

## STATE TOURISM FUNDING: EQUITY, CONSENSUS, AND ACCOUNTABILITY MODELS

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This article uses narrative, case study analysis to investigate three major alternative models to state tourism funding that emerged in the 1990s. Although many academics and researchers are familiar with these models, few know the specifics of how they arose, how they work, and their implications for the tourism industry. The alternative models reviewed in this article include industry self-assessment (CalTour), public–private partnership (Visit Florida), tourism-related tax revenues (Missouri Division of Tourism), and an attempted hybrid model (Rhode Island Tourism Advisory Council). Based on these models, the article suggests new hybrid models will appear based on the best characteristics of the initial models: equity, consensus, and accountability, respectively. Given the dearth of academic study tourism funding, the article concludes with suggestions for future research.

Key words: Tourism funding; Tourism organization; Tourism models; State tourism

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### State Tourism Funding: Major Alternative Models

Few topics illustrate the gulf that occasionally exists between academics and practitioners better than tourism funding. For practitioners, the search for funding is both challenging and perpetual. Nearly all other functions of a tourism organization or agency—marketing, research, and product development—depend upon a steady revenue stream. Despite impressive impact and return-on-investment (ROI) data, state and local tourism budgets began to shrink in the early 1990s (McDowell, 1993) and took a near-fatal blow after the

September 11th terrorist attacks. In reaction, tourism organizations both public and nonprofit began to adopt private sector business practices emphasizing external accountability, internal evaluation, and political advocacy. At the same time, these organizations began to explore diverse funding sources to augment dwindling government appropriations.

State tourism agencies, in particular, have been hard hit by changing economic fortunes. According to the Travel and Tourism Industry of America (TIA, 2005), from 2000 to 2005 the average state tourism budget decreased 3.1%. TIA also reported that public sector funds are the primary source of

all state tourism funding, and are the sole source of 32 of 47 states surveyed in 2005. Of the \$602.7 million combined project budget for that year, public sector funds represented 94.3%, or \$568,103,423. According to TIA, of the 14 states whose public sector funding is augmented by private sector funds, public sector funds represent 81.1% of the combined total budget for these states (\$113,995,344 of \$140,476,255). The percentage of public sector funds from these states ranges from 99.4% to 42.6% of their total budgets. For many state tourism professionals, these data suggest a funding crisis of decreasing support for state tourism promotion.

Conversely, many conservative political and community leaders have long seen an overdependency of state tourism offices on public coffers. For example, in 1993, Colorado state funding for tourism decreased sharply as voters repealed the 0.2% tourism tax. While the tax was collected, the Colorado Tourism Board operated under a \$12 million budget. In 1997, the state legislature allocated \$2.6 million to the agency. The next year, the legislature allocated only \$1 million, barely enough to keep the organization functional (Harrill, 2005).

A 1999 study conducted by Longwoods International found that Colorado lost at least \$2.1 billion per year in potential revenue from 1992 when promotional funding was discontinued until it was reinstated in 1999, for a total loss of \$14.7 billion. The study concluded that an investment of \$5 million for tourism promotion would boost tourism spending in the state by \$250 million, which would generate a total of \$13.8 million in additional state and local tax revenue (Longwoods International, 2002). In the wake of the Colorado episode, national industry efforts were renewed to speak with "one voice" to government, media, and the public. During this time, some states, sensing the "handwriting on the wall," began to seek funding alternatives (O'Halloran, 1998).

Profiling three innovative state responses to decreasing appropriations, this article describes attempts to achieve equity, consensus, and accountability, respectively. State organizations profiled include the California Division of Tourism (Cal Tour), VisitFlorida, and the Missouri Division of Tourism. Efforts by the Rhode Island Tourism De-

velopment Council to create a hybrid tourism funding model are also examined. Although many tourism researchers and practitioners know of these organizations and are vaguely familiar with their funding mechanism, few know how such models arose, how they work, and how they influence the tourism industry. The purpose of this article is to provide a narrative, case study analysis of these funding models, establishing the basis for future funding research at the state and local levels.

### Funding Research

Despite the growing debate over the appropriate mix of public and private sector funds in support of state tourism, there is little research specifically related to this topic. Bonham and Mak (1996) debated public-versus-private-sector funding for state tourism promotion, coming down on the side of industry self-assessment. Williams and Cartee (2001) called for better methodologies for measuring state tourism funding and economic benefits. This call was taken up by Swanson and Lewis (2003), who developed a model for measuring the connection between tourism policy and economic results. Despite effective modeling, comparing state tourism programs and products may always invoke an "apples and oranges" contrast.

