Competitive Analysis of Illinois Tourism Marketing Funding

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TOURISM ECONOMICS
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Table of contents

Executive summary

Executive summary

The Illinois Council of Convention and Visitor Bureaus (ICCVB) engaged Tourism Economics (TE or we) to conduct an independent analysis of state tourism promotion funding in Illinois and to analyze the potential impacts to the state, and local economies, of hypothetical long-term reductions to state tourism promotion funding, also referred to as destination promotion funding.

Tourism Economics' approach consisted of three main steps. First, we gained an understanding of the structure and level of state tourism promotion funding in Illinois. Next, we benchmarked the effective budget of the Illinois Office of Tourism (IOT) relative to other states. We then quantified the potential impact of a reduction of state funding, both in terms of negative impacts to the state and to its component regions. Our key findings are summarized as follows.

In addition to supporting the activities of the IOT, Illinois' state funding for destination promotion is integral to the activities of the state's local convention and visitors bureaus (CVBs). Illinois today has the type of state and local destination promotion activities that would be envy of many jurisdictions. By providing state funding to local CVBs, Illinois gains several advantages. For example, state grant funding, which in many cases represents as much as 50% of local CVB funding, enables CVBs to conduct sales and marketing that expands Illinois' visibility as a destination; attracts additional leisure visitors; and secures business, social and leisure group bookings for hotels in the state. Also, local communities raise matching funds in part to secure state grants, helping increase the funds dedicated to marketing Illinois and its communities. This innovative, collaborative network yields greater returns for the state and its communities.

Given the importance of the tourism sector to the state economy, Illinois has made strategic improvements in recent years to increase its state funding for tourism promotion, finally reaching a level in FY 2014 that we consider competitive. This historical funding level is approximately proportionate to the size of the tourism economy in the state, though it lags competitive states slightly. Relative to this historical level, we would anticipate moderately higher funding would still result in further potential gains in terms of visitation and spending. Similarly, we would anticipate that reductions to funding would reduce Illinois' ability to influence and attract travelers, likely resulting in declining market share and reduced visitation.

Tourism Economics recommends, at a minimum, maintaining IOT's effective budget at FY 2014 levels, as well as continuing Illinois' other categories of state tourism promotion funding, including various state grants, Local Tourism and Convention Bureau grants, and state grants specific to Chicago. Going forward, these programs should at least be increased in proportion with tourism sector growth, and we believe moderate increases to state funding beyond that level would yield additional positive financial returns to the state and its residents (e.g. such as would be associated with a 20% increase to full statutory funding).

Executive summary

Reductions to state tourism promotion funding would cause Illinois to lose substantial amounts of visitor spending, cost Illinois residents jobs and income, and result in a net state tax loss as state tax revenues would decline by more than the direct budget savings. We analyzed two funding reduction scenarios. In the first, Illinois state tourism funding is reduced by 20% relative to baseline funding ("Partial Funding Cut") (equivalent to a $13.0 million reduction to funding relative to our baseline assumption for 2017); the second assumes a 100% cut of state tourism funding ("Full Funding Cut").

In both scenarios we assumed the funding reduction would occur at the start of calendar year 2017 and remain in place through at least 2020. As a result, our analysis quantifies potential future impacts of a long-term reduction in funding, and is not intended to measure impacts of funding reductions during calendar year 2015 related to the state budget impasse.

However, we would note that funding "delays" due to budget impasses are anticipated to have negative consequences. Funding uncertainty reduces the ability for the Illinois Office of Tourism, local CVBs, and other grant recipients to plan and invest economically. Funding delays, particularly extended delays, would be expected to begin to have very similar negative impacts as out-right funding cuts.

Tourism Economics' results are summarized as follows.

- With a **Partial Funding Cut, over a four-year period, Illinois is expected to lose $2.3 billion of visitor spending**, an average of almost 4,600 jobs, over $850 million of labor income, and $127 million of state taxes. **The estimated net state tax loss is $73 million ($127 million of lost state tax revenue, less $54 million of budget savings).** When local taxes are included, the net state and local tax loss increases to $143 million. State and local governments would have to tax each household an additional $30 over this period to raise an equivalent amount of revenue.
- With a **Full Funding Cut, over a four-year period, Illinois is expected to lose $11.3 billion of visitor spending**, an average of more than 22,800 jobs, almost $4.3 billion of labor income, and $635 million of state taxes. **The estimated net state tax loss is $367 million.** When local taxes are included, the net state and local tax loss is $713 million. State and local governments would have to tax each household an additional $149 over this period to raise an equivalent amount of revenue.

These impacts are summarized in the table on the following page.

Executive summary

As a result of a Full Funding Cut, over a four-year future period, Illinois has the potential to lose:

- $11.3 billion of visitor spending;
- $4.3 billion of labor income;
- an average of more than 22,800 jobs; and,
- $635 million of state taxes.

The net state tax loss over the period is estimated at $367 million ($635 million of lost state tax revenues, offset by $268 million of budget savings due to cuts in tourism promotion funding).

For each dollar Illinois cuts from state tourism funding in this scenario, the state losses:

- $42 of visitor spending; and,
- $2.37 of state taxes.

Scenario resuts

	Partial Funding Cut	Full Funding Cut
	Losses caused by a 20% cut in state tourism funding	Losses caused by a 100% cut in state tourism funding
Cumulative impacts	2017 to 2020	2017 to 2020
Travel impact		
Visitor spending (in billions)	-$2.3	-$11.3
Total impact		
Economic output (business sales, in billions)	-$3.8	-$18.8
Labor income (wages and salaries, in billions)	-$0.9	-$4.3
Jobs (average, rounded)	-4,600	-22,800
Fiscal impact		
State tax revenue (in millions)	-$127	-$635
State budget savings (cuts to tourism promotion funding, in millions)	$54	$268
Net state tax loss (in millions)	**-$73**	**-$367**

Note: Dollar amounts in 2014 dollars. Cumulative impacts except jobs, which are average.
Source: Tourism Economics

Executive summary

Regions throughout the state would be negatively affected by a reduction in state tourism promotion funding. As part of our analysis, we estimated the negative impacts to each Illinois region associated with the funding reduction scenarios. We aggregated the regional results in accordance with the 10 economic development regions defined by the Illinois Department of Commerce. The results are summarized in the adjacent table.

- With a **Partial Funding Cut, Northeast Illinois would lose $1.8 billion of visitor spending** from 2017 to 2020 and an average of more than 3,660 total jobs relative to the baseline scenario. This total job loss includes both tourism sector jobs, as well as broader economic consequences experienced in other sectors, for example, due to supply chain effects. Each of the other regions of the state would also experience substantial declines in visitor spending and job losses.
- With a **Full Funding Cut, each Illinois region would experience an even greater decline in visitor spending and employment relative to the baseline**. For example, Northeast Illinois would lose $9.0 billion of spending from 2017 to 2020 relative to the baseline, and an average of more than 18,320 jobs.

Based on the results of this analysis, Tourism Economics recommends, at a minimum, maintaining Illinois state tourism promotion funding at a competitive level (i.e. at least the level of funding in place in FY 2014, but potentially greater). The following pages present the results graphically.

Scenario results: Regional

Dollar amounts in millions, 2014 dollars

	Partial Funding Cut Losses caused by a 20% cut in funding	**Full Funding Cut** Losses caused by a 100% cut in funding
Visitor spending, cumulative impact 2017 to 2020		
Region		
Northern Stateline	-$39	-$193
Northeast	-1,808	-9,041
Northwest	-61	-306
North Central	-83	-414
East Central	-40	-198
West Central	-23	-117
Central	-63	-315
Southeast	-22	-111
Southwest	-74	-370
Southern	-40	-202
Total	**-$2,253**	**-$11,266**
Total employment impact, average impact 2017 to 2020		
Region		
Northern Stateline	-78	-391
Northeast	-3,665	-18,326
Northwest	-124	-620
North Central	-168	-839
East Central	-80	-400
West Central	-48	-238
Central	-128	-638
Southeast	-45	-225
Southwest	-150	-749
Southern	-82	-410
Total	**-4,567**	**-22,836**

Source: Tourism Economics

Executive summary

Results of the scenario analysis are summarized by economic development region. The following table provides a list of the Illinois Certified CVBs serving counties in each economic development region, along with the losses in the Full Funding Cut scenario. Some CVBs serve counties in multiple regions.

Scenario results: Regional impacts and corresponding CVBs

Dollar amounts in millions, 2014 dollars

		Full Funding Cut (2017 to 2020) Losses caused by a 100% cut in funding	
Economic development region	**CVB serving region**	Visitor spending impact (cumulative)	Total employment impact (average)
Northern Stateline	Blackhawk Waterways CVB; Freeport/Stephenson County CVB; Rockford Area CVB	-$193	-391
Northeast	Choose Chicago; Rosemont; Northshore; Elgin; Meet Chicago Northwest; Oak Park; DeKalb County CVB; Chicago Southland CVB and DuPage CVB; Heritage Corridor CVB; Aurora and St. Charles; Kankakee County CVB; Lake County Illinois CVB; McHenry County CVB; Heritage Corridor CVB	-$9,041	-18,326
Northwest	Peoria Area CVB; Blackhawk Waterways CVB; Henry County Tourism Bureau; Galena/JoDaviess County CVB; Heritage Corridor CVB; Quad Cities CVB; Heritage Corridor CVB	-$306	-620
North Central	Peoria Area CVB; Bloomington-Normal Area CVB	-$414	-839
East Central	Champaign County CVB; Danville Area CVB	-$198	-400
West Central	Quincy CVB, Inc.; Quad Cities CVB; Galesburg Area CVB; Macomb Area CVB;	-$117	-238
Central	Abraham Lincoln Tourism Bureau of Logan County; Decatur Area CVB; Jacksonville Area CVB; Springfield Area CVB; Shelby County Office of Tourism	-$315	-638
Southeast	The Tourism Bureau ILLINOISouth; Effingham CVB	-$111	-225
Southwest	The Tourism Bureau ILLINOISouth; Alton Regional CVB	-$370	-749
Southern	Southernmost Illinois CVB; The Tourism Bureau ILLINOISouth; Carbondale CVB; Mt. Vernon CVB; Williamson County Tourism Bureau	-$202	-410
Total		**-$11,266**	**-22,836**

Source: Tourism Economics

Partial Funding Cut

In the scenario in which Illinois state tourism funding is reduced by 20% over a four-year period, Tourism Economics estimates the following statewide impacts.

Visitor spending	Economic output (business sales)	Wages and salaries	Jobs	Net state tax loss
($2.3) billion	($3.8) billion	($0.9) billion	(4,567)	($73) million

These decreases result in increased tax burden for Illinois households

When local taxes are included, the net state and local tax loss increases to $143 million. ***State and local governments would have to tax each household an additional $30 over this period to raise an equivalent amount of revenue.***

Full Funding Cut

In the scenario in which Illinois state tourism funding is reduced by 100% over a four-year period, Tourism Economics estimates the following statewide impacts.

Visitor spending	Economic output (business sales)	Wages and salaries	Jobs	Net state tax loss
($11.3) billion	($18.8) billion	($4.3) billion	(22,836)	($367) million

These decreases result in increased tax burden for Illinois households

When local taxes are included, the net state and local tax loss increases to $713 million. ***State and local governments would have to tax each household an additional $149 over this period to raise an equivalent amount of revenue.***

Report outline

Report outline

This Tourism Economics report is organized as follows.

Illinois destination marketing (Section 1): This section summarizes the state funds historically used to promote Illinois tourism. It outlines the four groups of state tourism funds by end use, including the IOT effective budget, various state grants, Local Tourism and Convention Bureau grants, and state grants specific to Chicago. It also discusses the advantages of Illinois state funding of local CVBs, and presents third-party research on Illinois and Chicago advertising effectiveness.

Competitive analysis of tourism office funding (Section 2): This section benchmarks state funding for the IOT relative to other states nationally, and to proximate competitive states.

Scenario analysis (Section 3): This section presents the results of our analysis of two alternative scenarios. In the first, the Partial Funding Cut, Illinois state tourism funding is reduced by 20% relative to baseline funding (equivalent to a $13.0 million reduction to funding relative to our baseline assumption for 2017); the second, Full Funding Cut, assumes a 100% cut of state tourism funding. Results are presented at the state level, as well as for individual regions.

Tourism Economics also prepared several appendices.

Additional Illinois detail (Appendix 1): This appendix contains several tables that provide additional background on tourism promotion funding in Illinois. This includes analysis showing that Illinois state tourism promotion is funded at approximately 84% of statutory levels.

Case study review (Appendix 2): We reviewed case study examples in which other states and metro areas had reduced funding for destination marketing, as well as the “Pure Michigan” campaign as a case study example of the potential benefits of increased funding.

The vital role of destination promotion (Appendix 3): This appendix summarizes how destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing unique challenges.

1. Illinois destination marketing

Tourism has been a long-term source of Illinois growth

Illinois' leisure and hospitality sector has outpaced the state's broader economy.

Illinois' leisure and hospitality sector has been a long-term source of growth that has outpaced the state's broader economy. This is evident in the following trends.

- Since 2001, Illinois leisure and hospitality employment, which provides a proxy for tourism sector performance, expanded 14.8%, while total nonfarm employment expanded 2.9%.
- Leisure and hospitality earnings, which are largely wages and salaries but also include proprietors' income for small businesses, represent another proxy. Illinois leisure and hospitality earnings declined during the recession, but have recently expanded at a strong pace. Overall, leisure and hospitality earnings in Illinois have expanded 22.4% since 2001, compared to a 7.9% expansion for nonfarm earnings overall.

These trends point to the importance to Illinois of maintaining a vibrant and competitive tourism sector, and destination marketing that promotes Illinois and its communities to potential visitors is critical to strategic tourism sector growth.

As described further in the pages that follow, Illinois has a successful structure in place to leverage state funding for strategic destination marketing. This structure has contributed to the success achieved by the Illinois tourism sector.

Illinois employment

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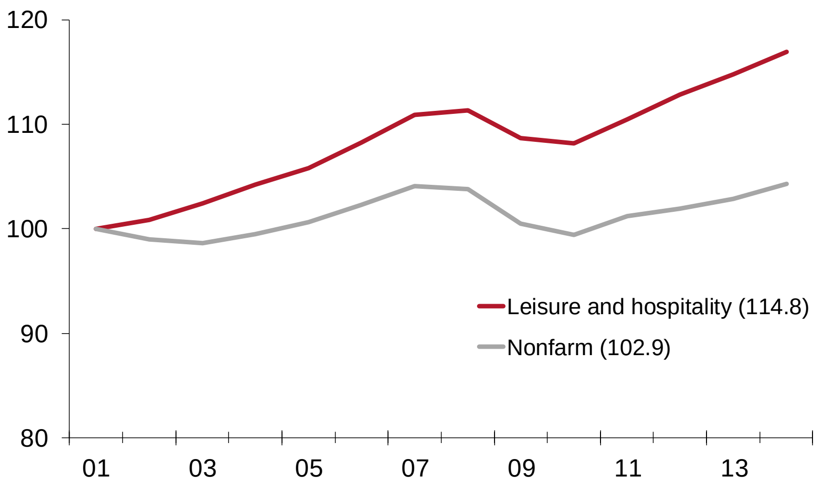

Note: Numbers in parentheses show 2014 index value.
Source: Bureau of Economic Analysis; Tourism Economics

Illinois earnings

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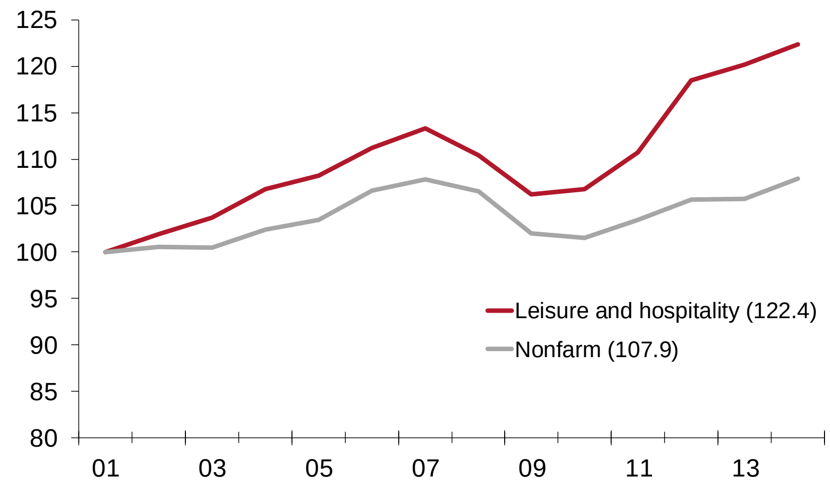


Note: Numbers in parentheses show 2014 index value.
Source: Bureau of Economic Analysis; Tourism Economics

Illinois destination marketing

Destination marketing of Illinois and its communities is supported by an innovative, collaborative network of organizations and programs. The origins of today's network are traced to steps taken in the early-1980s to establish a state hotel tax, with a share of the proceeds dedicated specifically to destination marketing. As a result of this forward-thinking initiative, Illinois today has the type of state and local destination promotion activities that would be envy of many jurisdictions.

