
The Proven Economic Case for County DMO Investment

An Evidence-Based Research Brief for County Supervisors

Prepared for the Mendocino County Board of Supervisors

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Executive Summary: Public investment in Destination Marketing Organizations consistently generates measurable economic returns at the county level. Across multiple independent studies, every \$1 invested in tourism marketing produces approximately \$20 to \$47 in visitor spending and \$3 to \$8 in tax revenue. These outcomes are consistent across national, state, and local programs.

Mendocino County's tourism economy generates over \$530 million annually and supports approximately one in eight local jobs. Despite this, the County provides no direct financial support to its DMO, which operates on approximately \$1.16 million in revenue derived entirely from lodging assessments. This level of funding is significantly below that of comparable counties and is not sufficient to sustain long-term competitiveness. Recent declines in visitor spending indicate that the County may already be losing market share. The available evidence strongly supports increased and more sustainable investment in destination marketing.

Key Takeaways

- **High ROI is consistent and proven**
 - \$20–\$47 in visitor spending per \$1 invested
 - \$3–\$8 in tax revenue per \$1 invested
 - Supported by national, state, and independent studies
- **Real-world results validate the data**
 - Counties investing in DMOs see growth in spending, jobs, and tax revenue
 - Tourism often represents a major share of local GDP and employment
- **Cutting funding leads to losses**
 - Colorado lost ~\$1.4B annually after eliminating tourism funding
 - San Diego lost \$560M in visitor spending in one year after cuts
 - Even small declines in visitors eliminate any budget savings
- **Rural counties benefit significantly**
 - Small destinations can double tourism impact with coordinated marketing
 - Tourism reduces tax burden on residents and supports local jobs
- **Mendocino's funding gap is critical**
 - \$532M tourism economy vs. ~\$535K marketing spend (~0.10%)
 - Peer counties invest 2–4x more proportionally
 - County provides **zero** funding since 2022
- **Early warning signs are already visible**
 - Visitor spending increased only 0.8% while the state grew over twice that amount
 - Indicates loss of market share to better-funded competitors
- **Sustainable funding models exist**
 - Tourism Business Improvement Districts (TBIDs)
 - Dedicated occupancy tax allocations
 - Industry-funded models (no General Fund impact required)

Return on Investment Across Studies and Geographies

The return on investment for destination marketing is well established and consistently positive. Econometric studies commissioned by national and state tourism organizations, with independent verification, show that DMO investment generates substantial economic impact.

Brand USA's FY2024 study, conducted by Oxford Economics, found that each \$1 in marketing generated between \$20.72 and \$27.80 in visitor spending. This resulted in \$5.9 billion in incremental spending, \$1.7 billion in tax revenue, and nearly 32,000 jobs in a single year. Over eleven years, the program has generated approximately \$55 billion in cumulative economic impact.

Future Partners' 2025 study of 32,215 travelers found that destination advertising generated \$47.02 in visitor spending and \$3.05 in tax revenue per \$1 invested.

At the state level, Visit California reported that its \$72.4 million investment in FY2023-24 generated \$31.5 billion in incremental visitor spending. Florida reported a 10-year average return of \$3.30 in state revenue per dollar invested, while Michigan's Pure Michigan campaign increased tax revenue returns from \$2.11 per dollar in 2006 to \$7.67 by 2015, contributing \$1.4 billion in annual visitor spending.

A World Travel and Tourism Council study of eleven U.S. states found an average return of \$123 in visitor spending per advertising dollar, with California at \$305 and Colorado at \$193.

A Tourism Economics study comparing 29 cities with Tourism Improvement Districts to 71 cities without them over 30 years found that TID destinations achieved 2.1 percent higher hotel demand and 4.5 percent higher room revenue, equivalent to 150,000 additional room nights and \$51 million in incremental revenue.

County-Level Case Studies Demonstrate Tangible Outcomes

County-level case studies demonstrate that investment in destination marketing produces tangible economic outcomes.

Monterey County invested \$11.59 million in FY2025-26 and generated \$3.1 billion in visitor spending, an increase of 5.7 percent, along with more than \$310 million in tax revenue and 27,600 hospitality jobs.

San Luis Obispo County generated \$2.4 billion in visitor spending and 23,820 jobs in 2024, representing 10.39 percent of county GDP. The County collected \$60.1 million in transient occupancy tax revenue. Without tourism, each household would pay approximately \$1,855 more in taxes.

Napa County recorded \$2.5 billion in visitor spending in 2023, generating \$107.5 million in tax revenue and supporting 16,000 jobs. Tourism accounts for 20 percent of the workforce, and transient occupancy tax revenue makes up a significant share of local general funds.

