



## Tourism Grants:

*Spurring the economy or  
wasteful spending?*

### The Problem

The State of Illinois spends around \$50 million per year on tourism. Revenue from the Hotel Operators' Occupation Tax, which is 6 percent of 94 percent of gross rental receipts, funds tourism spending. Revenue from the hotel tax also goes towards the Build Illinois Fund, the Illinois Sports Facilities Fund, and the General Revenue Fund. Each year, the Department of Commerce and Economic Opportunity (DCEO) is responsible for disbursing tourism money to cities, counties, and other entities.

The DCEO claims the 2008 spring-summer tourism campaign "generated a 10:1 investment"<sup>1</sup> and the 2009 tourism campaign "generated a \$9 return on a \$1 investment."<sup>2</sup> These figures are based on telephone surveys conducted by a private firm for the DCEO. It is common for state tourism agencies to boast a high return on investment, but economists caution that if these high rates of return were actually true, "such states could tax enough to spend themselves rich by allocating monies to tourism promotion."<sup>3</sup>

Tourism grants from the DCEO in recent years include<sup>4</sup>:

- \$29,550 for a Lois Lane statue in Metropolis, Illinois.

- \$334,093 to Rockome Gardens for renovations including the addition of Amish cheese and ice cream production facilities.
- \$193,255 to the Illinois Grape Growers and Vintners Association to help maintain their website, host an educational conference, and promote their product.
- \$100,000 to the Municipal Clerks of Illinois for the International Institute of Municipal Clerks 2009 Conference.
- \$200,000 for the costs associated with hosting Fashion Focus Chicago 2009.
- \$32,681 for promotion of Fashion Focus 2008.

### The Solution

Illinois needs to prioritize spending on core government services. Illinois has a pension system underfunded by \$83 billion and schools are waiting anxiously for payments from the state; funding a Lois Lane statue or contributing to Chicago's fashion scene does not constitute a core government priority. Rather than giving special benefits to a few specific tourist attractions, Illinois needs to consider new avenues for attracting tourists, such as decreasing the cost of visiting Illinois by lowering taxes.

### Illinois State Expenditures on Tourism

FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
\$44,776,000	\$54,847,300	\$50,855,000	\$48,811,700	\$48,654,100	\$51,701,900	\$52,628,000

Source: State of Illinois Budget Books

*This is part 2 of the Illinois Policy Institute's weekly Spotlight on Spending series, highlighting wasteful or inefficient programs and spending with the goal of bringing more responsible spending and accountable government to Illinois. For additional information on state spending, visit [www.IllinoisOpenGov.org](http://www.IllinoisOpenGov.org).*

### Why This Works

Government spending should be focused on core government services rather than funding tourism activities and attractions. The economic benefits of tourism spending are usually highlighted, but the economic cost of the source of the funding—hospitality industry taxes—is often overlooked. The state should decrease the cost of visiting Illinois for all tourists by lowering the hotel tax. When families are tightening their belts during difficult economic times, making Illinois less expensive to visit will encourage more people to come here or stay longer during their visit. This would generate revenue without the government picking winners and losers in the tourism industry.

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### Endnotes

- 1 "Illinois State Budget Fiscal Year 2010." Chapter 10, page 10.
- 2 "Illinois State Budget Fiscal Year 2011." Chapter 9, page 8.
- 3 Williams, D.C., Jr., and Charles P. Cartee. "Measuring Travel and Tourism Impacts on a State's Economy: Policy Implications." *Journal of Economics and Finance*, 15 (1991):161-162.
- 4 DCEO Grant Tracker." Illinois Department of Commerce and Economic Opportunity. <http://granttracker.ildceo.net/>