



Legislative Fiscal Bureau

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May, 2019

Joint Committee on Finance

Paper #693

Delete Office of Marketing Services (Tourism)

[LFB 2019-21 Budget Summary: Page 399, #5]

CURRENT LAW

The Department of Tourism is responsible for promoting Wisconsin and supporting its tourism industry. Its responsibilities include: (a) advertising the state's scenic, historic, cultural, recreational, and other attractions through digital, print, radio, and television communications; (b) providing information to prospective travelers by internet, social media, and telephone; (c) developing cooperative marketing programs with the state tourism industry; (d) administering tourism-related grants; and (e) administering development programs that assist businesses and municipalities in identifying marketable features that may attract customers.

In 2018-19, the Department is provided \$15,482,600 for tourism promotion functions, which includes \$4,333,600 in state general purpose revenues (GPR), \$9,545,500 from program revenues (PR), and \$1,603,500 from segregated (SEG) funds. The Department is authorized 30.0 tourism development positions, of which 26.0 are GPR-supported and 4.0 are PR-supported.

The statutes require the Department to operate a marketing clearinghouse to provide state agencies marketing services. Under the clearinghouse arrangement, Tourism is authorized to charge state agencies for marketing services sufficient to cover Tourism's cost in providing those services. Currently, the Department charges agencies \$80 per hour of services. Recent projects have included recruitment videos, marketing of annual conferences, awareness campaigns for state programs, and agency publications, among others. A list of projects since 2016-17 can be found in the attachment.

GOVERNOR

Delete 4.0 PR positions and \$365,800 PR annually associated with OMS. In an errata item,

the administration reports that it intended to provide 1.0 GPR position and \$133,400 GPR annually in the Department's general program operations appropriation to convert the incumbent OMS director, the only filled position of those proposed to be deleted, to GPR.

DISCUSSION POINTS

1. Although the marketing clearinghouse was created with Tourism in 1996, full implementation never proceeded. During that period, Tourism reports it provided occasional marketing services to agencies but did not bill for services. Under 2015 Wisconsin Act 55, Tourism was authorized 4.0 PR positions to create the Office of Marketing Services (OMS) in its current form. Act 55 also deleted 29.8 positions and funding of approximately \$2 million annually in other agencies with the intent that agencies would instead work with Tourism on communications and marketing projects. No Tourism marketing or promotion positions, all of which were GPR-supported at the time, were eliminated or transferred to OMS under the Act 55 provision.

2. While the bill deletes PR positions and funding, it would retain the statutory authorization for the Department to assess state agencies fees for marketing services and the appropriation necessary to receive those fees. Thus, the administration indicates the Department would continue to have the ability to use the clearinghouse framework in the future. However, because the OMS appropriation is annual, under the bill any further revenues could not be expended until Tourism is authorized an increase in expenditure authority by subsequent budget legislation or by the Joint Committee on Finance under s. 16.515 of the statutes. As the appropriation would have no position authority, it is expected any such expenditures would support limited-term employees and supplies and services costs.

3. Although OMS is authorized 4.0 positions, it has at most employed two. Currently, OMS has 1.0 director and remaining positions are vacant. Tourism reports that current OMS revenues are not able to support more than one position. The administration indicates that a primary reason for deletion of OMS PR funding and positions was the inconsistent revenue resulting from a lack of awareness and usage of OMS by other state agencies.

4. As part of its general marketing contracts, Tourism contracts out various professional marketing services for larger or more complex projects. The Department reports that, in general, it pays an hourly rate of \$90 for these services. OMS currently charges its clients \$80 per hour for its services. By comparison, OMS could be considered a competitive option for agencies that would otherwise use private vendors, although it does not have the capacity for larger or more complex projects.

5. Tourism indicates it intends to continue to offer services to other state agencies, on both fee and non-fee bases, even if OMS funding were deleted. The Department reports that if it were provided GPR funding for its OMS director, it would intend to provide marketing services to agencies free of charge, as resources allow. As written, the bill does not provide GPR funding or a position to retain the OMS director. The errata item forwarded by the administration also converts the 1.0 director position to GPR and provides \$133,400 GPR annually.

