenda, control the tempo, and force others to react to you.

What Does it Mean to be Proactive?

- You frame define the narrative
- Allows for openings not available on defense
- Shows confidence and leadership

Additional Considerations

- Not Reckless Aggression
- Defensive Strength Still Matters
- Situational Fit

Tourism Improvement District

Tourism businesses pay an assessment (may include STRs)

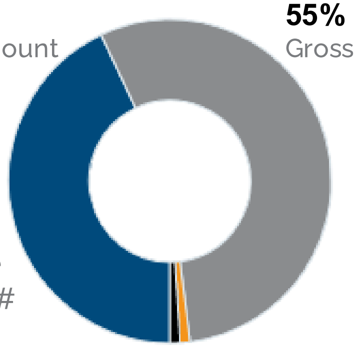
Collected by the government

Managed by the DMO

- Marketing, Sales
- Sports
- Capital Improvements (Conv Center, Sports Facilities)
- Workforce / Transportation

220 TIDs

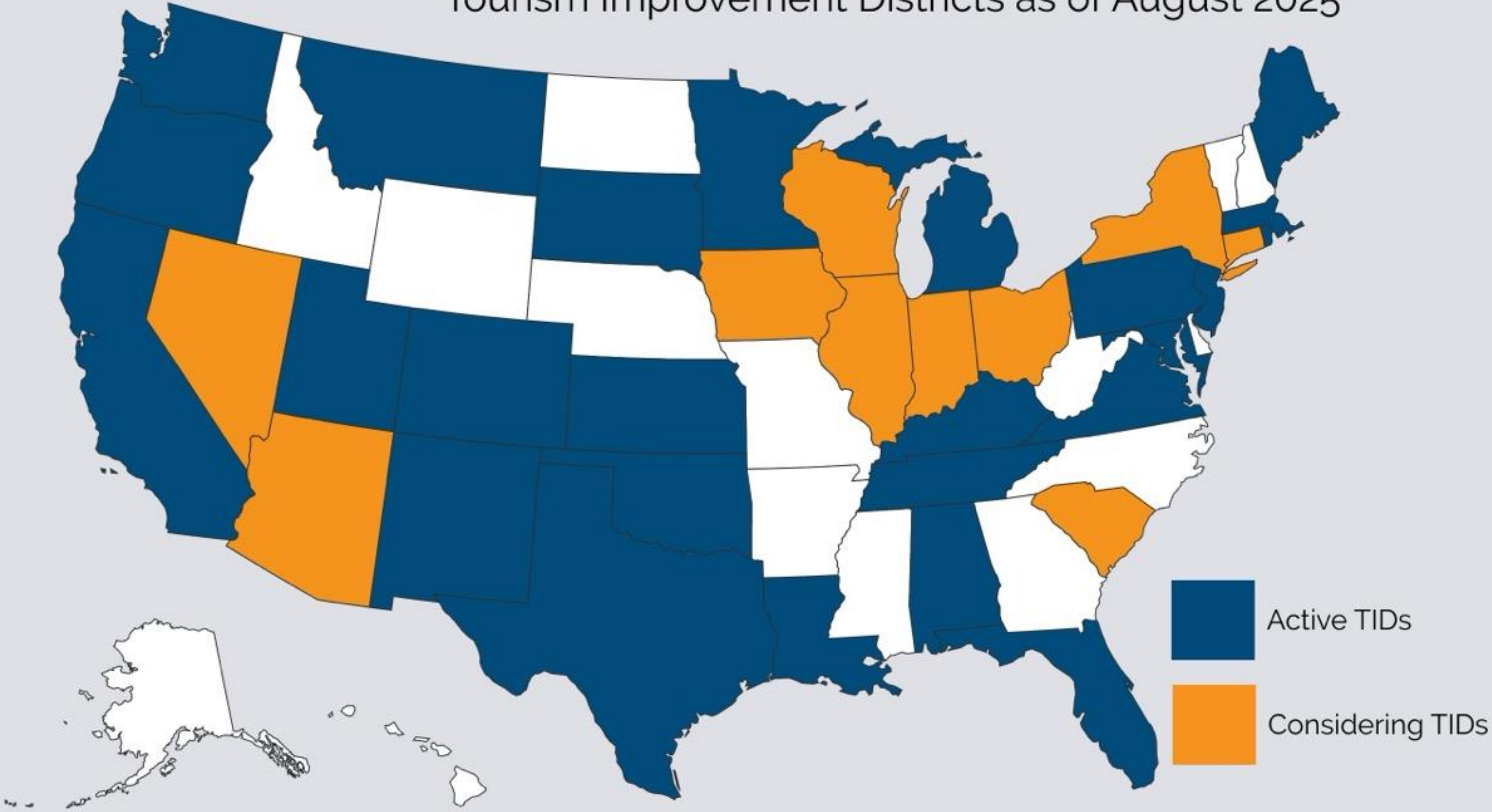
Most Recent US TID:
Minneapolis, MN
(June 2025)



ANNUAL AMOUNT RAISED	
Low	$10,000
High	$47,200,000
Total	$724,800,000

25 STATES

Tourism Improvement Districts as of August 2025



"I remember when I was governor last time, the tourism industry was always asking me for more money from the state budget…You know I don't like to spend money very much, so I'm glad you figured out how to spend your own money. That's a lot better, because if you had to deal with me, your life would be more difficult."