Monroe County, Florida generates approximately \$3.5 billion in visitor spending and \$400 million in tax revenue annually, saving each household approximately \$11,500 per year.

Wake County, North Carolina invested \$11.3 million and generated \$217 million in direct economic impact from conventions and sports events alone.

Otsego and Schoharie Counties in New York increased occupancy tax collections from \$1.24 million in 2009 to more than \$4 million by 2025 after investing in destination marketing.

Performance in Rural and Coastal Counties

Rural and coastal counties demonstrate particularly strong returns from sustained marketing investment.

Door County, Wisconsin increased visitor spending from \$257 million in 2009 to \$523 million in 2024, a 103 percent increase, with total economic impact reaching \$651 million.

Dare County, North Carolina generated \$2.1 billion in visitor spending in 2024, with tourism accounting for 45.5 percent of all jobs and saving residents approximately \$3,860 annually.

Sevier County, Tennessee generated \$3.93 billion in visitor spending and \$438 million in tax revenue, saving households approximately \$11,191 per year.

Grand Traverse County, Michigan found that exposure to tourism marketing more than doubled positive perceptions of the area as a place to live, work, and invest, demonstrating broader economic development benefits.

Humboldt County provides a direct comparison, with similar visitor spending but significantly lower marketing investment. Siskiyou County has generated nearly \$2.5 million for marketing through its Tourism Business Improvement District since 2015.

What Happens When Funding Is Cut: Cautionary Examples

The most powerful evidence for DMO investment comes from jurisdictions that reduced or eliminated funding and measured the consequences. These before-and-after comparisons consistently show that cutting tourism marketing produces losses far exceeding the savings.

Colorado provides the definitive case study. In 1993, Colorado became the only U.S. state to eliminate its \$12 million tourism promotion budget entirely. Within two years, the state's domestic market share plunged 30%, its summer resort ranking fell from 1st to 17th, and it lost an estimated \$1.4 billion annually in tourism revenue. Tax receipts dropped \$134 million between 1993 and 1997. After reinstatement in 2000, tourism rebounded to an all-time high by 2007. Yet as of 2011, Colorado still had not recovered its pre-1993 national market share.

San Diego experienced a county-level version in 2013 when the mayor withheld the Tourism Marketing District operating agreement, causing an 83% funding reduction from \$23 million to \$4 million. The result: 40% of staff laid off, \$63 million in lost hotel room revenue, \$560 million in lost visitor spending, and \$24 million in reduced tax revenues in a single year.

Pennsylvania's 77% budget cut cost the state an estimated \$600 million in lost tax revenue over five years. Tourism Economics calculated that every \$1 cut cost \$3.60 in lost tax revenue.

Connecticut's complete budget elimination slowed travel-related tax growth to half its recessionary pace. **Washington State's** closure of its tourism office led to visitor spending growth 13% slower than the national average.

Key Finding: An IHS Global Insight study found that losing even 0.5% to 1.5% of visitors completely negates all savings from tourism promotion cuts.

How Economic Impact Is Measured

County supervisors evaluating DMO claims should understand the standard measurement approaches. The industry uses several complementary methods.

Smith Travel Research (STR/CoStar) provides hotel occupancy rates, Average Daily Rate (ADR), and Revenue Per Available Room (RevPAR). These are objective, third-party metrics that DMOs cannot manipulate.

Dean Runyan Associates produces the most widely used county-level economic impact reports for all 58 California counties annually (commissioned by Visit California), estimating spending, employment, earnings, and tax revenue.

A candid methodological note: Most DMO ROI studies are commissioned by the tourism industry. Best practice for county supervisors: rely on objective metrics like TOT/bed tax collections and STR hotel performance data as ground-truth checks, supplement with modeled estimates, and favor conservative assumptions. The Dean Runyan county-level reports for California provide the most reliable basis for comparison.

Mendocino County's Current Position and the Opportunity Gap

Mendocino County's tourism economy generated approximately **\$532 million in visitor spending in 2025** (per Dean Runyan/Visit California data), supporting roughly 1 in 8 county jobs. Yet the DMO tasked with sustaining and growing that economic engine is severely underfunded, and the situation has worsened significantly since 2022 when the county funding ended.

The County Withdrew All Financial Support in 2022

During contract hearings that year, county officials reviewed Visit Mendocino County's funding and determined that the General Fund could no longer sustain the organization's growth. The county's matching contribution, which had historically supplemented the BID assessment, was eliminated entirely. The BID Advisory Board Chair's annual report characterized this decision as one that has **severely limited the economic development efforts** to bring in more taxes to the county and economic activity to its businesses. The Advisory Board further noted that the county has historically ignored actionable recommendations from the MCTC.

