

2021-2022 National DMO Funding Report

July 2022

PREPARED BY:

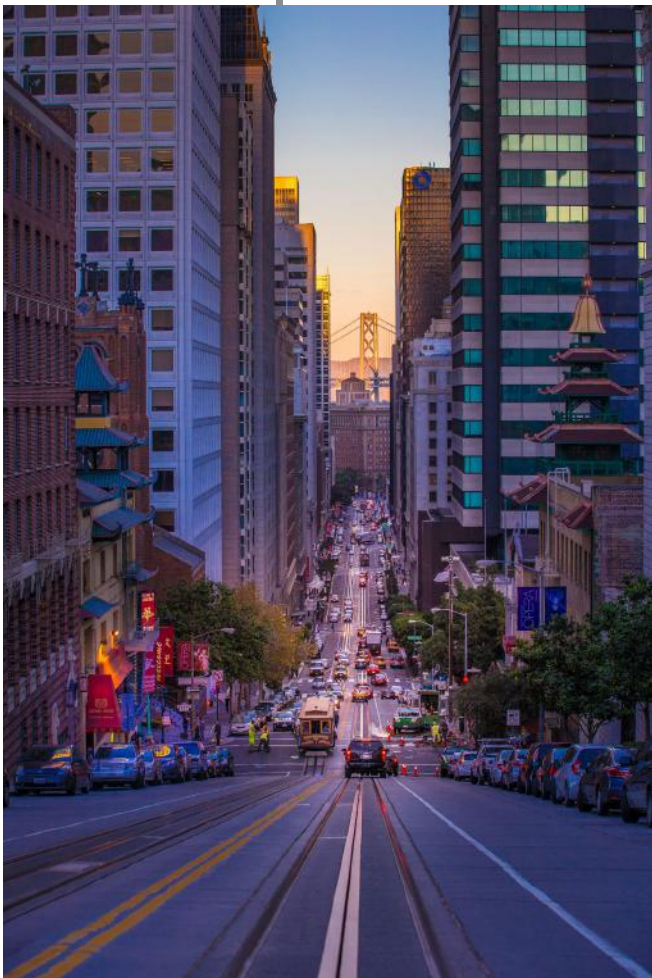
Civitas

IN PARTNERSHIP WITH:

Travel Analytics Group



Table of Contents



03 Overview

04 Executive Summary

05 Introduction & Background,
Study Objectives, Methodology

06 Results

24 Conclusion &
Recommendations

26 Next Steps

27 About Us

Overview

Destination Marketing Organizations (DMOs) are facing a myriad of issues that have grown even more critical since, and partially emerging from, the COVID pandemic. These issues include broadening efforts to include destination management, focusing on delivering value to residents, developing sustainable or regenerative programs for the environment, and creating stable and sufficient sources of funding.

To help understand how DMOs are managing these challenges, Civitas, in partnership with the Travel Analytics Group (TAG), sponsored and conducted an in-depth survey among 92 DMOs across the United States in late 2021 and early 2022. The findings and implications are found in this comprehensive report.

This report will be an especially beneficial resource for your destination if you:

- *Are underfunded, or in danger of losing funding.*
- *Are funded by a Tourism Improvement District (TID), or are considering a TID, and would like to see how you compare to similar destinations.*
- *Have an interest in emerging KPIs and how other destinations are tracking their success.*

Destination marketing funding has been revolutionized by DMOs adopting alternative dedicated funding and enacting assessments known as Tourism Improvement Districts (TIDs). Since originating in California in 1989, this innovative funding mechanism has spread to almost 200 destinations across 20 states.

As discussed within this report, TIDs have become an increasingly popular - and essential - method of providing stable funding for destination marketing and promotion tied directly to the tourism industry.

200

Almost 200 destinations using the TID funding model.

20

States using the TID funding model.

Executive Summary

Key findings include:

- 75% of DMOs have secured or are considering alternative funding. Over 50% of these DMOs secured a TID or are in the formation process. As a result, TIDs have significantly increased DMO budgets.
- 78% of destinations report significant increased funding after the first year of the TID. None reported losing funding.
- Current fiscal year TID budgets reflect a broad value range but are, on average, nearly \$3.5 million.
- Online media and website development are the primary uses for TID funds.
- Destinations are prioritizing improving capital tourism assets.
- Destinations are prioritizing increasing community partnerships.
- A few destinations track environmental impacts and social impacts.
- A third of destinations are prioritizing an increase in hosted events, including meetings and sports events.
- Almost all destinations report an increase in hotel occupancy and Average Daily Rate (ADR) since launching their TID.
- DMOs report that additional assessments added to guest folios from TIDs are not deterring guests from staying at hotels.
- Most destinations report an increase in stakeholder and local political support since launching their TID.





Introduction & Background

Need for Alternative Funding

Most destinations continue to report their need for additional funding. Local and state governments continue to divert traditional DMO tax funding to other government uses. In response, TID funds are protected from government diversion and are tied directly to the tourism industry.

Study Objectives

We contacted DMOs nationwide to gain in-depth information and insight about tourism funding. Outreach included personal contact, general and direct email outreach, and social posts. DMOs of all sizes responded with information that provided a well-rounded picture of current and projected destination marketing.

Among other things, the results help us understand how TIDs are affecting DMO budgets, what programming is funded, and the challenges DMOs face in terms of both funding and related budgeting issues.

It also provides important fact-based guidance to destinations considering implementing a TID for the benefit of tourism businesses and their communities.

Methodology

We developed an online survey with questions relating to DMOs' overall budget process and size, sources and uses of funds, and how STRs are considered by the local government (e.g., legality, taxation). The survey then delved into the role of TIDs: if a destination had one, the formation process, funding levels before and after, challenges, and measurable results. This survey was distributed to senior-level management at DMOs, with and without TIDs.

The 92 responses include DMOs that are well-funded, seeking additional funding, have TIDs, are looking for new funding options, and are satisfied with their current funding.

Population & Hotel Rooms

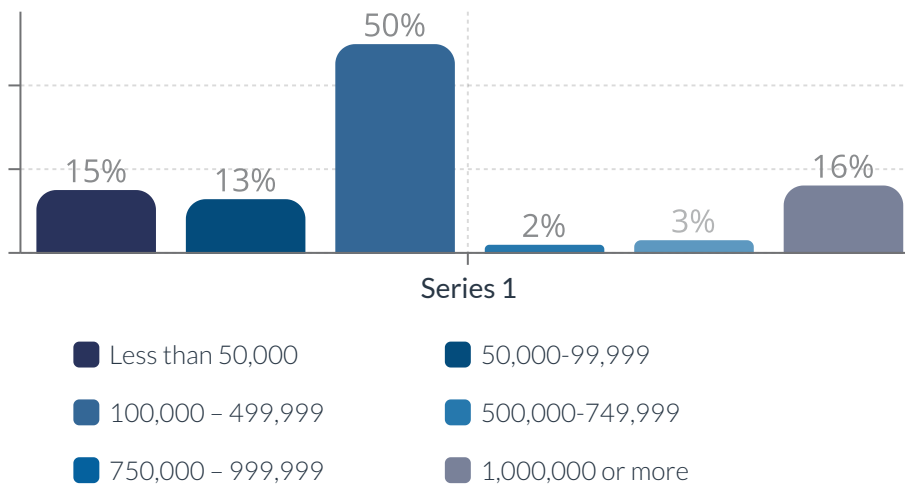
General Destination Information

We asked our participants questions to establish general information about their destination. These questions included information about their size, budget, priorities, and key performance indicators.

Details: DMO Area Size and Lodging Market

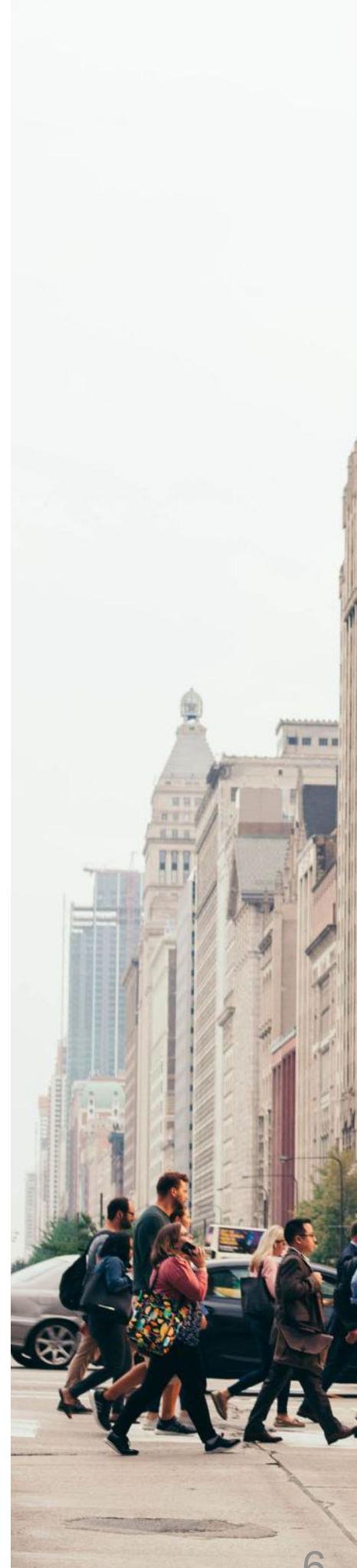
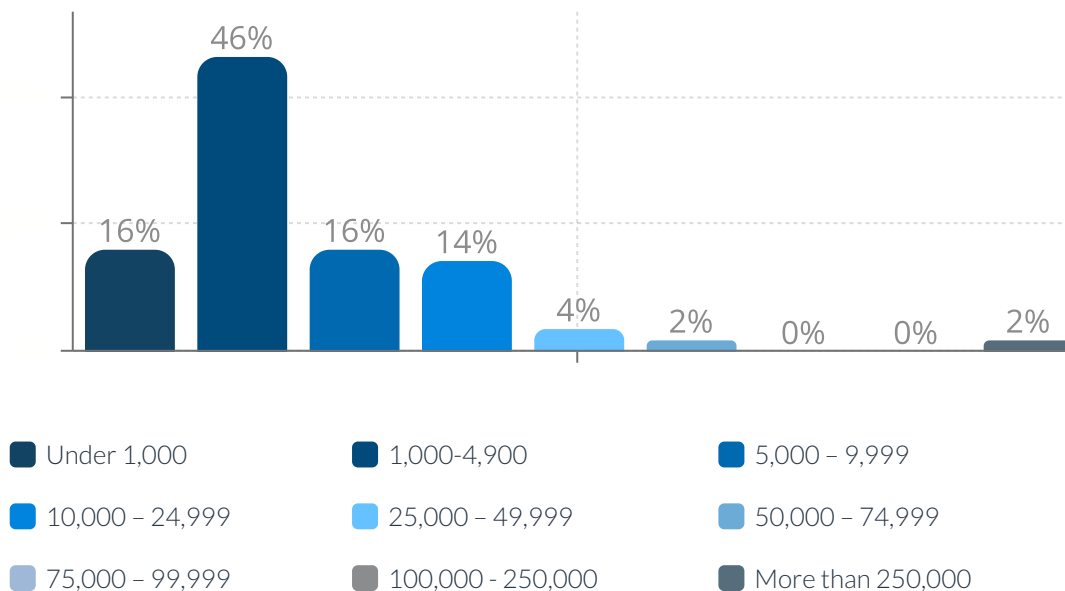
Survey outreach included destinations of varying sizes and budgets to achieve a representative sample. The results indicate that over half of the participants are in areas with a population between 100,000 and 499,000. Among all respondents, the population spanned from less than 50,000 to over 8 million.

What is the population of your destination area?



Of the surveyed destinations, almost half had between 1,000 and 5,000 available hotel or motel rooms.

How many available hotel/motel rooms are in your destination?



Short Term Rentals

To determine the status of short-term rentals (STRs) in their market and potential budgetary impacts, participants reported on the legal status of STRs in their destinations, and whether STRs are being taxed or assessed.

