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Brand USA: Congressional Appropriators and Administration Disagree on Funding Cuts for U.S. Tourism Promotion

The Trump Administration's FY2018 budget proposed eliminating the government's annual grant to Brand USA, a public-private effort to promote the United States as a travel destination for foreign visitors, and using the money instead for homeland security. That proposal has not been adopted by Congress, in part because specific authorizing legislation would be required to effect this change. As a result, neither the House-passed nor Senate Appropriations Committee draft of the Department of Homeland Security (DHS) appropriations bill for FY2018 assumes these resources would be available for other purposes. However, Brand USA remains controversial, with some critics asserting that promotion of tourism should be left to the private sector, and it is possible the Administration will again recommend ending its federal grant when the FY2019 budget is released in February.

Tourism Promotion in the United States

Over 75.5 million foreign visitors traveled to the United States in 2016, spending nearly $245 billion on hotels, meals, flights aboard U.S. air carriers, and other goods and services. America's travel and tourism industry directly and indirectly supported 7.6 million American jobs in 2016, of which 1.2 million were supported by international visitors, according to an estimate by the U.S. Department of Commerce.

Unlike many countries, the United States does not have a central agency to oversee travel and tourism. The National Travel and Tourism Office (NTTO) within the International Trade Administration of the Department of Commerce is the federal government's central point of contact for travel and tourism. Its main purpose is to provide official tourism statistics and research.

NTTO is also responsible for coordinating the federal government's activities in support of the U.S. travel and tourism industry through the interagency Tourism Policy Council established in the United States National Tourism Organization Act of 1996 (P.L. 104-288). A private-sector group, the U.S. Travel and Tourism Advisory Board, also offers guidance to federal agencies on issues of importance to them, including travel facilitation and visa policy.

Brand USA

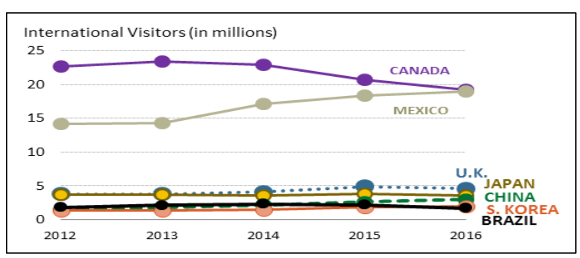
Brand USA, formally known as the Corporation for Travel Promotion, was established under the Travel Promotion Act of 2009 (TPA; P.L. 111-145). It began operations in May 2011 as a nonprofit public-private entity charged with promoting international travel and tourism to all areas of the United States and communicating U.S. visa and entry policies to overseas visitors. NTTO is the federal government's liaison to Brand USA, but the government is not represented on the organization's 11-member board of directors.

The private sector funds half of Brand USA's spending through annual cash contributions of at least 30% of its budget plus in-kind contributions, such as advertising, tickets, and donated products. The federal government matches the cash and in-kind contributions with an annual grant of no more than $100 million. The funds for this grant come from a fee charged for use of the Electronic System for Travel Authorization (ESTA), which is required of international travelers who visit the United States for short business or leisure stays from the 38 countries participating in the U.S. Visa Waiver Program.

Each traveler from a visa waiver program country who uses ESTA is charged a $14 fee, which consists of two parts: $10 is available to fund travel promotion through Brand USA, and $4 is used to cover the DHS's costs of screening visa waiver program applicants. The $10 travel promotion fee generated nearly $150 million in 2016. Of this amount, $100 million, less the $7 million sequester required under the Budget Control Act (P.L. 112-25) for FY2017, went to Brand USA, and the remainder was directed to the U.S. Treasury for deficit reduction purposes. Under current law, the travel promotion fee is to sunset on September 30, 2020.

Brand USA's travel promotion and marketing campaigns include television, print, Internet, and social media advertisements, as well as promotional events such as hosting travel agents from other countries. Its promotional efforts are focused on 14 target markets, which together account for more than 80% of inbound tourist travel. These markets include Brazil, Canada, Mexico, China, and Korea.

Figure 1. International Visitors to the United States, Selected Countries



Source: NTTO, accessed December 2017.

NTTO figures show that the number of international arrivals fell between 2012 and 2016 from several of Brand USA's target markets, including Canada, Brazil, and Japan, with the volume of visitors down 15%, 6%, and 3%, respectively. During the same period, the number of Chinese visiting the United States almost doubled to 3 million annually. China, a high-growth market, has become a more important source of visitors than France, Australia, and Germany. Another growing target market is South Korea; the number of South Korean visitors traveling to the United States rose to 2 million in 2016, up from roughly 1.3 million in 2012 (see **Figure 1**).

