

Can a State Funded Rural Economic Development Program Positively Impact the State's Economy? A Case Study Application using Texas Department of Agriculture's Rural Tourism Economic Development Program¹

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Abstract

In this paper, we review the tourism impact from supported tourism events and measure their economic value to the local economy. The economic values are the result of visitor spending and extrapolated to total event attendance creates economic values from the state-supported event. Communities receiving funding were responsible for collecting visitor surveys to measure consumer spending as well as the community completing a survey to record the investment cost of the event. The results were that state support represented 14 percent of the total event investment and total event value from visitor spending was \$7.8 million for 31 events. The state percent share in value represents \$1.1 million and considering the program-expended funds of \$147,276 there is a \$7.50 return for every \$1 of state funding. Economic impacts from the funds add additional value and measure total economic value to Texas. We conclude that state supported programs focusing in the area of partial marketing support can create positive return on investment value of state funding.

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INTRODUCTION

The GO TEXAN Rural Community Program, formally Texas Yes! Hometown STARS program was developed to assist rural communities in advertising rural events, which leads to rural economic development. The program's focus on developing rural tourism is a state program that is supported by a review of literature.

The program is a competitive dollar-for-dollar matching reimbursement program open to community members, which are required to join TDA's GO TEXAN program. The program will reimburse communities for half of their promotional costs. Eligible communities apply for the funds by submitting a tourism event promotion proposal to TDA. Matching reimbursement funds can be used to offset the costs of the following materials and services to directly promote rural tourism events:

 Billboards	 Advertising/print/radio/television
 Brochures	 Signage / Banners
 Internet Advertising	 Websites
 Direct Mail	 Trade Shows

This is the third annual assessment of the Hometown Stars program. This year's assessment included 31 events assessment, which was a sample of the 38 events occurring from September of 2006 to August of 2007.

REVIEW OF LITERATURE

According to Brown (2002) and Lewis (1998) rural tourism has become a popular destination for tourists. In addition, Lewis predicts that because of this renewed interest in America's rural communities; tourism in this area should continue to grow. According to the Travel Industry Association, nearly two-thirds of all adults in the nation, or 87 million individuals, have taken a trip to a rural destination within the past three years (Travel Industry Association of America, 2001). A potential reason for this increase in rural destinations could lie in the finding by Lewis

which noted that approximately 96 percent of the U.S. population lives on four percent of U.S. land, which provides a great opportunity for tourist destinations to include rural areas

The previously mentioned increased flow of tourism to rural communities creates economic opportunity. This estimate is validated by Frederick, which reported that tourism has many potential benefits for rural areas (Fredrick, 1992). Additionally, Reeder & Brown (2005) affirm that tourism has the possibility of transforming a stagnant rural community into a flourishing one by attracting retirees, entrepreneurs, and young workers; diversifying the economy; and boosting the quality of life with a wider range of goods and services. Brown (2002) also states that tourism can be an important source of jobs for non-metro communities, especially for those that are economically underdeveloped. Findings by Dean Runyan Associates (2005) support Brown's statement. They found that during 2004, travel spending in Texas directly supported 491,300 jobs with earnings of \$13.8 billion and that even though most travel spending and travel-generated impacts occur in the larger metropolitan areas in Texas, travel is essentially more important for many of the non-metro areas in the state.

Additionally, Weaver (1996) noted that as community leaders struggle to bolster their local economies they are searching for economic and employment alternatives. For example, Brown states that tourism can serve as an important source of tax revenues for local jurisdictions. This statement is supported by the finding by Dean Runyan Associates (2005) that travel spending generated \$6.3 billion in local, state, and federal tax revenues. In addition, Brown notes that tourism can offer rural residents business opportunities in activities that cater to the tourist trade and can additionally enhance local quality of life. A corresponding statement by Weaver notes that tourism can not only result in enhanced employment opportunities, increased income potential for local residents, diversification of the local economic base, and additional tax revenues for rural areas, but it can also raise community visibility, and add cultural opportunities for residents.

Additional findings by Brown state that frequently, effective rural tourism requires regional or State-level coordination since many rural areas, especially those that are more isolated or more sparsely populated, lack the resources required to establish a successful tourism program.