– Former California Governor
Jerry Brown - May 3,, 2017

Sales & Hotel Tax Increment Financing

- Increment is Differential Between Amount of Tax Raised in Base Year and Current Collections
- Increment Used for Tourism Purposes

Advantages:

- Diversification of payors
- Strong Linkage of Tourism Growth to DMO funding ("skin in the game")
- No New Levy
- No Diversion of Existing Revenue

STIF Case Study

- The Utah State Legislature established the Utah Tourism Marketing Performance Fund (TMPF) in 2005 – 21 tourism business types.
- Enabled the state's marketing fund to grow from $900k to $25m.

Funding Allocation:

- 70% for the statewide advertising efforts
- 20% to the local coop program
- 10% to the Sports Commission

Sales & Hotel TIF Case Study

- The Texas Legislature established the Project Financing Zone concept in 2013 and expanded it in 2023 to include Austin, Corpus, Houston, and San Antonio.
- Allows diversion of the increment from **state hotel tax (6%), sales tax, and mixed beverage tax** collected at hotels.
- Funds May be used for construction of convention center, arena or a qualified hotel.
- Project Financing Zone can be established for up to 30 years.

Oregon Occupancy Tax

- Travel Oregon - public agency
- Oversight by Oregon Tourism Commission
- 1.5% Tax yields approximately $45M per year
- Separate Fund
- Continuing Appropriation

"The moneys transferred under this subsection are continuously appropriated to the Oregon Tourism Commission for the purposes set forth in ORS 284.131."

A Foundation of Trust

Funding Advocacy is Built on the Bedrock of Trust.

Six Trust- Building Factors:

- Transparency – Honestly discuss goals, methods and outcomes.
- Listen – Actively listen as much or more than you speak. Be prepared to articulate another's position better than they did. Feedback loop.
- Consistency – Consistently deliver on your promises.
- Alignment – Demonstrate how your position aligns with the values and interests of the other party.
- Data – Use trustworthy data and do not exaggerate or overstate.
- Partnership – Partner with other trusted organizations and individuals.

Funding Advocacy: Key Principles

Build Relationships.

- Talk to Them When You Don't Need to Be Talking to Them!
- Be a friend before you need a friend.

Research

- Do your homework and do it early – including data work.
- Research your advocacy target.
- Research and understand competing parties and competing proposals.

Funding Advocacy: Key Principles

<u>Message Development</u>

- The message should be in terms that are important to the listener.
- Identify third-party sources to add credibility.

<u>Messengers</u>

- Who is the right person to convey the message?
- Identify people whom the listener trusts to deliver the message.

The Faces of Travel

<u>Humanizing the face of travel:</u>

Transforms perception of tourism

- “Tourists are a nuisance,” to “Tourism sustains neighbors’ livelihoods.”

Strengthens advocacy messaging

Figures are forgettable, stories of people stick in the mind.

<u>Tell stories that make an impact:</u>

- How visitor spending directly supports livelihoods
- Direct quotes, candid photos, videos
- Let hospitality workers/DMO workers tell stories in own words

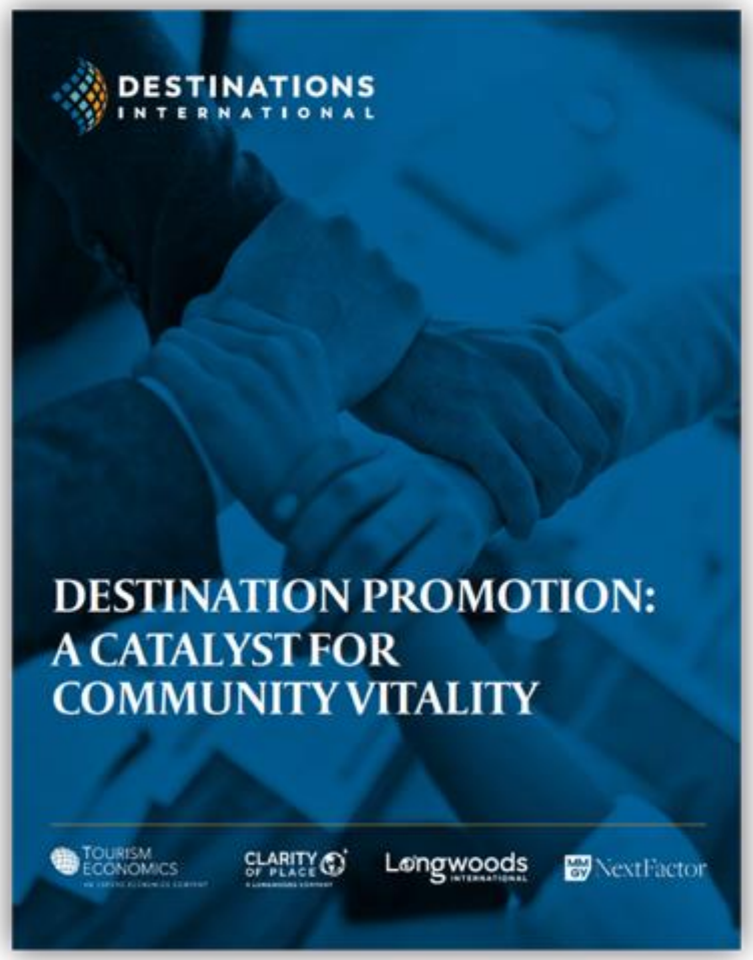
“We are making a difference in people’s lives.” – Visit Orlando Team

Proxies

"Never go into battle without a proxy".