The Local Tourism and Convention Bureau (LTCB) program is an important part of this network. This program was established in 1985 to support local tourism and convention bureaus to conduct promotional activities designed to increase the number of business and leisure travelers to and within Illinois. Today, 40 certified bureaus receive LTCB grants. These state grants require local matching funds of at least 50% of the grant amount.

As a result of this program, Illinois has a strong network of local convention and visitor bureaus (CVBs), also referred to as destination management organizations (DMOs). Specific advantages of the LTCB program are outlined in the accompanying table.

These advantages are in contrast to challenges faced in many other states. Many communities in other states do not have adequate funding in place to support sustained, coordinated destination marketing. This limits the effectiveness of state-level destination marketing. For example, state marketing may generate awareness, but this interest may wane if local destinations fail to convert interest and "leads" to actual visits.

The following pages provide greater detail on specific Illinois programs, and the important role of state-level destination marketing funding.

Illinois destination marketing is supported by an innovative, collaborative network.

Advantages of the LTCB program

Active local marketing helps to attract visitors to the state, increase average length of stay, and encourage repeat visits.
For example, local CVB websites provide valuable destination-specific information on events, attractions and accommodations. Also, local CVB representatives attend trade shows and securing group bookings.

State requirements for local matching funds are a powerful added incentive for local communities to fund destination marketing.
Otherwise, local communities would be giving up funds that could be used to help create local jobs and tax revenues. This helps increase active marketing of Illinois as a destination, which benefits all communities.

Consistent, reliable state funding helps sustain long-term investment by local CVBs.
Destination marketing generates its greatest returns over time. Once key infrastructure and branding is in place, a destination can realize greater returns.

Illinois' network of local CVBs increases returns on state destination promotion efforts.
For example, when a potential visitor is influenced by state marketing to consider Illinois destinations, they frequently turn to a local CVB website for trip planning information.

Illinois destination marketing funding

Illinois state tourism funding supports IOT statewide marketing, as well as grants for local destination marketing organizations.

To analyze state tourism funding in Illinois, Tourism Economics developed a full picture based on four groups of state tourism funds by end use. These are described as follows.

- **IOT effective budget:** Funds that are used for statewide tourism marketing and promotion, at IOT discretion. In FY 2014, this effective budget totaled $31.8 million.
- **Various state grants:** Funds that are administered by IOT, but which are ultimately dictated by state statute. In FY 2014, these totaled approximately $8.1 million.
- **Local Tourism and Convention Bureau grants:** Funds that are dedicated to areas other than Chicago, and are awarded based on a formula. In FY 2014, these totaled $12.3 million.
- **State grants specific to Chicago:** A portion of these pass through the IOT, and a portion are awarded directly to Choose Chicago as the Chicago bureau. In FY 2014, these totaled $11.6 million.

Overall, in FY 2014 this totaled $63.8 million of state funds historically being used to market and promote Illinois tourism, as shown in the accompanying table. On the following page, we provide a graphical summary of Illinois state tourism funding that shows the same four end use categories.

State tourism funding summary

Amounts in millions

Funding	FY14
IOT effective budget	$31.8
Various state grants	8.1
LTCB grants excluding Chicago	12.3
State grants to Chicago	11.6
Total	**$63.8**

Source: State of Illinois; Choose Chicago; Tourism Economics

We understand that the Illinois hotel industry, led by the state's hotel association, advocated for the hotel tax in the early 1980s with the assumption that one-third (specifically 33.5%) of the tax proceeds would be dedicated to fund increasing visitation in the state. However, this full share is not being allocated to tourism promotion. Based on our analysis, state tourism promotion in Illinois in FY 2014 was funded at approximately 83.9% of its statutory level, with the remaining 16.1% being used for purposes outside tourism. The calculations supporting this analysis are included as an appendix.

Illinois destination marketing funding

In the common or traditional state tourism funding model:

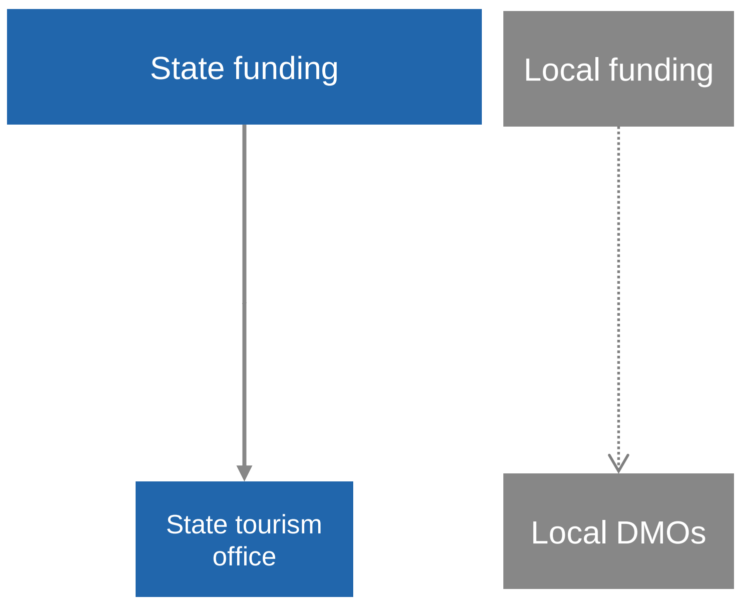
- State funds are used for state-level marketing. Local destination marketing organizations ("DMOs"), also referred to as convention and visitors bureaus ("CVBs"), are funded through local sources.
- In this model, state grants support specific programs and activities, some of which occur at a local level, but are not a primary funding source.

In contrast, Illinois' state funding supports both the state tourism office and local CVBs. Through local matching requirements, this helps leverage additional destination marketing by local DMOs, yielding greater returns for the state overall. However, because a significant amount of funding flows through the IOT budget, it can appear that the IOT has a larger budget than it actually controls. This has the potential to distort comparisons to other states.

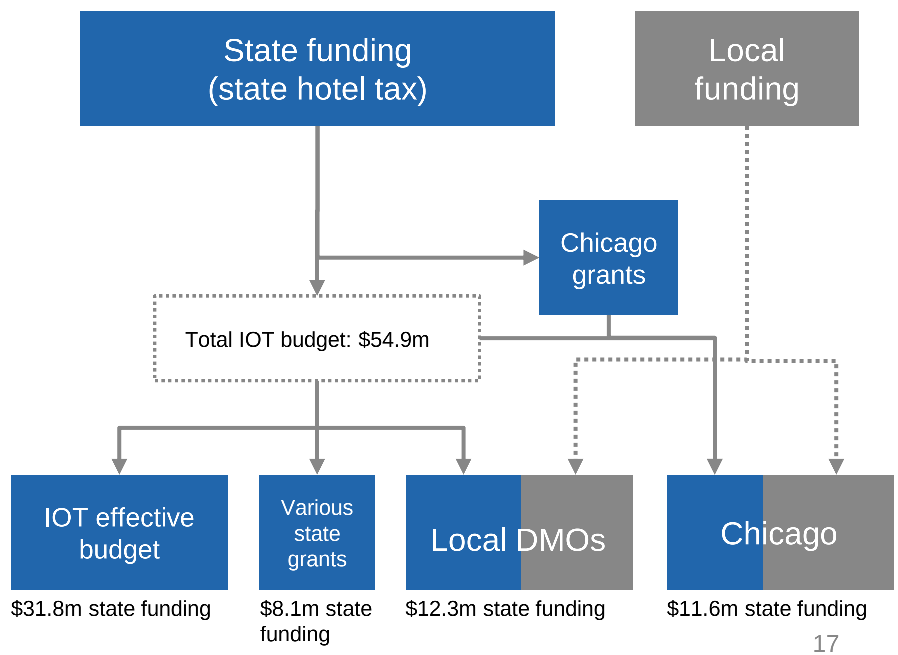
Illinois uses state funding to leverage additional destination marketing by local DMOs.

As a result of this structure, state funding is critically important for many Illinois CVBs. Indeed, for many Illinois CVBs, state funds represent 50% of the CVB budget. In Chicago, state funds represented 35.1% of the FY 2014 Choose Chicago budget.

Common funding model



Illinois funding model



Illinois destination marketing funding

The four groups of state tourism promotion funding that we identified in our research support a collection of important tourism promotion activities. We've summarized examples of these activities as follows.

IOT effective budget: These are funds that are used for statewide tourism marketing and promotion, at IOT discretion. The IOT is focused on promoting Illinois to domestic and international visitors to create economic and quality-of-life benefits for state residents. Key IOT activities include:

- **Marketing:** IOT conducts seasonal Enjoy Illinois advertising campaigns that typically target 15 to 20 key Midwest markets. These campaigns include television, print, internet, radio and out-of-home advertising. Additionally, IOT produces a Travel Guide in print and online formats. IOT recently launched the Illinois Made program to showcase state artists, inventors, performers, and makers. IOT also maintains the EnjoyIllinois.com website.
- **Press relations:** IOT supports writers and producers to tell Illinois stories that help showcase the state and its destinations, resulting in valuable exposure, such as through domestic and international magazine and online articles.
- **International:** IOT promotes Illinois as a destination to overseas consumers in markets such as China, Japan, England, Scotland, Germany, Ireland, Switzerland, and Austria. This includes activities such as consumer and travel trade advertising; attending trade shows to promote to travel agents and group travel organizers; and providing Illinois-specific training to travel organizers. IOT also teams with organizations such as Brand USA at a national level, and individual CVBs, such as Choose Chicago, Springfield and Rockford.

Four-years of historical funding are shown for the IOT in the accompanying table. From FY 2011 to FY 2014, the IOT effective budget increased from $19.8 million to $31.8 million.

IOT funding summary

Amounts in millions

Funding source	FY 11	FY 12	FY13	FY14
Total IOT budget	$35.4	$56.2	$55.9	$54.9
Minus: State-directed grants	15.6	20.7	22.1	23.1
Equals: IOT effective budget	**$19.8**	**$35.6**	**$33.8**	**$31.8**

Source: State of Illinois; Tourism Economics

Various state grants: These are grants administered by IOT, but which are ultimately dictated by state statute. For example, this includes:

- **Tourism Marketing Partnership Program**: Provides matching grants for not-for-profit groups and local governments to assist in marketing attractions and events to visitors from beyond 50 miles. A majority of local CVBs access these grants each year.
- **Tourism Attraction Grant Program**: Provides matching grants to assist in the development or improvement of tourism attractions that increase the economic impact of tourism throughout the state. Examples include museums; recreation, fishing and hunting areas; historical/cultural sites; and certain events.
- **Private Sector Grant Program**: Provides matching funds to support events such as major conventions, sporting activities, trade shows and major festivals that attract visitors from outside the local area.

Illinois destination marketing funding

Local Tourism and Convention Bureau Grant Program (LTCB): This program was established in 1985 to support local tourism and convention bureaus to conduct promotional activities designed to increase the number of business and leisure travelers to and within Illinois. LTCB grants are distributed to the 40 certified bureaus in the state based on a formula. The formula includes populations served, number of hotel rooms in a service territory and prior year industry economic results. Local bureaus are required to provide matching funds of at least 50% of the grant amount.

Based on information provided by individual CVBs, we estimate that LTCB funding, and other state grants, typically represent about 50% of total Illinois CVB budgets outside of Chicago. The activities undertaken by CVBs typically include:

- group sales and marketing to attract meetings, conventions and other events;
- advertising and promotion of the local market, including online and social media;
- press relations, to support media coverage such as magazine articles;
- maintaining a destination website and related information material;
- supporting local events; and,
- enabling collaboration within the travel industry that strengthen the competitive ability of a region to attract visitors.

A summary of LTCB grant amounts by CVB is provided on the following page.

State grants specific to Chicago: Certain state funds are dedicated specifically to support the convention bureau in Chicago, which is a role fulfilled by Choose Chicago. Choose Chicago markets Chicago as a destination to domestic and international business and leisure visitors. Similar to other local CVBs funded by LTCB, Choose Chicago conducts a range of activities, including handling convention sales for McCormick Place and Navy Pier.

Illinois destination marketing funding

Local CVBs generated over 5.2 million group room bookings in FY 2014.

The LTCB program is a critical source of funds for Illinois' 40 certified CVBs. The adjacent table provides a summary of the LTCB grant amount for each organization in FY 2014. In the case of Chicago, the table shows total state funding.

Many of these CVBs operate a group sales department that is responsible for selling to prospective groups such as meetings, conventions, and leisure groups. One measure of this sales activity is the number of hotel rooms booked as a result of leads generated by the CVB. In total, the 40 certified CVBs generated bookings for over 5.2 million room nights in FY 2014.

Grant summary (LTCB and direct to Chicago)

FY 2014

Bureau	LTCB grant	Bureau	LTCB grant
Abraham Lincoln Tourism Bureau of Logan County	$27,493	Henry County Tourism Bureau	$28,296
Alton Regional CVB	99,754	Heritage Corridor CVB	800,793
Aurora Area CVB	215,481	Jacksonville Area CVB	42,814
Blackhawk Waterways CVB	120,331	Kankakee County CVB	107,417
Bloomington-Normal Area CVB	391,948	Lake County Illinois CVB	1,078,243
Carbondale CVB	64,889	Macomb Area CVB	37,183
Champaign County CVB	368,583	McHenry County CVB	172,520
Choose Chicago	11,629,900	Mt. Vernon CVB	105,245
Chicago Southland CVB	1,045,687	Oak Park Area CVB	378,476
Chicago's North Shore CVB	656,034	Peoria Area CVB	609,333
Danville Area CVB	76,289	Quad Cities CVB	239,118
Decatur Area CVB	140,269	Quincy CVB, Inc.	105,504
DeKalb County CVB	72,757	Rockford Area CVB	362,749
DuPage CVB	1,078,243	Rosemont Convention Bureau	818,490
Effingham CVB	95,525	Shelby County Office of Tourism	13,716
Elgin Area CVB	178,347	Southernmost Illinois CVB	62,865
Freeport/Stephenson County CVB	34,772	Springfield Area CVB	386,233
Galena/JoDaviess County CVB	130,244	St. Charles Area CVB	215,428
Galesburg Area CVB	59,309	The Tourism Bureau ILLINOISouth	721,181
Meet Chicago Northwest	1,021,682	Williamson County Tourism Bureau	113,461
		State total	**$23,906,602**

Note: Grant amount shown for Chicago is the total $11.6 million of state funding

Source: State of Illinois; Tourism Economics

Illinois advertising effectiveness

Research shows Illinois and Chicago destination marketing has influence.

