Government grants and contracts can be viable and even great sources of revenue for chambers, but the extra funding doesn’t come cheap. From the time required for seeking and administering the grant or contract, to the challenges of navigating potential conflicts of interest, government funding can present risks in addition to the benefits.
Still, many chamber executives find that the risks, if managed carefully, are well worth the added opportunities that government funding provides, and many have made grants, contracts, or both a regular part of their activities. It’s in how they go about pursuing and managing these opportunities where chambers can vary significantly.

Some chambers actively seek government funding as a way to establish or strengthen partnerships that allow them to do more for their communities. But others, concerned about potential conflicts of interest, are more selective. Some chambers simply avoid such arrangements.

**Diluting advocacy effectiveness?**

“By design, we’re a business advocacy organization. We don’t take government money into the core chamber activities so it doesn’t dilute our agenda,” says Steve Leahy, CCE, President and CEO of the Greater Seattle (WA) Chamber of Commerce. “We do have some public-private partnerships, but our operating budget, where we run the chamber, is 99.99 percent private dollars.”

Donald Fry, President of the Greater Baltimore (MD) Committee, is also concerned about potential conflicts of interest. “Our involvement with [government funding] has been relatively minimal over the last 10 years, and one of the reasons is that we’re actively engaged in many public policy issues,” he says. Although the chamber recently received a tourism grant, “We still think it’s important to have a certain level of independence from government because of our legislative interests. It’s important to remain independent and not seek financial assistance—this is not one of our budget categories, and not something we’re actively seeking to procure.”

But other chambers say that such credibility issues can be managed, and that focusing on concerns shared by business and governments can greatly benefit their communities. The Asheville (NC) Area Chamber of Commerce works closely with government, particularly on tourism issues, and has found the arrangement to be very successful.

“Ordinarily referred to in the trade as a one-stop shop. We have a convention and visitors’ bureau here and we also handle economic development. Once you have that mix, government funding at a minimum is included,” says Richard Lutovsky, the chamber’s President and CEO.

The Asheville Area Chamber’s economic development program, in the $800,000 range, is a “cooperative venture, about half public and half private,” Lutovsky says. “We always try to keep the mix 50-50.”

“We’ve had a history here of the government working with the chamber. Some [chambers] like to keep more of an arm’s length with government,” he continues. “We don’t always see eye to eye with—and will take positions contrary to—government, but it hasn’t impacted our other relationships with officials in any way in our collective efforts to attract visitors to the area and create jobs.”
Most chambers using some public funding

Whether supportive or skeptical of working with government funding, or somewhere in between, most chambers report that they do work with a certain amount of grant or contract revenue, some of which includes government funds. An ACCE Chamber Operations Survey for 2004–2005 revealed that close to 70 percent of the participating chambers had grant or contract revenue, or both, which on average made up around 19 percent of their total unrestricted revenue.

The percentage varied from 60 percent of chambers with a dues volume range of under $200,000 reporting some contract or grant revenue, to 73 percent of chambers with a dues volume range of over $1,000,000 reporting some contract or grant revenue, or both. Which on average made up around 19 percent of their total unrestricted revenue.

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HOW GOVERNMENT FUNDS ARE USED

In May 2006, ACCE conducted an online poll to ask members specifically about their use of any local, state, or federal contract revenue. Of the 159 survey respondents, more than half acknowledged some such public funding, with 36.2 percent saying they expected government contract revenue to rise at their chamber over the next three years, and 28.9 percent predicting the levels would remain at least the same.

The most common programs for which these chambers use government funding include:
- tourism development (28.2 percent), business recruitment (20.9 percent)
- workforce development and/or a workforce investment board (12.9 percent)
- festival or other event (8.6 percent)
- downtown development (5.5 percent).

In addition, these chambers report using government contract revenue for small business development, land development, military affairs (including military base retention), housing development, marketing, airport development and passenger rail promotion, management of a city-owned auditorium and international trade mission programs, among others.

Expanding chamber services

This diversity in programming stems from the many roles chambers must play—something that can further complicate maintaining a careful balance. For some organizations, this is very much a “do-able” goal.