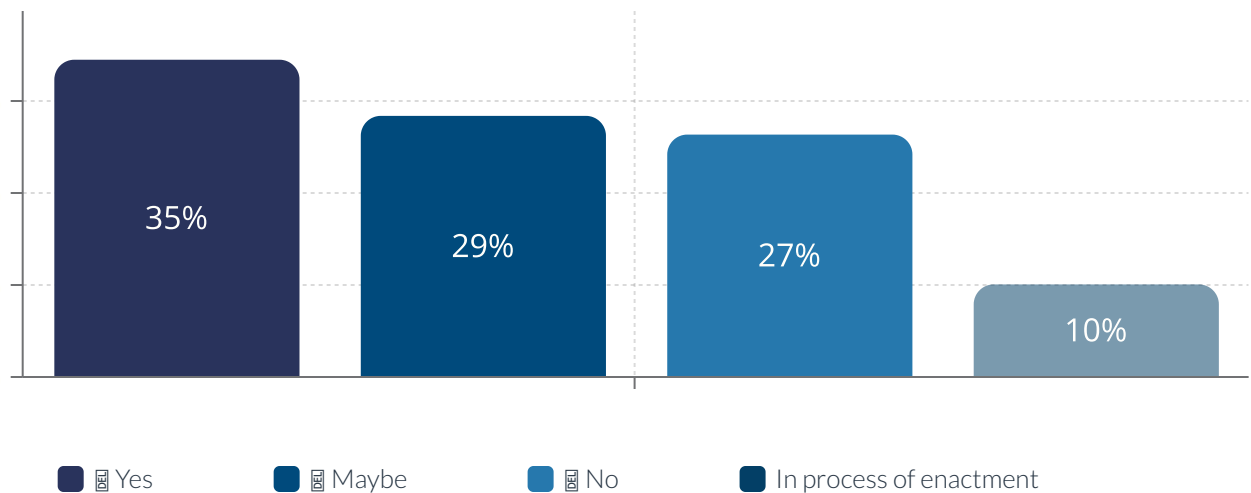
DMOs also reported whether they expected the local government to enact STR taxation within the next two years: the majority was unsure, while almost a quarter said yes.

What is the status of short-term rentals in your destination?



- Operate legally and remit bed taxes like traditional hotels
- Must register with local government – not taxed
- Not recognized by local government (not legal or illegal) they operate – not taxed
- Illegal within the area but they operate – not taxed
- Illegal within the area and they do not operate
- Other (please specify)

Do you anticipate the local government will enact a mechanism to collect bed tax from short term rentals within the next two years?



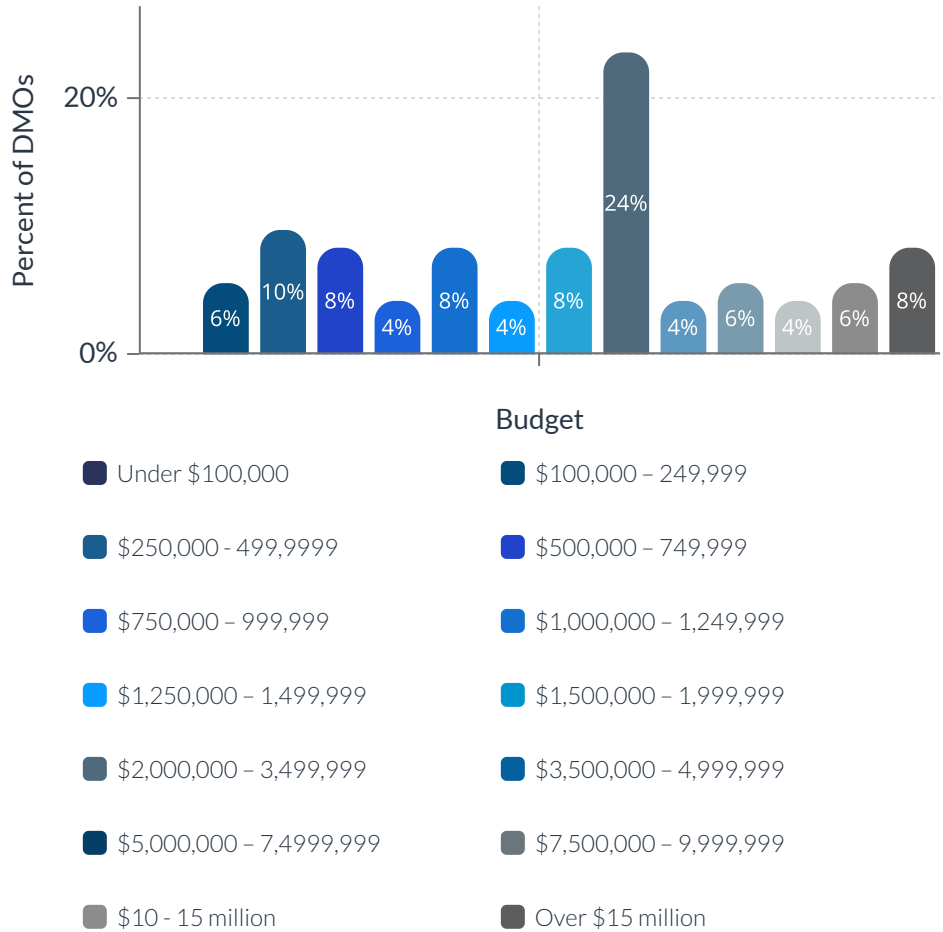
DMO Budgets

To establish a baseline, we asked participants about their current DMO budgets and how they expect budgets to change in the next fiscal year.

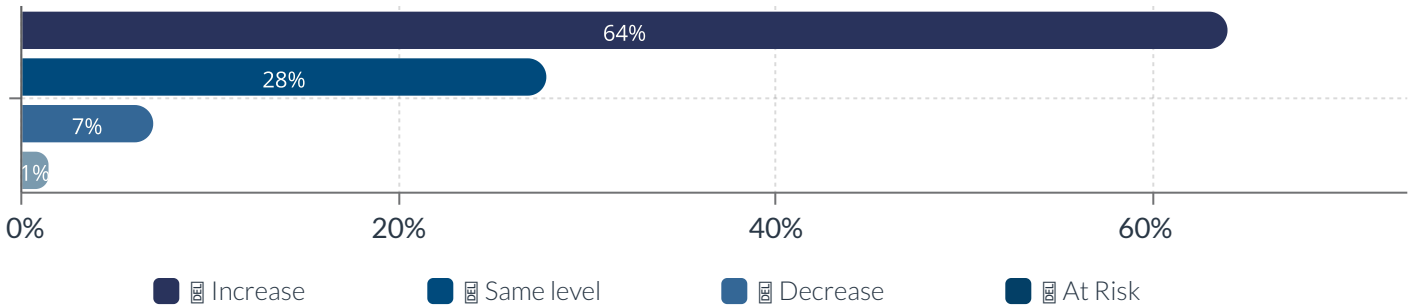
While the budgets varied, the majority fell between \$2,000,000 and \$3,499,999. Most expect their budget to increase (63%). Given the continued recovery from the Covid-19 pandemic, DMO budget increases in this fiscal year are unsurprising.

However, some DMOs continue to face adversity as some expected a decrease or believe their budget is at risk (9%).

What was your DMO total budget for the 2021/22 fiscal year?



How do you expect your total DMO budget to change in the next fiscal year?



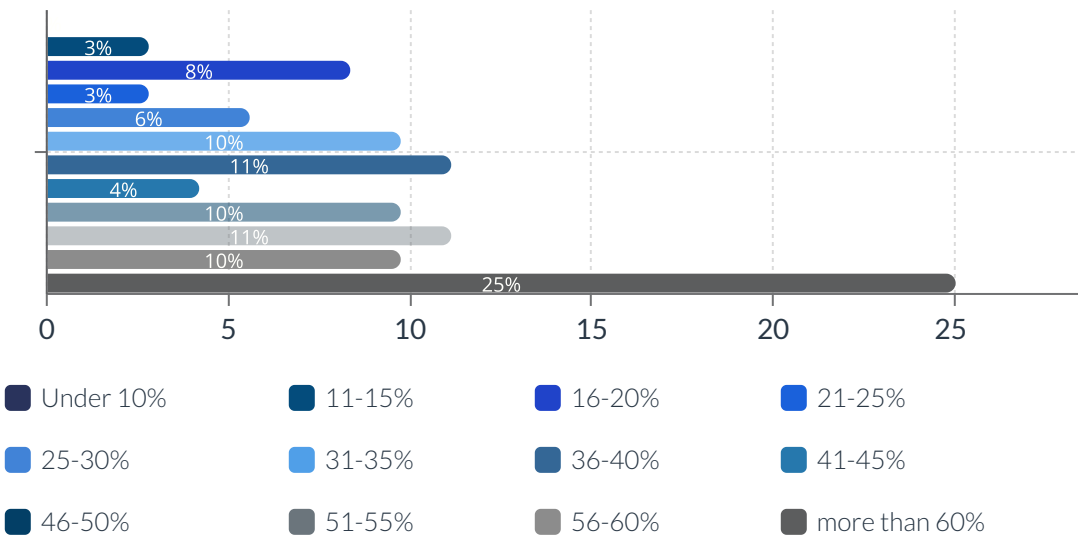
DMO Budgets & Funding Support

Budget

All destinations reported the following information on their budget, sources, and allocation of funds.

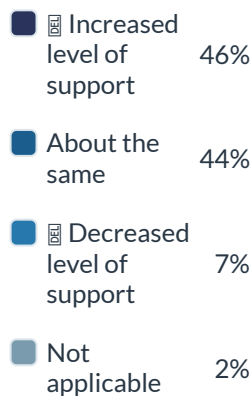
On average, 47% of DMO budgets are dedicated to marketing (excluding sales events and administration). Unsurprisingly, the size and importance of marketing within participants' budgets suggests that stable and sufficient funding is fundamental to DMO operations and missions.

What percentage of your total DMO operating budget is allocated for marketing (excluding sales, events and administration)?



About half of DMOs reported stakeholders' political support for funding increased compared to before the pandemic. In many destinations, the adverse effects of COVID-19 on the tourism sector spotlighted the importance of destination funding and promotion.

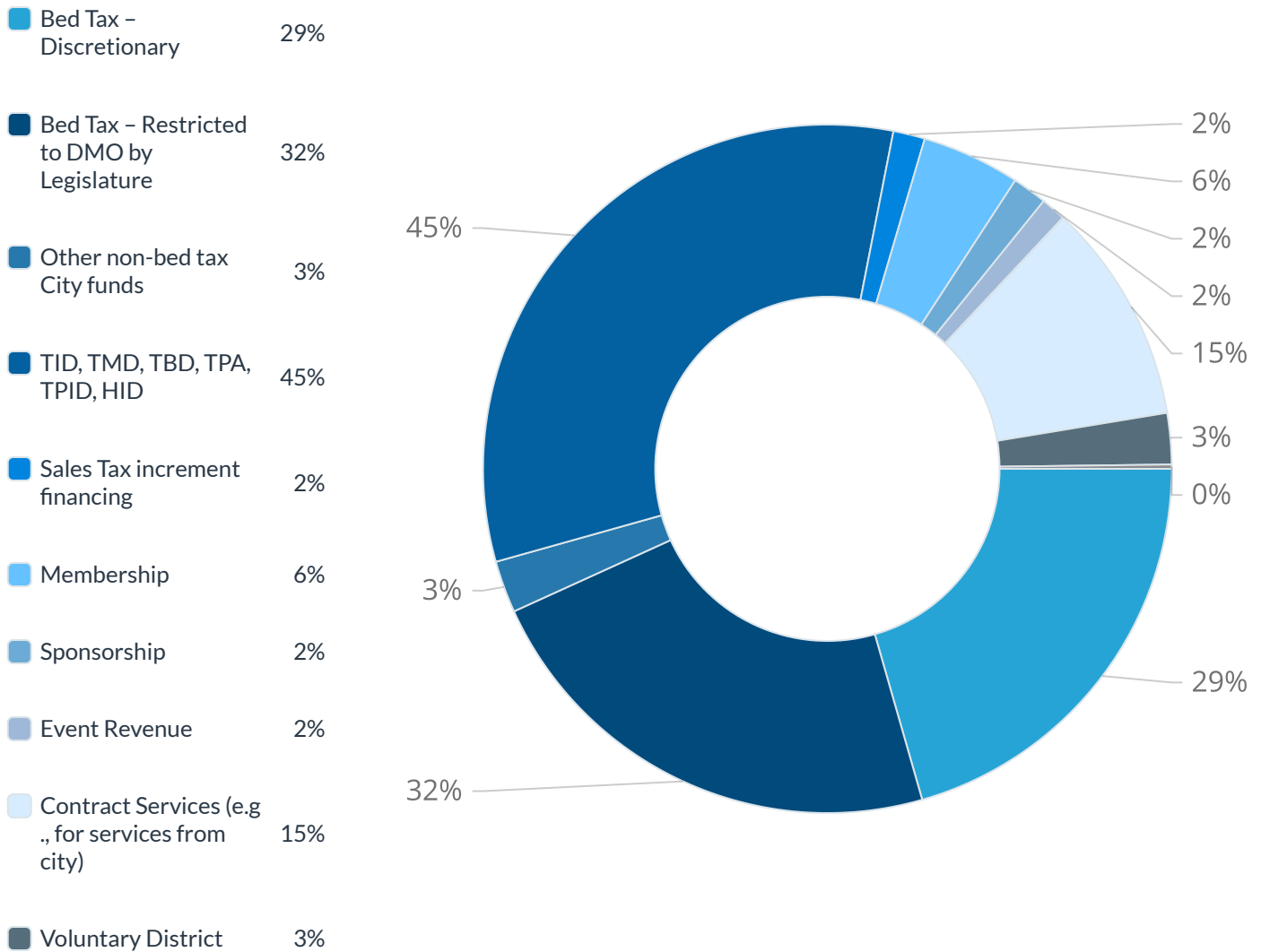
Now, compared to pre-pandemic, how has political support from stakeholders changed regarding more tourism promotion revenue?



