



U. S. S E N A T E R E P U B L I C A N P O L I C Y C O M M I T T E E

Legislative Notice

No. 15

June 12, 2009

**S. 1023 – Travel Promotion Act of 2009**

Calendar No. 71

*S. 1023 was ordered reported by the Senate Committee on Commerce, Science, and Transportation on May 20, 2009, (Senate Report 111-25) and placed on the Senate Calendar on June 5, 2009.*

**Noteworthy**

- On June 11, 2009, Majority Leader Reid filed cloture on the motion to proceed to S. 1023. He announced that the cloture vote is expected to occur June 16, prior to the policy lunch recess.
- The purpose of this bill is to help increase travel to the United States by residents of other countries.
- The bill creates a non-profit Corporation for Travel Promotion to determine the best ways to fund promotional projects, campaigns and other measures to attract tourists from other countries.
- Generally, the corporation would be funded in two ways: Through a new \$10 fee imposed on some foreign visitors to the U.S, and through voluntary matching funds from the travel and tourism businesses.
- The bill also creates an Office of Travel Promotion in the Department of Commerce to coordinate the Department's efforts with the new corporation.
- The bill expands the existing Office of Travel and Tourism Industries in the Department of Commerce to allow it to research ways to promote international travel to the U.S.

## **Background**

### *International Travel to the United States*

The travel and tourism industry, especially international visitors to the U.S., contributes substantially to the overall U.S. economy.<sup>1</sup> International travelers provide both direct benefits—in terms of generating employment and revenue—and indirect benefits (i.e., increasing demand for firms that serve the tourist-related companies).<sup>2</sup> In fact, the Office of Travel and Tourism Industries (OTTI) within the Department of Commerce indicates that “total travel receipts reached unprecedented levels in 2008, with a record-breaking \$142.1 billion on travel to, and tourism-related activities within, the United States – an increase of 16% over the previous record set in 2007.”<sup>3</sup>

Moreover, the future appears to improve for the U.S. travel and tourism industry, especially as it relates to international travelers visiting the U.S. In May 2009, OTTI issued a travel forecast projecting that international travel to the U.S. will regain its footing by 2010.<sup>4</sup> OTTI added: “In the long term, the forecast estimates an increase of 10% between 2008 and 2013 to reach a record of 64 million international travelers to the United States.” In a separate finding, OTTI estimated that overseas visitors will not rebound to 2008 levels until 2012.<sup>5</sup>

All this notwithstanding, there may be opportunities to attract more international visitors to the U.S. In addition, the recent economic crisis has resulted in a dramatic drop in the amount of spending by international visitors, as shown by the following OTTI chart:

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<sup>1</sup> USTravel.org estimates that “the travel industry generates more than 17 million jobs - that is one in eight American workers - and is a top industry in nearly all 50 states and the District of Columbia.” See <http://www.ustravel.org/pressmedia/pressrec.asp?Item=967>

<sup>2</sup> For purposes of this document, “international travelers” is used and includes those visitors from Canada and Mexico. This corresponds to the bill, which uses “international travel,” “world travel” and “foreign tourists,” rather than the smaller subset that includes only “overseas visitors” or “overseas travelers” and is approximately 44 percent of the total international traveler population.

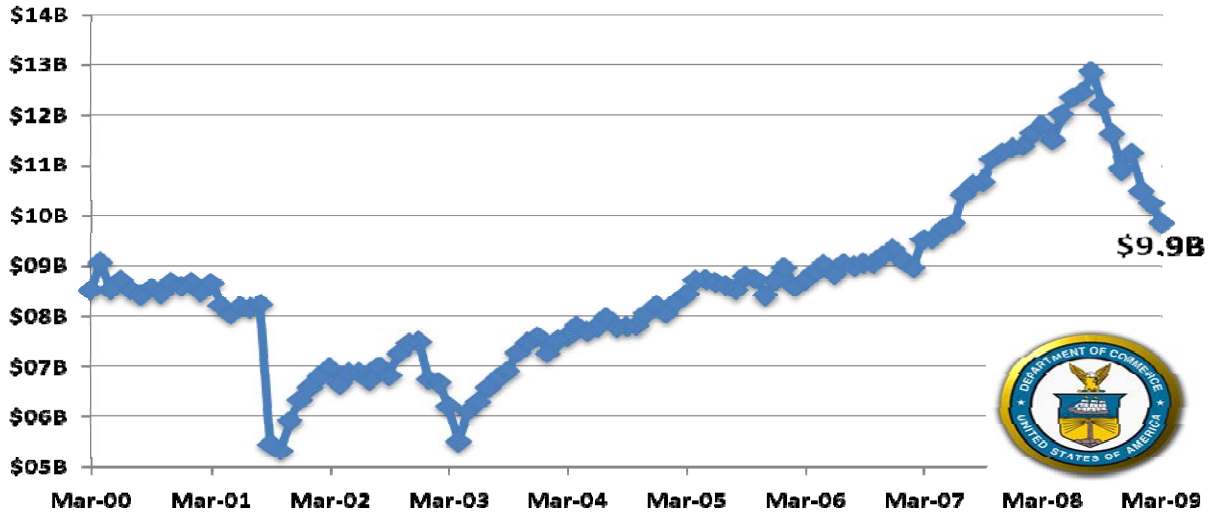
<sup>3</sup> Office of Travel and Tourism Industries, U.S. Department of Commerce, “United States Travel and Tourism Exports, Imports, and the Balance of Trade: 2008,” p. 2.