- State Travel Association
- State Hotel Association
- Regional and Local Hotel Association
- State and Local Restaurant Association
- Other state tourism-related associations (ski, retailers, camping, theme parks, car rental)
- State Retail Association
- League of Cities
- Arts Associations
- Downtown Associations/Districts

Destination Promotion: A Catalyst for Community Vitality



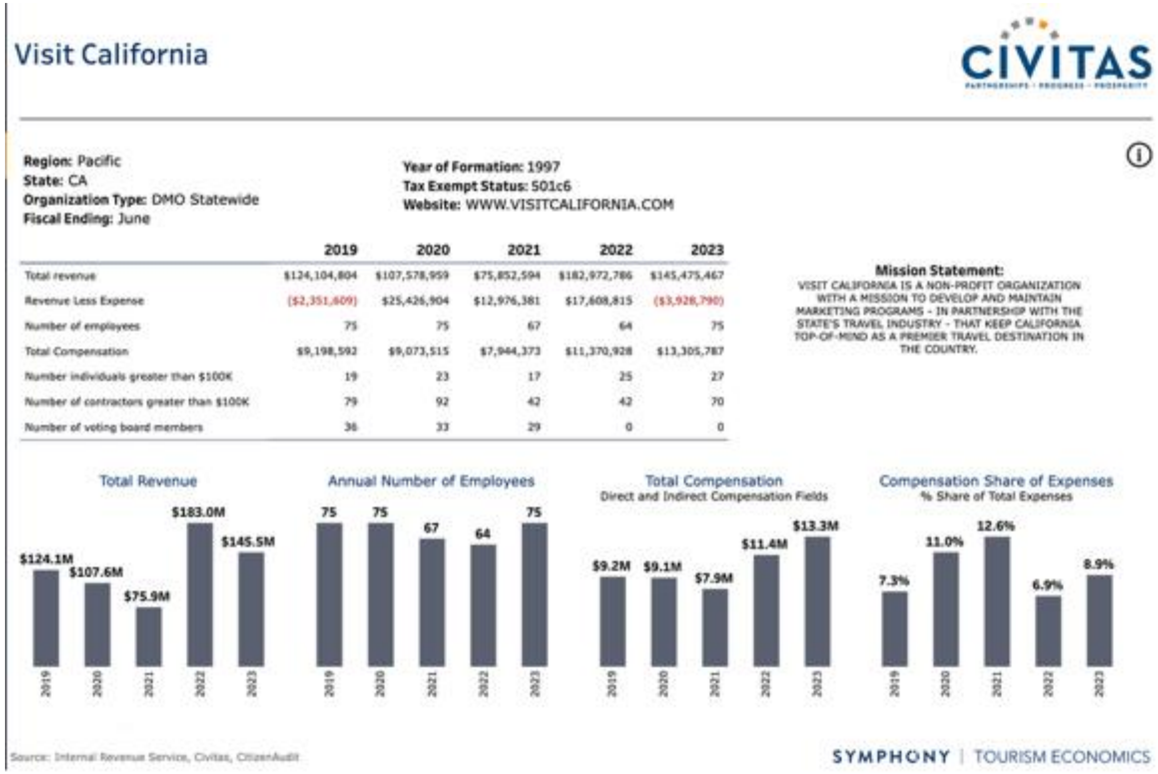
1. Direct Impact of Destination Promotion
2. Impact on Connected Industries
3. Benefits to Culture & Quality of Life
4. Benefits of the Destination Brand
5. Impact on Workforce
6. Benefits on Government & Community Services
7. Impacts on Economic Development

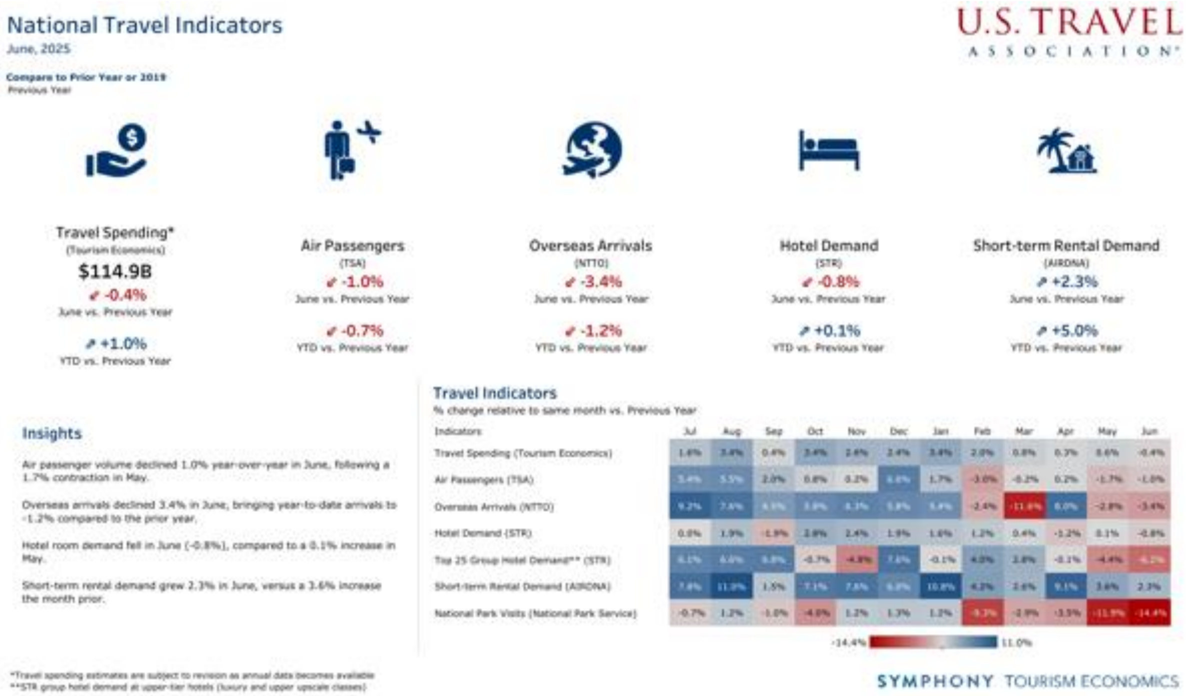
Includes 10 Case Studies (*2024)*

Resources

[CivitasPRO]