Furthermore, Weaver (1991) argues that many non-metro communities' would also benefit from an expanded Federal role in rural tourism, as well as greater State involvement. Long and Nuckolls (1994) highlight the need for effective planning, and stress that technical assistance can prove crucial to tourism development success for many small communities with limited resource. The Texas Yes! and Hometown STARS program are ideal examples of the research found by Weaver (1991) and Long and Nuckolls (1994).

Brown found that rural communities lack the name recognition associated with more populated areas and that different strategies can be pursued to achieve greater name recognition among potential visitors. Funds from Hometown STARS and the Texas Yes! program can be used for promotional strategies such as billboards, brochures, direct mail, internet advertising, advertising in print, radio, and television, as well as with signage, trade shows, and websites. In addition, Lewis states that rural communities should be given the opportunity to obtain the resources that will assist them in developing tourism. This is precisely the goal of Hometown STARS and the Texas Yes! program.

COLLECTION OF DATA

Event data is captured by using two survey forms. Texas Yes! partner communities complete one community form while visitors to the event complete a visitor survey form. The community form is completed by the tourism event contact person and consists of questions regarding attendance, type of event, hotel revenues during event dates, weather quality, and the assistance of Texas Yes! staff. The visitor survey gathers information from attendees, including demographic information, their plans to revisit, personal daily expenses and other relevant information. This report covers the 38 events that occurred from September of 2006 to August of 2007. A total of 31 communities responded to all surveys, which creates a response rate of over 82 percent. This is a great improvement over the first period assessment response of 44 percent and the second period assessment response of 77 percent.

GENERAL SUMMARY OF EVENTS

Texas Yes! Hometown STARS funds are used for event advertising and promotion, so an initial success measure is event attendance. Considering 30 reporting events with previous history, there was a 34 percent increase in event attendance from the previous year to the present. This increase is similar to the 37 percent increase reported in the 2006 and 30 percent in the 2006. There was one event in 2007 (3 percent of total) that hosted a new event and their assessment reported the funding was important to initiate the event. One community state their thoughts of program support as:

“The program allowed extra exposure of our event and raised awareness for years to come.”

There were four events in 2007 (of total 31) reporting decreases in attendance, but these were in direct relationship to poor weather ratings. These communities with decreases in attendance had a 6.25 weather rating, which is significantly lower than the 8.12 of all other communities (on 10.0 perfect weather score).

Considering all 2007 reporting events (31), there was an average attendance of 4,488 visitors, with a total of 139,150 attending rural community events. Extrapolating this average attendance to the entire set of 38 events, it can be estimated that during the 2007 fiscal year, Texas Yes! assisted communities in attracting 170,544 visitors to rural Texas. Compared to previous assessment reports, 2006 reported totals of 162,285 visitors and 2005 reported 88,000 visitors to all Texas Yes events. Most of this increase in total visitors is that Texas Yes! has increased the number of supported events. Each visitor brings economic value to a community by purchasing merchandise, eating in restaurants, staying in hotels and other activities, so this increase in total attendance is directly increasing economic value to Texas.

The most popular type of event were local heritage events such as the Canyon “Fair on the Square” or the Whitesboro “Peanut Festival.” The second most frequent event is the agricultural events such as livestock shows and rodeos. Figure 1 illustrates the percent of all described events.