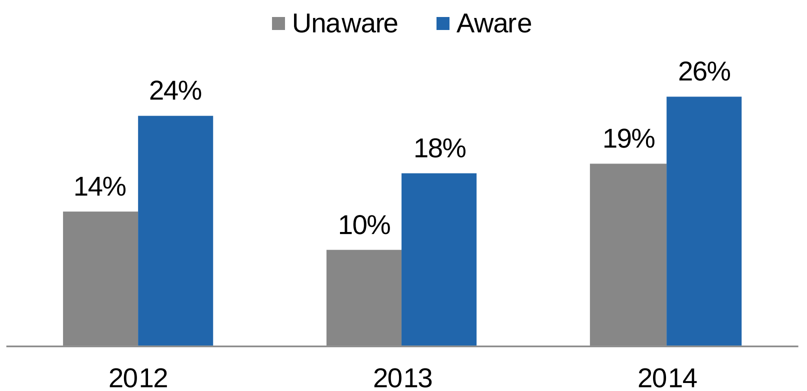
As part of our analysis, we considered consumer survey research on advertising effectiveness conducted on behalf of IOT and Choose Chicago. These studies are conducted on a recurring basis to provide insights to help refine marketing efforts, and also to assess the effectiveness of recent advertising campaigns.

To provide context, it is helpful to start with one of the key measures from the Choose Chicago research. This is the part of the study that assessed whether households who were aware of Choose Chicago's advertising were more likely to have visited Chicago. As shown in the accompanying graph, this has generally been the case, with "ad aware" households showing a greater incidence of travel than "unaware" households who did not recall the specific advertising campaign.

For example, following Choose Chicago's Summer 2014 advertising campaign, 26% of aware households had visited Chicago, as compared to 19% of households in the unaware group. Using unrounded figures this represents a six percentage point incremental travel difference. As shown on the following page, this six percentage point incremental travel difference can be used as part of an assessment of the return on investment related to such advertising.

Incremental travel among aware households

Greater share of "ad aware" households visited Chicago



Note: Summer travel increment.
Source: Choose Chicago advertising effectiveness studies by Strategic Marketing and Research Insights

Illinois advertising effectiveness

Over multiple Choose Chicago campaigns, visitor spending ROI has averaged $174.

The impact of estimated incremental travel by aware households can be quantified as incremental visitor spending, assuming typically levels of expenditures per trip. This calculation is shown in the adjacent table, which is drawn from research by a third-party research firm.

The Summer 2014 campaign yielded an incremental travel estimate of 6%, which implies almost 235,000 incremental trips by target households. At an assumed average of $1,072 per trip, that represents $251.9 million of incremental visitor spending. Relative to the $2.1 million cost of the media campaign, this represents a $120 return on investment (ROI, calculated as visitor spending per $1 of advertising expenditures). Over multiple Choose Chicago campaigns, the average visitor spending ROI has been $174.

Choose Chicago advertising effectiveness

	2012	2013	2014	2015	Average
Winter campaigns					
Targeted households (in millions)	4.6	4.8	4.7	7.0	
Awareness	42%	53%	45%	37%	44%
Aware households (in millions)	2.0	3.0	2.1	2.6	
Incremental travel	7%	8%	8%	9%	8%
Incremental trips	142,310	246,647	174,709	240,529	
Expenditures per trip	$839	$845	$1,013	$845	
Visitor spending (in millions)	$119.3	$208.4	$177.0	$203.1	
Media expenditures (in millions)	$0.7	$0.7	$0.8	$0.7	
ROI (visitor spending / advertising expenditures)	**$165**	**$288**	**$234**	**$298**	**$246**
Summer campaigns					
Targeted households (in millions)	5.2	6.1	6.0		
Awareness	48%	63%	63%		58%
Aware households	2.5	3.9	3.7		
Incremental travel	9%	8%	6%		8%
Incremental trips	232,572	300,752	234,952		
Expenditures per trip	$889	$1,023	$1,072		
Visitor spending (in millions)	$206.8	$307.6	$251.9		
Media expenditures (in millions)	$1.3	$1.7	$2.1		
ROI (visitor spending / advertising expenditures)	**$161**	**$178**	**$120**		**$153**
Weighted average ROI (visitor spending / advertising expenditures)	**$163**	**$210**	**$150**		**$174**

Source: Choose Chicago advertising effectiveness studies by Strategic Marketing and Research Insights

Illinois advertising effectiveness

Studies commissioned by IOT show an average visitor spending ROI of $266.

Advertising effectiveness studies commissioned by IOT report two measures of visitor spending ROI. The first uses total visitor spending by aware households divided by media campaign cost, resulting in a $266 ROI.

The second uses just the portion of aware household spending that is attributable to trips that occurred after the respondent saw Illinois travel advertising or requested travel information, resulting in an $83 ROI.

The visitor spending ROI estimates from the Choose Chicago and IOT studies are useful as general indications. Given differences in methods, the two results are not directly comparable. The case studies provided in the following section provide additional background on the impacts of destination marketing.

Illinois advertising effectiveness

	2009	2011	2012	2013	2014	Average
Total households (millions of households in targeted	12.8	14.0	16.4	14.8	11.9	14.0
Households that saw ad or requested information	44.9%	44.7%	43.4%	37.8%	44.3%	43.0%
Aware households that took leisure trips to/through	21.8%	16.1%	20.6%	20.2%	20.2%	19.8%
Aware households that took a leisure trip to/through Illinois and decided after they saw ad or requested information	12.3%	15.3%	11.6%	14.4%	16.1%	13.9%
Media campaign cost (in millions)	$4.1	$5.1	$5.1	$4.1	$3.2	$4.3
Estimated spending generated by IL visits among aware households (in millions)	$1,200.0	$964.0	$1,600.0	$911.0	$888.0	$1,112.6
ROI based on visitor spending by aware households	**$300**	**$216**	**$309**	**$224**	**$280**	**$266**
ROI based on visitor spending by aware households that took a leisure trip and decided after they saw ad or requested information	$82	$64	$83	$85	$102	$83

Source: Illinois Office of Tourism 2014 Spring-Summer Ad Campaign Evaluation conducted by IPSOS (2014, October)

2. Competitive analysis of tourism office funding

Funding metrics

Are recent historical levels of state tourism funding in Illinois competitive with funding levels in other states? Is Illinois competitive with other states in the region? As summarized in this section, benchmarking tourism office funding across states helps provide valuable context to address such questions.

Illinois benchmark

This analysis focuses on the IOT effective budget of $31.8 million in FY 2014, excluding state grants that aren't independently directed by IOT. Recalling that the typical model in other states uses state funding for a state tourism office and local funding for local CVBs, this IOT effective budget is the measure that corresponds most closely with the information analyzed for other states.

Other state benchmarks

For this benchmark analysis, the state tourism budgets for other states are based on the provisional FY 2014-15 budgets as reported in the annual Survey of State Tourism Office Budgets conducted by the US Travel Association, and supplemented with additional data gathered by Tourism Economics. The analysis of state tourism budgets covers 46 states, including the District of Columbia. The analysis of state tourism advertising and promotion covers 45 states.

Funding metrics

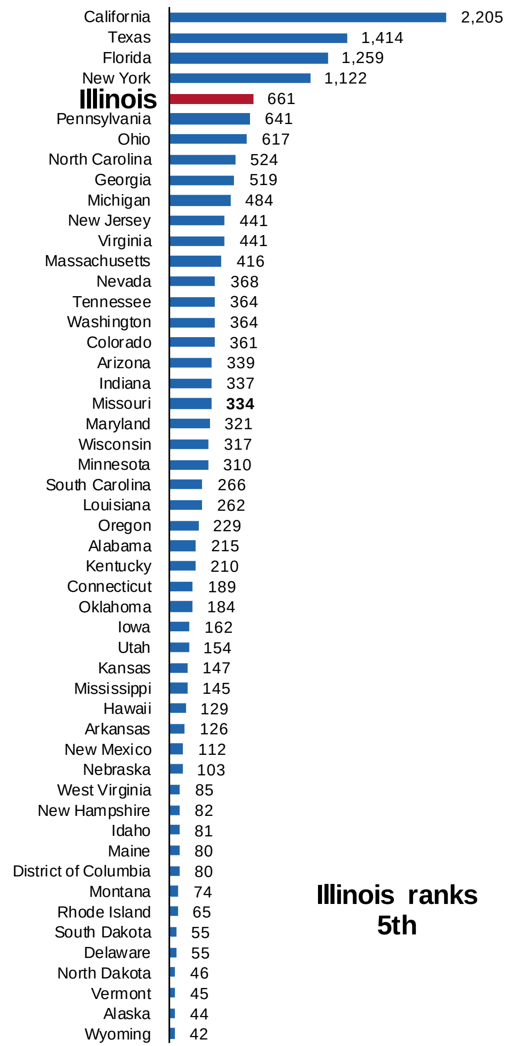
Illinois has one of the largest tourism industries in the country.

Employment in the leisure and hospitality sectors represents a proxy for the relative importance of tourism in each state. These sectors include recreation and entertainment establishments, as well as hotels, other accommodations, and restaurants. Illinois has 661,000 leisure and hospitality sector jobs, ranking the state 5th out of 51 (includes DC).

Another proxy for tourism sector importance is the level of earnings in the accommodations sector (i.e. wages and salaries). This sector includes hotels, motels, and bed and breakfasts, as well as RV parks and other accommodations. Illinois generates $2.3 billion of earnings in the accommodations sector, which ranks 8th nationally.

L&H employment

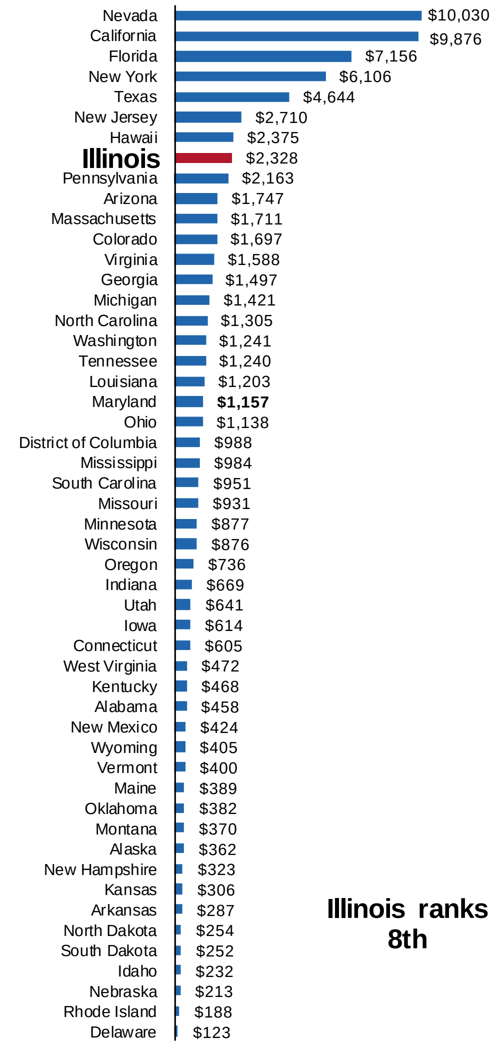
Leisure and hospitality employment, in thousands, 2014



Source: BEA; Tourism Economics

Earnings in accommodations

Earnings in accommodations sector, in millions, 2014



Source: BEA; Tourism Economics

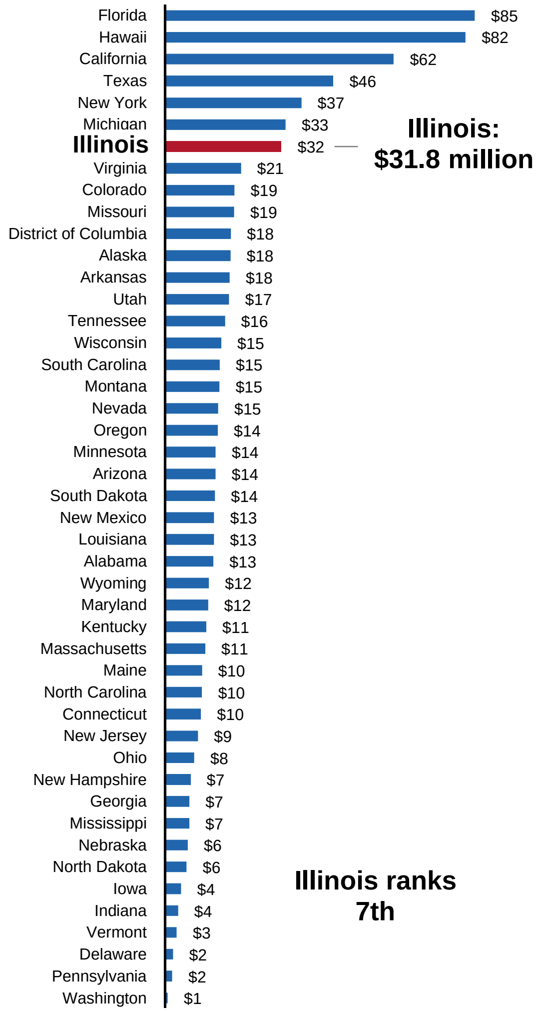
Funding metrics

Both Illinois' total tourism budget, and the amount spent on advertising and promotion, are in line with the size of the state's tourism economy.

Illinois' budget, measured as the IOT effective budget, ranks 7th among state tourism office budgets for the 46 states analyzed. With this budget, Illinois spends approximately $25.5 million on advertising and promotion, ranking 5th among 45 states analyzed. Both of these ranks are in line with the size of the state's tourism economy.