Several studies have examined the larger issue of the role of government and state organizations in the governance, planning, and administration of tourism (Akehurst, Bland, & Nevin, 1993; Burns, 2004; Kerr, Barron, & Wood, 2001; Lennon & Seaton, 1998; Pearce, 1996; Wilson, Fesenmaier, Fesenmaier, & Van Es., 2001; Van Sickle & Eagles, 1998). Whether exploring at the macro- or microeconomic level, these articles share an examination of the strengths and weaknesses associated with public, private, and nonprofit tourism funding.

At the local level, aquariums, museums, convention centers, or minor league baseball parks are often the objects of a municipality's tourism dreams as a means of increasing revenues as traditional industries relocate elsewhere. Research at the local level continues to grow as local officials seek validation for their projects (Rosenburg & Larkin, 2002), while academics question the economic impact or feasibility of such projects (Crompton,

1995, 2004; Crompton, Howard, & Var, 2003). As suggested by Crompton (2004), other methodologies may be necessary to evaluate the civic boosterism or psychological income accruing to residents from these projects in absence of substantial economic benefits.

Although this article addresses funding models in the US, the question of balance in public and private sector funding is global. Numerous studies have examined tourism funding in the international community (Akehurst et al., 1993; Andriotis, 2002; Bodlender, 1982; Lennon & Seaton, 1998; Pearce, 1996; Van Sickle & Eagles, 1998). Although many practitioners in the US clamor for more public funding, the international research suggests problems associated with full government support of the tourism sector, including the politicization of tourism assets and attractions that often results in inadequate planning and distribution of resources.

#### Equity Model: California Division of Tourism (CalTour)

The California Division of Tourism (CalTour), an office of the California Business, Transportation, and Housing Agency, promotes travel to and within California and works with the state's travel industry to maintain California as a primary destination for travelers. CalTour also provides tourism information and services to the state's travel trade and news media.

CalTour develops California's annual marketing plan that is reviewed and approved by the California Travel and Tourism Commission, composed of tourism industry professionals. Several industry committees advise CalTour on the formulation and execution of the plan, including those concerning advertising and promotion, international and domestic travel trade, publicity, rural marketing, and multicultural research.

To promote California, CalTour utilizes various tools, including national and international advertising, state-organized travel trade sales missions, familiarization (FAM) tours, and heightened California presence at major trade shows. It has representatives in Japan, the UK, Germany, and Mexico. It also funds cooperative marketing campaigns and promotions, publicity, press trips, and media

relations; production of California visitor guides, maps, travel trade guides, and regional brochures; toll-free visitor information; and programs designed to increase visitation to lesser known California destinations (California Division of Tourism [CalTour], 2006b).

According to Director of Communications Fred Sater, the Division of Tourism (CalTour) began as the Office of Tourism, an office of the governor, during the 1970s and has continued to evolve (F. Sater, personal communication, January, 2002). However, as occurred in many states, California's tourism marketing efforts were hampered by lack of a permanent funding source. Numerous attempts to convince the state legislature to allocate money for a competitive state tourism program were made by travel businesses and associations over the years. During former Governor Jerry Brown's administration, the state tourism program was actually eliminated and, according to Sater, letters from people who wrote to California for travel information were returned unanswered for a short time.

During the 1980s and 1990s, the state tourism budget became a political football, and it was increased or cut by the legislative leadership to gain leverage with the governor on programs the legislature favored.

In 1993, California's tourism budget was stabilized, and the legislature has consistently funded at about \$7 million since then. During this time, the industry-influenced program was implemented, and the consistently funded program resulted in the recovery of travel and tourism in the state, according to Sater.

Also in 1993, then-Governor Pete Wilson established a body of 40 travel industry professionals to resolve the funding dilemma. He directed a task force to find a new, nontax solution to financing statewide tourism marketing. Called the Governor's Task Force on Tourism Funding, this group studied the problem, how other states finance tourism promotion, and various incentive solutions. The task force concluded that the best model for California was found in the state's agricultural industry, which utilizes mandatory self-assessment of industry partners to finance agricultural marketing efforts.

In the past, numerous funding proposals arose.