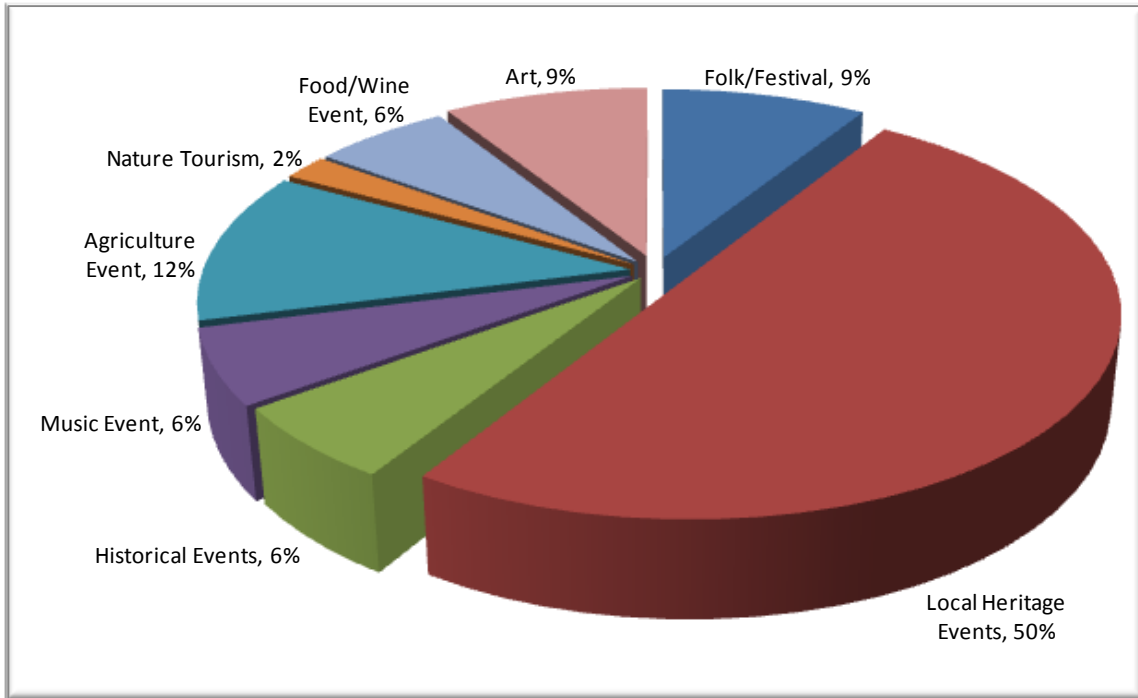


Figure 1. Types of Events

An additional description of events is the number of hosting years each. As previously mentioned, one event was new, but the remaining reporting communities have an average of 12 years experience. Considering all 31 communities, 93 percent of the towns plan to execute the event next year, which is nearly identical to the previous assessment reports.

Measuring the assistance of Texas Department of Agriculture staff is another descriptive factor. The community rated TDA staff assistance “nearly excellent” (9.77 on a 10 point scale). TDA staff assistance ratings have improved every year with the staff receiving a 2006 rating of 9.45 and 9.0 rating in 2005. As one community contact reported:

“ All the Texas Yes! Staff has been very patient and very supportive.”

SUPPORT OF TEXAS YES! FUNDING

Financial funding from the Texas Yes! program is described by the amount of support for each event. Program regulations require the maximum support to be 50 percent of promotional cost, but most communities invest in other areas, which increases the total cost of the event.

Considering the 31 reported events, there was a total of \$147,276 in TDA funding, which is slightly less than the 2006 funding of \$181,287 and 2005 funding of \$167,123. The program supported higher numbers of 2007 events with less average funding of \$5,454 per event. In 2006 the average funding was \$7,553 and 2005 funding of \$5,600 received per event.

Communities reported that their 2007 events had a total cost of slightly over \$1 million (\$1,051,041), which includes Texas Yes! funds. Total cost of these events has increased with 2006 events reporting \$830,516 and 2005 events reporting \$999,232 in total cost. These increases in investment cost are beneficial economic results as these cost are related to hiring more labor, spending money in advertising and other local physical improvements.

Considering the total cost, program support represents 14 percent of the total event cost ($\$147,276 / \$1,051,041$). The previously mentioned 14 percent is an “investment share” of TDA support. This represents the percentage that Texas Yes! supports when considering the total cost of the event. This ratio is very similar to the “investment share” value from the 2006 report (22 percent) and the 2005 report (17 percent). In considering the economic returns from Texas Yes!, the investment share value is the portion of economic increases the program can credit to TDA support. This is a very conservative approach as TDA funding is support dollars used for promotion of an event that attracts visitors and increases value over other expenditures such as security or beautification projects. This conservative approach is deliberate as results are estimates of value and conservative approaches are necessary to provide useful results.

IMPACTS TO LOCAL COMMUNITIES

As previously mentioned, increasing event attendance brings more people to rural Texas communities and many plan to stay overnight at a local hotel or a nearby town. The average

hotel revenue per community during an event was over \$32,578 with the 31 events collecting over \$684,143 in total hotel revenues related to an event, which is a mid-value to previous assessments. Comparing to previous assessment reports, 2006 hotel revenues were higher at \$970,883, but 2005 reported much lower revenues of \$311,153.