6. The attachment lists OMS projects since 2016-17. OMS billed agencies \$108,920 in 2016-17 for 13 projects and \$163,080 in 2017-18 for 17 projects. For 2018-19, Tourism estimates OMS will conduct 18 projects and bill \$128,120. Agencies are charged a rate of \$80 per hour of work, and OMS revenues over this period reflect approximately 5,000 hours of work. However, of projects listed in the attachment, 10 were conducted on behalf of Tourism, totaling 1,980.5 hours, or approximately 40% of all project hours of OMS. Tourism's general promotional and operations budget pays these service charges to OMS.

7. It is possible these project activities billed to Tourism could have been conducted by other Tourism staff, in which case it is not clear that OMS would have sufficient workload from other agencies to justify the proposed 1.0 GPR position if funding for the director were converted. Instead, the position could continue to spend a significant portion of its time on Tourism-related duties. Conversely, if the position were converted to GPR, it is possible that OMS's workload would grow as more agencies would seek services that are free of charge.

8. OMS has provided services to 16 unique clients since 2016-17. As seen in the attachment, 11 of these clients have returned for further services, and a number of projects reflect recurring annual conferences or annual campaigns. Given that the Department has cultivated a consistent base of agency clients, deletion of the Office could disrupt services to other agencies. Further, it is possible OMS could continue to grow its base of clients over time as it retains current clients and additional agencies become aware of its services.

9. Providing a GPR position to OMS would allow for a consistent funding base for the Office, which could alleviate budget uncertainty caused by fluctuations in workload. If the Committee wished to ensure a consistent operating budget for the Office, it could adopt the Governor's revised proposal to delete 4.0 PR positions and associated funding, and instead provide 1.0 GPR position and funding (Alternative 1). If the Committee wished to provide flexibility to the Office in the event projects begin to generate more revenue, it could modify the Governor's proposal to provide 1.0 GPR position and funding, but maintain existing PR positions and funding (Alternative 2). Conversely, given that current revenues are sufficient to fund 1.0 PR position, the Committee could consider maintaining 1.0 PR position and \$133,400 annually instead of providing GPR (Alternative 3).

10. Given that OMS is not able to generate revenue for all its authorized positions, and given Tourism purchases a substantial amount of OMS services but did not previously have its authorized position level reduced as other agencies did in Act 55 provisions, the Committee could consider deleting its 4.0 PR positions and associated funding (Alternative 4) and also repealing the statutory authorization for the clearinghouse and the associated appropriation (Alternative 5). The Committee could also consider taking no action, which would provide Tourism flexibility to operate the Office with up to 4.0 positions in the event projects are able to generate sufficient revenue (Alternative 6).

ALTERNATIVES

1. Adopt the Governor's proposal as modified by the errata letter to delete 4.0 PR positions and associated funding of \$365,800 PR annually, and convert the incumbent OMS director to a new GPR-funded position budgeted at \$133,400 annually.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$266,800	1.00	\$266,800	1.00
PR	<u>- 731,600</u>	<u>- 4.00</u>	<u>0</u>	<u>0.00</u>
Total	- \$464,800	- 3.00	\$266,800	1.00

2. Modify the Governor's proposal by maintaining 4.0 PR positions and associated funding of \$365,800 PR annually, while also providing 1.0 GPR position and \$133,400 GPR annually and transferring the incumbent OMS director.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$266,800	1.00	\$266,800	1.00
PR	<u>0</u>	<u>0.00</u>	<u>731,600</u>	<u>4.00</u>
Total	\$266,800	1.00	\$998,400	5.00

3. Maintain 1.0 PR position and associated funding of \$133,400 PR annually, and delete 3.0 PR positions and \$232,300 PR annually.

ALT 3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	- \$464,600	- 3.00	\$266,800	1.00

4. Delete 4.0 PR positions and funding of \$365,800 PR annually. (This reflects the provisions in the bill as introduced.)

ALT 4	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	- \$731,600	- 4.00	\$0	0.00

5. In addition to Alternative 5, repeal s. 41.21 of the statutes, which authorizes the Office of Marketing Services clearinghouse, and its appropriation under s. 20.380(1)(kc).