In 1990, former Assemblywoman Maxine Waters proposed a \$2 per room hotel tax, and the state legislature proposed a statewide tourism tax. The \$2 per room hotel tax was opposed by the state hotel industry as excessive and directed against one industry segment for the benefit of all tourism industry segments. Hotel and motel interests also believed that the proposed tax was redundant to the Transient Occupancy Tax, a regressive tax against the least expensive accommodations and not capable of being dedicated to tourism promotion. Not perceived by the industry as fair, the Waters proposal did not pass.

The statewide tourism tax was broadly opposed by all segments of the tourism industry as being excessive and unusable for tourism program. Because the California Tourism Marketing Act was under consideration at this time, the statewide tax was not brought forward. In the end, according to Sater, mandatory financial self-assessment from industry players was the only funding methodology supported by the travel industry, the legislature, and the governor.

The California Tourism Marketing Act, adopted in 1995, authorized a referendum of California businesses that benefit from tourism spending. The referendum passed in October 1997, establishing the California Travel and Tourism Commission and a statewide marketing fund derived from mandatory assessments.

Passage of the referendum made California the first state in the nation to utilize industry-elected assessments to partially fund tourism marketing activities. The measure passed by a 69% to 31% margin within the state's \$58 billion tourism industry. The new money generated by the assessment brought California's yearly marketing budget to approximately \$12 million, elevating the state's tourism budget from 24th to 12th in the nation (CalTour, 2006a).

According to the division, these additional funds, managed by the California Travel and Tourism Commission, substantially increased California's promotional presence in international markets, increased promotional support in rural areas, stimulated retail sales by travelers, and met the growing demand for informational materials from people planning California vacations.

As detailed in The California Tourism Market-

ing Act and Assessment Program (CalTour, 2006c), the rate of assessment—the same for large and small businesses—is \$450 per \$1 million of tourism revenue, accounting for \$0.90 for each \$2,000 in travel-generated sales. Businesses can also pay a maximum \$250,000 assessment if they do not want to disclose revenues. Only business locations that benefit directly from travel and tourism are subject to the assessment, but all businesses receiving a Tourism Assessment Form are required to complete and return it to determine whether they must pay an assessment fee for the current year. The Tourism Marketing Act states that business may pass fees along to consumers. Specific exemptions include the following:

- Public bodies, defined as a public entity or a corporation where a majority of the corporation's board of directors is appointed by a public official or public entity, or serves on the corporation's board of directors by virtue of being elected to public office, or both.
- Business locations not in an industry segment, including accommodations, restaurants and retail, attractions and recreation, and transportation and travel services.
- Business locations where less than 8% of the California gross receipts for the business is "travel and tourism revenue." Travel and tourism revenue is defined as gross receipts derived from expenditures to and/or within California as defined by people who travel at least 50 miles from home, for purposes other than commuting for work or school; or have an overnight accommodation as part of the travel, regardless of the distance or purpose traveled.
- The business is a travel agency or tour operator that receives less than 20% of its California gross receipts from travel and tourism.
- The business is a regular route intrastate and interstate bus service, which does not derive any revenue from a bus service that requires authority from a certificate of public convenience and necessity, or a permit to operate as a charter-party carrier of passengers.
- The calculations on the Tourism Assessment Form show that the travel and tourism assessment would be less than \$50 for the business location.

This funding model has positively affected the state's cooperative advertising campaigns (Cal Tour, 2006c). By leveraging the purchasing power of the state's \$7 million tourism budget, CalTour raised approximately \$15 million in additional cooperative partner funds in 1998 to globally promote travel to California. Cooperative funding was developed from private and other governmental sources in every major category of CalTour's program. However, the program still faces challenges. For example, the California legislature votes every 2 years to maintain the program and to keep the Travel and Tourism Commission intact, so the division and its partners must regularly lobby to sustain operations.

The Tourism Marketing Act has been deemed fair and equitable throughout the state because all businesses pay the same assessment per \$1 million in revenue. Also, all regions of the state and all business categories are represented on the commission. Industry categories, such as accommodations, elect their own commissioners relative to their financial contribution. In addition, marketing plan development requires public input and review from tourism and nontourism parties. Thus, each business has the opportunity to directly influence how it feels state tourism marketing plans should be structured.