Another benefit to increased attendance is an increase in restaurant sales. Communities recognized an average a 30 percent increase in restaurant sales during 2007 events. This increase in restaurant sales as 2006 reported 29 percent and 2005 reported 18 percent. Event vendors are another revenue source at events, and communities reported 2007 event vendors recognized 22 percent increase in sales. These 2007 results are slightly lower than the 2006 value of 30 percent and the 24 percent.

Job creation was another local community benefit. While some events are held with only volunteer help, other communities hire additional people to help make the event a success. Considering 2007 events, 34 percent (10) hired additional assistance, with a total of \$32,979 in additional employment. This identifies that a community needing additional help will spend an average of \$3,298 ($\$32,979 / 10$), which likely comes from local workers and provides economic value to the local economy. Compared to previous reports, the 2007 value is in the higher range with 2006 reporting only \$2,163 and 2005 reporting \$3,779 in employment cost per event.

Another benefit to the local community is community inquiries. These contacts may be future visitors and event promotion attracted them to learn more about the rural Texas towns. To measure this value, Chamber of commerce locations for each community measured contacts during promotion times for the event. Eighty-nine percent of community chambers of commerce recognized increases in contacts. Increased inquiries are similar to previous assessment reports. Most communities measure chamber contacts with phone calls requesting information or by visits to their web sites.

MEASURING IMPACTS FROM EVENT VISITORS

Visitor assessment involves a range of questions: previous visits to the community, planned revisits, gender, miles traveled, personal expenses, and media advertising that attracted visitors to the event. A major goal of this assessment is to describe those attending Texas Yes! supported events and measure their economic impact to the community hosting the event.

Promotion of Texas Yes! events comes from a variety of media, including radio, logo signage, web sites and television. As reported in figure 2, the most recognized advertising is printed materials (30 percent). Radio promotion was the second most recognized form of media (18 percent), followed by Banners advertisement (14 percent).

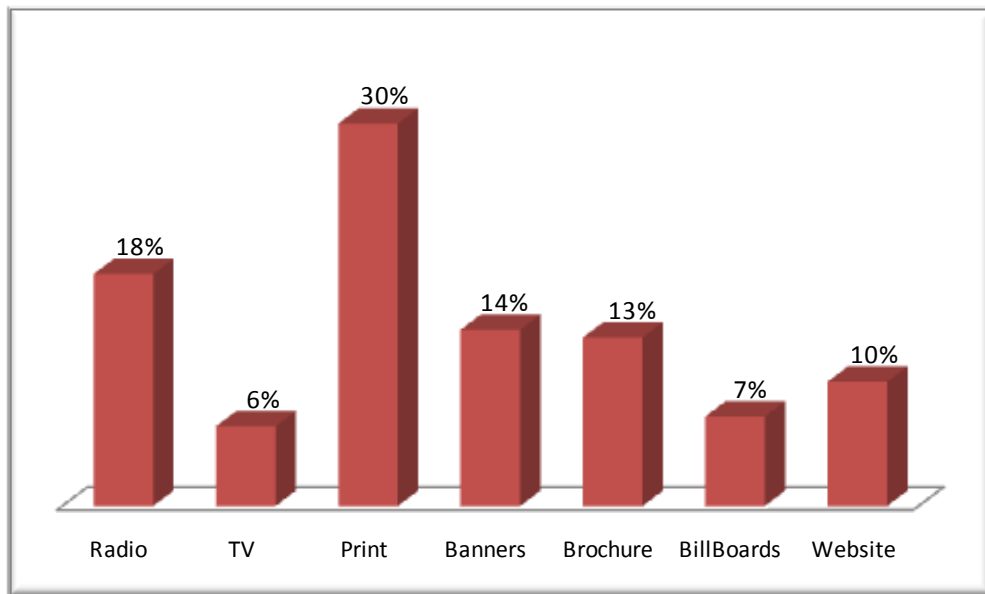


Figure 2. Types of Media

Visitor's responses to general questions of gender and distance traveled to attend the event are useful in describing event customers. The gender mix of events includes slightly more females (59%) than males (41%), which identify that these events are not targeting a certain gender. The average distance traveled by visitors to attend an event was 101 miles, which according to current travel research likely leads to overnight stays. Visitors who plan to stay overnight tend to have higher expenses and therefore create a greater community economic benefit. Current average distance reported is slightly lower than the average distance of 120 from 2006 and 130 from 2005 assessments.