State tourism budget

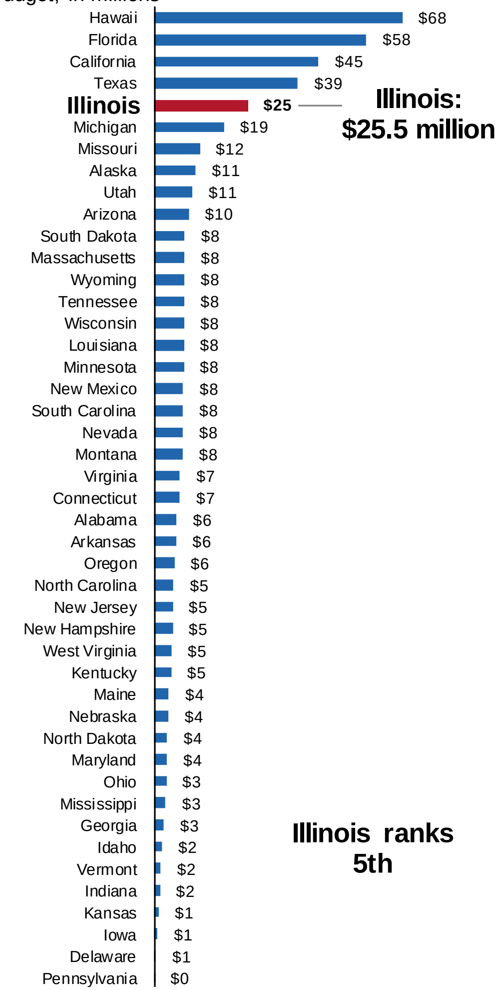
Budget, in millions



Source: BEA; US Travel Association; Tourism Economics

State tourism advertising and promotion

Budget, in millions



Source: BEA; US Travel Association; Tourism Economics

Funding metrics

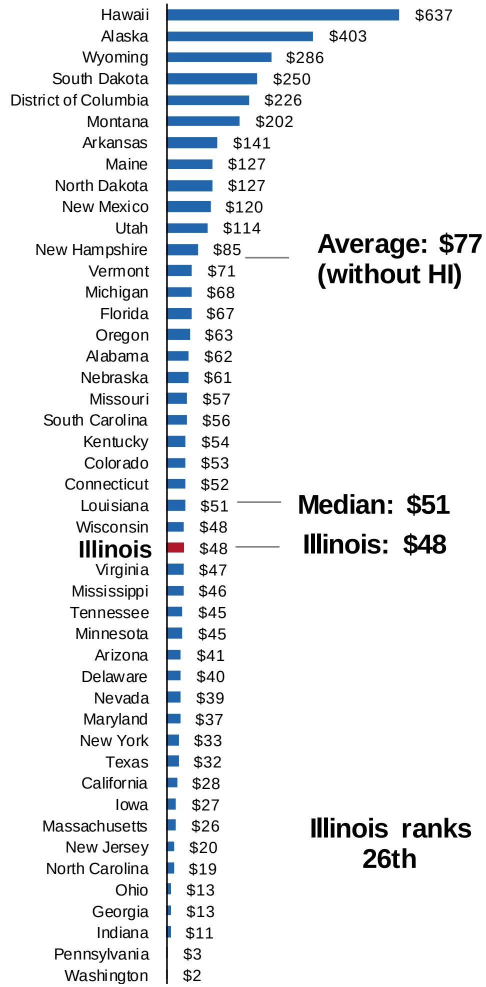
Adjusting for size, Illinois' budget ranks slightly below the median.

As a common metric available across states, state tourism budgets may be considered in relation to employment in the leisure and hospitality sector and to earnings in the accommodations sector.

- Illinois' tourism budget is equivalent to $48 per leisure and hospitality job. This is slightly below the median and far below the average.
- Illinois' tourism budget is equivalent to $14 per $1,000 of earnings in the accommodation sector, which is slightly below the median and the average.

State tourism budget per L&H job

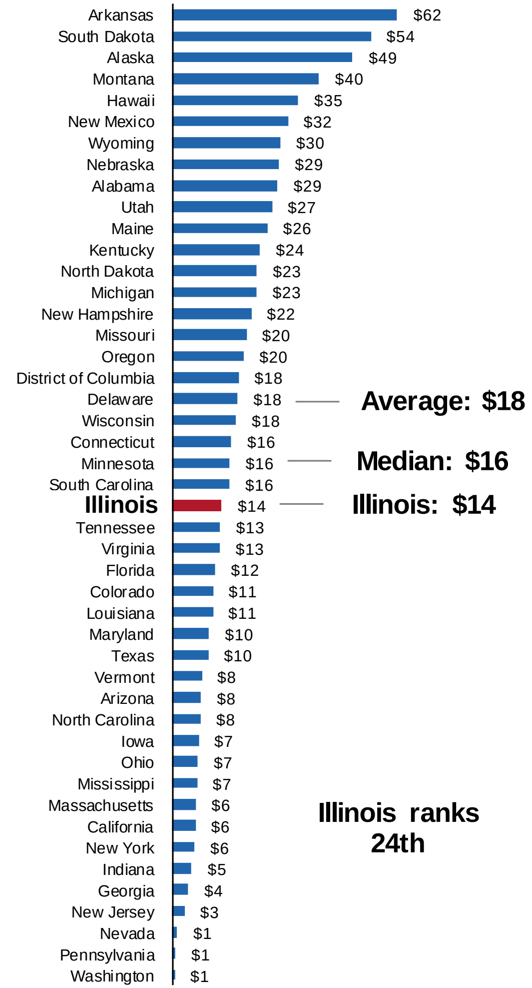
Budget, amount per leisure and hospitality job in 2014



Source: BEA; US Travel Association; Tourism Economics

Budget per $1,000 of earnings in accommodations sector

Based on 2014 earnings



Source: BEA; US Travel Association; Tourism Economics

Funding metrics

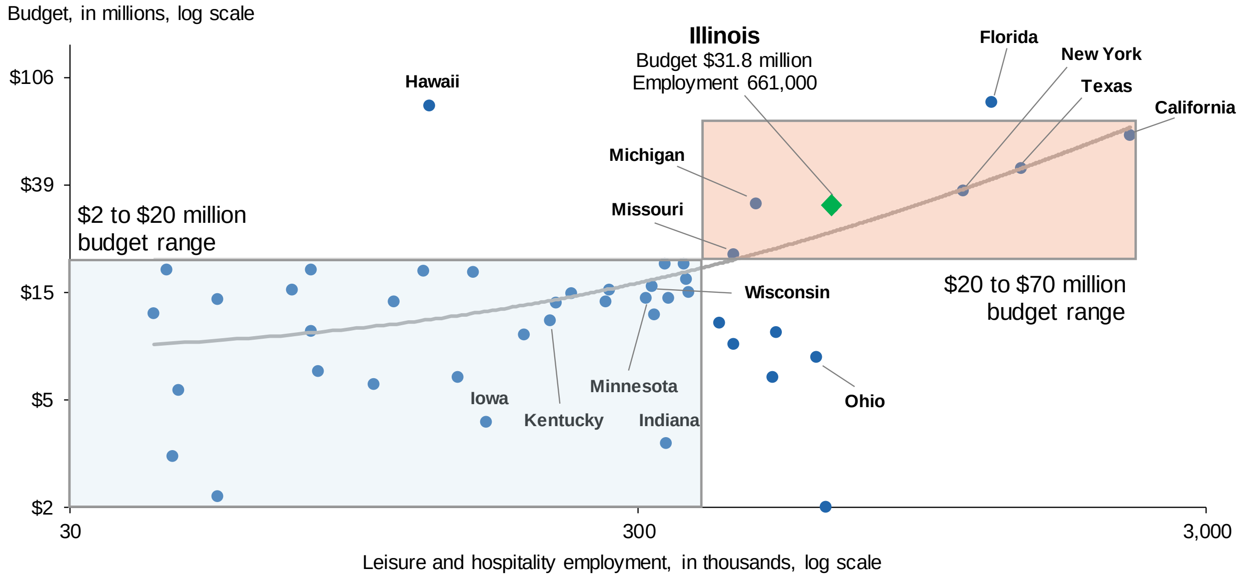
Illinois' historical funding for state tourism marketing has been in proportion to its industry size.

At $31.8 million, Illinois' state tourism budget is broadly in line with the size of its tourism industry, as measured by leisure and hospitality employment. States with large tourism industries tend to have budgets that exceed $20 million (orange rectangle). Some states, such as Ohio and Indiana are outliers, with smaller budgets than industry size would warrant.

In general, states with smaller tourism industries tend to have state tourism budgets below $20 million (blue rectangle).

Of competitive states in the region, Michigan and Missouri have the most comparable balance of budget and industry size.

State tourism funding compared to leisure and hospitality employment



Source: BEA; US Travel Association; Tourism Economics

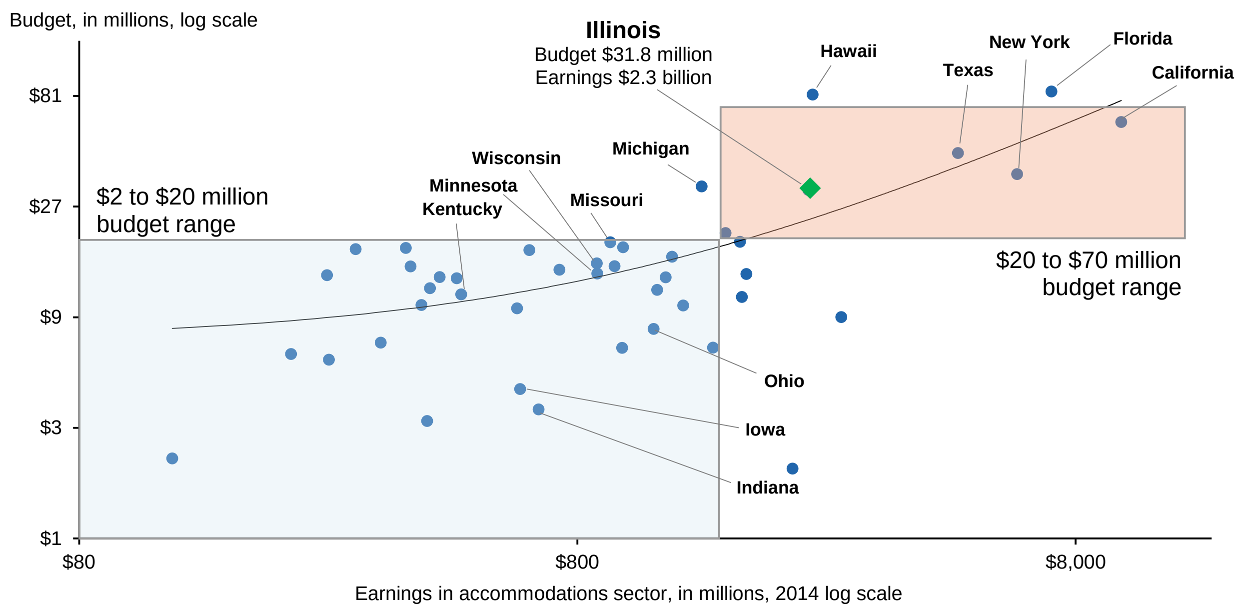
Funding metrics

Illinois' historical funding for state tourism marketing has been in proportion to its industry size.

Hotels, motels, and other accommodations are a key subsector in the tourism industry. Earnings within the accommodation sector (primarily wages and salaries), provide an effective sizing benchmark. By this measure, Illinois has a larger tourism sector than many states, and its budget is in proportion to its industry size.

By this measure, Michigan again appears the most similar of the competitive states in the region. Ohio and Indiana are again apparent outliers, with smaller tourism budgets than would be warranted by industry size.

State tourism funding compared to earnings in accommodations sector



Note: Nevada is not shown because it is not comparable (earnings at casino hotels are included in accommodations). Source: BEA; US Travel Association; Tourism Economics

Funding metrics

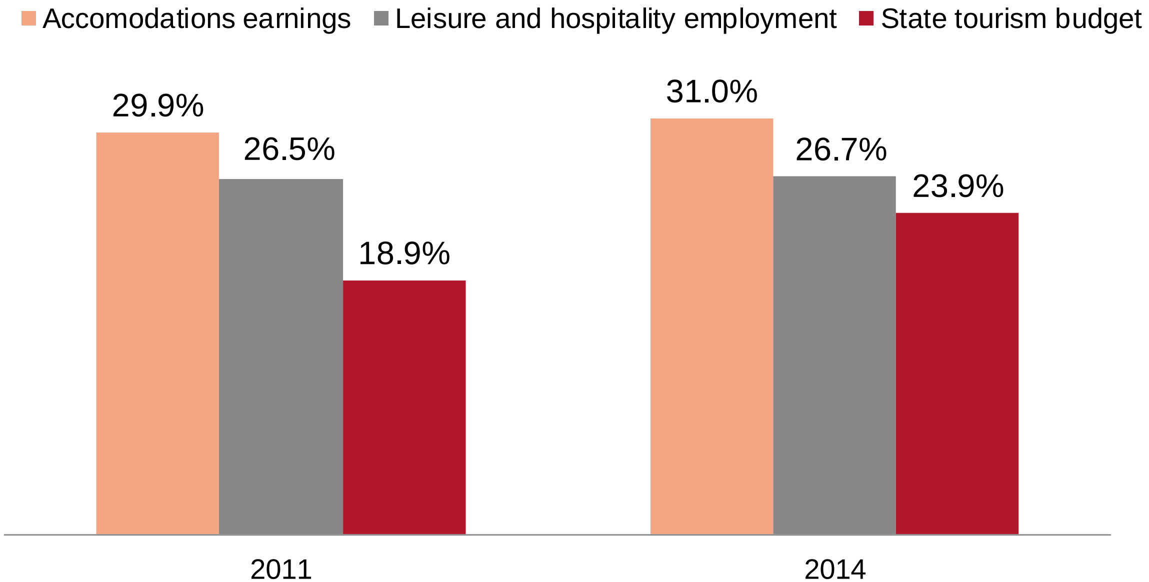
Illinois’ state tourism budget still lags competitive states.

In 2011, Illinois’ state tourism budget was 18.9% of the seven-state regional total. This was notably lower than Illinois’ share of industry activity, measured either by accommodations earnings or leisure and hospitality earnings or leisure and hospitality jobs.

By 2014, Illinois budget increases had helped close the gap, though at 23.9% of the seven-state regional total, Illinois’ budget share still lagged.

IL share of selected competitive state total

Illinois share of seven-state total



Note: Seven-state region includes Illinois, Iowa, Kentucky, Michigan, Minnesota, Missouri and Wisconsin. Indiana and Ohio are excluded because the state tourism budgets are not at competitive levels and are therefore considered not comparable in this state share analysis. Employment is shown on a calendar year basis, budget data is shown on a fiscal year basis.
Source: US Travel Association; Bureau of Economic Analysis; Tourism Economics

Funding metrics

Tourism Economics recommends Illinois continue funding IOT at an effective budget level of at least $31.8 million annually.

In summary, based on the benchmarking to other state tourism offices, we note the following.

- Illinois' effective state tourism office budget for FY 2014 was approximately proportionate with the size of the tourism economy in the state. Illinois funding per leisure and hospitality job, and per $1,000 of earnings in the accommodation sector, is slightly below the median and average state funding. However, as a state with a large tourism economy, Illinois can realize some economies of scale.
- Relative to competitive states, Illinois funding still lags slightly. We excluded Indiana and Ohio from the competitive analysis due to unusually low, non-competitive levels of funding. Relative to the remaining seven-state total, Illinois' budget increases have helped bring the state closer in line, but Illinois still has a smaller budget share than would be supported by the size of its tourism economy relative to these other states.

Overall, Illinois' FY 2014 state tourism office funding level is competitive. Relative to this level, we would anticipate moderately higher funding would still result in further potential gains in terms of visitation and spending. Similarly, we would anticipate that reductions to funding would reduce Illinois' ability to influence and attract travelers, likely resulting in declining market share and reduced visitation.

Tourism Economics recommends, at a minimum, maintaining IOT's effective budget at FY 2014 levels ($31.8 million), as well as continuing Illinois' other categories of state tourism promotion funding, including various state grants, Local Tourism and Convention Bureau grants, and state grants specific to Chicago. Going forward, these programs should at least be increased in proportion with tourism sector growth, and we believe moderate increases to state funding beyond that level would yield additional positive financial returns to the state and its residents (e.g. such as would be associated with a 20% increase to full statutory funding).

3. Scenario analysis

Scenario analysis

We analyzed potential future impacts of a reduction to Illinois tourism promotion funding.

Scenarios considered

Tourism Economics analyzed two alternative scenarios. In the first, Illinois state tourism funding is reduced by 20% relative to baseline funding (“Partial Funding Cut”) (equivalent to a $13.0 million reduction to funding relative to our baseline assumption for 2017); the second assumes a 100% cut of state tourism funding (“Full Funding Cut”).

In both scenarios we assumed the funding reduction would occur at the start of calendar year 2017 and remain in place through at least 2020. As a result, our analysis quantifies potential future impacts of a long-term reduction in funding, and is not intended to measure impacts of funding reductions during 2015 related to the state budget impasse.