#### Consensus Model: Visit Florida

In 2005, Florida attracted 85.8 million visitors, generating \$3.7 in total tourism and recreation taxable sales collections; \$14.5 billion in hotels and lodging; \$26.5 billion in restaurants; and \$7.4 billion in admissions, including attractions. That year, tourism accounted for 948,700 jobs and \$15.4 billion in annual tourism-related payroll (Visit Florida, 2006c).

The state's primary tourism marketing entity, Visit Florida, is a public-private partnership between the Florida Commission on Tourism and the state of Florida. It is the mission of the Florida Commission on Tourism, through Visit Florida, to increase the state's competitive edge through marketing, sales, product development, and visitor services. Created in 1996, Visit Florida promotes the state worldwide under the FLA USA brand.

Based on its long experience with tourism mar-

keting, the state of Florida and Visit Florida offer a case study of funding tourism through public-private partnership. This collaboration is both a dependable source of tourism funding and the strengthening of the tourism industry statewide. The partnership includes players both large and small, from public, private, and nonprofit sectors, contributing voluntary membership fees used for state tourism promotion.

As related by former Visit Florida CEO Austin Mott (personal communication, January, 2002) during the 1970s industry leaders and the Florida Division of Tourism endeavored to develop the state's tourism industry, despite lack of funding and coordination among various interests. At this time, there was a growing concern that the industry should play a greater role in funding its own tourism marketing. This concern led to initial discussions about forming a

public-private partnership, and the discussions continued through the 1980s. The government agency responsible for tourism at the time, the Division of Tourism, continued to return to the state legislature each year for funding, as is common among many states today. Because government monies for tourism would fluctuate annually, the industry had no dedicated source for responding to changes in the tourism industry or planning for the industry's future.

In the 1990s, Governor Lawton Chiles created the Florida Commission on Tourism, composed of 17 regions with a commissioner for each region. The commission's primary goal was to develop a state tourism marketing program. However, despite a common goal, each region tended to work autonomously, creating an atmosphere in which lobbyists labored at cross-purposes. In sum, according to Mott, there was no "unified front," an aspect required to effectively market the state's tourism assets.

To fulfill its legislative mandate, the commission created the Florida Industry Marketing Corporation (FTIMC) in 1996, which today is called Visit Florida. The corporation's primary funding vehicle is partnership fees—voluntary membership fees from which partners receive services from Visit Florida.

Visit Florida receives a portion of its operating budget from state government, funded by a desig-

nated share (15.75%) of the state's \$2 per-day rental car surcharge. In 2000, that state allocation alone totaled \$21.6 million. However, the state also mandated that Visit Florida match public funding with private funds by June 30, 2001. Those private funds come from several sources, including direct investment by industry partners, strategic alliances, cooperative business advertising venues, promotion media, and merchandising the FLA USA brand. Because of industry enthusiasm for the partnership, that mandated matched funding was reached 2.5 years ahead of schedule, in early 1999 (Visit Florida, 2006a).

In return for their financial support, partners receive several membership services. In the publicity arena, Visit Florida publishes an *Official Florida Vacation Guide* in which partners receive a free listing. The organization also publishes an *Official Florida Meeting Planners Guide*, which is the state's most complete resource for the meetings market. The *Official Florida Travel Industry Guide* is distributed throughout the US to thousands of travel professionals. In addition, the *Florida International Travel Planner* is the state's official resource for international travel agents, tour operators, and wholesalers abroad (Visit Florida, 2006b).

Because Visit Florida was created as a partnership, one primary measure of success can be found in the growing number of partners. Since its inception, the corporation has grown from 407 partners to more than 3,500 (Visit Florida, 2006a). Partners, ranging in size from kayak to canoe rental firms to the Disney Corporation, are solicited at travel sales events and through Visit Florida representatives contacting local convention and visitor bureaus and chamber of commerce.

In contrast to the California model, the Visit Florida model is perhaps slightly more appealing to emerging tourism organizations because of its emphasis on industry consensus and shared fiscal responsibility between the public and private sectors.

#### Accountability Model: Missouri Division of Tourism

Tourism ranks as one of the most important revenue- and job-producing industries in Missouri.

According to the Missouri Division of Tourism, the industry has had an economic impact of about \$4.8 billion during the last 5 years. For every \$1 Missouri spent on marketing tourism, \$55 was returned in tourism expenditures over that period. In addition, there were \$8.5 billion in sales from 17 tourism-related standard industrial classification (SIC) codes

in 2005, up more than 4.3% from 2004. The state's sales tax from those 17 tourism-related codes totaled \$361 million in 2005. Tourism-related industries employed 284,916 Missourians. Finally, Missouri counties collected approximately \$176 million in local property taxes during 2004 from lodging and entertainment businesses, including restaurants (Missouri Division of Tourism, 2005).