Satisfied visitors also create higher economic benefits. Visitors were asked to rate their event experience and the 2007 result was an overall average rating of “nearly excellent” (9 on a 10 point scale). Compared to previous assessments, this report is nearly identical to the 8.62 and 8.81 (on a 10 point scale) reported in 2005 and 2006, respectively.

For some visitors, this was their first time to the event or community, while others make it an annual occasion. Of the attendees which were surveyed, 96 percent plan to revisit the event and 94 percent plan to revisit the community in which the event was held. Previous assessment reports from 2005 and 2006 included nearly identical results. A sample of visitors’ comments is:

“This is a very beautiful community and is a very scenic location. Keep up the good work!”
“People are extremely friendly - enjoy the hospitality”
“Super friendly, beautiful country and home to some great artists”
“Really enjoyed it, it was very different and peaceful”

Figure 3 illustrates some of the previously mentioned 2007 reactions of visitors as well as other results regarding impact to local communities and visitors’ plans relating to events.

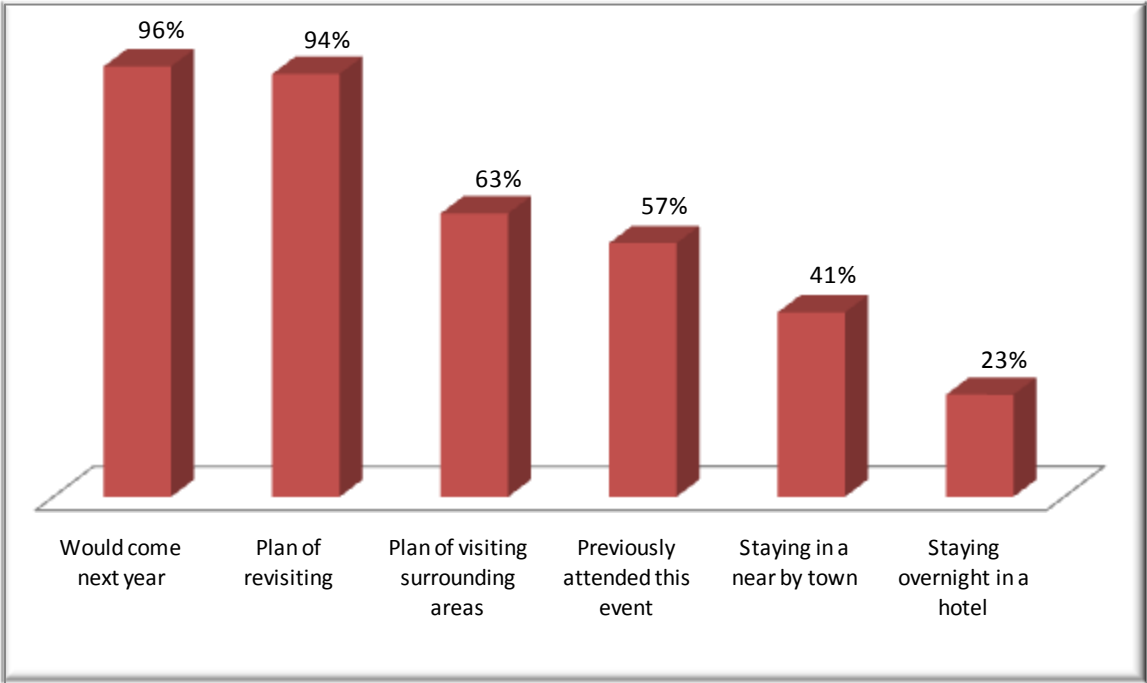


Figure 3. Summary of 2007 Visitor Event Plans

As illustrated in Figure 3, about half of the visitors (57 percent) have previously attended events in this community, but 94 percent of the same group plan on revisiting. These results are nearly identical to the visitors' responses in the 2005 and 2006 reports. This creates economic value that extends beyond this event and creates potentially long-term economic value to communities that host these events. Another useful concept from Figure 3 is where visitors stay, which may be in local hotels or nearby towns. This is difficult to analyze as some communities have adequate lodging, while others are lacking this asset.

VISITOR SPENDING AT TEXAS YES! EVENTS

This section summarizes the spending of visitors and using a 95 percent confidence interval conservatively calculates visitor spending and economic impact from Texas Yes! funding. This is a conservative approach used to evaluate results from each of the events and allows for comparison to previous year assessment reports.