The FY 2026/27 Proposed Budget Reveals the Consequences

VMC's total net income stands at just **\$1,164,000**, derived entirely from the 1% MCTC BID assessment of \$1,200,000, minus a \$36,000 county administrative fee. County matching funds: \$0. This is not a sustainable funding model.

VMC FY2026-27 Proposed Budget (with no county investment)

Income	Amount
MCTC BID Assessment	\$1,200,000
County of Mendocino Matching Funds	\$0
County Administrative Fee	(\$36,000)
Total Income	\$1,164,000
Expenses	Amount
Advertising/Media	\$286,000
Marketing/Public Relations	\$174,280
Website Maintenance & Development	\$55,980
Leisure & Group Sales	\$18,790
Partnerships	\$60,610
Visitor Services	\$159,500
Administrative Expenses	\$220,661
Personnel	\$579,166

Total Expenses	\$1,554,987
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The Marketing Investment Gap Is Severe

Combining advertising/media, marketing/PR, website, and leisure/group sales, VMC's total direct marketing investment is roughly **\$535,050**, just over half a million dollars to promote a destination generating \$532 million in visitor spending. That yields a marketing-to-revenue ratio of approximately **0.10%**, a fraction of what peer counties invest.

Peer County DMO Investment Comparison

County	DMO Investment	Visitor Spending	Marketing Ratio
Monterey	\$11.6 million	\$3.1 billion	0.37%
San Luis Obispo	\$5+ million	\$2.4 billion	0.21%
Napa	\$8+ million	\$2.5 billion	0.32%
Mendocino	\$535,050	\$532 million	0.10%

Mendocino's 2025 visitor spending **increased only 0.8%** against a statewide growth trend of positive 2-4%, suggesting the county is already losing market share to better-funded competitors. This pattern mirrors the early stages of the Colorado experience, where underfunding led to progressive market share erosion that took over a decade to reverse.

VMC Is Working to Modernize Despite These Constraints

The BID Advisory Board has proposed four structural reforms to the current BID ordinance: moving board elections into the MCTC bylaws, restructuring board composition to better represent assessed businesses, removing the county's 3% administrative charge, and contracting with a third-party vendor for fund collection and administration. These changes signal a DMO that is professionalizing its operations and governance, but doing so within a budget that forces trade-offs between organizational sustainability and the marketing investment that actually drives economic returns.

The county is also exploring a transition from its 1989 BID structure to a Tourism Business Improvement District under the 1994 PBID law, with Civitas Advisors engaged and a TMD steering committee formed as of early 2026. Peer California counties, including Siskiyou, Butte, San Luis Obispo, and Mono, have successfully implemented TBIDs, providing proven governance models.

Conclusion: What the Evidence Demands

The empirical record on DMO investment leaves little room for debate on the direction of impact. Across hundreds of studied jurisdictions, public DMO funding generates positive, measurable economic returns. The typical range of **\$20-\$47 in visitor spending per marketing dollar** and **\$3-\$8 in tax revenue per dollar** represents one of the highest-return public investments available to local government.

Three insights are particularly relevant to Mendocino County's situation:

First, the cost of inaction compounds over time. Colorado still had not recovered its market share 18 years after reinstating funding, because competitors captured the visitors and those visitors formed new habits. Mendocino's visitor spending trends represent the early stages of a similar pattern.

Second, tourism marketing produces halo effects that benefit the entire economy. The Traverse City study showed DMO advertising doubled positive perceptions of the community for business relocation, talent attraction, and real estate investment. For a county seeking economic development, DMO investment is economic development.

Third, Mendocino County's current investment level represents an acute risk. With a net operating budget of \$1,164,000, a direct marketing spend of just \$535,050, a \$391,000 annual deficit being covered by reserves, and zero county financial support, VMC is simultaneously underfunded and structurally unsustainable. The county's 2022 decision to withdraw matching funds removed approximately one-third of VMC's revenue at a time when every peer destination was increasing investment.

The question facing county supervisors is not whether DMO investment works. It is how quickly an enhanced funding mechanism can be implemented before further ground is lost to competing destinations that are actively investing in the same visitors.

Sources

Oxford Economics/Tourism Economics studies for Brand USA; Visit California/Dean Runyan county-level economic impact reports; U.S. Travel Association Power of Promotion case studies; Destinations International research; Future Partners/Longwoods International conversion studies; Monterey County CVB economic impact data; Visit Napa Valley visitor profile studies; Monroe County (FL) Tourism Development Council reports; Door County Tourism Zone impact reports; Traverse City Tourism Halo Effect study; Mendocino County Tourism Commission BID Advisory Board annual report and FY2026-27 proposed budget; MendoFever and Press Democrat regional reporting.