However, it is the state's approach to tourism funding that had earned it considerable recognition nationwide. In contrast to Visit Florida's public-private partnership and CalTour's self-assessment, Missouri presents yet another option: funding directly accrued from visitor spending in tourism sectors, such as food and beverage, lodging, and entertainment.

The General Assembly recognized the importance of tourism more than three decades ago with the establishment of the Missouri Tourism Commission in 1967. According to division spokesperson Debra Lee (personal communication, January, 2003), the first grassroots program promoting the Missouri tourism industry was created in 1975. The campaign was designed to unite the state's tourism industry, build awareness of tourism's impact, and market the state as a tourist destination. This effort began with Impact 80s, a grassroots initiative implemented by the tourism industry in the mid-1980s to gain recognition in the legislature of the economic impact and benefits tourism contributes to the state. Tourism T.E.A.M. (Team Effort Advancing Missouri) evolved from Impact 80s and established a speakers' bureau as well as special promotions for marketing the state. These entities carried the message about tourism's impact on Missouri, leading the way to increased funding for the state's tourism office. In addition, the Marketing 2000 Committee was created to address strategic planning and special issues that would affect the future of Missouri's tourism in-

dustry. This grassroots effort was crucial to the development of the legislative funding formula, as noted by Lee.

According to the Missouri Division of Tourism (2006), Missouri's tourism funding mechanism was created in 1993 by House Bill (HB) 188. The funding system, which took effect on July 1, 1994, increased the division's budget from \$6 million in 1993 to \$14.8 million in 1999.

After years of searching for a dependable revenue source to fund the division's efforts, the Missouri travel industry united in 1993 behind HB 188. This legislation set aside a percentage of tourism-generated tax revenue for more tourism promotion, and it required no tax increases.

The plan was developed by the Missouri Tourism 2001 Funding Committee—an industry group with representatives from the Missouri Hotel & Lodging Association, the Missouri Restaurant Association, the Missouri Travel Council, the Travel Federation of Missouri, and the Missouri Association of Convention & Visitors Bureaus.

To maximize tourism's benefits, the industry group concluded that Missouri needed a reliable source of funding for tourism promotion at a level that would enable the state to compete effectively in the global tourism market.

The funding proposal called for working with the state Department of Revenue to identify tax revenue generated by specific businesses that serve travelers. Businesses in the following 17 Standard Industry Classifications (SICs) were chosen:

- 5811: Eating Places Only
- 5812: Eating and Drinking Places
- 5813: Drinking Places—Alcoholic Beverages
- 7010: Hotels, Motels, and Tourist Courts
- 7020: Rooming and Boarding Houses
- 7030: Camps and Trailer Parks
- 7033: Trailer Parks and Campsites
- 7041: Organization Hotels and Lodging Houses
- 7920: Producers, Orchestras, Entertainers
- 7940: Commercial Sports
- 7990: Miscellaneous Amusements and Recreation
- 7991: Boat and Canoe Rentals
- 7992: Public Golf Courses and Swimming Pools
- 7996: Amusement Parks
- 7998: Tourist Attractions

- 7999: Amusement NEC
- 8420: Botanical and Zoological Gardens

The plan was based on the conservative assumption that tax revenue generated by tourism-related businesses would grow by at least 3% annually—a rate considered “normal” growth. The Division of Tourism would receive half of any increase in tax revenue above the 3% level. The money, to be used for tourism marketing and promotion, could not exceed \$3 million per year.

As funding from the growth in tax revenue came in, the division's budget could be increased by as much as \$3 million per year over the previous year's level.

The measure also called for the division's existing funding from general revenue to be eliminated gradually at a rate of 10% per year. At the end of 10 years, the division would be entirely funded from this new tax revenue source.

More than 300 industry representatives came to the capital early in the 1993 legislative session to talk with their legislators. They made it clear that the plan in HB 188 was developed by the travel industry and had its full backing. They also explained how much in terms of dollars tourism means to residents statewide. Subsequently, HB 188 was approved by a wide margin—30 to 4 in the Senate and 145 to 11 in the House. The bill was signed into law on July 7, 1993, and the Tourism Supplement Revenue Fund (TSRF) was born (Missouri Division of Tourism, 2006).