Visitor spending is the bottom line result from the previously mentioned demographics. This value is from admission fees, products sold by vendors, lodging, meals and entertainment. Considering the 31 reported events, the average tourist spent \$156 per event, compared to the average of \$174 spending per visitor attending the 2006 events. Extrapolating the 2007 95 percent confidence value of visitor expense to all reporting events, there is an estimated total visitor spending of \$7,877,597 with an average of \$254,166 per event. As compared to previous year, this is a slightly higher total value than the 2006 \$7.5 million, but slightly less than the 2006 \$312,103 per event.

Visitor spending is a value that creates additional economic benefits. These are secondary effects from spending and in using the IMPLAN Model for community events there is a \$2.09 economic boost from each \$1 visitors spend at an event. Considering the previously reported \$7.87 million in visitor direct spending, there is an estimated \$16.46 million in economic impacts

that a directed at rural Texas communities when they host these events. On average, communities are feeling the economic effects from events at the rate of \$531,102 per event (\$254,166 average tourism event spending * 2.09 IMPLAN Economic Impact number).

Some events, such as the Alpine Gallery Night, had a high average (\$258) spending per person and based on attendance of 4,200 creates a local impact value of over \$2.2 million for the second year in a row. Some of the events averaged with less value in visitor spending, but with their higher attendance can still create substantial total value. For example, Rusk County's Heritage Syrup Festival averaged \$16.26 per visitor, but created a total value of over \$781,594 as the event hosted over 23,000 visitors.

ECONOMIC IMPACT ATTRIBUTED FROM TEXAS YES! EVENT FUNDING

As previously reported, the "investment share" (14 percent) Texas Yes! represents the appropriate measure of involvement, which represents \$1.10 million of direct impact from Texas Yes! event funding (14 percent multiplied by \$7.87 million). Considering previously reported Texas Yes! funding of \$147,246 for the 31 reporting communities, there is a direct return on state funds from visitor spending of \$7.50 per \$1 of Texas Yes! funding (\$1.10 million / \$147,246). In comparing these values to the 2005 and 2006 reports, there are similar "investment share" percentages (17% and 22%, respectively) and similar total values (\$8.80 and \$9.02, respectively). These return on investment values are exceptional return on investment funding and represent excellent benefits to Texas economy.

As previously mentioned, economic impact from these events is the additional impact to the local economy that is derived from tourism spending, which for local community of civic events is \$2.09 per \$1 in spending. Considering the \$1.10 million in direct visitor spending, economic impact is nearly \$2.30 million (\$1.10M * \$2.09). Considering Texas Yes! funding of \$147,276, there is \$15.66 return on investment in direct economic impact from each \$1 in Texas Yes! event funding. This is again very similar to previous report values of \$18.44 in 2005 and \$18.85 in 2006 for every \$1 in Texas Yes! funding. Table 1 provides a summary of all economic data and illustrates an estimated total economic return for all Texas Yes! supported events measured.

Table 1. Summary of the Economic Impacts for Texas Yes! Funding of Events

Texas Yes! Budget Support for 31 events	\$ 147,276
Total Event Budget Cost for Communities	\$ 1,051,041
Total Visitor Spending for 31 events	\$ 7,877,597
IMPLAN Economic Multiplier (Social / Civil Events)	2.09
Total Event Economic Impact (\$7.87 million x 2.09)	\$16,464,179
Texas Yes! Investment Share of Events (\$147,276 / \$1,051,041)	14%
Texas Yes! Direct Impact from Visitor Spending (14% x \$7.87 million)	\$ 1,103,843
Texas Yes! Direct Economic Impact (\$1.10 million x 2.09)	\$ 2,307,031
Texas Yes! ROI from Visitor Spending (\$1.10 million / \$147,276)	\$ 7.50
Texas Yes! ROI from Economic Impacts (\$2.30 million / \$147,276)	\$ 15.66

BOOTSTRAP BUCKS PROGRAM

The Texas Yes! Bootstrap Bucks Program is designed to help promote smaller tourism events or festivals throughout the state of Texas that are supported by Texas Yes! community members. Members received up to \$2,500 in reimbursable funds to help leverage the dollars available to directly promote a local tourism event or festival. Texas Yes! Eligible promotional items are banners, posters, newspaper advertisements, radio and television spots. There were 28 accessed 2007 events that utilized \$54,062 in total program funding. These events represented a wide range of events that are illustrated in figure 4.