Funding Sources & Uses

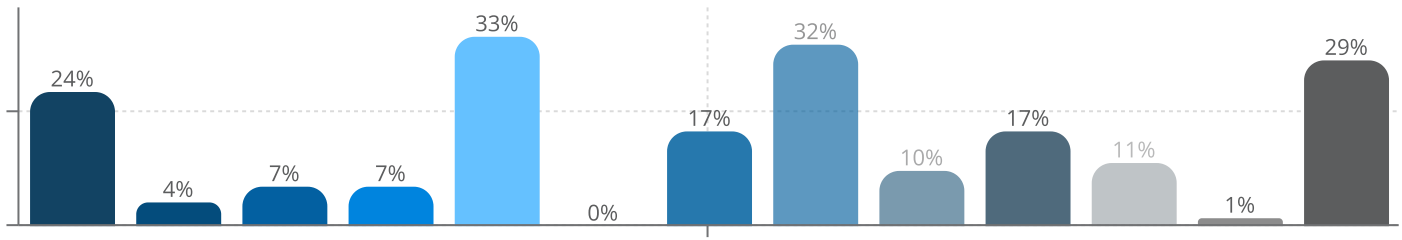
A breakdown by funding sources indicates that the main funding revenue sources for DMO budgets are TIDs and Bed Taxes.

Of the total DMO funding, what percentage is received from each of these sources?



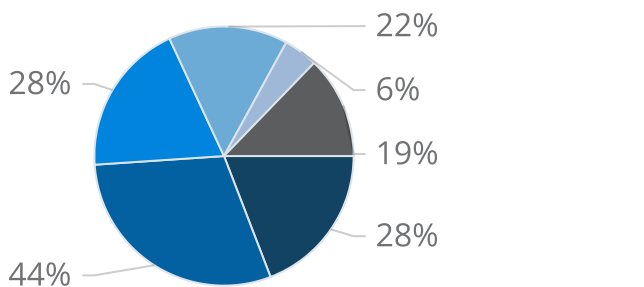
Alternative Funding

What alternate funding sources have you secured or are you considering for tourism marketing (excluding sales, events and administration)?



- Not considering other funding sources
- Bed Tax - Restricted to DMO by Legislature
- TID, TMD, TBD, TPA, TPID, HID
- Membership
- Event Revenue
- Voluntary District
- Other (please specify)
- Bed Tax - Discretionary
- Other City funds - non-bed tax
- Sales Tax increment financing
- Sponsorship
- Contract Services (e.g., contract with city to provide service)
- Licensing

If you have not or are not considering additional dedicated funding, why not?



- Existing funding is sufficient 28%
- Potential opposition/objections by local or state 44%
- New funding would put existing funding at risk 28%
- Travel industry partners would oppose 22%
- The combined bed tax & assessment on the guest will be too high 6%
- Other (please specify) 19%

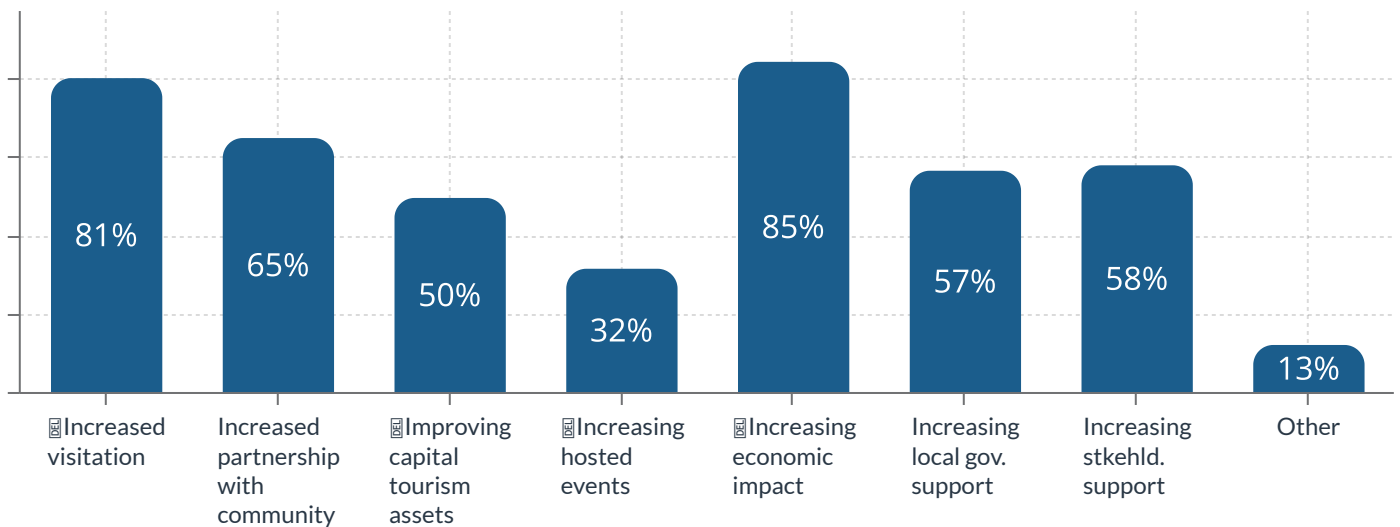
Only 25% of surveyed DMOs indicated they are not seeking additional funding at this time; 60% of those DMOs report that their current funding is stable or sufficient.

KPIs and Priorities

KPIs and Priorities

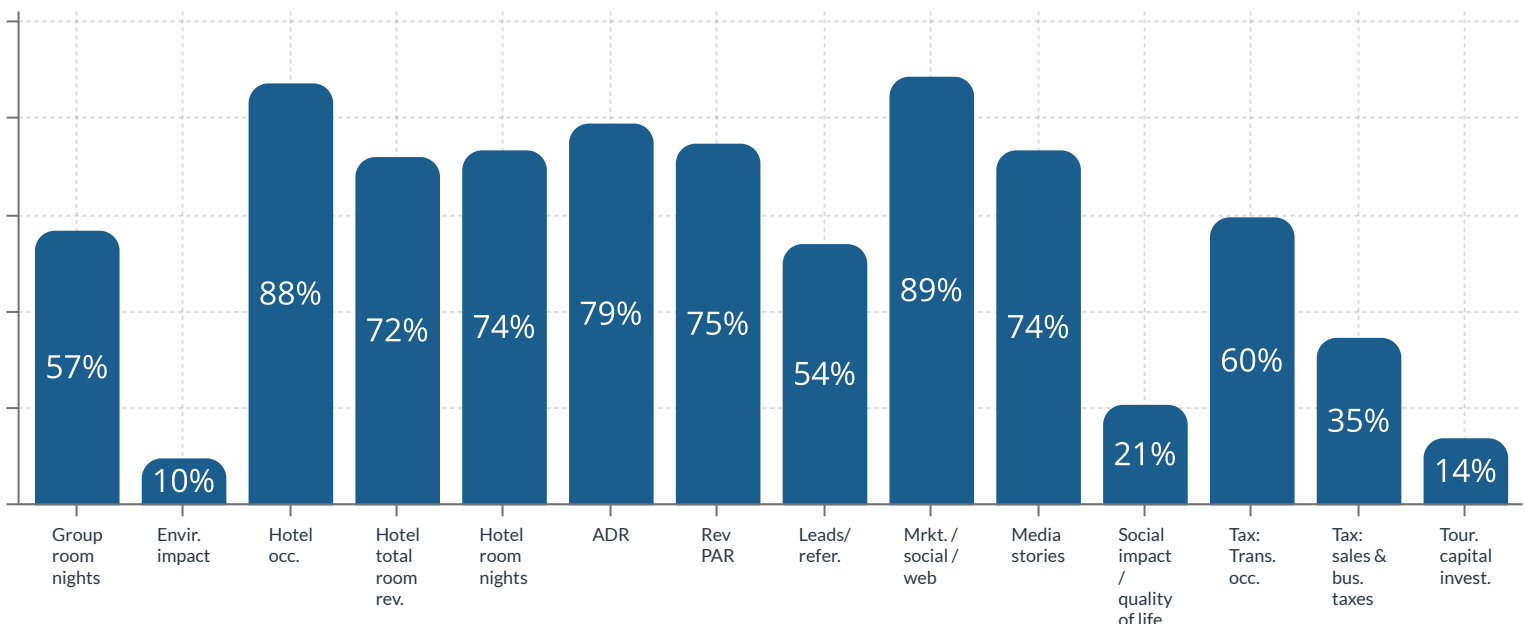
Increasing economic impact and visitation are overwhelmingly the top priorities measured by most destinations. However, just over half of the participants indicated that partnership with the community and local government support are also high priorities.

What are your destination's top priorities?



The majority of destinations track traditional DMO KPIs such as Marketing/Social/Web Metrics and Hotel Average Daily Rate (ADR). A few (10%) are tracking environmental impacts while slightly more (21%) track social impacts such as ecological footprints, air pollution, and responsible consumption and production. These new KPIs tied to holistic destination priorities have recently grown in importance and can serve to deepen relationships between DMOs and the local community.