Since the TSRF took effect, the division's budget increased from slightly more than \$6 million per year to over \$16 million in 2002. The innovative funding concept put Missouri in the national spotlight. The successful campaign to pass HB 188 earned the Travel Industry Association of America's Odyssey Award for Tourism Awareness for the Missouri Division of Tourism in 1993.

In 1998 and 2002, the General Assembly passed legislation to enhance the original state law. One of the outcomes was to extend the sunset clause through June 2010.

Despite concerns that the Missouri model is especially vulnerable to economic downturns, the notion of performance-based tourism funding is gaining popularity, usually in combination with the Florida and California models.

Consensus-Accountability Hybrid Model:  
Rhode Island Tourism  
Development Advisory Council

The Rhode Island case study illustrates an attempted hybridization of the Florida and Missouri models. Although eventually unsuccessful, the case demonstrates some of the political and economic arguments for and against state tourism reorganization with funding as key issue.

The Rhode Island Tourism Advisory Council was established in 2003 by Governor Donald Carcieri for the purposes of analyzing the state's tourism system and providing recommendations to increase the efficiency and productivity of the tourism industry for the greater benefit of Rhode Island's citizens.

The council held 13 public meetings between July 15 and October 28, 2003. The process involved budget analyses for organizations receiving state tourism dollars, testimony from each of the eight tourism regions and the state Division of Tourism, in-depth reports examining transportation, lodging, and restaurants; and commentary from two independent external experts in state tourism planning and development (Rhode Island Tourism Development Council, 2003).

The council reached a key conclusion: systemic change—including some consolidation of marketing and administration—was required to better plan and execute an efficient and productive strategic direction for Rhode Island tourism. During the course of this inquiry, the council studied two funding models: the Florida model, based on public-private partnership, and the Missouri model, based on the growth in sales tax revenues.

In March 2003, industry groups met independently to discuss furthering tourism promotion in the state. In May, the governor appointed 18 tourism industry leaders to the Rhode Island Tourism Development Advisory Council for the purpose of identifying greater efficiency and productivity within the state's tourism industry.

In July, the first meeting of the council was held at the state capitol to demonstrate the statewide approach to tourism that the council was to adopt. From August to October, the council met in each of the state's eight tourism regions and received testimony from tourism district leaders,

the general public, state officials, and two tourism experts. Individuals were then appointed to present papers on transportation, destination management, marketing attractions, and other issues. From September to October, two subcommittees were appointed to research funding opportunities and organizational models for the new statewide system. That September, Rhode Island's largest newspaper, the *Providence Journal*, endorsed the findings and recommendations of the council.

In October, members of the council reached consensus on establishing a statewide system for tourism funding and promotion. The new system stressed accountability, new funding sources, and coordination of marketing for the entire state. The two external consultants provided independent analyses of the council's recommendations and concurred that this approach would be the most effective method of producing systemic change. The council adopted the recommendations by a unanimous vote (Rhode Island Tourism Development Council, 2003).

In November, the executive director of the Rhode Island Economic Development Corporation and special counselor to the governor received the recommendations and requested one amendment. He did not support consolidating the tourism regions and requested the report be amended to remove reference to consolidation. The council voted in favor of accepting the change and the report was forwarded to the governor for legislative action.

In January 2004, new legislation was prepared by the Rhode Island Economic Development Corporation to be introduced to the 2004 Rhode Island General Assembly for committee review and adoption.

The council proposed a hybrid means of tourism funding, based on two models: the Florida consensus model and the Missouri accountability model. In Rhode Island, it was proposed that the revenue based on the Missouri model would be evenly shared between the new organization based on the Florida model and the state general fund. It is estimated that this new hybrid model, when fully implemented by Rhode Island, would generate an additional \$11 million funding tourism marketing the state.

Obstacles included the regional tourism dis-

tricts' strong resistance to change. According to council chair, Joe Goldblatt (personal communication, January 2003), due to the small and limited job market in Rhode Island, many tourism officials were concerned that consolidation could result in job losses for themselves and their staff. The council did not anticipate the amount of pressure this would bring during its deliberations. A compromise was developed between the council and the local tourism organizations that would have resulted in greater statewide accountability and productivity, but the term "consolidation" was removed from the final recommendations sent to the governor. Goldblatt also related that there was also some unwillingness to examine the entire story. Only one reporter actually researched the various state models considered, while other journalists simply interviewed local citizens. In sum, despite the contentious issues, the state benefited from exploring national models that raised awareness of other state tourism funding mechanisms. Also, a hybrid approach demonstrates the possible adaptability of assessment and partnership models to other contexts and circumstances.