Dave Hall, President and CEO of the Chenango County (NY) Chamber of Commerce, acknowledges that while it involves much “planning, bureaucracy, and reporting to contend with,” working with government is “very much worth the trouble.”

Hall’s organization has received a variety of public grants—from a $25,000 grant from a state senator for the chamber to develop a new brand, website, and marketing materials for the chamber, to a $600,000 grant from the state and county for an economic development plan.

According to Hall, these grants allow the chamber to do more for the community. Of the county-wide economic development plan, he says, “There was no way we could have done that on our own. I think it’s a common phenomenon that chambers are expected to do more, and this was a great opportunity to get out and get funds in a way better than through traditional fundraising or membership dues.”

Working with government on common goals are good for everyone, he says, and doesn’t require compromising a chamber’s integrity.

“Chambers need to be trusted advocates and trusted agents for government, to be closely linked with—and understand—the government process,” Hall says. “We don’t see a lot of conflict of interest. We’re not a political action committee so we don’t play in that arena, but if there’s a project that benefits our members and our community, sure we’re gonna go for it.” The chamber’s latest (pending) grant is to study combining municipal services for several communities in the same geographic area.

The Chenango Chamber ensures that its grant participation “has been for a specific project, so we only commit to what we have,” he says. “I would never build my budget based on a possible grant.” And how does the chamber learn of those opportunities? A couple of staff members actively seek opportunities, namely by learning about them through economic development organizations.

Still, being selective still plays a big role when pursuing or accepting government funds. Hall works closely with his board to “look at what the grant is for and ensure it fits within our strategic plan.” He acknowledges that “none of the [funding] is free—it comes with a cost in terms of the staff time involved to get it, administer it, account for the money, do the reporting... but it’s also a great way to get things done.”

Roy Williams, President of the Greater Oklahoma City (OK) Chamber of Commerce, echoes that sentiment. While his organization does not actively seek out government grants or contracts, it does not shy away from them at all. Public funding for some programs, he says, is “definitely worth it.”

The Greater Oklahoma City Chamber contracts with the city to run the Convention and Visitors Bureau and economic development programs, among others. It also works with other non-governmental organizations to run education programs and workforce development “so long as it is in line with what we do.”

And that is key, he says—ensuring that any work involving public funding is mission-driven. “We tend to contract with
the public sector to complement some things like economic development to achieve our objectives,” Williams says. “We don’t think of it as a revenue source but as a resource for carrying out our mission.”

“If, for instance,” he said, “we see there’s an unmet need in our community that needs to be addressed, we would see if there are potential partners, public or private, that would help, and we would try to come together to see what can be done.”

But it’s critical to know the difference between “subsidizing an operation versus contracting for a service,” he said. “That’s where a lot of organizations that got government funding got burned. If the scope for getting those resources conflicted with that organization’s mission, then you have to ask if accepting government funds will impact your ability to be an advocate and engage in policy. If so, then you should stay away from it.”

Handling criticism over a government contract is something that the Glenwood Springs (CO) Chamber Resort Association knows all too well.

The current organization was formed about 20 years ago by combining the city’s chamber of commerce, a tourism board, and a separate reservations system that handled the local hotel bookings. The three organizations sometimes had inadvertently created problems for one another.

“For example, the tourism board would allocate money for the reservation service and certain money for the chamber but no one knew what the other was doing and funds weren’t spent efficiently,” says Marianne Virigili, CCE, President and CEO of the chamber. “The tourism board would spend money for advertising, but didn’t think of how the chamber would handle the added requests and the necessary staff, postage, and other resources needed from the response to the advertising, so the chamber would get added tasks with no extra funding.”

The city government proposed consolidating all tourism agencies under one roof, resulting in the new Chamber Resort Association that would contract with the city to handle tourism.

The arrangement has been largely successful, Virigili says. “We were going to end up doing the job anyway, because many people see the chamber as the first source of information, but we couldn’t do it as effectively without the resources” that the city contract now provides.