[U.S. Travel Research Dashboard]





Both Powered by:
Tourism Economics’ Symphony

Destination Next 2025 Futures Study

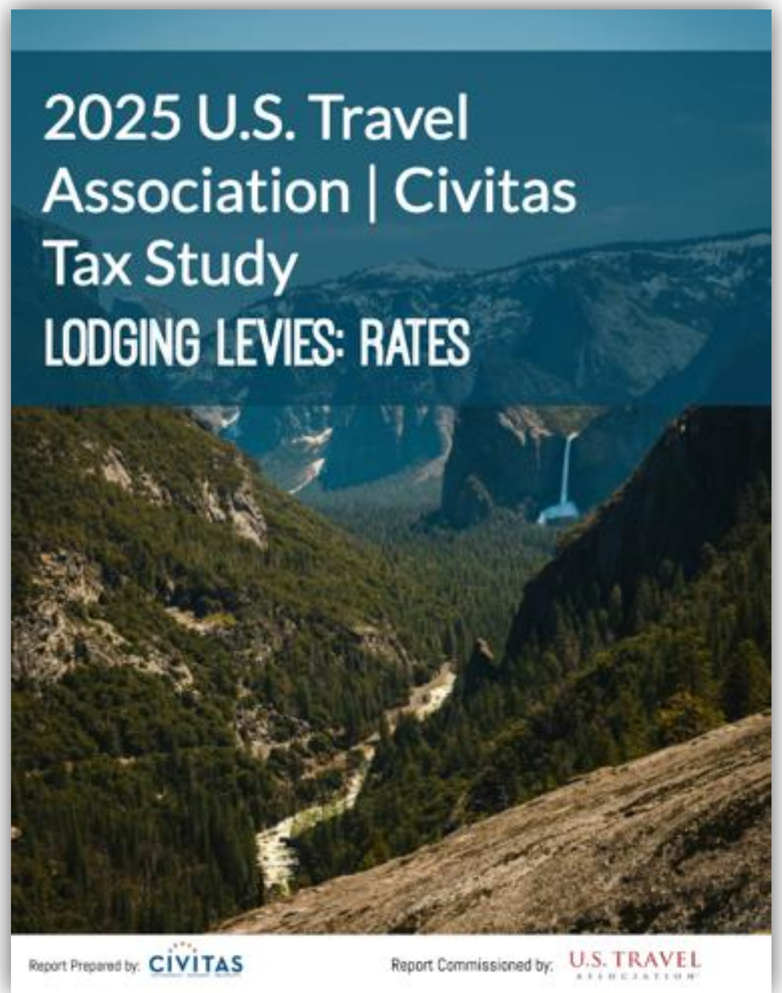
July 10, 2025

- Funding remains one of the most persistent and precarious challenges facing destination organizations today.

- While the economic impact of the visitor economy is well-established, public funding for destination organizations continues to face scrutiny and political vulnerability.

- In the 2025 Futures Study survey, **42% of destination organizations reported their funding is at risk of being reduced or eliminated in the next three years, an increase from 37% in 2023.**

US Travel/Civitas 2025 Tax Study



- Lodging levy rates and revenue are up. The average rate was 15.5%
- Average increase was a 7% increase over current rate.
- 11 of 21 changes are partially or fully dedicated to tourism industry. Other 10 are dedicated to other funding programs or General Funds.
- **2025 Report Available Now!**

Full Report available for U.S. Travel Members at:
www.ustravel.org/research/lodging-levies-rates-and-allocations

CIVITAS

PARTNERSHIPS ▪ PROGRESS ▪ PROSPERITY

25

States

TID/BID Legislation Drafted

200+

Projects

TID/BID Formation Projects Worldwide

$3.6B

Amount generated for clients globally.

We are passionate about raising stable, dependable funding for destination promotion.

CIVITAS

PARTNERSHIPS ▪ PROGRESS ▪ PROSPERITY

NYC & Company

Visit PITTSBURGH

ALASKA TRAVEL INDUSTRY ASSOCIATION

VISIT HUNTINGTON BEACH SURF CITY USA

Visit Vacaville

Los Angeles

Waikīkī Business Improvement District

SAN ANTONIO

COLORADO COME TO LIFE

SANTA MONICA TRAVEL & TOURISM

Kailua Village

Palm Springs CALIFORNIA Like no place else

San Diego TOURISM AUTHORITY

DISCOVER NEWPORT

Benicia A GREAT DAY BY THE BAY

Visit Temecula Valley SOUTHERN CALIFORNIA WINE COUNTRY

Visit CARMEL BY-THE-SEA

DISCOVER DURHAM

north lake tahoe

VISIT WICHITA

Coronado A BRIDGE AWAY

Tahoe South

Santa Ynez Valley CALIFORNIA

VISIT PORTLAND MAINE

VISIT ALBUQUERQUE CHANGE YOUR PERSPECTIVE

GOLDEN ISLES GEORGIA

MONTEREY Grab life by the moments.

SISKIYOU CALIFORNIA'S NORTH

VisitEngland

visit Mobile Alabama BORN TO CELEBRATE

Oakland

Boston

Visit tucson

VISIT SANTA BARBARA THE AMERICAN RIVIERA

visit Anaheim

VISIT Norfolk visitnorfolk.com

Visit Buena Park SOUTHERN CALIFORNIA

Memphis HOME OF BLUES, SOUL & ROCK 'N' ROLL

GO greatlakesbay.