#### Analysis

In the case of CalTour, California industry leaders supported the program because they saw self-assessment as the fairest solution to the challenge of tourism funding, reasoning that all businesses benefiting from statewide tourism marketing should help finance it. They also realized that if the state's travel industry did not take control of financing and management of tourism marketing, state government might have eliminated the state tourism program or imposed a tax upon travel and tourism businesses to fund it. That could have resulted in excessive taxation with no guarantee that the money would be dedicated to tourism marketing.

The California Tourism Marketing Act of 1995 resulted in the establishment of a more stable funding source, which was then used to increase international marketing and expand tourism staff. Because of this law, California now has a unified voice for state tourism: travel-related businesses pay into the assessment fund, and in return assist

in guiding and approving state tourism marketing and development plans.

The California model, emphasizing *equity*, evolved within a specific set of circumstances that may be applicable to many other tourism destinations. These circumstances included the probability of excessive taxation and the specter of program elimination. Mandatory tourism funding models are likely to be strategically defensive and emerge out of extreme political and economic conditions. Such models are likely to appear to leaders looking for a quick fix, and then gravitating over time toward less compulsory models.

In comparison, Visit Florida's success can be attributed to the fact that it is essentially industry driven and strives to obtain voluntary contributions from all parties in the tourism industry, large and small. Many different sectors are made to feel they are important to the development of Florida tourism and instrumental in their own success. However, there are obstacles that the partnership has overcome. For example, every region believes it has special needs that may not be met in Visit Florida's current marketing program. The challenge is especially evident when Visit Florida attempts to grant regional funds for tourism marketing. Visit Florida continues to aggressively seek growth and development through the cultivation of new partners and dedicated funding sources. A dedicated funding source should remain a primary goal because tourism organizations can be severely restricted in achieving growth and expansion without such monies.

In contrast to California, Florida's tourism funding model is built upon the notion of *consensus*, encouraging contributions from many different partners and organizations all working collaboratively to meet state matching requirements. Compensatory rather than defensive, such a model is likely to evolve in mature, yet fragmented, tourism economies where government contributions are inconsistent over time and across regions and sectors. The Florida consensus model receives widespread national and international interest because of its perceived inclusiveness and communication-building characteristics.

However, both California and Florida models are often criticized as not performance based. Organizations in both states may pay their mandatory

assessments and voluntary fees, yet there is no direct link between these contributions, subsequent marketing efforts, and industry performance.

Supported by HB 188, the Missouri Division of Tourism has successfully delivered the message to citizens, politicians, and business leadership that tourism is a revenue producer for the state. Even in the face of major recession during the early 2000s, the funding mechanism has shown slow, steady results. Another message emphasized by the division includes a plea to not cut advertising, based on the impact accrued for every dollar entering Missouri from outside the state. However, there are some challenges to the funding mechanism. Because of term limits, many older legislators who passed HB 188 have retired, and the division must constantly reeducate new legislators. Future plans include examining the SIC codes used in the funding formula and finding new and perhaps more profitable codes. Yet legislators have resisted adjusting a program that has proven popular within the state and is seen as effective by tourism professionals.

In contrast with the California and Florida models, the Missouri model emphasizes performance-based *accountability*: there is an assumed correlation between the use of state tourism funds and increasing marketing dollars. Such a model is likely to evolve within emerging, cash-strapped tourism economies where some consensus already exists among partners and organizations. Although most tourism organizations champion the notion of public and political accountability, leaders of such organizations admit that destination success or failure depends upon several variables outside of their direct control.

The Rhode Island experience illustrates an attempt to achieve both consensus and accountability, drawing the best from both models. The state has a highly fragmented regional tourism industry that requires both better communication among partners, striving for better performance driven by consolidation and efficiency.

When these models are compared, it is important to note the level of grassroots support for each funding model. The models presented here each originated with proactive concerns of industry leaders over decreased or fluctuating tourism dollars. This environment is certainly applicable to

most contemporary tourism destinations. However, while California experienced sharp decreases in government spending, leaders in both Florida and Missouri were more concerned with achieving long-term consistency in tourism funding. Sharp decreases may result in more draconian solutions aimed at achieving fairness, while Florida and Missouri models emerged from concerns from long-term funding consistency. While the evolution of the California model appears strategically defensive, the Florida and Missouri models appear more compensatory in nature.