We compared each alternative scenario to a baseline scenario in which state funding would increase gradually from FY 2014 levels, remaining competitive with other states. The difference between the alternative scenarios and the baseline scenario represents the impact of funding reductions.

Funding reductions

In the Partial Funding Cut scenario, we assumed a 20% reduction to state tourism promotion funding, applied equally across three categories:

- IOT effective budget ($6.5 million reduction in 2017, growing to $6.9 million reduction by 2020);
- State grants to Chicago ($2.4 million reduction in 2017, growing to $2.5 million reduction by 2020); and,
- State grants, excluding Chicago ($4.2 million reduction in 2017, growing to $4.4 million reduction by 2020).

These reductions total $13.0 million in 2017, which represents a 20% cut to an assumed baseline funding of $65.1 million. This baseline funding assumption represents FY 2014 funding of $63.8 million, increased by 2.0% in 2017. We also assumed baseline funding would increase 2.0% annually in each subsequent year in real terms in recognition of ongoing industry growth.

In the Full Funding Cut scenario, we assumed zero state tourism promotion funding starting in 2017, and extending for the four year period of analysis.

Approach to estimate visitor spending impact

For each category of funding cuts, we assessed an impact to leisure visitor spending and to meetings/groups visitor spending. We then used these estimates as the basis for an economic impact analysis to assess the overall impact on Illinois economic output, jobs, labor income, and tax revenues.

In preparing our estimates of visitor spending impacts, we reviewed the following sets of information:

- case study examples of changes in destination marketing funding;
- advertising effectiveness research;
- our experience with destination marketing as it is conducted at the national, state, and local levels; and,
- written comments submitted by nine Illinois CVBs describing how each organization would respond to a 20% reduction in state funding.

The CVB comments were prepared in November 2015, and each of the CVBs was operating without state funding due to the state budget impasse. As a result, the comments reflect the realities of difficult business decisions that had been made to reduce expenses, and provided a clear indication of the types of reductions that would be required with a more permanent cut to state funding. We have summarized examples of these comments on the following page.

Scenario analysis

With a 20% reduction in state funding, many CVBs would reduce group sales and advertising activities.

Assuming a long-term, 20% reduction to state funding, Illinois CVBs planned to substantially reduce group sales activities (e.g. meetings, tours and sports groups) and cut advertising. These types of cuts would have a substantial impact on the ability of these organizations to attract groups and individual travelers. Examples drawn from the CVB comments are summarized in the following table.

Anticipated CVB reaction to a 20% reduction in state funding

Activity	*Impact*	*Representative comments from CVBs*
Group sales	●	***Greatest reduction*** *Examples: cut sales director position; cease to attend certain trade shows; move away from certain markets (e.g. motor coach, sports, tour, international); eliminate in-country trade and media representation in certain international markets*
Advertising	●	***Second greatest reduction*** *Examples: revisit all marketing costs to find items to cut; minimize marketing to preserve funds for group sales; cut all printing except visitor guide; cut leisure marketing; cut trade publication advertising; eliminate seasonal holiday direct mail and digital advertising; potentially let social media go dark*
Staffing	◕	*Examples: reduce head count; merge two admin positions into one; cut an employee from an already small staff of two*
Events	◕	*Examples: reduce partnerships; end incentives for new events*
Research, other costs	◒	*Examples: outsource certain services such as accounting and design; cut research, such as reader board services used to generate group sales leads*

Scenario analysis

State funding represents 50% of total funding for the typical certified Illinois CVB.

The Illinois CVBs also provided information on state funding as a share of each CVB's total budget. These examples indicate that the typical Illinois certified CVB outside of Chicago relies on state funding for 50% of its total funding.

This has two implications. First, it's clear that any reduction to state funding is anticipated to have substantial impacts to CVB operations – it's not an insubstantial revenue source. Second, it points to the risk that with reduced availability of state funds, other local funding may also be cut. This is because state tourism promotion grants require local matching funds, and this linkage can be an effective lever that CVBs use to encourage local funding. With a partial, or full, cut to state funding, local governments may see less incentive to continue funding CVBs at the same level, resulting in further cuts to CVB operations.

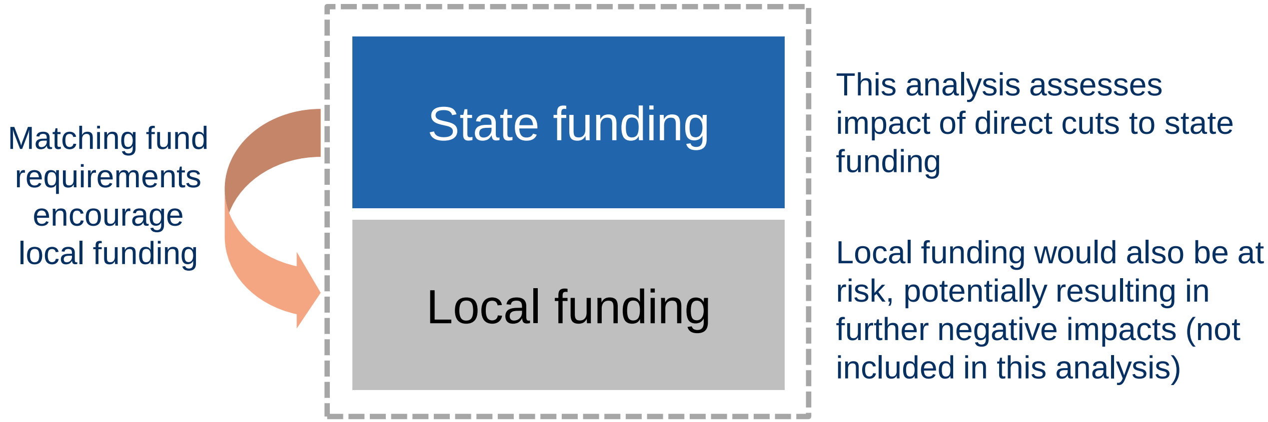
Our analysis assesses the impact of direct cuts to state funding. Local funding would also be at risk, potentially resulting in further negative impacts that are not included in this analysis.

Approach to estimate broader economic consequences

Tourism Economics' estimates of the broader economic consequences of declines in visitor spending relative to the baseline scenario are based on a model from IMPLAN, a leading provider of economic impact models. We used this model to quantify the direct travel and tourism industry job and income losses that would be associated with a decline in visitor spending, as well as the indirect and induced impacts in the broader economy that would occur as a result of the direct impacts. We adjusted model parameters to reflect characteristics of the industry and the specific scenario analysis at hand.

In certain tables we refer to "economic output". This refers to business sales by Illinois businesses.

Representative Illinois CVB budget



Scenario analysis

We analyzed the potential negative impacts to 10 Illinois regions.

Regionalizing results

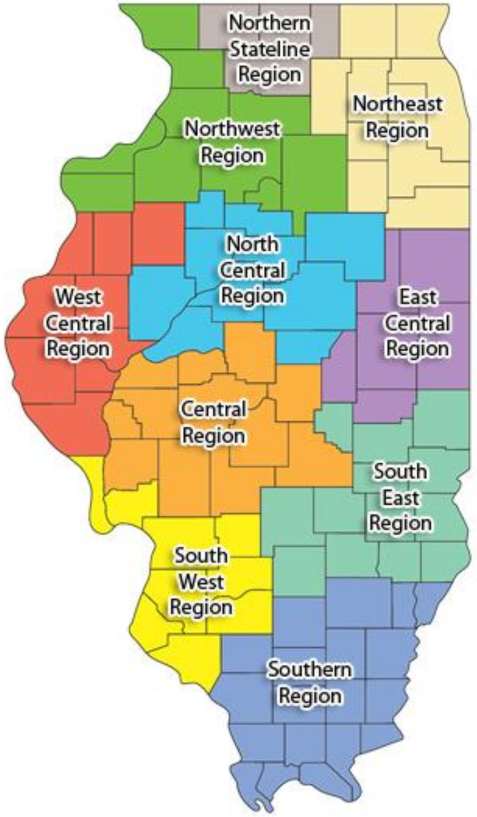
Tourism Economics estimated the potential impacts to Illinois regions based primarily on the following two sets of information:

- LTCB grant amounts to each certified CVBs in Illinois, and the estimated region served by each CVB; and,
- Visitor spending at the county level as reported in the Illinois economic impact analysis conducted by US Travel Association.

We prepared visitor spending impact estimates at the county level, and then aggregated these counties to correspond to the 10 economic development regions as reported by the Illinois Department of Commerce.*

The following pages summarize the results of our analysis.

Economic development regions



* Additional information on the economic development regions is available from the Illinois Department of Commerce (link)

Potential future losses: Partial Funding Cut

Over the first four years of a Partial Funding Cut, Illinois stands to experience a net state tax loss of $73 million.

As a result of a Partial Funding Cut, over a four-year future period, Illinois has the potential to lose:

- $2.3 billion of visitor spending;
- over $850 million of labor income;
- an average of almost 4,600 jobs; and,
- $127 million of state taxes.

The net state tax loss over the period is $73 million ($127 million of lost state tax revenues, less $54 million of budget savings).

For each dollar Illinois cuts from state tourism funding in this scenario, the state losses:

- $42 of visitor spending; and,
- $2.37 of state taxes.

Impact to Illnois with Partial Funding Cut

Amounts in millions of 2014 dollars, except jobs and key ratios

	2017	2018	2019	2020	Cumulative
Impact to IL tourism promotion funding					
IOT effective budget	-$6.5	-$6.6	-$6.7	-$6.9	-$26.7
State grants to Chicago bureau	-2.4	-2.4	-2.5	-2.5	-9.8
Grants, excluding Chicago	-4.2	-4.2	-4.3	-4.4	-17.2
Total	-$13.0	-$13.3	-$13.5	-$13.8	-$53.7
Potential IL losses					
Visitor spending	-$224.3	-$457.6	-$777.9	-$793.4	-$2,253.2
Total economic output (business sales)	-$374.0	-$763.0	-$1,297.1	-$1,323.0	-$3,757.1
Direct expenditures	-224.3	-457.6	-777.9	-793.4	-2,253.2
Indirect and induced output	-149.7	-305.4	-519.2	-529.6	-1,503.9
Total labor income (wages and salaries)	-$85.2	-$173.9	-$295.6	-$301.5	-$856.2
Direct labor income	-42.7	-87.0	-148.0	-150.9	-428.6
Indirect and induced labor income	-42.6	-86.8	-147.6	-150.6	-427.6
Total jobs (annual average)	-1,890	-3,780	-6,300	-6,300	-4,567
Direct jobs	-1,266	-2,533	-4,222	-4,222	-3,061
Indirect and induced jobs	-623	-1,247	-2,078	-2,078	-1,507
Total fiscal (tax) impacts	-$37.4	-$76.2	-$129.6	-$132.2	-$375.4
State taxes	-12.7	-25.8	-43.9	-44.8	-127.1
Local taxes	-6.9	-14.0	-23.9	-24.4	-69.2
Federal taxes	-17.8	-36.4	-61.8	-63.1	-179.1
Key ratios					
Visitor spending lost per $1 of funding reduction	-$17	-$34	-$57	-$57	-$42
State tax loss per $1 of funding reduction	-$0.97	-$1.94	-$3.24	-$3.24	-$2.37
Net state tax loss (millions)	$0.4	-$12.5	-$30.3	-$30.9	-$73.4

Source: Tourism Economics

Potential future losses: Partial Funding Cut

Illinois's state and local governments would have to tax each household $30 over this future period to raise an equivalent amount.

As a result of a Partial Funding Cut, over a four-year future period Illinois has the potential to lose:

- $80.5 million of sales taxes;
- $24.1 million of state hotel occupancy taxes;
- $37.4 million of local hotel occupancy taxes; and,
- $27.4 million of excise taxes and fees.

The net state and local tax loss over this period is estimated at $143 million ($196 million of lost revenue, offset by $54 million of state budget savings). Illinois state and local governments would have to tax each household $30 over this period to raise an equivalent amount.

Impact to Illinois taxes with Partial Funding Cut

Amounts in millions of 2014 dollars

	2017	2018	2019	2020	Cumulative
State and local tax impacts by jurisdiction	**-$19.5**	**-$39.9**	**-$67.8**	**-$69.1**	**-$196.3**
State taxes	-12.7	-25.8	-43.9	-44.8	-$127.1
Local taxes	-6.9	-14.0	-23.9	-24.4	-$69.2
State and local tax impacts by category	**-$19.5**	**-$39.9**	**-$67.8**	**-$69.1**	**-$196.3**
Sales	-8.0	-16.4	-27.8	-28.4	-80.5
State hotel occupancy taxes	-2.4	-4.9	-8.3	-8.5	-24.1
Local hotel occupancy taxes	-3.7	-7.6	-12.9	-13.2	-37.4
Personal income	-1.5	-3.1	-5.2	-5.3	-15.1
Corporate	-0.9	-1.8	-3.1	-3.2	-9.0
State unemployment and related	-0.3	-0.6	-0.9	-1.0	-2.7
Excise and fees	-2.7	-5.6	-9.5	-9.7	-27.4

Source: Tourism Economics

Note: Tax estimates are based on the IMPLAN model as customized for Illinois. State unemployment refers to payments to state and local governments related to unemployment insurance and temporary disability insurance. Excise and fees include, for example, motor vehicle licensing fees, various business licenses, as well as hunting and fishing licenses. Property taxes have been excluded from this scenario analysis.

Potential future losses: Partial Funding Cut

Each Illinois region would experience reduced visitor spending in the Partial Funding Cut scenario.

Regional impacts would be spread across the state. The largest negative impact is expected in the Northeast region, which includes Chicago. There, visitor spending is expected to be $1.8 billion lower than in the baseline.

Each of the other economic development regions in the state would also experience substantial reductions in spending.

Regional spending impact with Partial Funding Cut

Amounts in millions of 2014 dollars

	2017	2018	2019	2020	Cumulative
Visitor spending impact by region	**-$224.3**	**-$457.6**	**-$777.9**	**-$793.4**	**-$2,253.2**
Northern Stateline	-3.8	-7.8	-13.3	-13.6	-38.6
Northeast	-180.0	-367.2	-624.3	-636.7	-1,808.2
Northwest	-6.1	-12.4	-21.1	-21.5	-61.1
North Central	-8.2	-16.8	-28.6	-29.1	-82.8
East Central	-3.9	-8.0	-13.6	-13.9	-39.5
West Central	-2.3	-4.8	-8.1	-8.3	-23.4
Central	-6.3	-12.8	-21.7	-22.2	-63.0
Southeast	-2.2	-4.5	-7.7	-7.8	-22.2
Southwest	-7.4	-15.0	-25.5	-26.0	-73.9
Southern	-4.0	-8.2	-14.0	-14.2	-40.4

Source: Tourism Economics

Potential future losses: Partial Funding Cut

Each Illinois region would lose jobs in the Partial Funding Cut scenario.

In Northeast Illinois, reduced visitor spending relative to the baseline is expected to result in a reduction in direct, travel-generated employment of approximately 2,450 jobs relative to the baseline. The impact to total employment is estimated at more than 3,660 jobs in the Northeast region. This total impact includes direct travel-generated jobs, as well as broader economic consequences, such as losses experienced by suppliers and businesses serving tourism sector employees.

Each of the other economic development regions in the state would also experience substantial job losses.