Still, its success has sometimes brought criticism, Virigili says. “Contracts like this are always in jeopardy. It’s common in this industry to get this contract and then lose it: when the contract gets to be ‘big money,’ the government wants it back or others think they can do the job better. If you have a tiny budget, nobody wants to do it. If you have a big budget, everyone thinks they can do it better.”

Every four years or so, Virigili continues, the tourism industry feels it could better administer the contract itself as its own organization, or the city thinks it can manage it more effectively as its own agency.

“So at those times we have to lobby at city hall and show our tourism numbers and the growth achieved under our organization,” she says. “It’s a cycle that you go through. I don’t know of too many tourism contracts that aren’t cyclical. It’s very common for this to happen.”

Although administration fees make up a small portion of the nearly million-dollar budget for the contract, Virigili reports, the
than government.”

“I find that what happens is when you take a hard stance with the city there can be a negative impact,” she says. “We try to partner with the city and work on tax issues that benefit the community, but occasionally when we take a stance that conflicts with what happens in city hall, someone will go through the back door and try to attack us through this contract. It’s usually not city hall itself, but an individual or other organization. For example, maybe someone doesn’t like that you take a stance with a school bond issue, and suddenly they’re scrutinizing your organization and questioning it.”

Virgili still thinks contracting with the government has been a good arrangement for tourism. But to ensure a smoother flow, the organization changed last year so that a separate tourism board that reports to the chamber board now handles the contract. “We tried to accommodate their concerns and give them more autonomy, and so far it’s working,” she says. They even tried to reach out to critics: “The people who raised concerns all were offered seats on that board.”

Still, for all its outreach, open records, and efforts to keep administrative fees low, the organization often has to defend itself. “Otherwise people think you’re trying to build an empire. You’re always having to prove that you can do [the job] better than government.”

Jump-starting a new public service

For other chambers, short-term contracts are a better choice. The Greater Baltimore Committee in early 2006 received a one-time grant from the City of Baltimore to run a tourist bus it hopes can become self-sustaining soon.

“We were the facilitators in bringing this here,” Fry says. “We’d heard concerns from tourism venues that there was no type of transportation to bring people to and from all the area attractions.” So the chamber helped bring a company to Baltimore to provide a unique mode of on-and-off transportation: a double-decker bus making stops at nearly two dozen tourist attractions.

“Our goal is to make it financially sustainable by tourist use and sponsorship and advertising from the attractions,” Fry says. But this contract is a rare venture for the chamber. “It is not part of our strategic plan to seek government funding,” he says.

Richard Parsons, President and CEO of the Montgomery County (MD) Chamber of Commerce, agrees. The chamber has had “some good experiences, and some not so good,” he says, and purposely avoids any government contracts or grants.

Parsons says one particular experience changed the chamber’s outlook. “About nine years ago or so, we had a tight labor market here, with two percent unemployment and a labor shortage in construction, nursing, hospitality, and other fields. There were some workforce programs in place but they were not matched to our needs at the time.”

The chamber got together with the publicly funded Workforce Investment Board, community colleges, and others to address the issue, and formed an alliance called the Montgomery County Chamber Workforce Corporation that Parsons now calls “a good idea taken a step too far.”

The alliance’s complex financial structure resulted in entangled funds and a major mess, Parsons says. “There was nothing criminal, no malfeasance, but just terribly complicated in terms of allocating some of the funds.”

The repercussions were disastrous. “The chamber was almost destroyed, and membership plummeted.” Parsons was brought in to lead the change. “We severed the alliance and went back to being a freestanding chamber that works collaboratively with partners but maintains its independence.

“I came in five years ago and one of the first things we did was hold a big strategic planning retreat with the board. It took about a year to take the Alliance apart, so for about four years we’ve been functioning as and independent chamber again and have experienced unprecedented growth. And since that day we haven’t taken a penny of government grant or contract work.”

Parsons hasn’t ruled out any possible grant or contract work in the future for specific, one-time projects, but says the chamber would be extremely careful, “and right now, the board has zero interest in government money.”