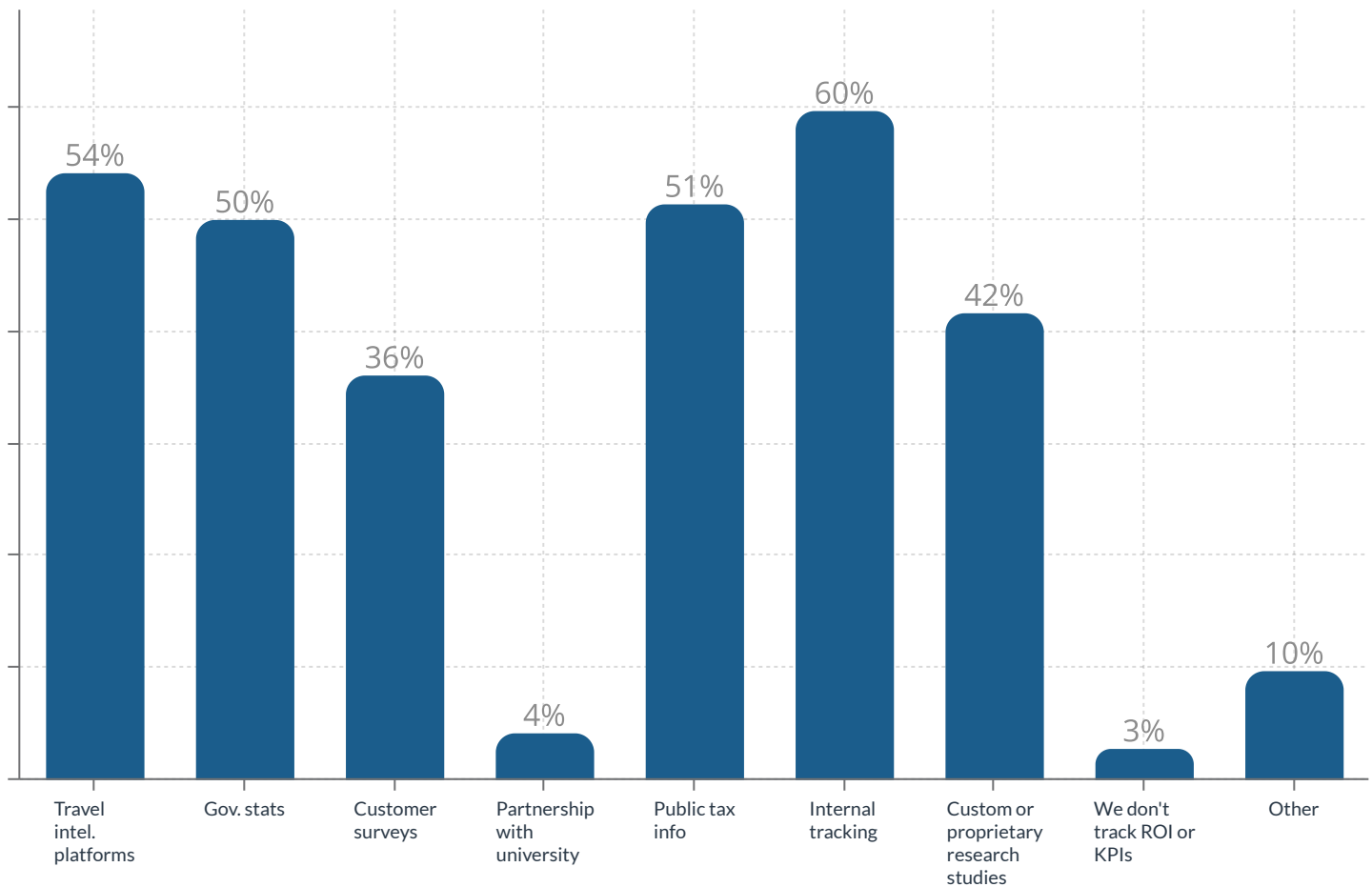
Which of the following DMO Key Performance Indicators (KPIs) do you regularly track?



ROI Tracking

The top two methods DMOs use for tracking ROI are internal tracking and travel intelligence platforms. Additional methods include publicly available tax information and government stats. As traditional visitation priorities expand to include such areas as environmental and social impact, it will be interesting to continue to examine how DMOs track their measures for success.

What method(s)/source(s) do you use to measure ROI (return on investment) and/or track KPIs?



TID Formation

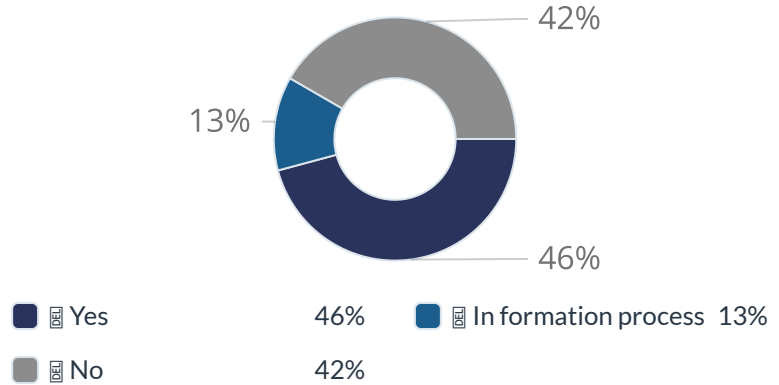
To gain further insight into the impact of TIDs on a destination, the following questions were asked of DMOs with a TID.

Formation

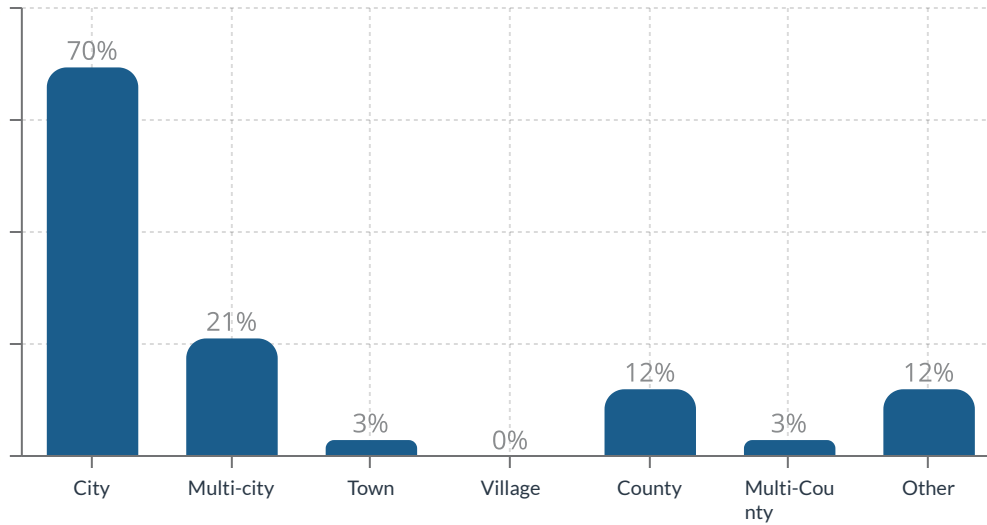
Nearly half, or 47.8% of DMOs surveyed, have a TID. Nearly 12% of those respondents (11.6%) were in the TID formation process.

Does your destination currently have a tourism improvement district?

TID jurisdictions may include single cities and counties, or multiple cities and/or counties. Here, 70% of participants reported their TIDs were city-wide, with 21% reporting multi-city districts.

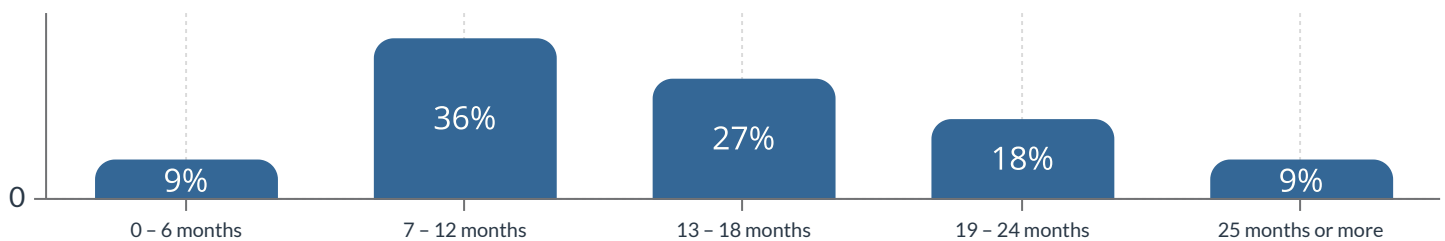


What is geography of the TID/TMD?



Each destination has a unique timeline for TID formation. The most popular response for timing of TID formation was 7-12 months from concept presentation (when the idea of a TID was first explored) until local government approval.

How long was your tourism improvement district's formation process, from when the concept was first formally presented until it was approved by local government