<sup>4</sup> Office of Travel and Tourism Industries release, May 20, 2009. See <http://www.tinet.ita.doc.gov/tinews/archive/tinews2009/20090520.html>

<sup>5</sup> See <http://tinnet.ita.doc.gov/view/f-2000-99-001/forecast/Data%20Tables%20with%20Forecast%20for%20Total%20Arrivals%20&%20World%20Regions.pdf>

# Monthly U.S. Travel and Tourism Exports (Receipts)

## *International Visitor Spending in the United States*



### *Federal Government Role*

Traditionally, the federal government has had only a small role in the promotion of the travel industry, as funding for this purpose has decreased over the last 30 years. Instead, individual states, especially those that are home to popular tourist destinations, have budgeted for travel and tourism campaigns to lure U.S. and foreign visitors. From time to time, the federal government has played an indirect role in assisting the travel and tourism industry by aiding the U.S. transportation sector, including assistance provided to the U.S. airline industry after the September 11<sup>th</sup> terrorist attacks.

### *Electronic System for Travel Authorization*

To improve border security while reducing border entry procedures for nations that meet certain criteria, the U.S. Department of Homeland Security created the Electronic System for Travel Authorization (ESTA), which acts as a Web-based preclearance mechanism for international travelers from Visa Waiver Program (VWP) countries (i.e., those where a specific visa authorization and fees are not required) seeking to enter the U.S. As of January 12, 2009, international travelers from VWP countries seeking to spend less than 90 days in the U.S. and holding a valid passport from their home country may be eligible, in certain circumstances, to use ESTA. Today, the program operates without charge; the bill would add a \$10 fee.

Opponents of the bill argue that it is counterintuitive to increase the cost for foreign travelers seeking to visit the U.S.—even if only by \$10—as a way to entice more foreign visitors. Either the actual cost or the perception in foreign countries that the U.S. is unwelcoming could decrease the willingness of foreigners to visit. Further, such a fee could be duplicated and imposed by foreign nations on U.S. travelers abroad in those countries that do not have such a fee, thus

increasing the expenses of U.S. travelers abroad. Supporters of the bill argue that the minimal fee will have little impact on a foreign traveler who is likely to spend thousands of dollars to visit the U.S. Additionally, many nations participating in the VWP already impose similar or higher fees for U.S. travelers, thus limiting any potential threat of retaliatory fees.

#### *How the Bill Would Work*

S. 1023 would establish a non-profit corporation to determine how best to fund promotional projects, campaigns and other measures to increase foreign travel to the U.S. Funds to be used by the corporation would come from the new fee for use of ESTA by international travelers (50 percent) and voluntary industry contributions (50 percent). In addition, the bill authorizes the imposition by the corporation of a separate assessment of up to \$20 million on the travel and tourism industry. For fiscal year 2010, the corporation would be given seed funding up to \$10 million from the new ESTA fee. For fiscal years 2011 to 2014, the corporation would be provided up to a total of \$200 million per year, with \$100 million coming from the new ESTA fee and the rest from a 100 percent industry match (fiscal year 2011 only requires a 50 percent match by industry).

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## **Legislative History**

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#### *111<sup>th</sup> Congress*

S. 1023 was introduced by Senator Dorgan on May 12, 2009, and referred to the Senate Committee on Commerce, Science, and Transportation. On May 20, 2009, the bill was ordered reported, as amended, favorably by voice vote by the committee, and subsequently placed on the Senate Legislative Calendar. The committee report (S. Rpt. 111-25) was filed on June 5, 2009.

To date, no similar measure has been introduced in the House of Representatives.

#### *110<sup>th</sup> Congress*

The Senate Committee on Commerce, Science, and Transportation considered and approved by voice vote S. 1661, the Travel Promotion Act of 2007, on June 27, 2007. The bill (similar but not identical to S. 1023 in the 111<sup>th</sup> Congress) was placed on the Senate Legislative Calendar on November 27, 2007. No further action was taken on the measure.

Similarly, on September 25, 2008, the House of Representatives considered and approved H.R. 3232, the House companion legislation, by voice vote under suspension of the rules procedures. The bill was subsequently placed on the Senate Legislative Calendar but no further action occurred on the matter.

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## **Bill Provisions**

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**Section 2. The Corporation for Travel Promotion.** Establishes a new non-profit, non-government corporation, subject to the provisions of the D.C. Non-Profit Corporation Act, for

the purposes of promoting international travel to the U.S. The section would establish a board of directors made up of 11 members from designated travel-related functions and serving various term lengths; it makes clear that the members are not federal employees. Section 2 also establishes the process for removing board members, filling vacancies, electing the board's chairman and vice-chairman, compensating board members for their travel expenses and hiring an executive director and other related officers for the corporation, who would be responsible for hiring staff.