瀬戸内 SETOUCHI

VISIT DENVER

Visit SACRAMENTO

VISIT SANJOSÉ CALIFORNIA

VISIT Newport BEACH CALIFORNIA

LEGENDARY NAPA VALLEY

PHL

Visit Baltimore

DESTINATION Cleveland

VISIT OCEANSIDE

Mammoth Lakes CALIFORNIA

travel PORTLAND

GoPROVIDENCE.COM PROVIDENCE WARWICK CONVENTION & VISITORS BUREAU

CITY OF MORGAN HILL

DOWNTOWN SAN DIEGO PARTNERSHIP

DISCOVER LONG ISLAND NEW YORK

VISIT TAMPA BAY

Funding Sufficiency vs. Funding Stability

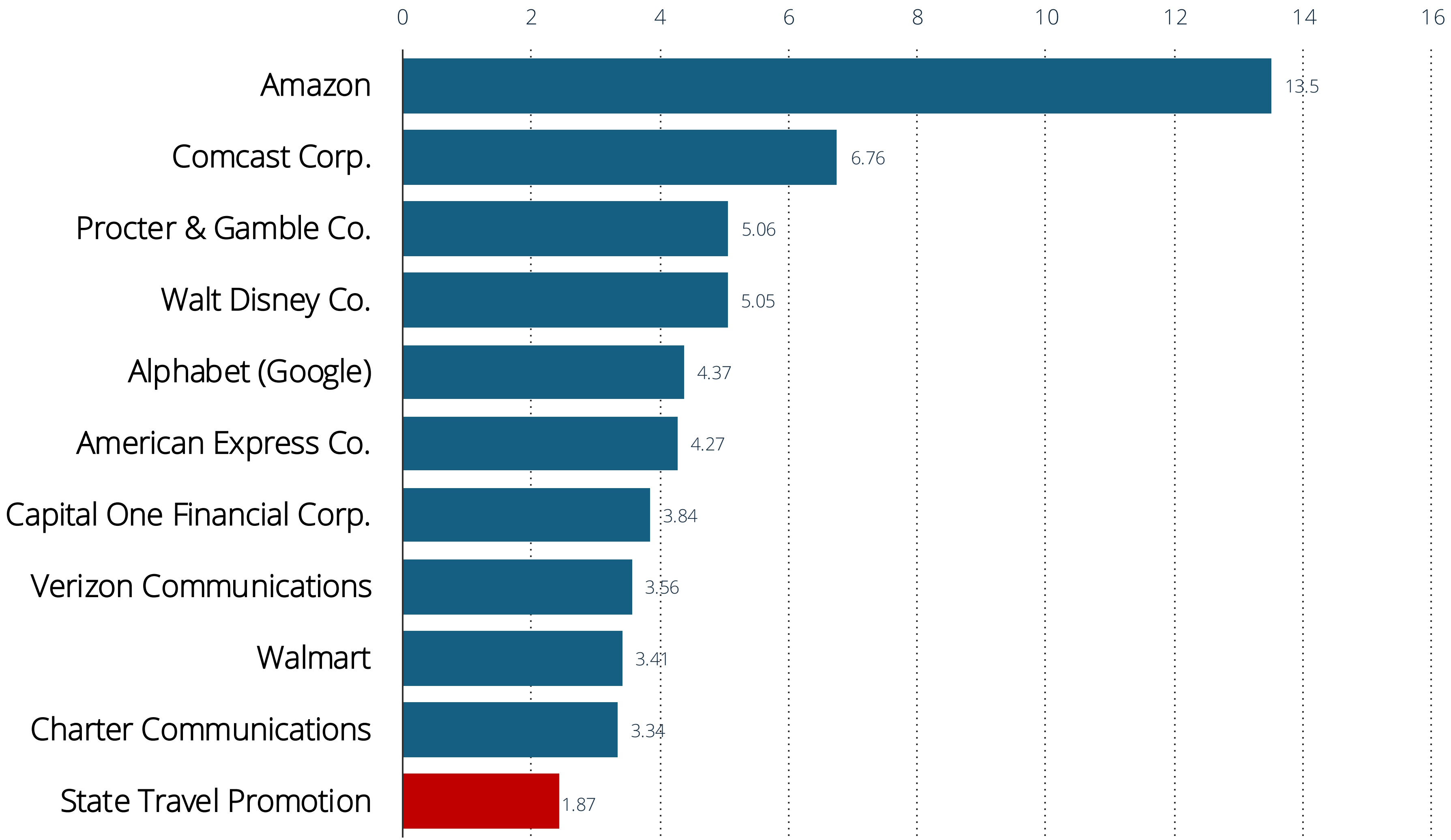
Sufficiency

Do you have enough to adequately market your destination?

Stability

How reliable are your funding streams? Can they be diverted?