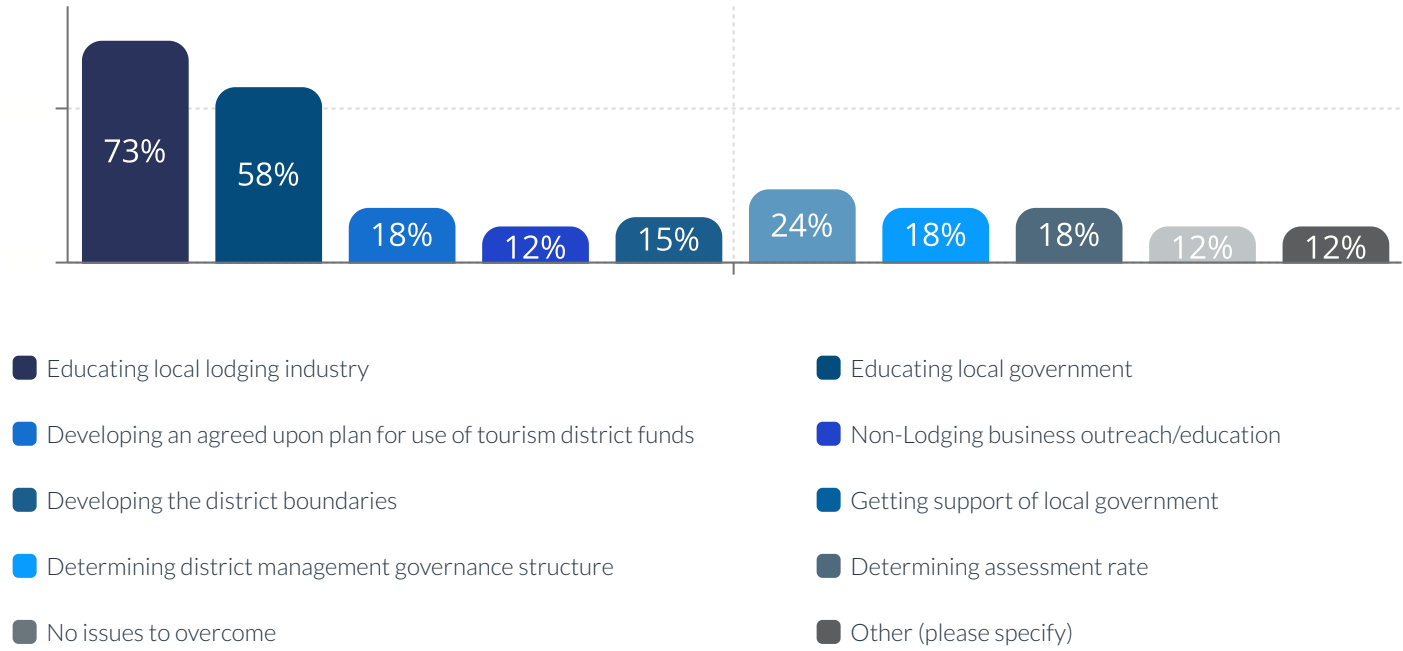


TID Challenges

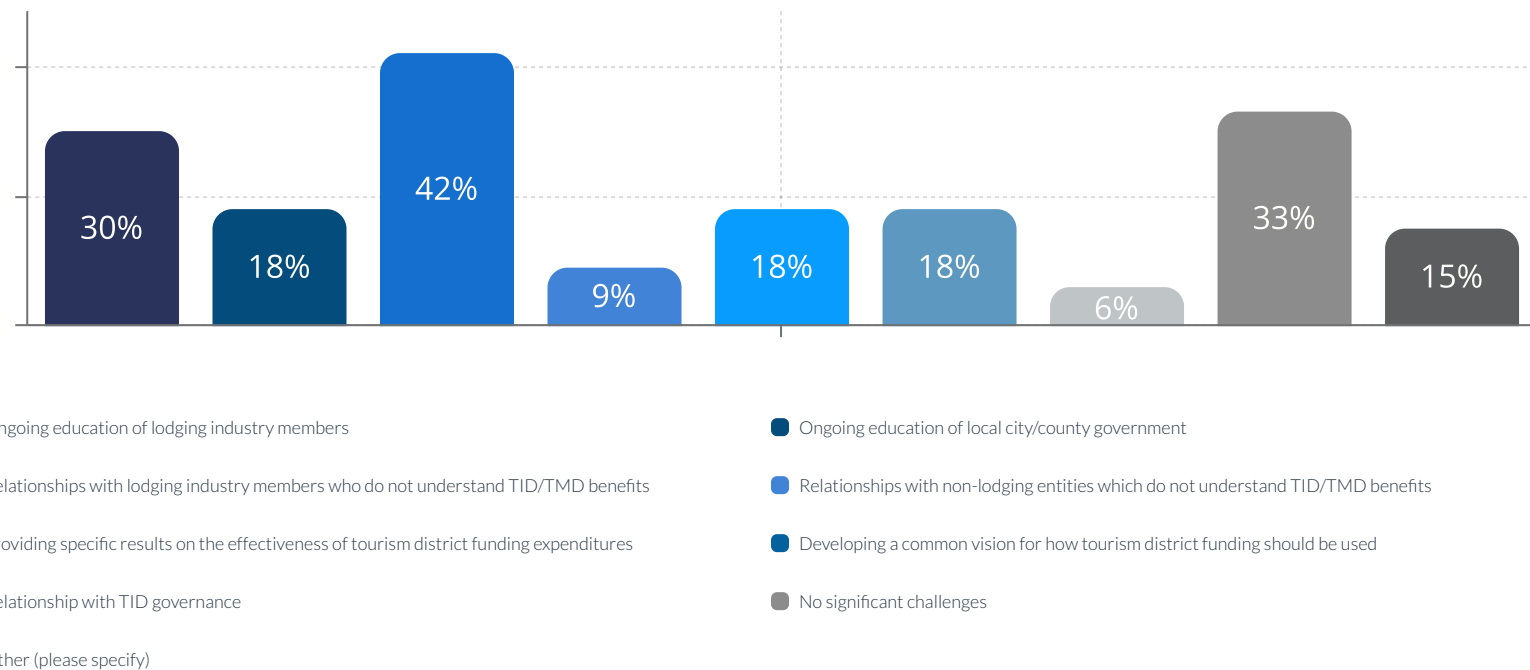
Challenges

While each destination faces unique challenges, we asked DMOs to identify issues that arose during their TID formation and in managing the district. This honed experience helps to inform future DMOs of what to expect when forming a TID. DMOs indicated that educating the local lodging industry was the issue encountered most during formation; 33% of participants indicated having no significant ongoing challenges while managing their district.

What were the most challenging issues to overcome during your TID/TMD formation process?



What have been your biggest ongoing challenges in managing your TID?

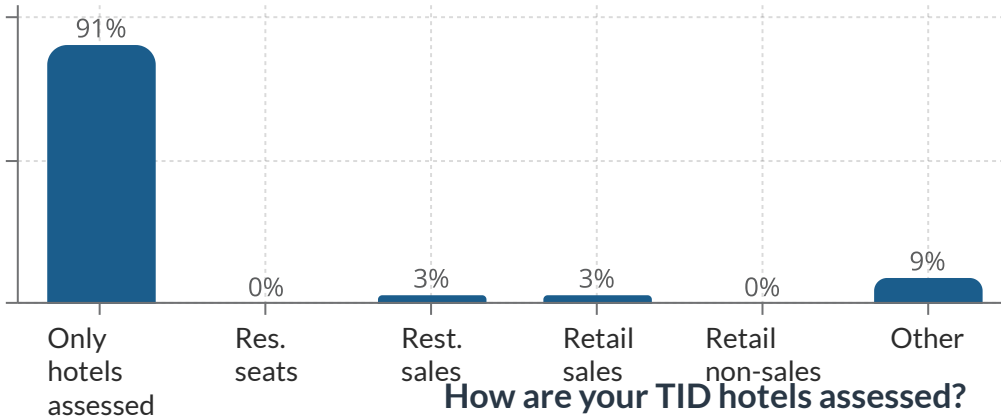


TID Assessment

Assessment

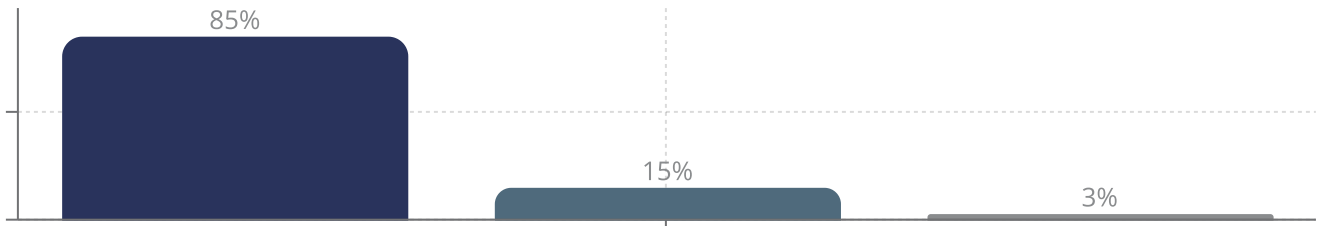
TIDs may encompass all types of tourism businesses, and many communities have expanded beyond lodging businesses as payors. While most survey participants reported that lodging businesses comprise their payor class, just over 10% reported that other businesses, including ski resorts and transportation, are assessed in their TIDs where the rate is based on sales.

How are other non-lodging businesses in your TID assessed?



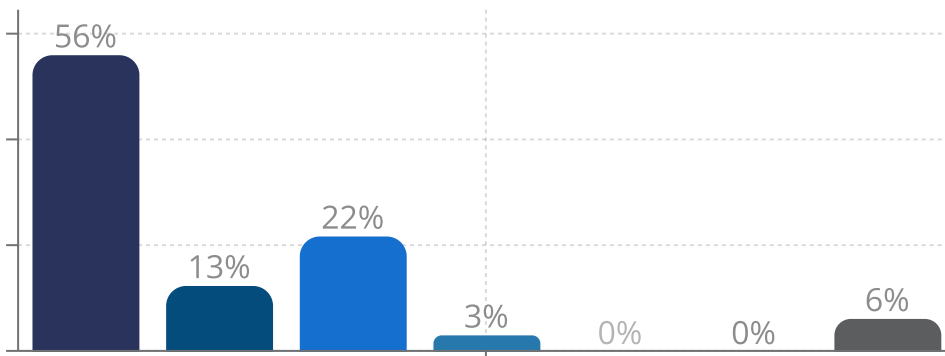
Of those TIDs that assess lodging, most participants (84.8%) indicated the lodging assessment is based on a percentage of room night sales, rather than a flat rate.

How are your TID hotels assessed?



- Percentage of room night sales
- Dollar amount per occupied room per night
- Other

How much has the TID assessment rate increased since inception?



- Assessment is not rate based
- 1 percentage point
- 1 - 2 percentage points
- 2 - 3 percentage points
- 3 - 4 percentage points
- 4 - 5 percentage points
- More than 5 percentage points

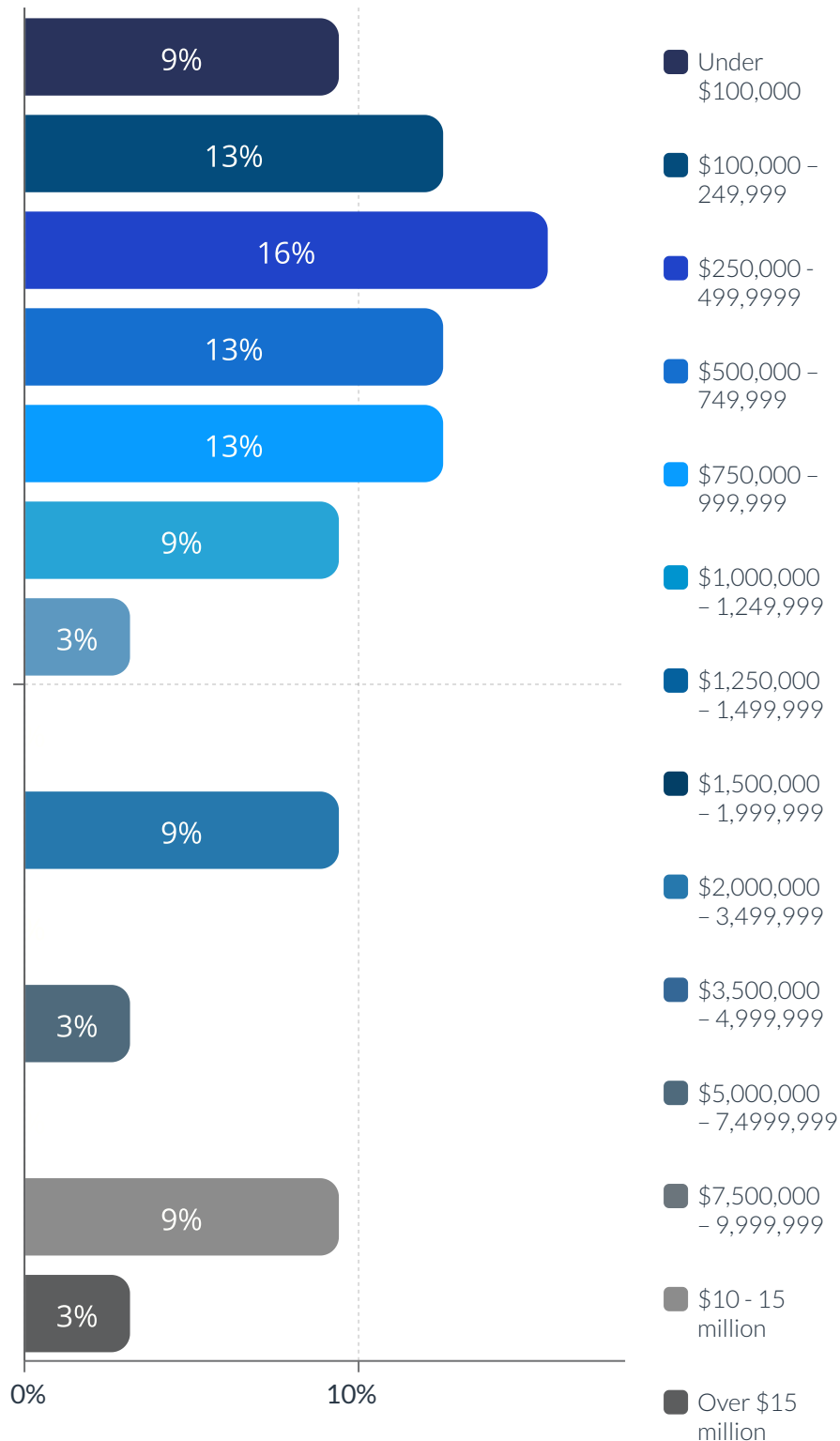
When finding out how much the assessment rate had been raised since the district's launch, 22% said it had increased 1-2 percentage points.

TID Budget

District Budget

The average operating budget of participant DMOs with a TID was \$750,000 at the time the TID was approved.