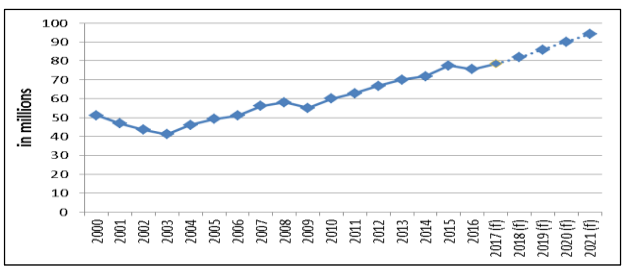
Determining whether Brand USA's media, advertising, and other outreach activities have directly led to increased travel to and economic activity in the United States is not straightforward because many factors affect international travel, including general economic conditions and currency exchange rates. Using a proprietary econometric model, a Brand USA-commissioned study by Oxford Economics claims Brand USA's marketing attracted some 1.2 million visitors in FY2016. This equaled approximately 1.5% of all visitors to the United States in that year.

Competition for International Tourists

A challenge for Brand USA's travel promotion efforts is that it is now much easier to visit many parts of the world, including Asia and Africa, than it was a few years ago. With a greater proportion of international tourists coming from Asia, these travelers, for example, may not seek destinations that require trans-Pacific flights. That may partly explain why the United States has lost market share as a destination in recent years. The U.S. share of international travelers shrank from 7.5% in 2001 to 6.3% in 2010 and 6.1% in 2016.

Figure 2 shows that since 2003 (after the September 11, 2001, terrorist attack), the number of international visitor arrivals to the United States declined in two years, 2009 and 2016. In 2016, 75.6 million foreign visitors traveled to the United States, down 2.4% from the record high of 77.5 million in 2015. Canada and Mexico are the largest source markets for international visitors.

Figure 2. International Visitors to the United States



Source: NTTO, accessed December 2017.

NTTO figures for the first six months of 2017 show total international arrivals to the United States from all countries, including Canada and Mexico, shrank about 4% from the same period in 2016. Among the factors affecting inbound travel are the steep appreciation of the dollar against many key currencies, which makes it more expensive for travelers to vacation in the United States, as well as tighter entry requirements and immigration policies.

NTTO forecasts U.S. visitor volume will reach 94.1 million in 2021, lower than the Brand USA goal of 100 million international visitors by the end of 2020.

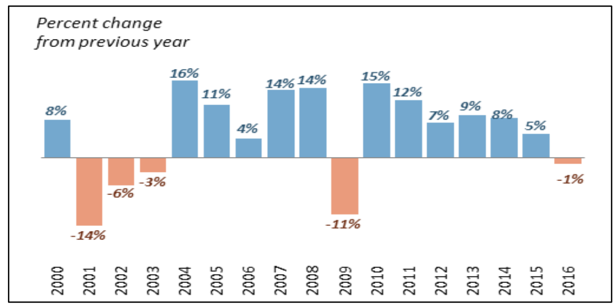
U.S. Travel and Tourism Industry

Foreigners spend, on average, far more on their U.S. travels than Americans do. In 2016, an average foreign visitor spent about $4,400 domestically on travel activities, according to the U.S. Travel Association, a travel industry advocacy group. Average spending per Chinese visitor was $6,900 in 2016, the highest of all international visitors. Nonetheless, in 2016, domestic travelers accounted for 84% of total travel expenditures, the association reports.

Using a government dataset, the Bureau of Economic Analysis reports that foreign visitors account for a disproportionate amount of U.S. travel and tourism spending. International visitors are estimated to have accounted for 25% of tourist spending on lodging, 27% of tourists' food and beverage demand, and 24% of total passenger air transportation demand in 2015.

Tourism exports—a measure of foreign visitors' spending in the United States—have grown strongly over the past decade, except in 2009, when they plunged 11% from the previous year due to poor economic conditions in Europe and elsewhere, and last year, when they dropped by 1% (see **Figure 3**). The U.S. travel and tourism sector has maintained an annual trade surplus—$83.9 billion in 2016—with the world every year since 1989.

Figure 3. U.S. Travel and Tourism Exports



Source: NTTO, accessed December 2017.

Issues for Congress

The Trump Administration's FY2018 budget proposed defunding Brand USA and making the revenue available to U.S. Customs and Border Protection (CBP), the agency within DHS that processes arriving visitors. Although final full-year funding for FY2018 has not been enacted, Congress has taken no steps to accept the Administration proposal.

Proponents of federally supported tourism promotion activities, including industry groups like the U.S. Travel Association, argue that ending Brand USA would harm the U.S. economy because the strength of the U.S. dollar, stricter travel rules, and other homeland security and immigration policies have made it more complex and costly for foreign visitors to enter the United States. Without Brand USA, supporters assert, state tourism marketing efforts would grow more expensive and would not reach as many potential visitors, which could be especially harmful for major tourism destinations heavily dependent on international visitors, like California, Hawaii, and Florida.

Opponents have questioned the efficacy of the Brand USA program. Some Members of Congress have criticized Brand USA for what they consider a history of waste, abuse, patronage, and lax oversight. Others maintain that federally supported tourism advertising is an inappropriate subsidy to a private industry.

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