

Jonathan Schechter – “Corpus Callosum” Column
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“What is hateful to thyself do not do to another. That is the whole Law, the rest is Commentary.”
– Rabbi Hillel

As I see it, the lodging tax is a question of faith.

Two questions, actually:

- A joint powers board will control the bulk of the lodging tax funds. Do I have faith that the town council and county commissioners will appoint forward-looking people to that board?
- Do I have faith that those individuals will use the lodging tax proceeds to catalyze Jackson Hole into tourism’s 21st century?

In both cases, I’ve concluded “yes.” As a result, I’m voting for the lodging tax.

I’m doing so because I believe that, if used properly, the lodging tax proceeds hold the potential to bring about two very important results:

- allow Jackson Hole to move beyond its current 20th century approach toward tourism and, in its place, create an innovative 21st century approach, one that can become the standard for the world; and
- alter the current situation so that, instead of viewed as being at odds with one other, tourism and the community’s overall values are closely aligned.

Whether this promise can be fulfilled isn’t clear. But in my view, the potential upside is so very high that the measure is worth trying. Similarly, the potential downsides of passing the lodging tax (e.g. additional crowding, overtaking our infrastructure, and the like) is relatively small.

As a result, I’m willing to make a leap of faith and vote “yes.” And if my faith is betrayed – if the lodging tax’s proceeds are used to simply re-enforce the status quo instead of catalyze the future – then I’ll vote against its re-authorization four years from now.

So that’s what I’m doing. Tipping my hat to Rabbi Hillel, the rest of this column is commentary.

The Lodging Tax’s mechanics

There are five fundamentals to the lodging tax.

1. If enacted, a two percent tax will be added to all transient lodging. This includes hotels, motels, short-term condos, dude ranches, and the like.
2. If enacted, the tax will go into effect on January 1, 2011, and be in place for four years. In November 2014, voters will be asked to re-authorize it. If they do not, it will stop being levied on December 31, 2014.
3. 60 percent of the tax proceeds must be used to promote the Jackson Hole area. 30 percent may be used to pay for “visitor impact services” such as the START bus, and the remaining 10 percent goes into local government’s general fund.
4. Had the lodging tax been in place during the fiscal year ending June 30, 2010, it would have raised an estimated \$3.5 million: \$2.1 million for promotion; \$1.05 million for “visitor impact services,” and \$350,000 for general government operations.
5. If enacted, decisions on how to spend the 30 and 10 percent portions of the lodging tax will be made by the town council and county commission. A joint powers board appointed by the council and commissioners will decide how to spend the 60 percent portion. A majority of the joint powers board’s members must work in the tourism industry.

Much of the confusion surrounding the lodging tax stems from the fact that it has two facets: It will put more money into funding local government, and it will create a new source of funding for promoting the valley. As evidenced by the recent SPET elections, voters favor putting more money into local government and related services. I'm guessing this willingness to fund local government holds especially true when it's someone else's money, for almost all of the lodging tax will be paid by tourists. However, as evidenced by the lodging tax's failure the last three times it was on the ballot, increasing promotion is much more controversial.

Money for local government

Let's look first at the government facet of the lodging tax.

In the context of local government expenditures, the \$350,000 which would go into local government coffers doesn't amount to much, around 1 percent of this year's combined operating budgets for the town and county, and around 7 percent of the amount the town and county whacked from their collective FY 2010 budgets.

But this \$350,000 can be boosted if part of the lodging tax proceeds are used to offset money the town and county currently spend to support visitor-related services.

How much might be available? All of the 30 percent could go toward offsetting money currently spent on START operations, pathways maintenance, and other related activities. In addition, part of the 60 percent could offset the money currently given to the Chamber of Commerce for its operations, adding another \$300,000 to the mix. (Table 1)

Add these sources together, and the lodging tax could generate as much as \$2,000,000 for local government to spend elsewhere. (Table 2) This isn't a ton of money – only around 6 percent of the combined county and town budgets for this year, or 40 percent of what they had to cut from last year's budgets. However, it's better than nothing.

Whether it's \$350,000, \$2 million, or something in-between, the important question is: "How will that additional revenue be spent?" Basically, proponents are asking voters to trust the government to spend it wisely, a lot to ask in such a virulently anti-government election year.

Because of that trust issue, I think the tax's proponents in local government made a tactical mistake by not giving voters a sense of what they might do with the money should the lodging tax pass. They also made a mistake in not giving voters a sense of what criteria they would use to select joint powers board officials, for those are the folks who will decide how to spend the 60 percent (including money the electeds hope will go to funding the Chamber's visitor services efforts). Had those two issues been addressed, it would have gone some distance toward addressing the trust issue.

But they weren't, so voters have to decide whether local government can be trusted to be good stewards of this new revenue, and to appoint thoughtful people to the joint powers board. In my view, local government has earned this trust, so I'm relatively sanguine about the governmental facet of the lodging tax.

Money for promotion

This is the trickier facet, for underlying it are three linked assumptions:

1. More money for promotion will result in more and/or "better" tourists,
2. More and/or "better" tourists will result in a stronger tourism economy.
3. A stronger tourism economy will benefit the entire community.