Regional job impact with Partial Funding Cut

Amounts in number of jobs

	2017	2018	2019	2020	Average
Direct travel employment impact by region	**-1,266**	**-2,533**	**-4,222**	**-4,222**	**-3,061**
Northern Stateline	-22	-43	-72	-72	-52
Northeast	-1,016	-2,033	-3,388	-3,388	-2,456
Northwest	-34	-69	-115	-115	-83
North Central	-47	-93	-155	-155	-112
East Central	-22	-44	-74	-74	-54
West Central	-13	-26	-44	-44	-32
Central	-35	-71	-118	-118	-86
Southeast	-12	-25	-42	-42	-30
Southwest	-42	-83	-139	-139	-100
Southern	-23	-45	-76	-76	-55
Total employment impact by region	**-1,890**	**-3,780**	**-6,300**	**-6,300**	**-4,567**
Northern Stateline	-32	-65	-108	-108	-78
Northeast	-1,517	-3,033	-5,055	-5,055	-3,665
Northwest	-51	-103	-171	-171	-124
North Central	-69	-139	-231	-231	-168
East Central	-33	-66	-110	-110	-80
West Central	-20	-39	-66	-66	-48
Central	-53	-106	-176	-176	-128
Southeast	-19	-37	-62	-62	-45
Southwest	-62	-124	-207	-207	-150
Southern	-34	-68	-113	-113	-82

Source: Tourism Economics

Potential future losses: Full Funding Cut

Over the first four years of a Full Funding Cut, Illinois stands to experience a net state tax loss of $367 million.

As a result of a Full Funding Cut, over a four-year future period, Illinois has the potential to lose:

- $11.3 billion of visitor spending;
- $4.3 billion of labor income;
- an average of more than 22,800 jobs; and,
- $635 million of state taxes,

The net state tax loss over the period is $367 million ($635 million of lost state tax revenues, less $268 million of budget savings).

For each dollar Illinois cuts from state tourism funding in this scenario, the state losses:

- $42 of visitor spending; and,
- $2.37 of state taxes.

Impact to Illnois with Full Funding Cut

Amounts in millions of 2014 dollars, except jobs and key ratios

	2017	2018	2019	2020	Cumulative
Impact to IL tourism promotion funding					
IOT effective budget	-$32.4	-$33.1	-$33.7	-$34.4	-$133.6
State grants to Chicago	-11.9	-12.1	-12.3	-12.6	-48.9
Grants, excluding Chicago	-20.8	-21.2	-21.7	-22.1	-85.8
Total	-$65.1	-$66.4	-$67.7	-$69.1	-$268.3
Potential IL losses					
Visitor spending	-$1,121.5	-$2,287.9	-$3,889.4	-$3,967.2	-$11,266.0
Total economic output (business sales)	-$1,870.1	-$3,815.0	-$6,485.4	-$6,615.1	-$18,785.6
Direct expenditures	-1,121.5	-2,287.9	-3,889.4	-3,967.2	-11,266.0
Indirect and induced output	-748.6	-1,527.1	-2,596.0	-2,647.9	-7,519.6
Total labor income (wages and salaries)	-$426.1	-$869.3	-$1,477.9	-$1,507.4	-$4,280.8
Direct labor income	-213.3	-435.2	-739.8	-754.6	-2,142.8
Indirect and induced labor income	-212.8	-434.2	-738.1	-752.9	-2,138.0
Total jobs (annual average)	-9,449	-18,899	-31,498	-31,498	-22,836
Direct jobs	-6,332	-12,665	-21,108	-21,108	-15,303
Indirect and induced jobs	-3,117	-6,234	-10,390	-10,390	-7,533
Total fiscal (tax) impacts	-$186.9	-$381.2	-$648.0	-$661.0	-$1,877.0
State taxes	-63.3	-129.0	-219.4	-223.8	-635.4
Local taxes	-34.4	-70.2	-119.4	-121.8	-345.9
Federal taxes	-89.2	-181.9	-309.2	-315.4	-895.6
Key ratios					
Visitor spending lost per $1 of funding reduction	-$17	-$34	-$57	-$57	-$42
State tax loss per $1 of funding reduction	-$0.97	-$1.94	-$3.24	-$3.24	-$2.37
Net state tax loss (millions)	$1.8	-$62.6	-$151.7	-$154.7	-$367.1

Source: Tourism Economics

Potential future losses: Full Funding Cut

Illinois's state and local governments would have to tax each household $149 over this future period to raise an equivalent amount.

As a result of a Full Funding Cut, over a four-year future period Illinois has the potential to lose:

- $402.6 million of sales taxes;
- $120.7 million of state hotel occupancy taxes;
- $175.8 million of local hotel occupancy taxes; and,
- $137.1 million of excise taxes and fees.

The net state and local tax loss over this period is estimated at $701.8 million ($970.1 million of lost revenue, offset by $268.3 million of state budget savings). Illinois state and local governments would have to tax each household $149 over this period to raise an equivalent amount.

Impact to Illinois taxes with Full Funding Cut

Amounts in millions of 2014 dollars

	2017	2018	2019	2020	Cumulative
State and local tax impacts by jurisdiction	**-$96.6**	**-$197.0**	**-$334.9**	**-$341.6**	**-$970.1**
State taxes	-63.3	-129.0	-219.4	-223.8	-$635.4
Local taxes	-33.3	-68.0	-115.5	-117.9	-$334.7
State and local tax impacts by category	**-$96.6**	**-$197.0**	**-$334.9**	**-$341.6**	**-$970.1**
Sales	-40.1	-81.8	-139.0	-141.8	-402.6
State hotel occupancy taxes	-12.0	-24.5	-41.7	-42.5	-120.7
Local hotel occupancy taxes	-17.5	-35.7	-60.7	-61.9	-175.8
Personal income	-7.5	-15.3	-26.0	-26.5	-75.4
Corporate	-4.5	-9.1	-15.5	-15.8	-44.9
State unemployment and related	-1.4	-2.8	-4.7	-4.8	-13.6
Excise and fees	-13.6	-27.8	-47.3	-48.3	-137.1

Source: Tourism Economics

Note: Tax estimates are based on the IMPLAN model as customized for Illinois. State unemployment refers to payments to state and local governments related to unemployment insurance and temporary disability insurance. Excise and fees include, for example, motor vehicle licensing fees, various business licenses, as well as hunting and fishing licenses. Property taxes have been excluded from this scenario analysis.

Potential future losses: Full Funding Cut

Each Illinois region would experience reduced visitor spending in the Full Funding Cut scenario.

Regional impacts would be spread across the state. The largest negative impact is expected in the Northeast region, which includes Chicago. There, visitor spending is expected to be $9.0 billion lower than in the baseline.

Each of the other economic development regions in the state would also experience substantial reductions in spending.

Regional spending impact with Full Funding Cut

Amounts in millions of 2014 dollars

	2017	2018	2019	2020	Cumulative
Visitor spending impact by region	**-$1,121.5**	**-$2,287.9**	**-$3,889.4**	**-$3,967.2**	**-$11,266.0**
Northern Stateline	-19.2	-39.2	-66.7	-68.0	-193.1
Northeast	-900.0	-1,836.0	-3,121.3	-3,183.7	-9,041.0
Northwest	-30.4	-62.1	-105.5	-107.6	-305.6
North Central	-41.2	-84.0	-142.9	-145.7	-413.9
East Central	-19.7	-40.1	-68.2	-69.6	-197.5
West Central	-11.7	-23.8	-40.5	-41.3	-117.2
Central	-31.3	-63.9	-108.7	-110.8	-314.8
Southeast	-11.1	-22.6	-38.3	-39.1	-111.1
Southwest	-36.8	-75.1	-127.6	-130.2	-369.7
Southern	-20.1	-41.1	-69.8	-71.2	-202.2

Source: Tourism Economics

Potential future losses: Full Funding Cut

Each Illinois region would lose jobs in the Full Funding Cut scenario.

In Northeast Illinois, reduced visitor spending relative to the baseline is expected to result in a reduction in direct, travel-generated employment of almost 12,300 jobs relative to the baseline. The impact to total employment is estimated at more than 18,300 jobs in the Northeast region. This total impact includes direct travel-generated jobs, as well as broader economic consequences, such as losses experienced by suppliers and businesses serving tourism sector employees.

Each of the other economic development regions in the state would also experience substantial job losses.

Regional job impact with Full Funding Cut

Amounts in number of jobs

	2017	2018	2019	2020	Average
Direct travel employment impact by region	**-6,332**	**-12,665**	**-21,108**	**-21,108**	**-15,303**
Northern Stateline	-109	-217	-362	-362	-262
Northeast	-5,082	-10,163	-16,939	-16,939	-12,281
Northwest	-172	-344	-573	-573	-415
North Central	-233	-465	-775	-775	-562
East Central	-111	-222	-370	-370	-268
West Central	-66	-132	-220	-220	-159
Central	-177	-354	-590	-590	-428
Southeast	-62	-125	-208	-208	-151
Southwest	-208	-416	-693	-693	-502
Southern	-114	-227	-379	-379	-275
Total employment impact by region	**-9,449**	**-18,899**	**-31,498**	**-31,498**	**-22,836**
Northern Stateline	-162	-324	-540	-540	-391
Northeast	-7,583	-15,166	-25,277	-25,277	-18,326
Northwest	-256	-513	-854	-854	-620
North Central	-347	-694	-1,157	-1,157	-839
East Central	-166	-331	-552	-552	-400
West Central	-98	-197	-328	-328	-238
Central	-264	-528	-880	-880	-638
Southeast	-93	-186	-310	-310	-225
Southwest	-310	-620	-1,034	-1,034	-749
Southern	-170	-339	-565	-565	-410

Source: Tourism Economics

Potential future losses: Full Funding Cut

State funding cutbacks would negatively affect CVBs in each of the state's regions.

Results of the scenario analysis are summarized by economic development region. The following table provides a list of the Illinois Certified CVBs serving counties in each economic development region, along with the losses in the Full Funding Cut scenario. Some CVBs serve counties in multiple regions.

Scenario results: Regional impacts and corresponding CVBs

Dollar amounts in millions, 2014 dollars

Economic development region	CVB serving region	Full Funding Cut (2017 to 2020) Losses caused by a 100% cut in funding: Visitor spending impact (cumulative)	Total employment impact (average)
Northern Stateline	Blackhawk Waterways CVB; Freeport/Stephenson County CVB; Rockford Area CVB	-$193	-391
Northeast	Choose Chicago; Rosemont; Northshore; Elgin; Meet Chicago Northwest; Oak Park; DeKalb County CVB; Chicago Southland CVB and DuPage CVB; Heritage Corridor CVB; Aurora and St. Charles; Kankakee County CVB; Lake County Illinois CVB; McHenry County CVB; Heritage Corridor CVB	-$9,041	-18,326
Northwest	Peoria Area CVB; Blackhawk Waterways CVB; Henry County Tourism Bureau; Galena/JoDaviess County CVB; Heritage Corridor CVB; Quad Cities CVB; Heritage Corridor CVB	-$306	-620
North Central	Peoria Area CVB; Bloomington-Normal Area CVB	-$414	-839
East Central	Champaign County CVB; Danville Area CVB	-$198	-400
West Central	Quincy CVB, Inc.; Quad Cities CVB; Galesburg Area CVB; Macomb Area CVB;	-$117	-238
Central	Abraham Lincoln Tourism Bureau of Logan County; Decatur Area CVB; Jacksonville Area CVB; Springfield Area CVB; Shelby County Office of Tourism	-$315	-638
Southeast	The Tourism Bureau ILLINOISouth; Effingham CVB	-$111	-225
Southwest	The Tourism Bureau ILLINOISouth; Alton Regional CVB	-$370	-749
Southern	Southernmost Illinois CVB; The Tourism Bureau ILLINOISouth; Carbondale CVB; Mt. Vernon CVB; Williamson County Tourism Bureau	-$202	-410
Total		**-$11,266**	**-22,836**

Source: Tourism Economics

Appendix 1: Additional Illinois detail

Travel as an Illinois economic driver

Travel and tourism supported $2.7 billion of state and local taxes in 2014.

Illinois is well positioned to seize and expand the economic opportunity presented by travel and tourism. Indeed, travel already supports 306,000 direct jobs in the state, 548,500 total jobs, and $2.7 billion of state and local tax revenue.

As shown on the following pages, Illinois travel growth has been solid, with Illinois' travel economy expanding more quickly than those in competitive states. While Illinois has given up some national market share in terms of leisure trip spending since 2009, it has grown its share of total visitors.

Overall, with continued tourism promotion spending, Illinois would be well-positioned to continue to seize and expand the economic opportunity presented by travel and tourism.

Illinois travel impacts

In billions, except jobs

	2007	2014	Change '07 to '14
Direct travel-generated economy impacts			
Visitor spending	$29.9	$36.3	21.5%
Employment	305,500	306,000	0.2%
Payroll	$8.5	$9.6	12.7%
Total travel impacts (including direct and secondary)			
Expenditures	$50.6	$60.5	19.7%
Employment	590,900	548,500	-7.2%
Labor income	$15.1	$16.9	11.5%
Total traveler-generated taxes			
Federal taxes	$3.4	$3.8	14.2%
State taxes	1.4	1.9	35.4%
Local taxes	0.7	0.8	17.9%
Total fiscal impacts	$5.5	$6.6	20.1%

Source: US Travel Association

Additional detail

State tourism promotion is funded at approximately 84% of statutory levels.

We analyzed the level of state tourism promotion that could be supported based on full statutory funding. According to statute, 33.5% of hotel tax receipts are intended for tourism promotion. This represents the sum of three amounts:

- Local Tourism Fund (8%);
- International Tourism Fund (4.5%); and,
- Tourism Promotion Fund (21.0%).

We understand that the full statutory share of 33.5% has not historically been allocated to tourism promotion because adjustments are made to allocate funds to other general fund purposes.

To understand the amount that could be available if Illinois tourism promotion was funded at the statutory level, we analyzed hotel tax receipts as reported for FY 2014 and FY 2015. Using FY 2014 as an example, if the full statutory share of 33.5% was allocated to tourism promotion, the funding level would have been $76.1 million. This is equivalent to $12.3 million (19.3%) more than the $63.8 million shown previously as total state funding for tourism promotion in FY 2014. Based on this analysis, state tourism promotion in Illinois in FY 2014 was funded at approximately 83.9% of its statutory level, with approximately 16.1% being used for purposes outside Tourism.

Hotel tax distribution to tourism promotion based on statute

Funding amounts based on current law, before adjustment to reflect funds allocated to general fund.

Amounts in millions

	Percentage	FY 2014 Amount	FY 2015 Amount
Hotel tax receipts (estimated)	**100.0%**	**$227.2**	**$256.7**
Local Tourism Fund (8% of hotel tax receipts)	**8.0%**	**$18.2**	**$20.5**
Grants to bureaus outside Chicago (67%)		12.2	13.8
Chicago bureau (33%)		6.0	6.8
International Tourism (4.5% of hotel tax receipts)	**4.5%**	**$10.2**	**$11.6**
State efforts and grants to bureaus outside Chicago (45%)		4.6	5.2
Chicago bureau (55%)		5.6	6.4
Tourism Promotion Fund (21% of hotel tax receipts)	**21.0%**	**$47.7**	**$53.9**
Tourism promotion as well as other programs funded from Tourism Promtion Fund (e.g. Illinois Film Office and International Trade Offices)		47.7	53.9
Total hotel tax revenue to tourism promotion (33.5% of hotel tax receipts)	**33.5%**	**$76.1**	**$86.0**
State efforts, grants to bureaus outside Chicago, other programs funded out of Tourism Promotion Fund		64.5	72.9
Chicago bureau		11.6	13.1

Source: State of Illinois; Tourism Economics

Additional detail

The accompanying tables provide additional detail on the tourism funding considered in this analysis.