6. Take no action. This would maintain funding of \$365,800 PR annually and 4.0 positions.

ALT 6	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	\$731,600	4.00

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Attachment

ATTACHMENT

Office of Marketing Services Projects

<u>Client</u>	<u>Project</u>	<u>Hours</u>	<u>Billed Amount</u>
2016-17			
Department of Tourism	2017 Wisconsin Governor's Conference on Tourism	479.5	\$38,360
Department of Military Affairs	2016 Cybersecurity Summit	284.5	22,760
Department of Military Affairs	2017 Governor's Conference on Emergency Management	204.5	16,360
Department of Financial Institutions	LookForwardWI.gov	107.0	8,560
Wisconsin Association of Convention & Visitor Bureaus	2016 Northwoods Summit	104.0	8,320
Department of Administration	State Jobs Recruitment Video	56.0	4,480
Department of Children and Families	Recruitment Video	45.0	3,600
Public Service Commission	Office of Energy Innovation Logo	35.5	2,840
Public Service Commission	State Broadband Logo	24.0	1,920
Department of Corrections	Logo	8.0	640
Legislature - Assembly	Great Lakes Wolf Summit	6.5	520
Wisconsin Economic Development Corporation	Lifestyle Video	4.0	320
Department of Administration	Small Business Summit	3.0	240
Subtotal 2016-17	13 Projects	1,361.5	\$108,920
2017-18			
Department of Tourism	2018 Wisconsin Governor's Conference on Tourism	616.5	\$49,320
Wisconsin National Guard Association, Inc.	Adjutants General Association of the United States 2018 Summer Conference	292.0	23,360
Department of Military Affairs	2018 Governor's Conference on Emergency Management	252.5	20,200
Department of Military Affairs	2017 Cybersecurity Summit	244.5	19,560
Department of Tourism	2017 Northwoods Summit	120.0	9,600
Wisconsin National Guard Association, Inc. and Wisconsin National Guard Enlisted Association	2018 Conference	120.0	9,600
Department of Corrections	Bureau of Correctional Enterprises Logo	80.0	6,400
Department of Children and Families	Recruitment Video	60.5	4,840
Department of Financial Institutions	College and Career Guide	60.0	4,800
Department of Natural Resources	Wild Wisconsin Partnership Program	54.0	4,320
Department of Health Services	Serve Wisconsin Marketing	37.5	3,000
Department of Military Affairs	2018 Cybersecurity Summit	36.5	2,920
Department of Tourism	Wisconsin Association of Convention and Visitors Bureaus Fall Conference	33.5	2,680
Wisconsin Economic Development Corporation	Recruitment Project	20.0	1,600
Department of Tourism	Tourism Week Publications	6.0	480
Wisconsin Economic Development Corporation	InWisconsin.com Photo Request	3.0	240
Wisconsin State Patrol	Motorcycle Awareness Campaign	2.0	160
Subtotal 2017-18	17 Projects	2,038.5	\$163,080

<u>Client</u>	<u>Project</u>	<u>Hours</u>	<u>Billed Amount</u>
2018-19			
Department of Tourism	2019 Wisconsin Governor's Conference on Tourism	618.5	\$49,480
Department of Military Affairs	2018 Cybersecurity Summit	283.5*	22,680*
Department of Military Affairs	2019 Governor's Conference on Emergency Management	251.0*	20,080*
Department of Administration	2018 Northwoods Summit	102.0*	8,160*
Wisconsin National Guard Association, Inc. and Wisconsin National Guard Enlisted Association	2019 Conference	75.0*	6,000*
Wisconsin Historical Society	Historic Sites Multi-Year Marketing Strategy	71.0	5,680
Department of Tourism	Strategic Planning and Secretary Engagement	40.0*	3,200*
Department of Tourism	2018 Wisconsin Fall Tourism Conference	31.5	2,520
Department of Tourism	Wisconsin Governor's Conference on Tourism Sponsor Appreciation Lunch	25.0*	2,000*
Office of the Assembly Chief Clerk	2018 American Society of Legislative Clerks and Secretaries Seminar	58.0	4,640
Department of Justice	2019 Internet Crimes Against Children Conference	23.0*	1,840*
Department of Natural Resources	Wild Wisconsin Partnership Program	12.5	1,000
Department of Justice	Logo Design	12.0	960
Department of Corrections	Bureau of Correctional Enterprises Website	10.5*	840*
Department of Tourism	Reception Breakfast	10.0*	800*
Department of Corrections	Bureau of Correctional Enterprises T-Shirt Design	8.0	640
Department of Financial Institutions	2019 College and Career Guide	6.0	480
Wisconsin State Patrol	Motorcycle Awareness Campaign	<u>3.0</u>	<u>240</u>
Subtotal 2018-19	18 Projects	1,601.5	\$128,120
Total	48 Projects	5,001.5	\$400,120

*Project is ongoing or not yet billed. Amounts shown are preliminary estimates, and should not be considered final.