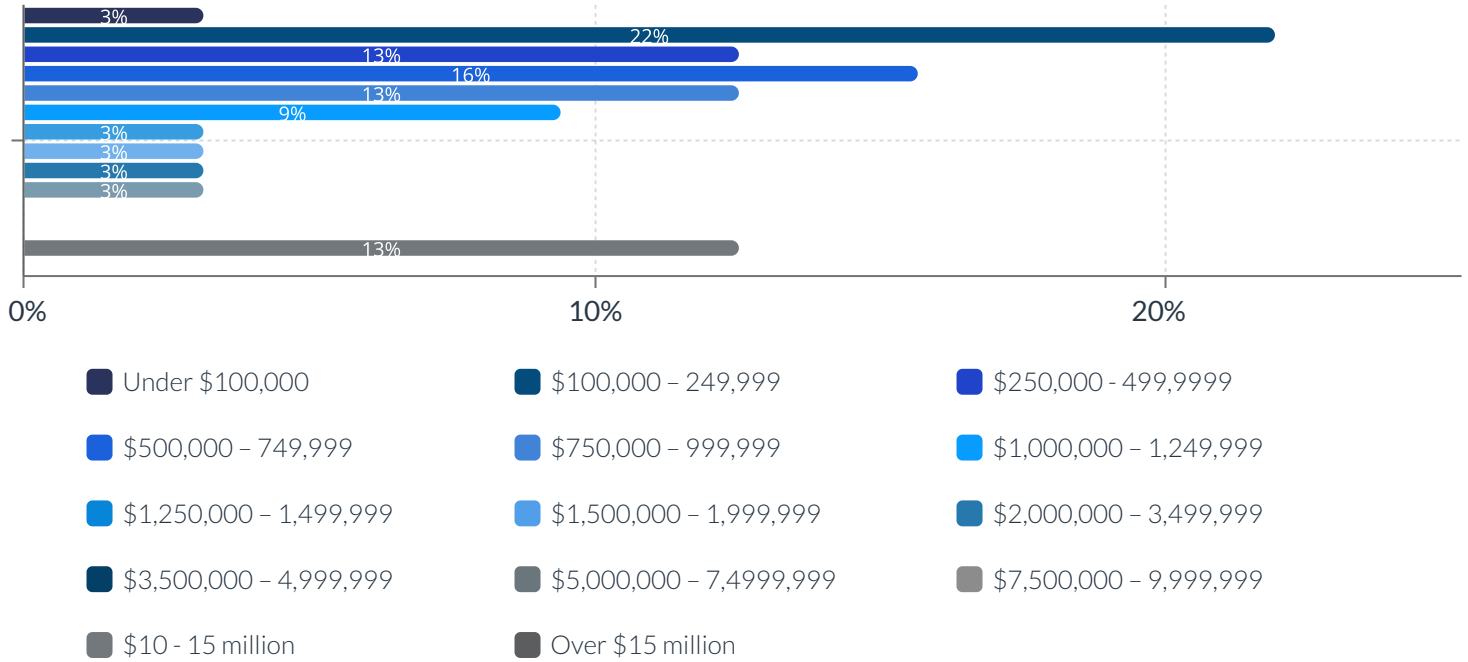
What was your total DMO operating budget when the TID was approved?



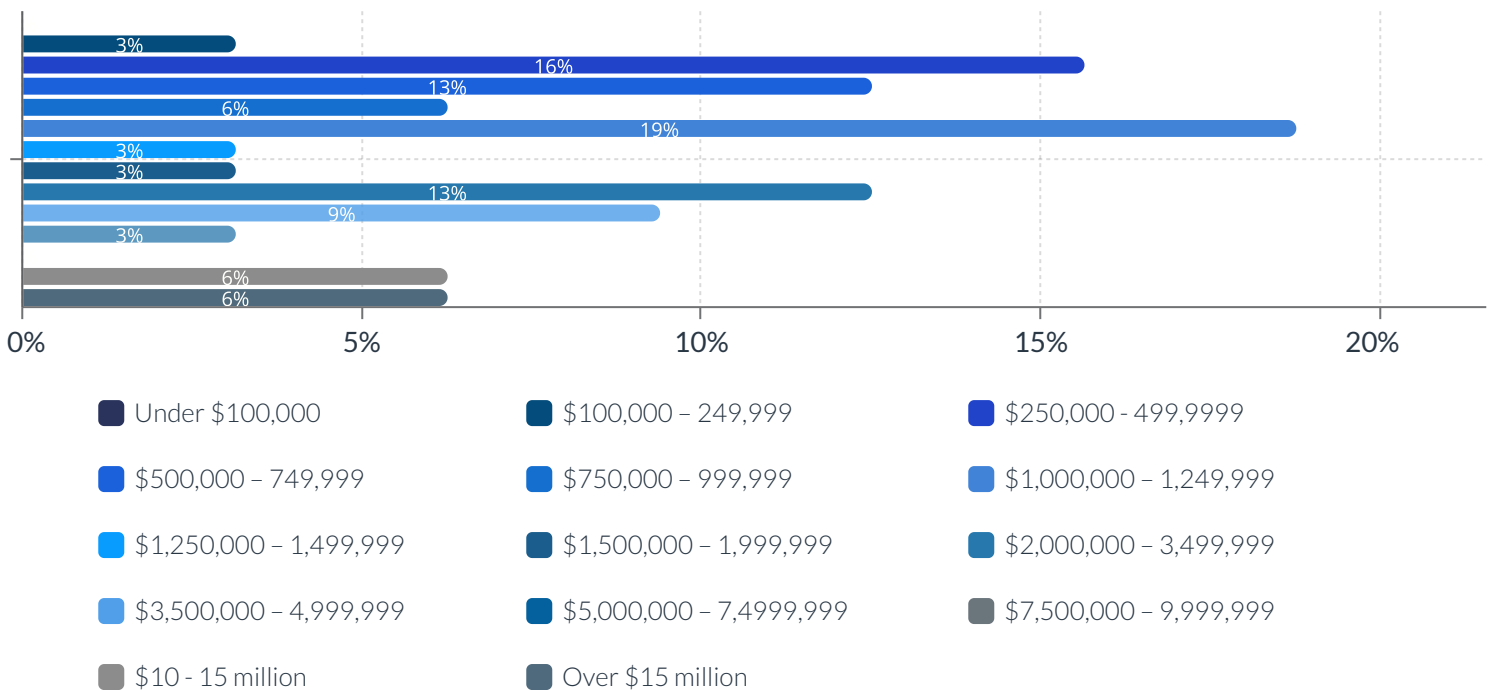
TID Funding & Budget

On average, participants reported that they expect their TID would raise \$625,000 in the TID's first year. In contrast, the average TID revenue this year (2020-2021) was \$3,474,200.

How much funding was the TID expected to raise in its first year operation?



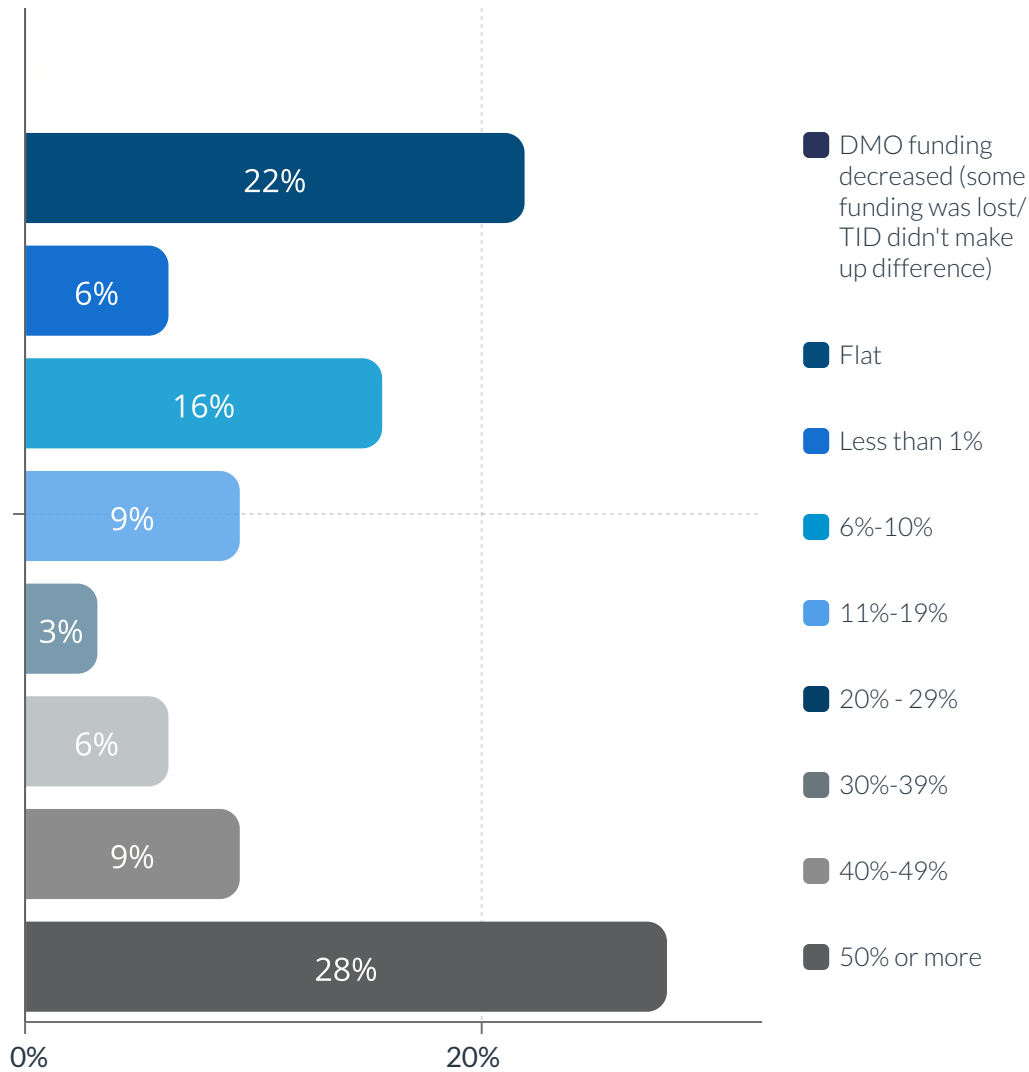
What is your total TID budget this year?



TID Funding

Most destinations with TIDs saw an increase in their funding. However, due to COVID, some destinations experienced level funding, where funding was lost, and the TID made up the difference. No destinations had a decrease in funding.

By what percentage did the DMO total funding increase the first year of TID operation?

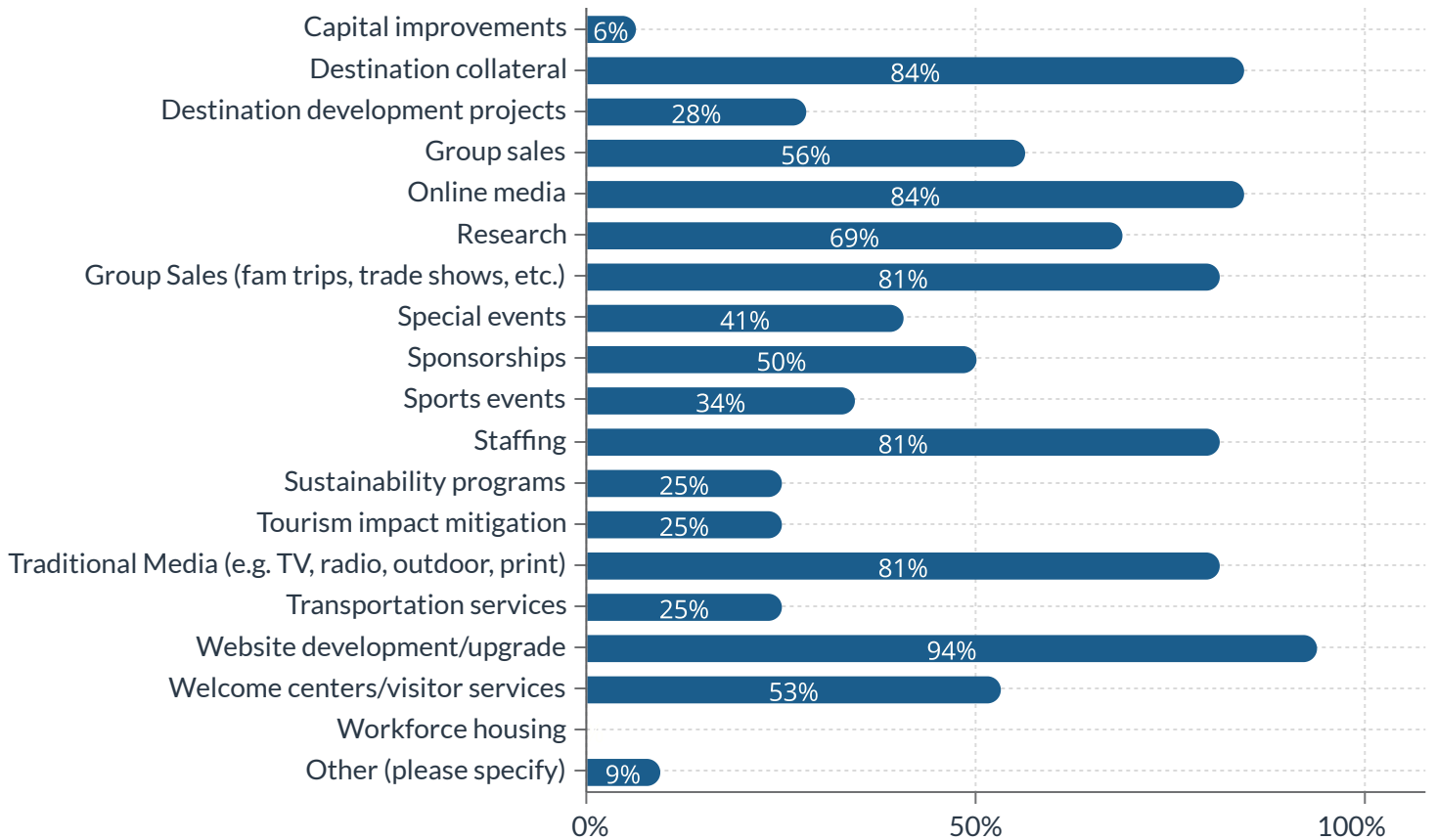


TID Funded Programs

Objectives and Uses

Interestingly, website development/upgrade was the main use for the destination's TID funds. This funding priority may be attributed to shifting goals and priorities coming out of the COVID-19 pandemic. Additional uses for the TID-generated funds include group sales, special events, sustainability programs, tourism impact mitigation, and capital improvements.