Choose Chicago funding summary

Amounts in millions

Funding source	FY 11 Budget	FY 12 Budget	FY13 Budget	FY14 Budget	CY15 Budget
Total (state, city, MPEA, private)	**$14.1**	**$17.8**	**$27.7**	**$33.2**	**$30.2**

Source: Choose Chicago

Illinois Office of Tourism Effective Budget

Amounts in millions

Category	Funding	FY11	FY12	FY13	FY14
Total IOT budget		**$35.4**	**$56.2**	**$55.9**	**$54.9**
Minus: State-directed grants		**$15.6**	**$20.7**	**$22.1**	**$23.1**
Local Tourism and Convention Bureau Program (LTCB) (1)	Local Tourism Fund	7.2	9.0	11.6	12.3
Grants to Chicago	Local Tourism Fund	3.8	4.5	2.6	2.7
Admin and Grant Expenditures	Local Tourism Fund	0.3	0.3	0.3	0.3
Tourism Marketing Partnership Program	Tourism Promotion Fund	1.4	1.9	1.9	1.9
Tourism Attraction Development	Tourism Promotion	0.2	2.1	2.1	2.1
Tourism Private Sector Program	Tourism Promotion	0.0	0.7	0.7	0.7
Regional Tourism Development Organizations	Tourism Promotion Fund	0.3	0.5	0.5	0.5
Other (e.g. Grape & Wine)	Tourism Promotion	0.2	0.2	1.0	0.2
International grants and loans	International and Promotional Fund	1.2	0.5	0.5	0.5
International Tourism Program (2)	International Tourism Fund	1.0	1.0	1.0	1.0
Chicago IPW	General Revenue	0.0	0.0	0.0	1.0
Equals: IOT effective budget		**$19.8**	**$35.6**	**$33.8**	**$31.8**
Statewide Tourism Promotion	Tourism Promotion	1.6	7.3	7.3	7.3
Domestic advertising	Tourism Promotion	12.0	12.6	12.6	12.6
International advertising	Tourism Promotion	1.6	3.7	3.7	3.7
Tourism administrative costs	Tourism Promotion	2.3	4.1	4.1	4.1
International Tourism Program (3)	International Tourism Fund	2.3	7.8	6.0	4.0
Other	Tourism Promotion	0.1	0.1	0.1	0.1

Notes:
(1) LTCB balance of state, excluding Chicago
(2) Grants to CVBs
(3) After grants to CVBs
Source: State of Illinois; Tourism Economics

Additional detail

The accompanying table shows historical visitor spending and travel-generated employment aggregated to the 10 economic development regions in Illinois. It is based on the county-level economic impacts reported in the US Travel Association report titled "The Economic Impact of Travel on Illinois Counties 2014", prepared for the Illinois Bureau of Tourism.

In the US Travel Association county analysis, only visitor spending by domestic visitors is reported by county, and international visitor spending is reported in aggregate. Similarly, only the travel-generated direct jobs supported by domestic visitor spending are reported by county.

Illinois travel impacts: Regional

Dollar amounts in millions

	Visitor spending (2014)	Travel-generated employment (2014)
Region		
Northern Stateline	$462	3,490
Northeast	$27,684	239,860
Northwest	$791	5,640
North Central	$1,005	7,690
East Central	$488	3,530
West Central	$315	1,980
Central	$870	6,120
Southeast	$355	2,230
Southwest	$1,034	7,660
Southern	$557	3,820
Total domestic	**$33,561**	**282,020**
International	**$2,785**	**24,000**
Total (rounded)	**$36,346**	**306,000**

Note: International refers to spending by international visitors, and the jobs supported by that spending

Source: US Travel Association

Appendix 2: Case study review

Case study: Colorado cuts state funding

Within two years, Colorado lost 30% of its US visitor market share.

Budget cuts in other US destinations provide case study examples of what has happened when destination marketing is reduced. We have summarized several of these case studies in this section, beginning with Colorado, which represents a powerful example of the impact of a dramatic reduction in destination marketing:

- Prior to 1993, the Colorado Tourism Board (CTB) had a $12 million marketing budget, funded by a 0.2% tax on most tourism spend.
- Within two years of repealing its tourism funding in 1993, Colorado lost 30% of its US visitor market share, which translated into the equivalent of over $1.4 billion annually in lost revenues. By the late 1990s, this had escalated to $2.4 billion a year.
- After having moved from 14th to 1st position in the states' summer resorts category, Colorado slipped to 17th in 1994. It also shifted back to being more of a regional drive destination opposed to being a national fly-in venue and attracting fewer international visitors.
- The subsequent establishment of the Colorado Travel & Tourism Authority, which was an attempt to market the state with private sector funding in co-operation with the CTB, failed. This was attributed to the fact that private sector companies had separate priorities.
- The new Colorado Tourism Office opened with a $5 million budget and in 2003, $9 million was approved for tourism promotion. A campaign conducted from October 2003 through December 2004 resulted in 5.3 million incremental visits, representing 17% of total visitation to the state. In 2004, this generated $1.4 billion of additional spend and $89.5 million in state and local taxes.
- These estimates are equivalent to an implied visitor spending return-on-investment (ROI) per marketing dollar of $140 (i.e. each dollar change in marketing spending resulted in a change in visitor spending of $140).

Case study: San Diego TMD funding frozen by litigation

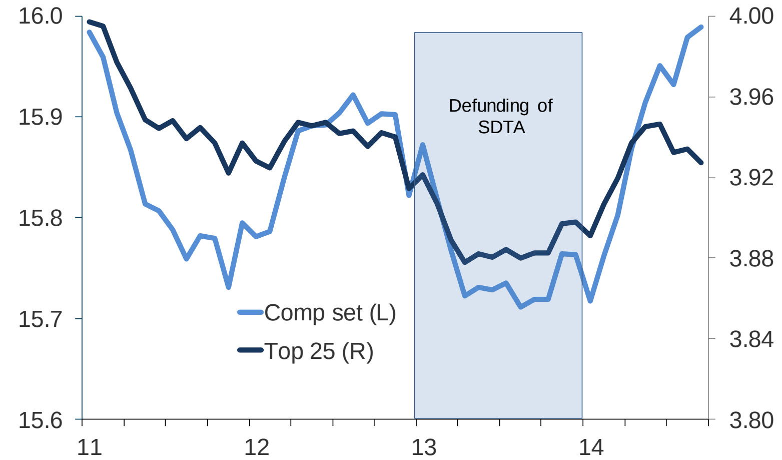
San Diego market share declined when tourism marketing was curtailed in 2013.

A series of events in San Diego resulted in a temporary reduction in tourism marketing spending, providing a case study of short-term impacts:

- The San Diego Tourism Marketing District (SDTMD) was established in 2008 with the support of the lodging sector to provide stable funding for marketing and promotion based on a hotel room assessment. For example, in FY2012, the SDTMD allocated more than $25 million in assessment fees.
- As a result of litigation-related risks, funds intended for the SDTDM were held in limbo through much of calendar year 2013, curtailing its funding to local tourism marketing groups.
- The San Diego Tourism Authority (SDTA), the region's primary destination marketing organization, was one of the groups impacted. SDTA depends largely on SDTDM funding and was forced to cancel its important spring 2013 advertising campaign. Later, as the funding challenges persisted, SDTA laid off 40% of its staff in July 2013 and prepared to operate a bare-bones operation with only 15% of the funding that it previously received from SDTDM. SDTDM funding to other groups and events promoting tourism was also curtailed.
- Ultimately, in late-November 2013, the local city council released a portion of the funds previously being withheld and the SDTA restored its advertising in January 2014. As a result, the cutbacks in destination marketing were largely contained in calendar year 2013, and San Diego tourism marketing resumed strongly in 2014.
- The impact of the reduced funding was reflected in the performance of the San Diego hotel industry, as room demand leveled off in 2013, and occupancy rates and price levels increased more slowly than in competing markets. Overall, the city's performance trailed other regional and national destinations that had maintained funding levels and marketing programs.
- The graph below shows San Diego's reduced hotel room demand market share relative to a competitive set (Los Angeles, San Francisco, Anaheim, Phoenix and Seattle) and top 25 US metro markets during the period of reduced funding, and subsequent recovery when marketing was restored.

San Diego room demand market share

San Diego's % of total room nights, relative to...



Sources: STR, Tourism Economics

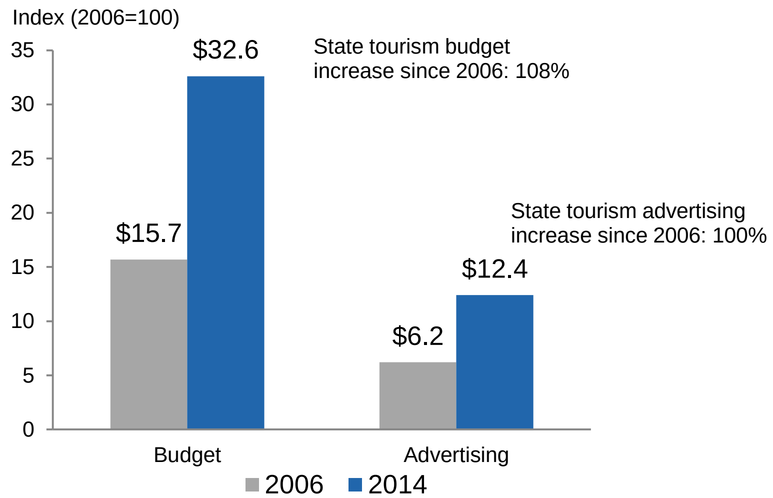
Case study: Pure Michigan success

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

"Pure Michigan" is a nationally recognized advertising campaign. Less appreciated are the important decisions the state took during a period of economic recession to expand the campaign as an investment in future growth.

Bill Siegel, CEO of Longwoods, recently summarized this success story in a widely cited paper, "The Power of Destination Marketing" (link). The following highlights key points.

Michigan state tourism budget



Source: Longwoods International

- The "Pure Michigan" campaign had its fledgling start in 2006 as a regional campaign in an environment of relatively low funding. In preceding years, Michigan's state tourism budget had declined, falling to as little as $7.9 million in FY2005 according to US Travel data. For several years, as the campaign ran in regional markets, research demonstrated that it was building equity in the marketplace, impacting Michigan's image positively and generating positive financial returns.
- In 2009, with the national economy still in recession, and Michigan's manufacturing base hit particularly hard, the state legislature saw tourism as a potential growth opportunity, and approved a one-time doubling of the Travel Michigan budget to $28 million. This allowed the state to promote itself nationally for the first time, and "Pure Michigan" was well-suited to the opportunity.
- In its first year, the national campaign dramatically increased unaided awareness of Michigan as a place in the Midwest US "you would really enjoy visiting", and three out of ten national travelers were aware of the campaign. The campaign was recognized by Forbes as among the 10 all-time best travel campaigns, and Michigan moved to 2nd place among competitors after the campaign, from 9th place before the campaign.

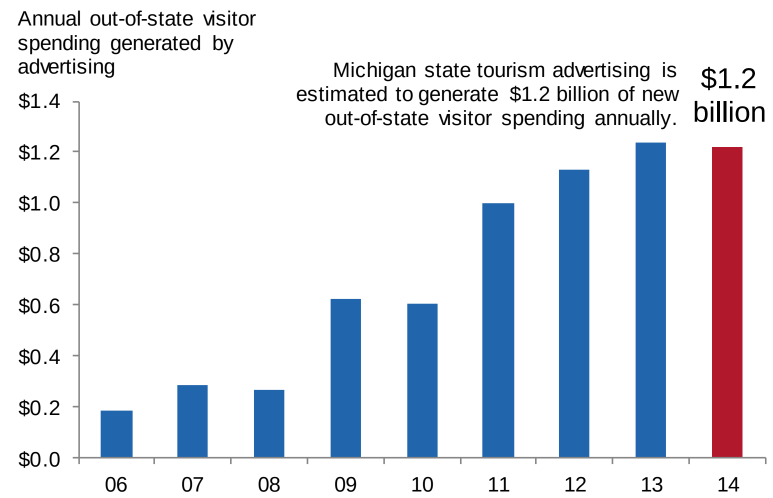
Case study: Pure Michigan success

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

- The summer 2009 campaign was estimated to have generated almost two million additional trips to Michigan. As a result, based on a $12.2 million media budget, the campaign is estimated to have generated $588 million of incremental visitor spending and $41.0 million of state taxes, equivalent to $3.36 of state taxes per ad dollar.
- In total from 2006 to 2014, Longwoods estimated that “Pure Michigan” results generated 22.4 million out-of-state trips to Michigan and $6.6 billion of visitor spending at Michigan businesses. This implies a visitor spending return on investment (“ROI”) of $69 based on out-of-state visitors, and a state tax ROI of $4.81.

Michigan built on the initial success by maintaining annual funding slightly ahead of $30 million. From 2006 to 2014, Michigan invested over $95 million in “Pure Michigan” advertising. As a result, “Pure Michigan” has become the singular brand for Michigan, with the state expanding its use across multiple lines of business to promote state objectives, such as economic development.

New visitor spending in Michigan



Source: Longwoods International

Destination marketing ROI in other markets

Many state and local DMOs conduct periodic assessments of marketing effectiveness. There are several goals of these studies, including understanding how specific marketing campaigns are perceived by households, how effective the campaigns are in having an impact on households' intent to travel to a given destination, and which target markets are showing differing level of responsiveness to marketing. Frequently these studies include a specific analysis of the ROI of marketing spending in the form of a quantitative assessment of the level of incremental visitor spending and tax revenues that are attributable to destination marketing.

These studies use a variety of methods, and are measuring the impact of a range of different campaigns across different situations. For example, a specific study may look at incremental visitors attracted by a state-level marketing campaign conducted by a state that attracts travelers from a range of national markets, while another study may focus on the results of a more targeted regional campaign carried out by a city-level DMO. While the results of a specific study pertain most directly to the situation that was analyzed, and the corresponding assumptions, it is appropriate to consider broader inferences from the research.

We analyzed recent studies that included an estimate of the incremental visitor spending attributable to advertising campaign spending. For example, in a fairly typical approach, a study would:

- use a survey to analyze the effect of a specific advertising campaign on households' travel to a given destination, such as by analyzing the impact on actual travel among those that had observed the advertising or by analyzing the impact on households' intentions to travel;
- project that effect to the broader set of households in the marketing area to estimate the number of incremental visits attributable to the campaign;
- apply typical levels of spending per visitor to estimate incremental visitor spending; and,
- compare incremental visitor spending to the level of advertising spending to estimate the ROI.

We summarized the estimates of incremental visitor spending per dollar of advertising campaign spending from these studies in the table on the following page.

Destination marketing ROI in other markets

Estimates of incremental visitor spending per dollar of advertising campaign spend from the set of studies we analyzed is summarized in the adjacent table, supporting the following observations:

- The results range from as low as $12 for an analysis conducted for Syracuse, NY to as high as $326 for the average of several analyses conducted for California.
- Overall, we observe that recent marketing campaigns by destination marketing organizations at the state level have generated approximately $154 of incremental visitor spending per dollar of advertising spending.

These ROI estimates relate directly to advertising spending. It is also appropriate to consider a visitor spending ROI relative to total DMO operating costs, or relative to public funding. As an example of the former approach, Meet Minneapolis reports the ratio of visitor spending associated with events tracked in its group sales management system to total DMO operating costs has averaged $33 in recent years. This excludes almost all leisure visitor spending.