Parsons acknowledges working with public funds can work. “For example, around the time that we were trying to undo the alliance and go back to a regular chamber, we were wrapping up another project where the county asked us to do a report on broadband infrastructure,” he says. “They’d commissioned us for a specific project task that we carried out, and that’s perhaps a better model: if there’s a specific task or specific, one-time project with clearly defined goals, we’ll consider it.”

Even so, Parsons says, a chief concern is the credibility factor. “The more government grants and contract revenue your chamber starts using, the less independence you have in going to government for advocacy purposes. You can’t really balance it if you’re criticizing the government one day and then seeking appropriations for your members’ or community’s interests the
next week. You can’t be biting the hand that feeds you, so it ends up sidelining your chamber from an effective advocacy role.”

The chamber’s size makes this point a critical one. “Our mission is more focused on pro-business advocacy and member services programs and building corporate engagements, so we need to maintain independence as a voice for business. Our county has a population of a million people and is one of the top five markets in the U.S Advocacy is very important to our membership. It starts with ‘What do your members need?’ and that’s what any membership organization needs to deliver.”

Successfully nibbling the hand that feeds you

Parsons acknowledges that his hard-line approach against government funding is not feasible for other chambers. “It’s good for all chambers to look for non-dues revenue, especially in the area of economic development,” he says. “We happen to be in an area where there’s a freestanding economic development agency, but in some communities, the chamber is the economic development organization.”

Lutovsky of the Asheville Area Chamber, which runs the community’s economic development program, agrees that there’s no one-size-fits-all method for chambers dealing with public funds. “There are no two chambers exactly alike—there are many different models that chambers follow. In Asheville,” he says, “it’s all under one roof, and anyone that comes to our facility in person, via the Internet, or via phone can be accommodated. It’s an advantage to our chamber.”

It’s also a benefit to the community, Leahy of the Seattle Chamber says. “We are driven by a very pragmatic realization that doing little fragmented things on your own doesn’t add up to much,” he says. And even when working closely with government, lines can be clearly drawn.

The chamber created the Trade Development Alliance of Greater Seattle with the city, the county, and the Port of Seattle, but the alliance has its own board and president. And with the Seattle Sports Commission, the chamber is the fiscal agent and the employees are legally chamber employees, but they have a dual reporting relationship to the group’s own board as well as the chamber.

“Our contracts,” Leahy says, “are for specific terms and are more results-oriented” and don’t comprise the chamber’s ability to take positions. “We don’t feel that by combining efforts with government on things like the trade mission we’re compromising our position to kick the mayor or the council in the shins if needed on something like tax issues,” he says.

Williams of the Greater Oklahoma City Chamber also stresses that many potential conflicts of interest can be avoided when contracts are very specific. “Our contracts are performance contracts,” he says. “There’s a big difference between getting government money to subsidize your operation where you do potentially have a major conflict versus getting a contract to perform a task.”

To manage potential conflicts beforehand, Williams says, chambers should ask certain questions before taking up the funding: Will this prohibit us from taking a position? Will this prevent us from being an advocate for something? And “never try to do something you’re not totally capable of doing,” he says. “If you can’t deliver on the commitment, don’t take the money and use it as a training tool. I’ve seen a lot of places that have done it and failed miserably.” And don’t ever become too dependent on the funding. Virgili of Glenwood Springs says. “Don’t ever do long-term financial projections counting on your government contract,” she says. “You have to be able to walk away at any time or lose it at any time without it impacting your finances.”

Be prepared for all the work that comes with government grants or contracts: the regular reporting of activities and finances; the staffing for programs; the time involved in securing, administering, renewing, or closing out any grant or contract; the open records that most public funding arrangements will require; and any additional management or personnel training necessary.

Ultimately, is it worth the trouble? The chambers that frequently work with government funds say it is—so long as they keep a realistic approach.

“It’s not cheap money,” Seattle’s Leahy says. “It’s actually expensive money because of the time involved to manage it. It can be worthwhile, but chambers need to be very specific. They need to know just what they want to achieve with a program,” he says. If you have a specific program that would benefit the community, where a collaborative approach with business and government would provide good resources, that’s the best reason to do it.”

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