Billions in Marketing Spending

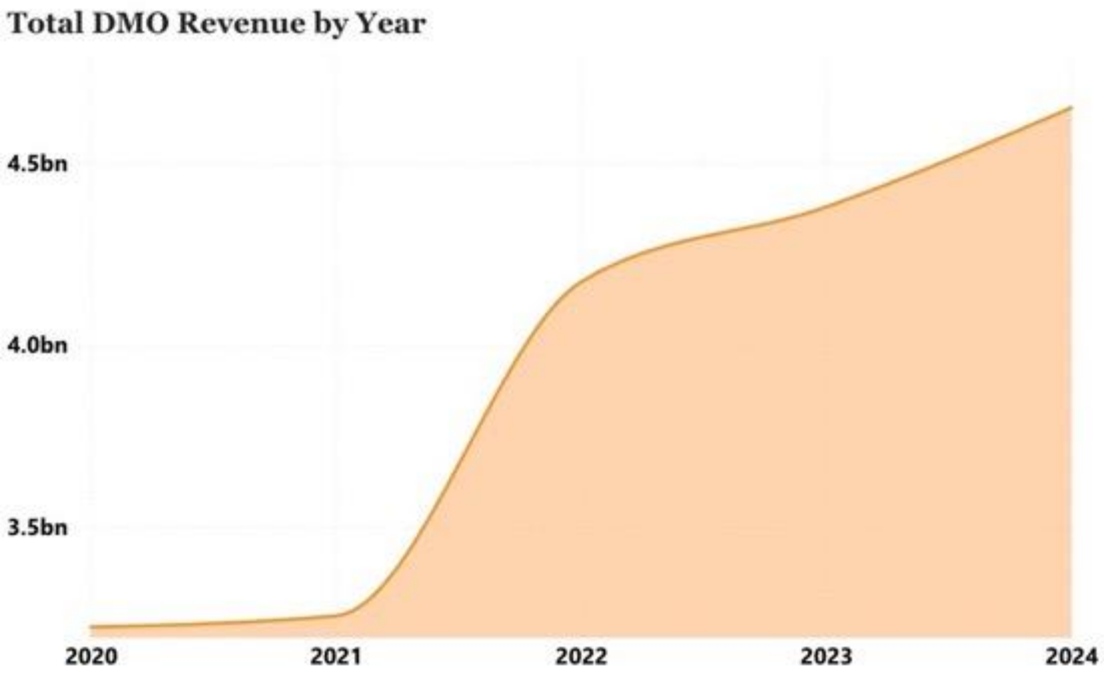


Source: Advertising Age & Civitas

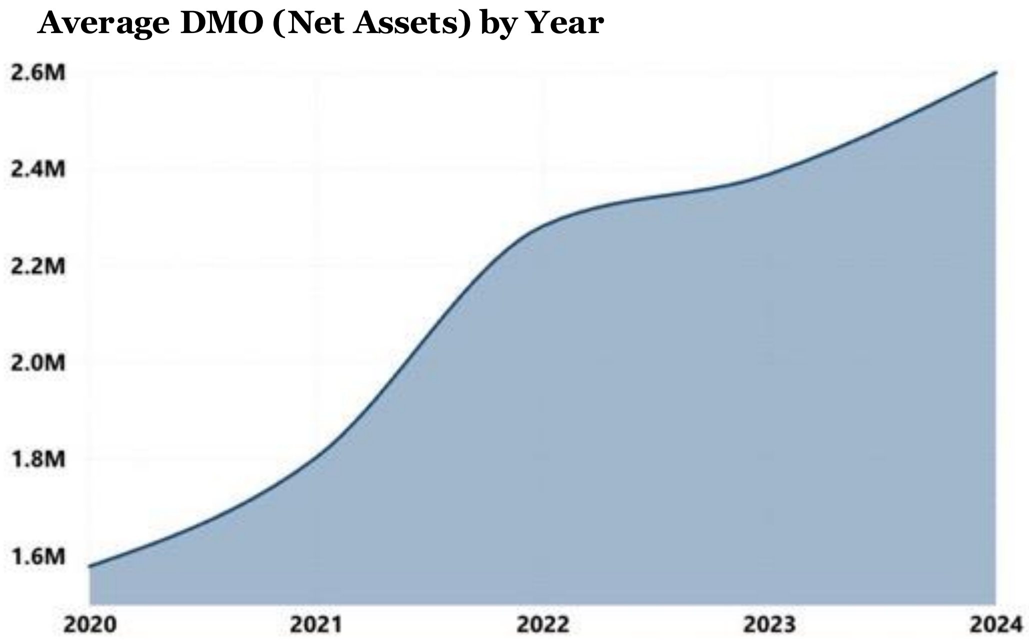
Total DMO Revenue

Total raised by industry $4.65b. Total raised by TIDs 16% ($725m)

Revenue



Reserves



Taxes vs. Assessments

TAXES

- No defined term
- Government managed and imposed
- No requirement of benefitting the paying businesses
- Funds may be diverted at government discretion

ASSESSMENTS

- Specific term and plan
- Payor managed and approved
- Based on benefit to businesses
- Legal accountability to district plan - funds cannot be diverted
- Legal Protection
- Political Protection

TID LEGISLATION

-Passed in Last 3 Years

-Seeking Approval

- ✓ Mass
- ✓ Virginia
- ✓ Louisiana
- ✓ Utah
- ✓ Rhode Island
- ✓ Illinois
- ✓ Alabama
- ✓ Minnesota
- ✓ Washington State (2025)

- Pennsylvania (2025)
- Wisconsin (2025)
- Ohio
- Indiana
- Iowa
- Nevada
- Maryland
- Arizona

Washington Legislation Win

Bill: SB 5492
Passed: April 30, 2025

Establishing a tourism advisory group to explore a self-supported assessment funding stream that would allow for sustainable funding to support state-wide tourism efforts.

Alaska State Legislation Effort

Bill: SB 110
(Introduced) Attempted: April 17, 2017

An Act establishing the Travel Alaska Board; relating to a tourism assessment; and establishing a tourism marketing fund.