All states demonstrated a high level of involvement of state tourism industry leaders during the development of funding models. Certainly leadership should be considered as a prerequisite for the creation of any alternative funding model. However, the legal mechanism used to create the models themselves differed significantly. California sought a referendum with a mandatory assessment for all tourism enterprises. Conversely, Florida's governor-appointed tourism commission merely created a new marketing arm, Visit Florida. Finally, Missouri's alternative funding model was created by direct legislative action, HB 188.

All three states formed boards or commissions of industry leaders and government officials to steer the allocation or collection of tourism dollars. However, the power given to these boards or commissions also differ significant in terms of method of appointment or election. For other tourism destinations, it may be assumed that leadership and grassroots support may be more important than the actual legal or policy implementation route, which can be highly specific to the social, political, and economic environments in which the destination is located.

The models also differ on the level of government support. For California and Florida, tourism marketing is funded through some government allocations in the form of contributions or match. In California, approximately two thirds of marketing efforts are funded by mandatory assessments while the other one third is contributed from state funds. Florida matches government funds to industry contributions. In contrast, Missouri's tourism funding will be entirely tax generated. Missouri has utilized a sunset clause that stipulates decreasing state funds with increases contributions

from the Tourism Supplemental Revenue Fund (TSRF). These models demonstrate that the role of government as a partner may also differ significantly from destination to destination.

Although applicable to many other tourism destinations, these models evolved functionally suited to their own particular environments. However, for these models strengths, there also are inherent weaknesses. For example, any organization model that emphasizes equity may in turn devalue the contributions and needs of one or two large tourism players that hold substantial influence over the future of the destination. Conversely, smaller players may hold the view that the larger contributors should pay more because their negative impacts are greater. If the organization stresses consensus, it may in turn be very difficult to act with efficiency and effectiveness in pursuit of democratic outcome. Such an organization may suffer incremental decision-making, appeasing no one. Finally, it is well known that any accountability model favoring economic rationality may ignore numerous other variables such as the value of positive public relations necessary for successful destination management. In an extreme example, a state's tourism may be seen merely as a loss leader to attract other industries perceived as more lucrative by state leaders. In addition, public goods associated with tourism such as intercultural exchanges would be left out of such models as narrowly conceived and implemented.

### Conclusions

Given a continuing devolution of government support, perhaps more states will develop models based on those presented here, as well as come up with their own innovative solutions. Two contrasting models have emerged in response to the funding challenge: one emphasizing equity and other consensus. Florida's state tourism agency, Visit Florida, implemented a partnership based on voluntary fees. Conversely, the California Division of Tourism (CalTour) has opted for mandatory self-assessment. The Missouri Division of Tourism contributes yet a third alternative—funding directly accrued from visitor spending in tourism sectors, including food and beverage, lodging, and entertainment. In comparison with the other two

models, this one emphasizes accountability. Increasingly, states like Rhode Island are looking to these models to create hybrid funding models, combining equity, consensus, and accountability. It is notable that these models emerged as result on some external shock such as change in political leadership or voter unfamiliarity with the tourism industry's economic benefits. In an era of economic uncertainty, it is probable that more creative models for tourism funding will emerge as lines between public, private, and nonprofit sectors continue to blur.

It is crucial that tourism researchers begin to explore this neglected area of study. They should be actively investigating funding alternatives at the local levels, as well. For example, innovative funding techniques employed by the San Francisco Convention and Visitors Bureau include trademark licensing and co-branding. Alabama's Robert Trent Jones Golf Trail was created with the financial support of that state's teacher's retirement fund. Quantitative comparison of models would also be helpful to determine which have the highest economic impact per dollar spent. However, as the models discussed in this article evolved under distinct social and political situations, a qualitative approach involving leadership and public interviews is also suggested. Of course, as most tourism development will likely happen in Asia, Africa, and Latin America in the coming decades, examining tourism funding in those regions, where it could have very distinctive and different characteristics, is also worthwhile.

It seems fair to say that no matter where tourism funding is studied, nor what methodology used, academics may begin to understand the persistent budgetary pressures and constraints faced by most tourism organizations and perhaps produce research that will facilitate further productive partnerships between themselves and practitioners.

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