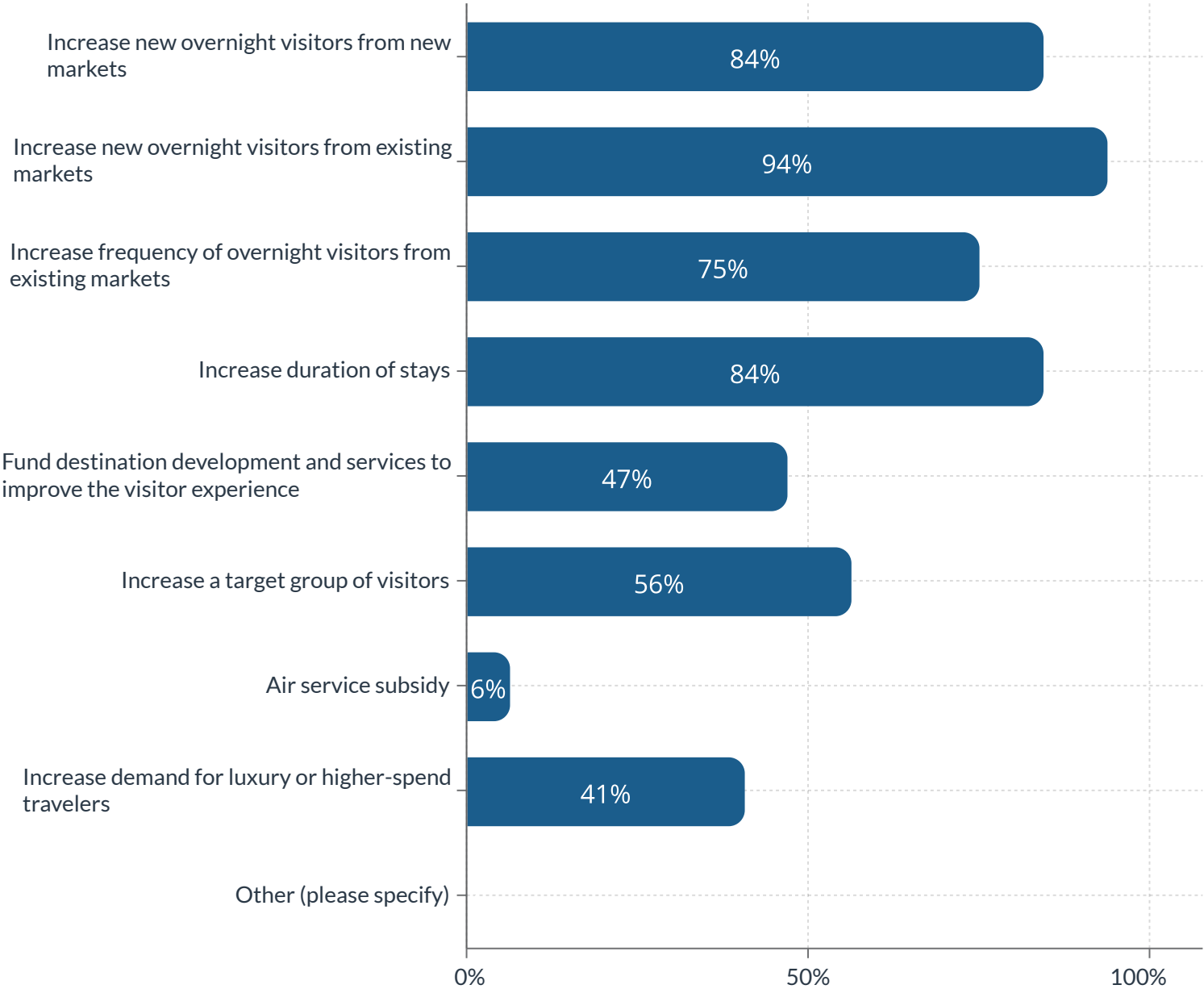
What programs or initiatives does your tourism district fund?



TID Objectives

Increasing overnight visitors from new and existing markets were the primary objectives for the TID funds.

What are the primary objectives for your tourism improvement district funds?

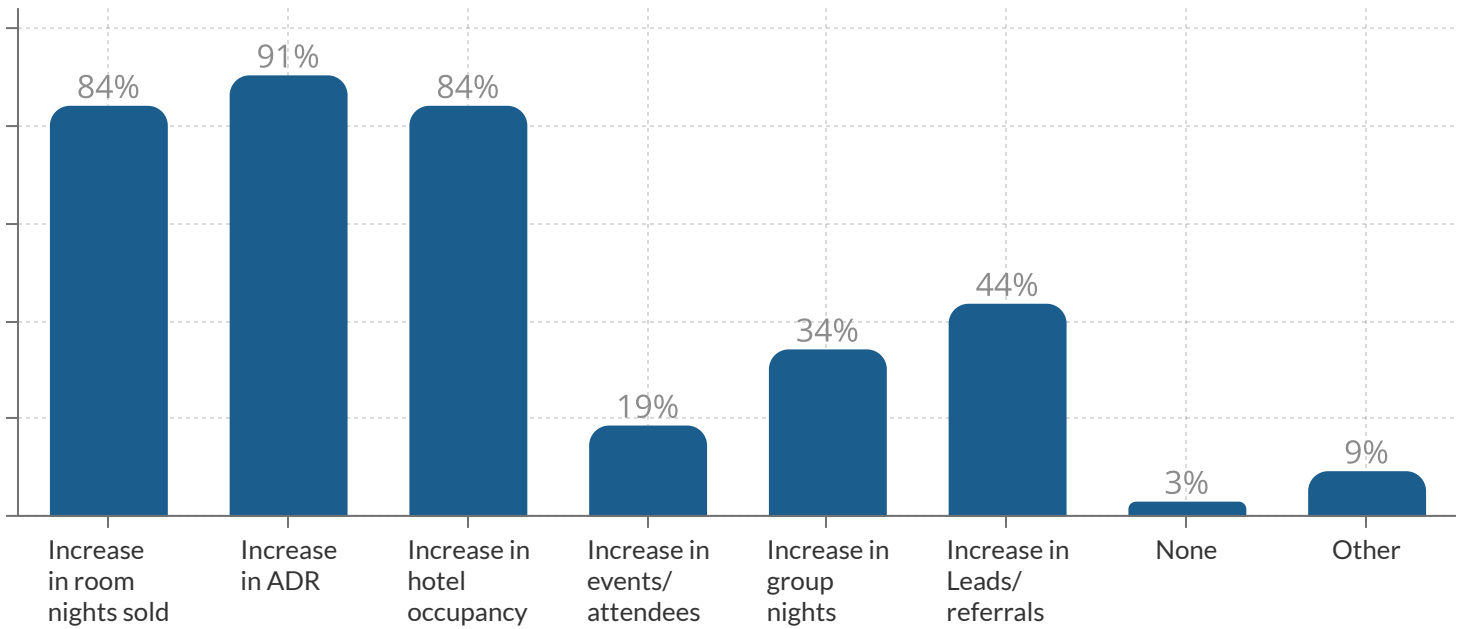


TID Outcomes

District Results

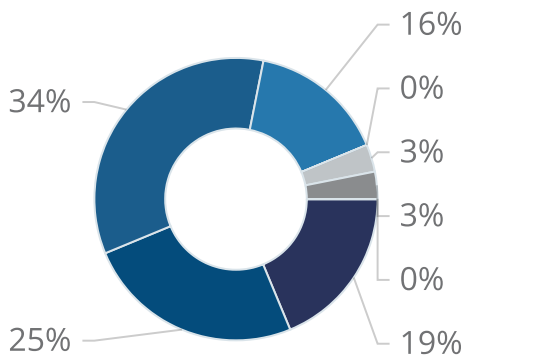
Participants reported hotel ADRs rising by 90.6%, room nights sold growing by 84.4%, and hotel occupancy increasing by 84.4% since forming the district. Only 3.1% reported no increase in any of these indicators, and zero participants reported decreases in ADR, sales, and occupancy.

Which of these have occurred since forming and operating your TID?



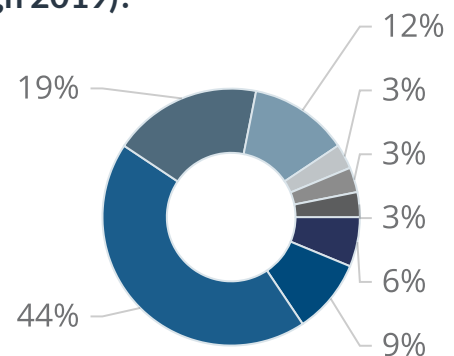
Destinations have seen the occupancy rate increase by an average of 8% and ADR rise by an average of 15% since the inception of the TID through 2019.

How much has the hotel occupancy rate (%) changed since the inception of your TID (through 2019)?



■ No increase	19%	■ Less than 5%	25%
■ 5-15%	34%	■ 16-25%	16%
■ 26-35%	0%	■ 36-45%	3%
■ 46-50%	3%	■ More than 50%	0%

How much has hotel average daily rate (ADR) changed since the inception of your TID (through 2019)?

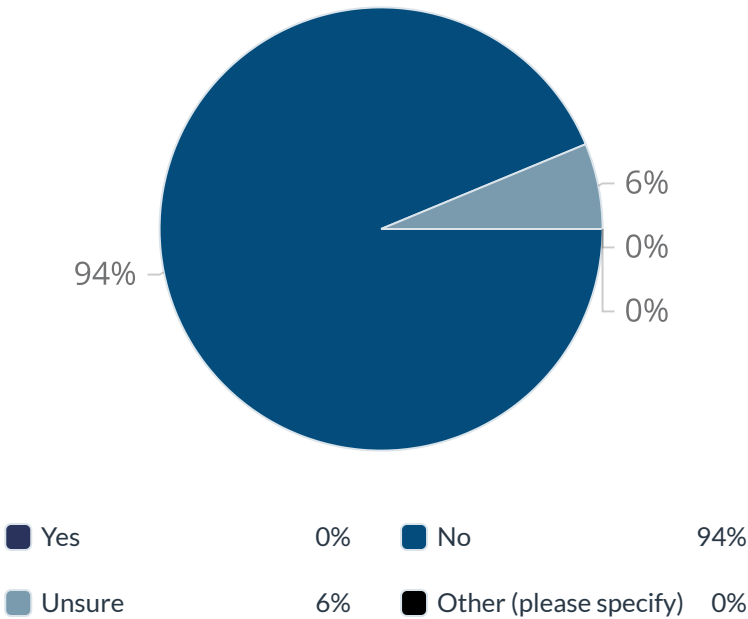


■ No increase	6%	■ Less than 5%	9%
■ 5-15%	44%	■ 16-25%	19%
■ 26-35%	12%	■ 36-45%	3%
■ 46-50%	3%	■ More than 50%	3%

TID Hotel & Support Impacts

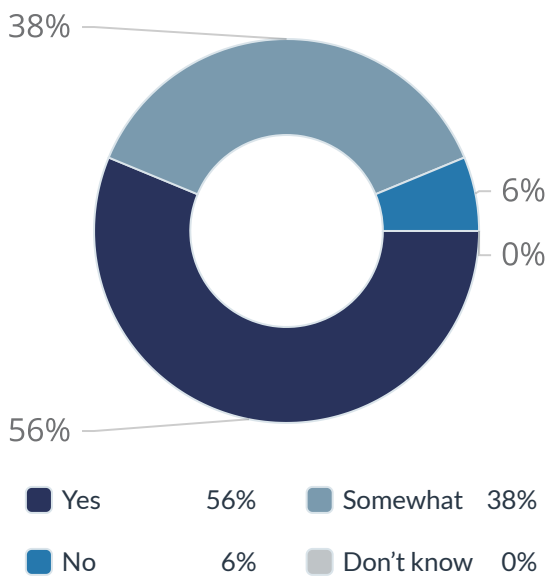
Nearly all participants (93.8%) reported hotels did not lose guests or groups due to TID assessment fees. A common concern of those destinations considering forming a TID is increased guest folios costing business, but the overwhelming majority of survey participants reported no such loss.