Key Takeaways for Legislative Success

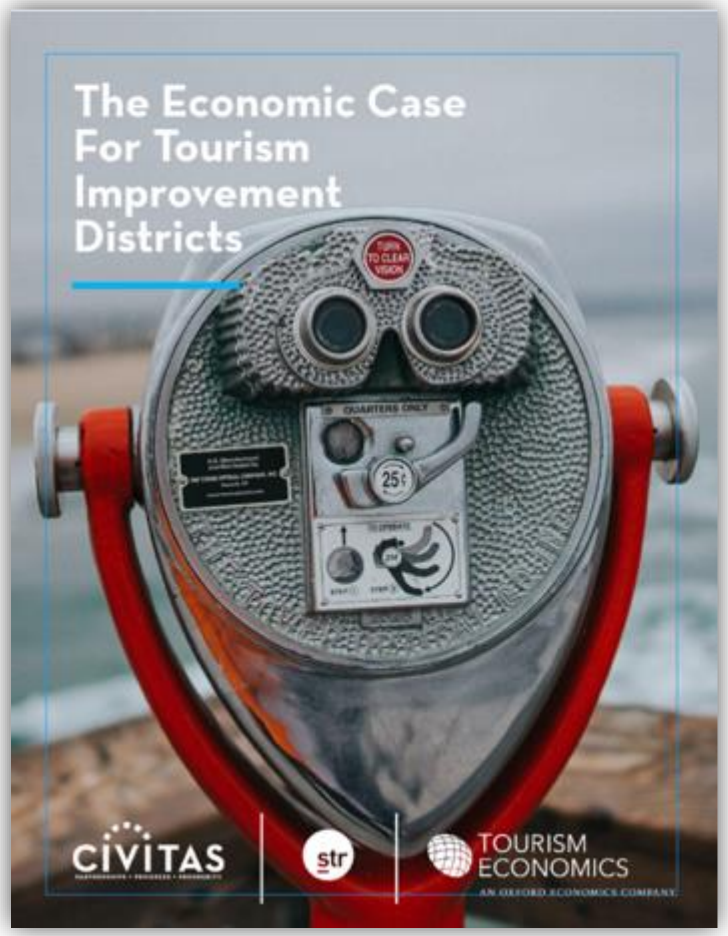
Work on opportunities to increase your influence at the state level.

Unite the industry.

Keep it Simple. Too many ornaments on the tree may impede approval.

Be prepared with draft legislation and outreach campaign by beginning of Q4.

Economic Case for TIDs



- Tourism Economics, with the help of STR & Civitas, conducted an innovative study to demonstrate the impact of the TID on destinations. Tourism Economics selected 100 US cities - 29 cities with TIDs and 71 cities without a TID – and analyzed their data over the span of 30 years (1990-2019).

- The report selected measures such as lodging performance & local economic characteristics, and examined the TID impacts on room demand, revenue, and visitor spending.

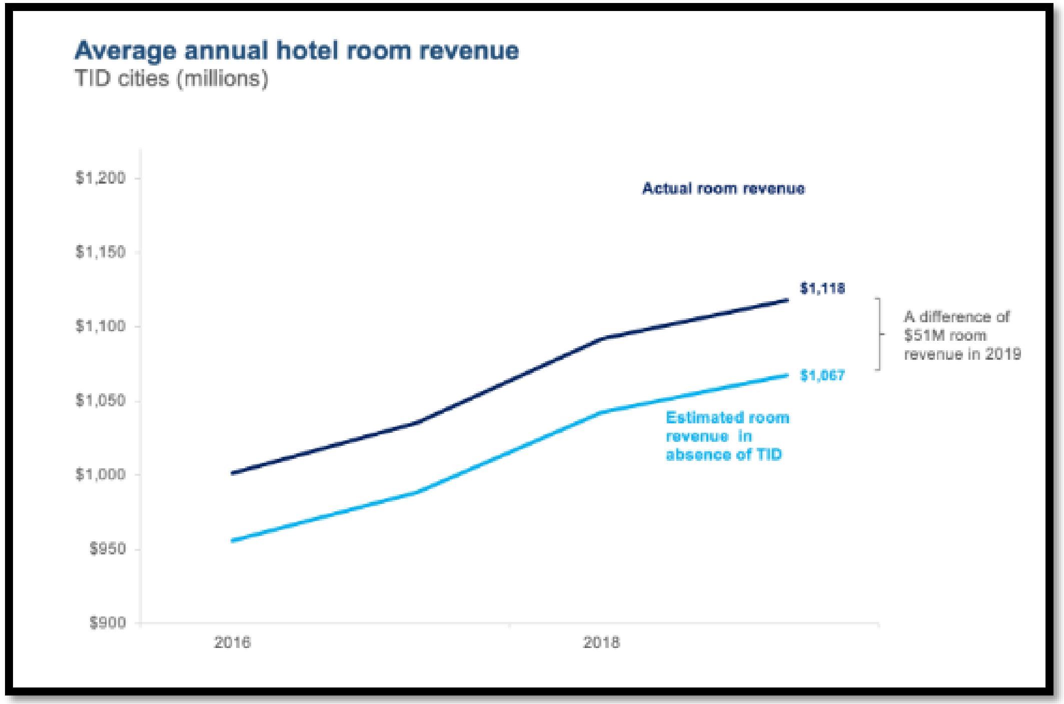
Full White Paper Available On Civitas Website

TIDs Lift Room Demand & Revenue

Destinations with TIDs outperform others.

- On average, TIDs produce a 2.1% lift in hotel room demand.
- On average, TIDs produce a 4.5% lift in hotel room revenue.
- TIDs drive economic impact.