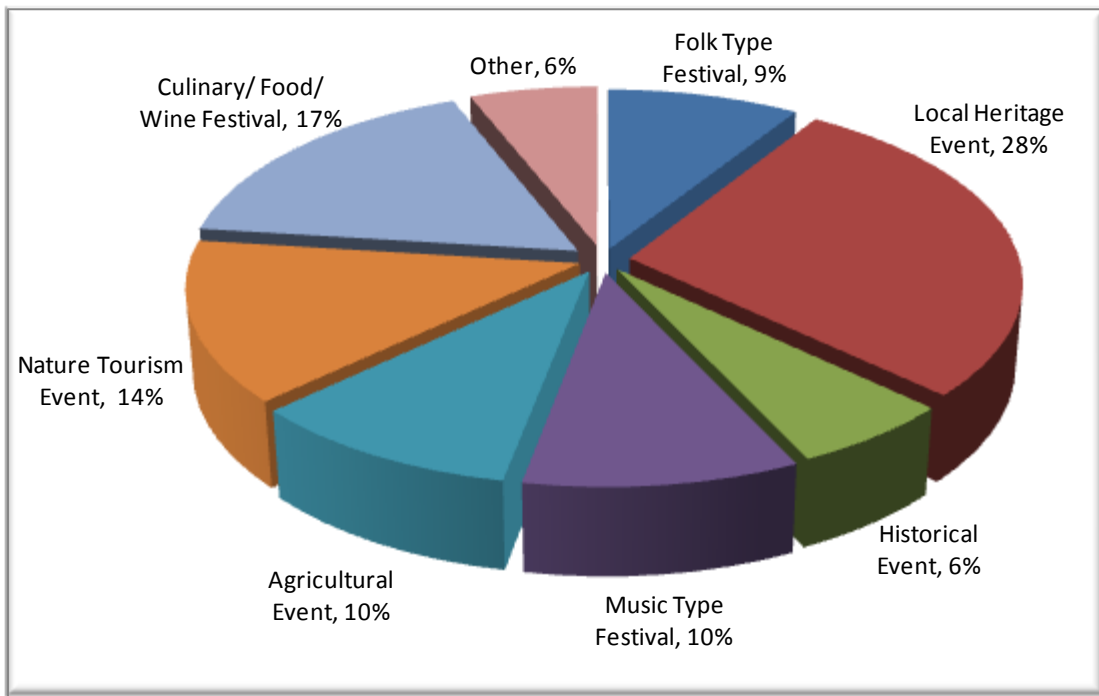


Figure 4- Bootstrap Bucks Events

A survey completed after the event measured community event success in community economic value, perceived value from funding, increase in attendance and comments regarding the event. Communities reported that Bootstrap Bucks supported events averaged \$116,482 in average economic value, which across all 28 events reached \$3.1 million in total estimated value. All responding communities (100 percent) reported that funding benefited their event. However, there are not economic calculations that derive return on investment as the assessment process does not provide enough detail to create accurate estimates, but it is apparent that the level of funding and reported successes illustrates recognizable levels of success.

SUMMARY AND CONCLUSIONS

Texas Yes! funding reached small rural communities and assisted them in creating economic benefits. The funding supported their marketing efforts and increased attendance, visitors' plans to revisit the community and contacts to chambers of commerce, in addition to other recognized benefits. Texas Yes! funding was not the only support for these events, but funding did play a role in increasing event exposure. Other additional rural economic development successes are that some communities hired additional labor to assist them in the management of the event and that restaurant, hotels and event vendors recognized increases in revenues.

The hypothesis that increased exposure should increase attendance is reached through the assessment of these 31 events and is the most important measure of success in economic development. The value of attendance is measured in terms of visitor spending, and the result for 31 responding events is \$7.87 million. The assessment objective of this report is a conservative approach, so considering the 14 percent investment share of Texas Yes! funding, the ROI's for direct visitor spending and economic impacts are \$7.50 and \$15.66, respectively. These economic returns illustrate outstanding returns for state funds and support continued and expanded investment in similar Texas Yes! community events.

An additional recommendation is to continue this assessment and encourage communities to increase their assessment of visitors, as this data is critical to assessing economic returns.

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