Have any hotels in your TID/TMD reported losing guests or groups due to TID assessment fees?

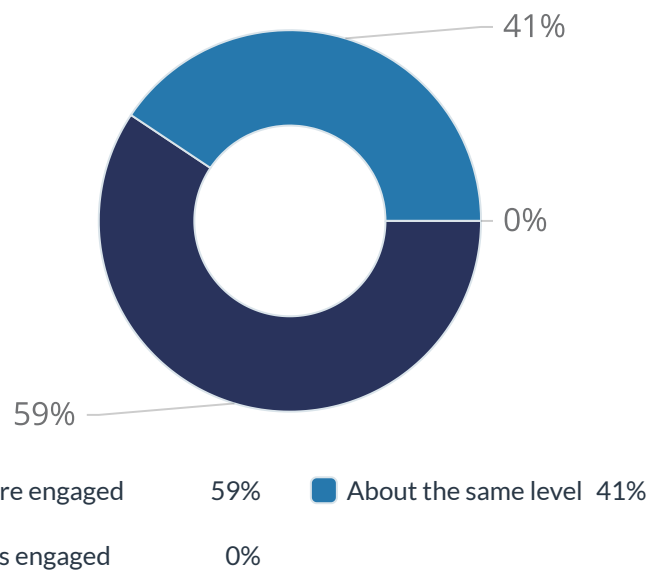


DMOs report that stakeholders are more engaged in tourism-related issues since their TID began operating. As a result, government and elected leaders have elevated tourism as a priority for the jurisdiction, reflecting the growing recognition among destinations that tourism positively impacts communities.

With respect to government and elected leaders, has the TID/TMD elevated tourism as a priority for the jurisdiction?



Since the TID has been operating, would you say stakeholders' engagement in tourism related issues and initiatives is:



Conclusion & Recommendations

The information gathered from the survey offers the following conclusions:

Alternative funding is gaining importance: 75% of DMOs have secured or are considering alternate funding. Over 50% of these DMOs secured a TID or are in the formation process.

TIDs add critical DMO funding, increase lodging performance, and encourage more stakeholder engagement: On average, a destination's TID raised an additional \$620,000 in its first year of operation. Destinations are also seeing an increase in hotel occupancy rates and other key lodging metrics. Stakeholders have been more engaged since the formation of the TID, and tourism is a higher priority for elected officials.

TID assessments are not deterring guests from staying at district hotels: 94% of surveyed destinations indicated that their hotels had not reported losing guests or groups due to TID's assessment fees. No participants reported a loss of guests, while the remaining 6% did not have enough information to answer.

Few DMOs are tracking KPIs related to emerging goals: Although increasing community partnership was a popular emerging goal of DMOs, few DMOs reported tracking related KPIs - only 10% of destinations surveyed are tracking environmental impacts, and 21% are tracking social/quality of life impacts (versus 88% tracking marketing and 87% tracking hotel performance). Additionally, only 4% partner with a university for data tracking. Universities are a natural bridge between destination promotion and the community and could expand KPI tracking and DMO employment pipelines. Destinations may need to shift research/tracking priorities as the need to measure environmental and social impacts grows.



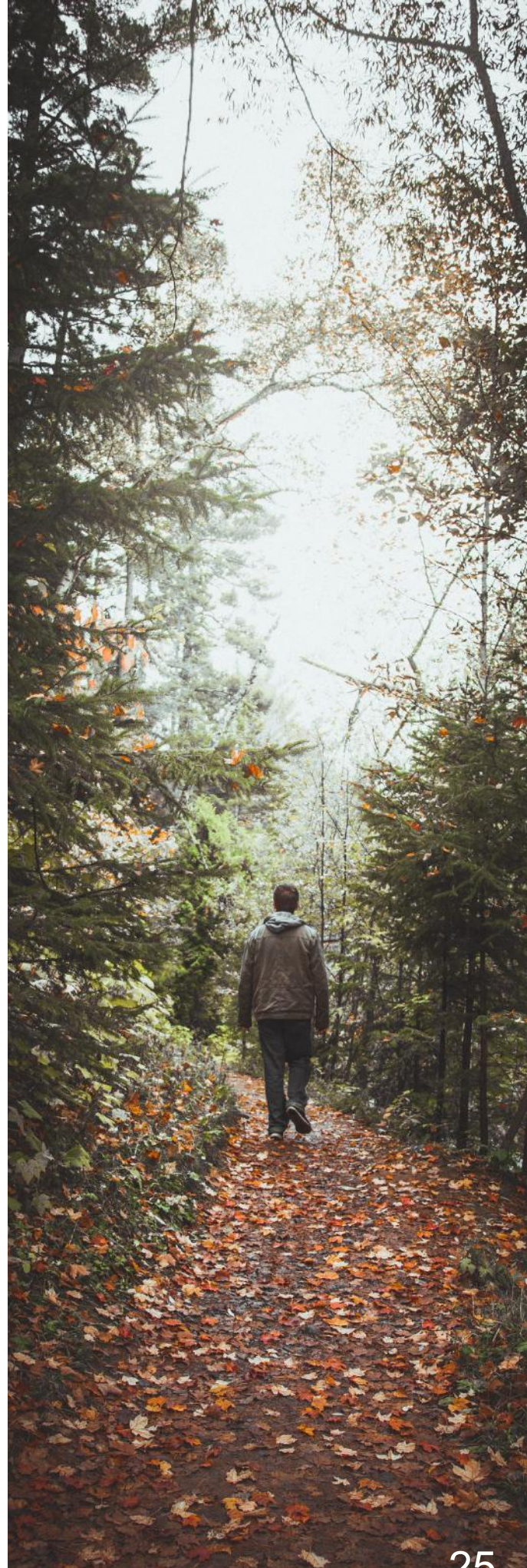
Conclusion & Recommendations

Some DMO-funded programs are starting to reflect visitor/resident benefits: 25% of TIDs fund sustainability and tourism impact mitigation programs, and 35% fund sports – both activities that directly impact visitors and residents alike.

Cities with short-term rentals (STRs) that are not contributing may be leaving money on the table:

Nearly a quarter of destinations do not tax STRs, although they are operating in those destinations. If a DMO receives a portion of the bed tax, this is potential money left out of their revenue. Of those destinations, almost half (47.7%) thought their governments would begin to tax STRs. DMOs should be at the table for those discussions so their funding is included.

Visitor volume vs. economic impact: Increasing economic impact is a top priority for 84% of the surveyed destinations and increasing visitation for 80%. However, given the emerging priority of community partnership, some destinations may be experiencing friction between increasing visitation and community partnership – this is especially true for more rural or rural-adjacent destinations.



Next Steps

The Growing Need for Change: Incorporating Community Needs and Results in DMO Goals

In the future, it will be crucial to adjust funding and KPIs to reflect the noted interest in community engagement. Measuring success by tracking environmental and social impacts are two critical components of building better bridges with the local community.

DMOs are mainly focused on tourism's economic impact, closely followed by increasing visitation. In the past, the simple formula of increased economic impact with increased visitor volume sufficed. However, given the desire and need to expand partnership with a destination's entire community, reframing key measures will better reflect overall community and economic health. A destination doesn't have to sacrifice economic impact if the volume is limited; instead, it can adopt a new metric of yield-per-visitor vs. volume. This approach emphasizes quality over quantity and recognizes that higher-spend and longer-staying visitors are a better value proposition for the economy, the community, and the environment.

Sports tourism offers a key sub-market that satisfies the yield-per-visitor vs. volume metric. From youth tournaments and outdoor recreation to professional and international competitions, sports fans and participants tend to stay longer and spend more. Additionally, sports facilities and events provide opportunities for resident use and participation. For detailed information on sports tourism, see [Sports ETA's State of the Industry Report](#).

Reflected in this survey and in industry conversations is a growing recognition that DMO's roles are changing. Traditionally promotion-oriented DMOs are broadening their programs to produce tangible benefits for visitors and residents alike. Some unique DMOs programs include:

- [Hug What You Love: Mammoth Lakes, CA](#)
- [Keys for Trees: San Luis Obispo, CA](#)
- [Sustainable Moments: Monterey, CA](#)
- [Hidden Disabilities Sunflower Program: Vacaville, CA](#)



Looking to the future:
When DMOs are formulating their goals and program offerings, desired outcomes are an excellent way to assure relevance and competitiveness as communities (and by extension, local government) are coming to expect this type of benefit.

ABOUT US



Civitas is the recognized thought leader in destination promotion funding and tourism improvement districts. With over twenty (20) years of experience, we provide expertise in all aspects of public and private DMO funding and funding advocacy.

Civitas' team of experts has guided almost 200 TIDs through the formation, modification, or renewal process. We have formed property and business-based districts, city and county-wide districts, and improvement and marketing districts. Civitas' clients are innovative cities, counties, destination marketing organizations, and community organizations.

We also helped spread the concept beyond California by forming tourism districts in Oregon (Portland), Kansas (Wichita), Tampa Bay (Florida), Philadelphia (Pennsylvania), Newport (Rhode Island), Albuquerque (New Mexico), and Memphis (Tennessee). These districts were the first TIDs in their respective states. We bring our twenty (20) plus years of TID expertise to guide and streamline the formation process for each of our clients, especially for those moving forward to become the first TID in their state.

Civitas provides expertise in TID legislation. Our founder and current president, John Lambeth, was the primary author of California's most recent law enabling special districts, as well as the drafter of DMO funding laws in many other states. Our team has continued to craft legislation on both the state and local levels for clients in 16 states.

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ABOUT US



The Travel Analytics Group (TAG), is a partnership between experienced and recognized travel industry experts, strategist Carl Ribaud and market researcher Lauren Schlau. TAG was established in 2020 to provide clients with a uniquely efficient approach to projects by integrating research and research-based strategy as one seamless process. We also conduct our own research on topics often not considered by others to illuminate and inspire broader thinking about the travel industry.

SMG Consulting, Carl Ribaud, President

SMG Consulting, located in South Lake Tahoe, CA, is a consulting firm specializing in strategic research, strategic planning, and marketing and strategy development services for tourism, recreation, and community-based organizations. We pride ourselves on providing our clients with insights and solutions. As strategists who assist our clients by understanding significant issues needed for their success, we have attracted a roster of blue-chip public and private sector clients seeking real solutions to their challenges and opportunities.

Lauren Schlau Consulting, Lauren Schlau, Founder & President

Lauren Schlau Consulting has offered market research/consulting services since 1992 for private, not-for-profit, and public entities. We focus on economic development sectors, including travel/tourism, assessment districts; hospitality; retail; arts/culture/leisure. We have assisted entities for which the ultimate goals are building value for consumers and businesses, growing the tax base, and employment, and improving quality of life now and for future generations, all aligned with our own operating philosophy of *research for good*.

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