Session: The Economic Case for Tourism Improvement Districts to Drive the Recovery, presented by STR
Speaker: Adam Sacks, Tourism Economics



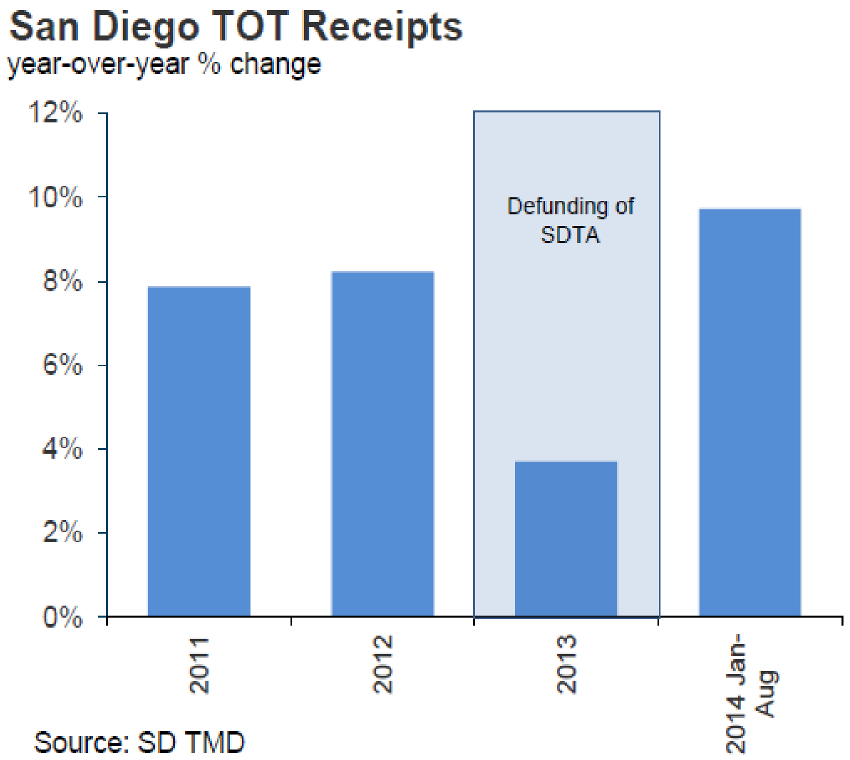
TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

CASE STUDY: SAN DIEGO

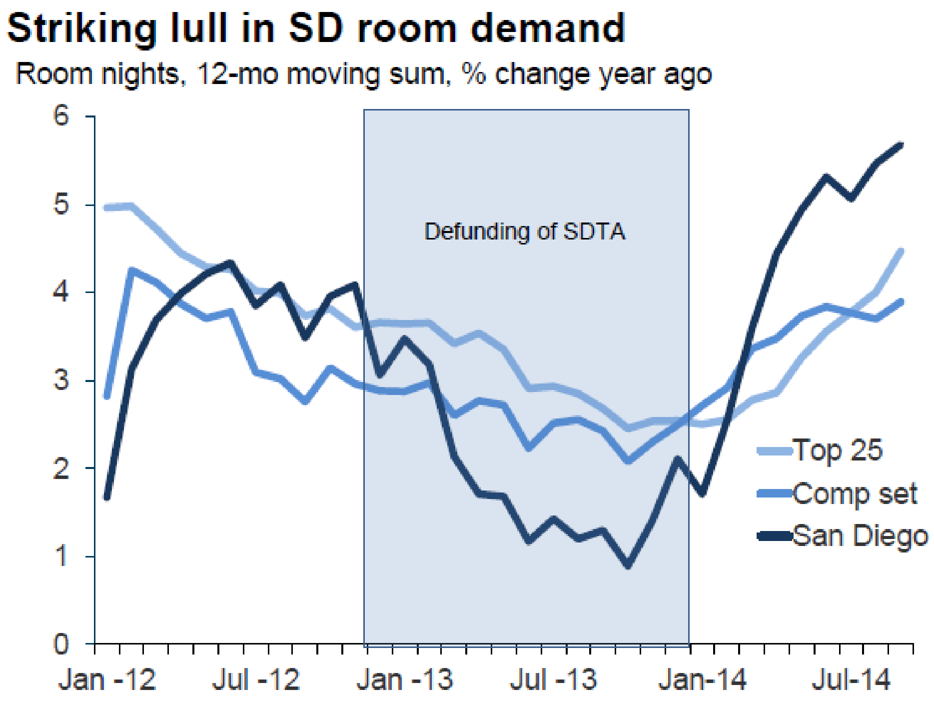
TMD funding frozen by litigation in 2013

TMD funds held in limbo during much of 2013

Immediate and significant competitive disadvantage



Source: SD TMD



Sources: STR, Tourism Economics

TOURISM ECONOMICS
AN OXFORD ECONOMICS COMPANY

Visit California Funding

88% of the Visit CA budget goes directly to marketing efforts to inspire travel & increase visitation.

The California Tourism Marketing Act was enacted to increase California's share of the travel and tourism market in 1997. The legislation authorized self-imposition of an assessment by businesses that benefit from travel and tourism.

See rates below.

(Total Gross Receipts x Percentage of Tourism x Assessment Rate).

There are approximately 18,500 businesses that are assessed.

Assessment Rates

- For Accommodations, $1,950 per $1 million of travel and tourism revenue. (Approximately .2%)
- For Passenger Car Rental, 3.5% of monthly revenue or $3.50 per transaction.
- For Restaurants & Retail, $975 per $1 million of travel and tourism revenue (Approximately .1%)
- For Attractions & Recreation, $975 per $1 million of travel and tourism revenue. (Approx .1%)
- For Transportation & Travel Services, $975 per $1 million of travel and tourism revenue. (.1%)

Trends in Stable Funding

Statewide legislation for dedicated funding continues to grow.

Lodging Industry support for dedicated funding increasing as awareness increases among hotels, and state and local hotel associations.

Short term rental inclusion in bed tax and TIDs continues to rise.

Diversity of funding types, programs and payors is accelerating.

DMOs attacking funding issues on a proactive, not reactive, basis.

THANK YOU!

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