In my last column, I addressed the second assumption, and on this the data are clear: With the

exception of skier days and the winter economy, there's no statistically-significant link between the total number of tourists visiting Jackson Hole and our taxable sales. Or population growth. Or traffic. Or any other growth-related measure. This finding may or may not be true for individual businesses, but it's unarguably true for the overall community.

The third assumption proved to be the Achilles' heel of the lodging tax the last three times it was brought to a vote. A majority of voters didn't see how improving the tourism economy would improve their own lives, so they voted it down. And given that our economy has become even less dependent on tourism during the last 15 years, I'm sure that disconnect remains. For example, improving the tourism economy won't improve our clearly-suffering building trades. Nor will it necessarily make life better for those reliant on investment income.

Overcoming this disconnect is a big challenge for lodging tax proponents. Making things easier for them is the fact that one of the big arguments from the last election – that tourism promotion leads to rapid population growth – has been shown to be untrue. However, because the vast majority of Teton County's economy is, at best, only indirectly linked to tourism, most residents will not see a clear cause-and-effect improvement in their lives if the tourism economy improves. This reality is a fertile medium for those opposing the tax, particularly those arguing that more tourists will lead to more crowds and an overall degradation of our quality of life.

I have a problem with that argument, though, for the simple reality is that things can't get too much more crowded in the summer. In addition, we certainly have the capacity to handle more tourists during the non-summer months. Similarly, I disagree with those who argue that if we vote down the tax, we can then go to the Wyoming Legislature and say "change the law to allow us to spend the entire lodging tax as we see fit." To me, that approach will never succeed, for one need not be a connoisseur of hypocrisy to appreciate that the same legislators who scream that the feds should give them more local control are utterly unwilling to cede any power to cities and counties.

So the question facing voters is whether to support the "half-a-loaf" solution that is the current tax – realistically, it's just not going to get any better. Wrestling with that led me to question the first of the three assumptions: Will additional promotional dollars actually produce more tourists?

According to my research, the answer is "depends." There are two reasons for this. First, \$2 million is not a lot of money to spend on promotion. For example, according to a recent *News&Guide* article, the Terra Resort Group alone spends \$1.3 million annually on marketing just its three hotels. So while \$2 million sounds like a lot to you and me, in the marketing world, it ain't necessarily so.

Second, even if we do spend \$2 million on promotion, there's no guarantee of results. We could spend that money and get more tourists and/or higher-spending tourists. Or we could see very little difference. There's no way to predict.

This is because the key to a successful campaign promoting Jackson Hole will be how that money is spent, which in turn will be a function of two things: who is on the joint powers board, and what they try to accomplish.

Who is on the joint powers board is the lesser concern, for even if certain members are disasters, they can be replaced when their terms expire. Here again, though, it would be helpful had the electeds given voters a pre-election sense of what their selection criteria would be.

Far, far more important is what the joint powers board is trying to accomplish.

This is the real crux of the issue, and if the lodging tax is defeated, it will be because proponents never provided a satisfactory explanation of what it is they want to promote, how they plan to do it, or why it's

important.

Marketing professionals I've spoken with are clear that, in order to succeed, a promotional effort must be part of a larger strategic plan. If it's not, you're essentially throwing money away, especially because there'll be no standard against which to measure the success of the promotional effort.

However, as far as I know, no strategic plan exists for marketing Jackson Hole. For individual resorts, seasons, or properties, yes. But for the valley as a whole, no. Yet that's exactly what the lodging tax proceeds are intended be used for: to promote Jackson Hole. However, not only is there is no strategy for promoting Jackson Hole, there hasn't been any discussion of one. As a result, the lodging tax has become a Rorschach blot, a pool of money on which one person or interest group rests their fondest hopes, while another sees their deepest fears.

If the tax passes, the community will have \$1.5 million or more each year to spend on promoting ourselves. But looming out there is the question of what we will be promoting. And although they've not said it this way, my sense is the opponents' greatest fear is that we'll simply spend the money to do more of the same, namely bringing even more tourists here. And while that might improve the fortunes of individual business owners, opponents would argue that it won't do much for the community as a whole, likely hurting us more than it would help. And without a clear strategic plan, they might just be right.

Let's call the opponents' fear the 20th century view of tourism, one in which some businesses clearly win, some individuals clearly lose, and whether the community as a whole wins or loses depends on your stake in the tourism economy.

But I think there's another way of viewing what the lodging tax might do for us. From this perspective – call it 21st century tourism – the promotional money can serve to catalyze us to pursue an economy which is not the win-lose of the 20th century model, but one which more directly connects Jackson Hole's tourism industry with the community's overall values.

In this construct, 20th century tourism emphasizes quantity over quality. Bringing in more tourists puts money into the pockets of those in the tourism industry, but only indirectly benefits the rest of the community.

What if, however, we could focus on quality rather than quantity? What if the community dog could wag the tourism tail? This is the 21st century model of tourism, and while no resort community has fully developed it, no place is better suited to bring it to fruition than Jackson Hole.