The bill prohibits the corporation from issuing stock or paying any dividend, taking any action that results in private profit to any associated individual or contributing to any political party or candidate. In addition, it is intended that the corporation not be allowed to lobby.

The bill establishes broad duties, specific powers and public outreach obligations for the corporation. Meetings of the board are required to be open to the public unless necessary to preserve the confidentiality of commercial or financial information, personnel matters or legal issues involving the corporation. Further, the board is prohibited from obligating or expending more than \$25 million in any one campaign, promotion or related effort unless two-thirds of the board approves and other criteria are met. Section 2 also requires the corporation to establish the fiscal year as its annual year, adopt an annual budget and contract for independent audits of the corporation's operations. Lastly, the Government Accountability Office is required, within two years of enactment, to conduct a review of the corporation.

**Section 3. Accountability Measures.** Requires the board to establish annual objectives for the corporation and requires that the corporation establish an annual marketing plan. The Secretary of Commerce would have authority to approve the objectives and would be provided a copy of the marketing plan by the corporation. In addition, the corporation would be required to provide a copy of its budget annually to the Secretary and to the public. Any expenditure over \$5 million must be accompanied by an explanation by the corporation. Section 3 also requires the corporation to prepare and transmit an annual report to the Secretary to be sent to Congress detailing various aspects of the corporation's mission and its successes.

**Section 4. Matching Public and Private Funding.** Creates a new account in the U.S. Treasury to be known as the Travel Promotion Fund. For fiscal year 2010, the Secretary of the Treasury would be required to transfer up to \$10 million to the corporation from fees imposed under ESTA. For fiscal year 2011 to 2014, the Secretary of the Treasury would be required to transfer up to \$100 million annually to the corporation from the fees imposed pursuant to section 5 of the bill. For fiscal years 2010 to 2014 transfer payments would be tied and capped by the amount of matching funds, including up to 80 percent in the form of goods and services, received by the corporation from the private travel industry and other non-federal sources (for fiscal year 2011 the match would be 50 percent; for fiscal years 2012 to 2014 it would be 100 percent). The corporation may reject in-kind contributions it finds not useful or worthless. Lastly, funds provided to the corporation are authorized to remain until expended and any funds not spent by the corporation in a year authorized by the bill may be carried over to the succeeding fiscal year.

**Section 5. Travel Promotion Fund Fees.** Requires the Secretary of Homeland Security to impose a fee on foreign visitors of \$10 per travel authorization for use of ESTA, in addition to

any fee necessary to recover administrative costs. Funds generated under this new fee would be deposited in the fund created under section 4, and the authorization would expire at the end of fiscal year 2014.

**Section 6. Assessment Authority.** Authorizes the corporation to impose an annual fee on the companies represented by the board members, excluding small businesses and airlines. The fee, which would be capped at \$20 million, would be in proportion to each company's share of the international travel and tourism industry revenue. The bill establishes a referendum process for board members to approve each year's assessment, and no fee could be imposed unless a majority voted for a referendum. In addition, the bill authorizes the corporation to impose penalties on delinquent assessed parties, including bringing a civil suit to compel compliance, and permits the corporation to invest the fees in an interest-bearing bank account or certificate of deposit.

**Section 7. Office of Travel Promotion.** Creates an Office of Travel Promotion in the Department of Commerce, with a director appointed by Secretary. The office would serve as liaison to the corporation and perform functions to promote international travel to the U.S., including a required report to Congress on the office's work with the corporation, the Secretary of State and the Secretary of Homeland Security on expediting entry of visitors to the U.S.

**Section 8. Research Program.** Expands the functions of the existing Office of Travel and Tourism Industries in the Department of Commerce to conduct research and development activities related to promoting international travel to the U.S.

## Cost

On June 8, 2009, the Congressional Budget Office (CBO) released a cost estimate for S. 1023,<sup>6</sup> estimating that the net impact on the deficit from the bill would be to reduce it by \$425 million over 10 years. Specifically, the bill is estimated to increase revenues, net of income and payroll tax offsets, by \$135 million over the 2010–2019 period; increase direct spending by nearly \$1.2 billion over the 2010–2019 period; and increase discretionary spending by \$80 million over the 2010–2014 period, assuming appropriation of the necessary amounts. Because of offsetting receipts in the form of new fees from the Visa Waiver Program (\$810 million over 10 years) and voluntary contribution matching funds from the travel industry (\$660 million over 10 years), the net change in direct spending is a reduction of \$290 million over 10 years.

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<sup>6</sup> Congressional Budget Office, Cost Estimate, S.1023, Travel Promotion Act of 2009, June 8, 2009, see <http://www.cbo.gov/ftpdocs/102xx/doc10266/s1023.pdf>