As an example of an ROI based on public funding, the Florida state government recently analyzed the return on investment for public funding of Visit Florida. The analysis attributed Visit Florida's public funding (excluding, for example, significant private funding for cooperative advertising and promotions) to generating $11.2 billion of visitor spending during the three-year-period through FY 2013, representing a visitor spending ROI of $97, and a state tax revenue ROI of $3.2 ($3.20 of state tax revenue generated by each $1 of state funding).

Marketing ROI matrix

Region	Timing	Visitor spending per ad dollar
States		
California	Average 2009 to 2013	$326
Arizona	Average 2007, '11, '12, '15	221
Georgia	Average 2011 and 2012	211
Colorado	2012	200
Florida	2011	177
Maryland	2012	160
Wyoming	Average 2012, '13, '14	156
Kentucky	2014	151
Missouri	2013	131
North Dakota	Average 2010, '12, '14	101
Utah	Average 2010, '11, '13	83
New Mexico	2013 to 2015	72
Virginia	2006	71
Michigan	Average 2006 to 2014	69
Metros and regions		
Philadelphia, PA	2009/10	100
Branson, MO	2012	79
Kansas City, MO	2013	65
Springfield, MO	2011	61
Finger Lakes Wine Country, NY	2012	44
Washington, DC	2013	27
San Diego, CA	2013	19
Syracuse, NY	2008	12
Median of states		**$154**
Median of metros and regions		$53

Sources: Local studies compiled by Tourism Economics

Appendix 3: The vital role of destination promotion

The vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing unique challenges.

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing three challenges.

Challenge #1: The visitor economy is fragmented

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather to just an individual business.

Because a visitor's spending is spread across businesses, any single business may not capture sufficient share of a visitor's spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor's spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

Solution: destination promotion provides the scale and strategic vision supporting a wide array of individual businesses

Destination promotion organizations also play a role furthering the strategic potential of the visitor economy. Destination marketing organizations (DMOs) can take a long term view of the development of the destination and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. DMOs take steps to build shoulder season and low season demand and help fill slower days of the week, supporting a more stable base of employment and helping ongoing operations achieve a "break even" level of profitability. Similarly, DMOs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

The vital role of destination promotion

The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination.

Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience is comprised of a visitor's interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors.

Solution: destination promotion articulates the brand message that is consistent with consumer motivations

Through coordinated destination promotion, the destination is represented collectively, driving demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

The vital role of destination promotion

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish.

Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of advertising or public relation efforts scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, and more specialized efforts. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

Solution: destination promotion pools resources to provide the economies of scale and marketing infrastructure required to generate impact

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Conduct marketing that leverages a base level of awareness of the destination than has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Use existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employ a staff with established relationships with local tourism-sector businesses and marketing service providers; and,
- Support market research, such as visitor profile studies, that help individual businesses better target market opportunities, but which would likely not be economical for individual businesses to conduct independently.

Through these economic factors, destination promotion helps expand the visitor economy in ways that are consistent with local priorities, building the types of opportunities that are a critical part of economic development.

Travel has proven its resilience

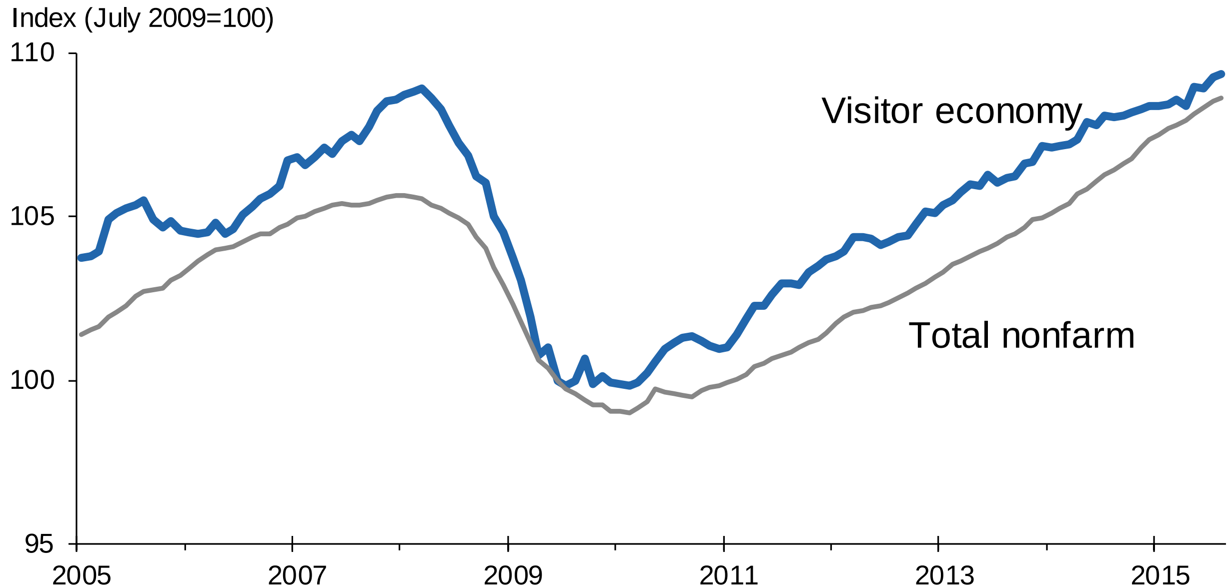
As incomes rise, consumer spending on travel has grown at an even faster rate and employment in the travel economy has led growth during the recent economic recovery.

Across the US, favorable tail winds have supported above average growth in the visitor economy. As income levels rise, consumers are dedicating a greater share of spending to travel and tourism. For example, in the span of slightly more than a generation, per capita consumer spending on hotel stays in the US has increased 200% since 1980, even as per capita GDP – as a measure of income levels – has increased only 75%.

Travel has proven its resilience, with a strong recovery from the most recent economic downturn. As the visitor economy has recovered, it has contributed job growth since the end of the recession at a faster rate than the US average. As of August 2015, employment in key sectors of the visitor economy was 9.4% ahead of its June 2009 level, compared to a 8.6% gain for the broader economy.

Visitor economy employment trends (US)

Compared to total nonfarm employment



Note: Seasonally adjusted data through August 2015. Visitor economy measured as the sum of employment across 14 industry segments.
Source: Bureau of Labor Statistics; Tourism Economics

The visitor economy represents an export, drawing new dollars into the local economy

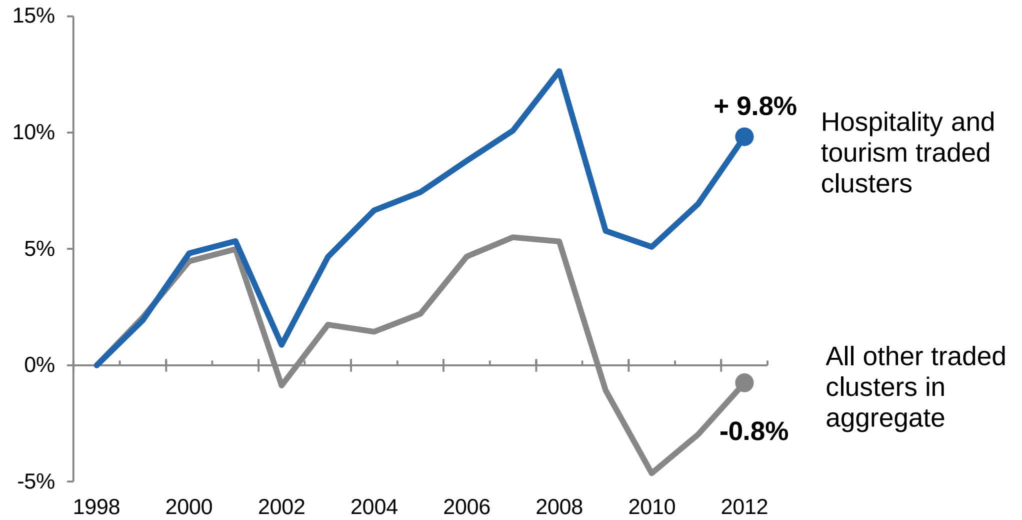
Nationally, hospitality and tourism has outperformed the aggregate of all other traded cluster export sectors since 1998, with employment expanding nearly 10% while all others shrank 1%.

The visitor economy represents a valuable locally-produced export for many regional economies. The resulting visitor spending supports jobs, incomes, tax revenues and local business sales that represent part of the region's economic base, critically important in providing demand for local supporting sectors. In this sense, whether referred to as an "export" or a set of "traded" goods and services, the visitor economy plays an important role in the "base" economy of many regions.

As developed through research by Michael Porter, the term "traded cluster" refers to "geographic concentrations of interconnected companies and institutions in a particular field" that sell products and services across regions.

Traded cluster employment gains over time (US)

Index, cumulative percentage points of employment growth since 1998



Source: US Cluster Mapping Project; Census Bureau; Tourism Economics

Additionally, destination promotion helps drive economic development

Destination promotion supports the visitor economy, but it also acts as a catalyst of broader economic development.

In recent research, Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth.

1) Attracting strategic events

By securing meetings and conventions, DMOs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees.

"Economic clusters and conventions have become synergistic"

Tom Clark
Metro Denver Economic
Development Corporation

2) Raising the destination profile

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

"We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development."

Brook Taylor
Deputy Director
Governor's Office of Business and Economic Development (GO-Biz)

3) Building transport networks

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

"Air service is profoundly important to corporate investment and location decisions... This is one of tourism's most significant contributions since the levels of air service at New Orleans far exceed what local demand could support."

Stephen Moret
Secretary
Louisiana Economic Development

4) Raising the quality of life

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

"Traveler attractions are the same reason that CEOs choose a place."

Jeff Malehorn
President & CEO, World Business Chicago

Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

Destination promotion “halo effect”

Destination marketing contributes to a “halo effect”, as advertising campaigns positively impact perceptions of a region.

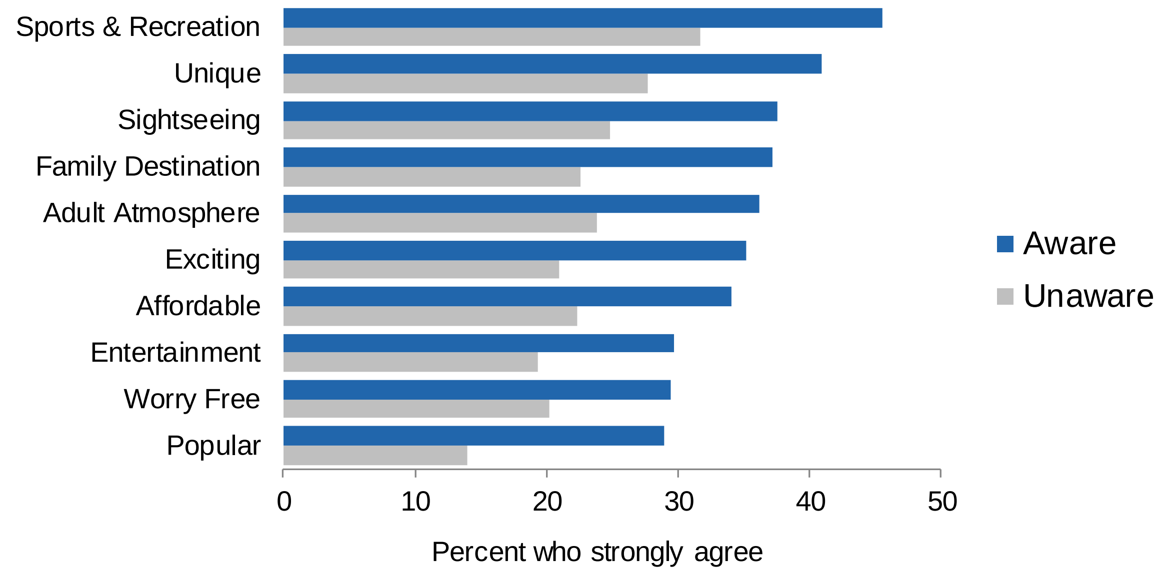
Longwoods International recently undertook research to measure how image lift was created by tourism ad awareness and the experience of visiting the destination. The research was conducted through an online survey of more than 18,000 respondents across advertising markets for seven states and two metropolitan areas.

The results show that many of the messages of destination marketing advertising campaigns work in parallel with economic development goals. For example, as shown in the graph to the right, the “Pure Michigan” campaign positively impacts perceptions of the state that can be helpful in attracting skilled workers and new businesses.

PURE MICHIGAN
Your trip begins at michigan.org

Marketing positively influences perceptions of a region

Pure Michigan 2014 campaign impact on perceptions of Michigan as a national tourism destination



Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion "halo effect"

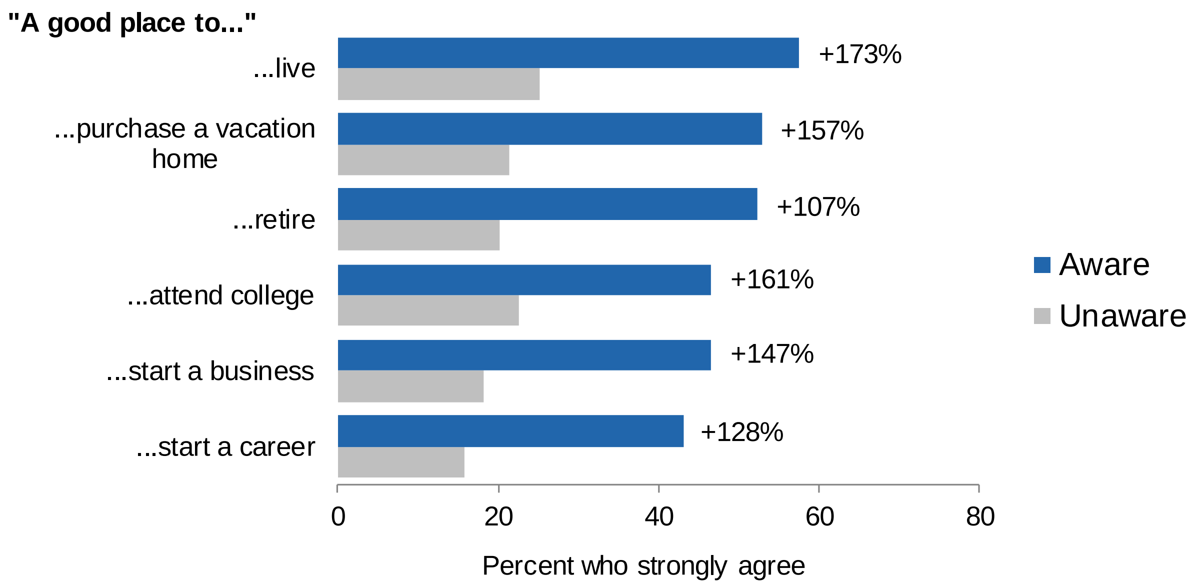
Tourism marketing can directly impact decision criteria that are key to economic development.

Affecting perceptions of a region through destination marketing can influence decision criteria that are important to skilled workers and new businesses.

For example, Lake Erie Shores and Island's 2014 tourism marketing campaign boosted perceptions of the area as a good place to start a career. Among those who were aware of the advertising, 43.2% strongly agreed with the statement that the area was a good place to start a career, representing a 173% increase relative to the 15.8% who strongly agreed among those unaware of the advertising.

Marketing influences perceptions on key decision criteria

Lake Erie Shores and Islands 2014 campaign impact on the region's economic development image



Note: Percentages indicate the increase in "ad aware" respondents who strongly agree relative to "unaware".
Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion helps drive economic development

The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation.

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing builds transport accessibility, attracts major events that build awareness, raises the quality of life for residents, and raises the profile of a destination among potential investors.

As a result, cities and states that succeed as destinations are more likely to succeed in broader economic terms.

Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
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About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

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