This leads into the real opportunity at hand: Setting the international standard for the future of tourism. 21st century tourism will be rooted in eco-tourism of course, but will extend to involve all aspects of the community, creating a situation where tourism and the local quality of life complement each another instead of being at odds.

How might 21st century tourism work? As I say, no one's figured it out yet, but here's an example of how it would differ from the 20th century model.

Currently, planes flying in and out of the Jackson Hole airport – whether commercial or private – create damage without paying for it. This is because their noise disrupts the national park experience, and their greenhouse gasses contribute to the many global-warming related problems facing our national parks and forests.

The 20th century tourism approach to this problem is for Jackson Hole to simply accept the damage, and hope it will somehow be offset – however indirectly – by tourism's economic benefits. This trade-off mentality is so deeply ingrained that it's not even questioned by any of the three bodies with power to address it: Grand Teton National Park, the airport board, or the elected officials who appoint airport board

members. Instead, all are implicitly content to accept that noise pollution and adding to global warming are part of the price of promoting the valley's tourism economy.

A 21st century approach would be to say "we don't have to trade off environmental health for economic health." True, short of closing the airport, there's not much we can do about airplane noise pollution – we need to look to plane manufacturers and federal regulations for that. But what we can do is require every plane flying into or out of the Jackson Hole airport to offset at least 100 percent of its carbon emissions.

Conceptually, requiring offsets is no different than the lodging tax: customers pay a fee, the proceeds from which are earmarked for a particular purpose. Further, the cost of an offset is similarly small: one to two percent of the overall cost.

But the benefits of offsetting all flights would be far greater than anything possible through the lodging tax, because if we hurried up and enacted the idea, we could lay claim to being the world's first carbon-neutral airport. This, in turn, would create three huge benefits: p.r. value far greater than any publicity we could buy; a clear message to every person flying here (including the world's finance ministers every August) that environmental stewardship is integral to Jackson Hole; and establishing a model for similar community programs.

By doing this, we'd not just continue to enjoy the economic benefits resulting from our air service, but enjoy them in a way that enhanced the environmental health critical to the long-term health of our tourism economy.

We'd also take the first step toward coming up with a "Jackson Hole standard," a method by which resort communities worldwide could assess themselves. And with that, we'd also be laying the foundation for a strategic economic plan for Jackson Hole, one which would make the mission of the joint powers board crystal clear: promote the fact that Jackson Hole offers a remarkable experience to its visitors because it offers a remarkable experience to its residents.

So for me, this is the opportunity presented by the lodging tax – it can become the catalyst to help us think strategically about the future of not just our economy, but how we can more closely integrate our economy with the community's overall values. In a certain sense, this is what we're trying to do with land use and the comprehensive plan; arguably, having an economic strategy is at least as important to the community's future as having a land use strategy.

So I'll vote "yes" on the lodging tax, on the hope that the moral obligation to wisely spend millions each year on promotion will force us to finally take a pro-active approach to our economic future. And while there's clearly a chance we'll squander the opportunity, I don't see anything else out there which holds a similar potential to galvanize our thinking. Otherwise we'll just continue to be reactive and, if we do, miss a golden opportunity to become the world's leader in linking our tourism to the broadest measures of community vitality.

And if we simply use the lodging tax to promote tourism as usual? Well, we can always vote the tax down again in four years. But to me, the upside of having a \$2 million annual catalyst to help propel us into the future easily trumps the risk of spending a relatively modest amount to preserve the past. After all the time I've spent thinking about the issue, I certainly I hope I'm right.

Table 1 Local Government Expenditures That Could Be Offset By Lodging Tax Proceeds			
Amount spend by local government on:	FY 2009	FY 2010	FY 2011
START operations	\$820,000	\$400,000	\$400,000
Pathways	\$130,000	\$132,000	\$118,000
Chamber of Commerce	\$413,000	\$384,000	\$327,000
Total	\$1,363,000	\$916,000	\$845,000

Table 2 Possible Allocations of Lodging Tax <i>(Based on WY Dept. of Revenue estimate that a 2 percent lodging tax would have raised \$3.5 million in FY 2010)</i>					
Use		Amount (sub-total)	Amount (total)	% of \$3.5 million total	Notes
10% for local government general fund			\$350,000	10%	
30% for "visitor-impact services," including...	<i>START operations</i>	\$800,000		23%	<i>Restore to 2009 level</i>
	<i>Pathways operations & maintenance</i>	\$250,000		7%	<i>Provide for operations + "high level" of routine maintenance</i>
	Sub-total	\$1,050,000	\$1,050,000	30%	
60% for promotion, of which...	<i>Offset local government support for Chamber of Commerce</i>	\$400,000		11%	<i>Restore to 2009 level</i>
	<i>Promote alternative transportation</i>	\$100,000		3%	<i>Encourage START ridership & pathway use</i>
	<i>Other</i>	\$1,600,000		46%	<i>Spend on 21st century promotion</i>
	Sub-total	\$2,100,000	\$2,100,000	60%	
Total			\$3,500,000	100%	