



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #725

Tourism Marketing (Tourism)

[LFB 2003-05 Budget Summary: Page 406, #3]

CURRENT LAW

The Department of Tourism has base level funding of \$10,750,400 annually for tourism marketing activities in 2002-03. This funding is split between two appropriations, one funded by general purpose revenue (\$6,780,900) and the other funded by tribal gaming program revenue (\$3,969,500). These marketing activities make up about 70% of Tourism's \$15.2 million total base budget. Under 2003 Act 1, the Department's GPR tourism marketing appropriation was reduced by \$1,277,500 in 2002-03.

GOVERNOR

Delete \$1,600,000 annually from the tourism marketing GPR appropriation.

DISCUSSION POINTS

1. Tourism marketing would be provided approximately \$9.2 million annually under the Governor's recommendation. The bill would reduce marketing funds by almost 15% annually from the base level (about 3% below the amount authorized under 2003 Act 1 for 2002-03). The following table shows tourism marketing funding levels for 1995-96 through 2004-05.

TABLE 1**Tourism Marketing Appropriations**

<u>Fiscal Year</u>	<u>GPR</u>	<u>Tribal Gaming PR</u>	<u>Total</u>	<u>Percent Change</u>
1995-96	\$7,750,000		\$7,750,000	--
1996-97	7,741,000		7,741,000	-0.1%
1997-98	7,741,000		7,741,000	0.0
1998-99	9,241,000		9,241,000	19.4
1999-00	7,691,000	\$3,969,500	11,660,500	26.2
2000-01	7,691,000	3,969,500	11,660,500	0.0
2001-02	6,434,300	3,969,500	10,403,800	-10.8
2002-03	5,503,400	3,969,500	9,472,900*	-8.9
2003-04	5,186,400	3,969,500	9,155,900	-3.3
2004-05	5,186,400	3,969,500	9,155,900	0.0

*Base level funding of \$10,750,400 was reduced by \$1,277,500 under 2003 Act 1.

2. Tourism marketing expenditures for 2001-02 totaled \$10,847,400. These expenditures were made on a variety of categories intended to bolster Wisconsin as a tourist destination and are shown in Table 2. This funding is higher than the amount listed in the table above due to funds that were obligated in 2000-01, but not paid until 2001-02.

TABLE 2**Tourism Marketing Expenditures (2001-02)**

<u>Category</u>	<u>Amount</u>	<u>Percent of Total</u>
Advertising	\$4,309,900	39.7%
Special Promotions (marketing outside advertising contract)	2,000,000	18.4
Joint Effort Marketing Grants	1,272,500	11.7
Public Relations (press releases and tours, newsletters)	700,000	6.5
Printing (publications, other printed material)	624,000	5.8
Fulfilling Requests/Telemarketing (ad inquiries, response mailings)	575,000	5.3
Other (professional services, association dues software, travel, etc.)	421,100	3.9
Rents/Leases	416,000	3.8
Statutorily Required Promotional Spending	275,000	2.5
Research	202,000	1.9
Trade Shows (motor coach and sport shows, etc.)	45,000	0.4
International Promotion	<u>6,900</u>	<u>0.1</u>
TOTAL	\$10,847,400	100.0%

3. Special promotion expenditures include Tourism marketing done outside of ongoing advertising contracts. This funding is used for many different purposes, including Department website design and development, Tourism's direct marketing efforts (including those for motor coach travel and sports shows) through mail and e-mail, and contingency money for sudden opportunities (the success of a state athletic team offers the state increased exposure) or emergencies (promotion of alternative winter activities given a lack of snow).

4. The statutes currently require Tourism to make the following expenditures totaling approximately \$1.4 million annually from its tourism marketing appropriations: (a) at least \$1.13 million annually for the joint effort marketing program; (b) \$125,000 GPR annually for sports marketing activities and events in the state; (c) \$25,000 GPR annually for state sponsorship of, and advertising during media broadcasts of, the Milwaukee symphony; (d) \$50,000 GPR each biennium for grants to America's Black Holocaust Museum in the city of Milwaukee; and (e) \$200,000 PR each biennium for the Milwaukee Public Museum for Native American exhibits and activities. Therefore, the funding reductions recommended by the Governor would have to come from areas aside from these categories. Tourism has yet to determine how it would allocate tourism marketing funds under the bill, but the Department has stated that these cuts would come from advertising, promotions, public relations and printing.

5. The joint effort marketing (JEM) program is designed to help non-profit tourism promotion organizations publicize local events and attractions. Public agencies and private, non-profit organizations may submit applications for grants to fund up to 75% of the total promotional (marketing) budget for the first year of a project, 50% for a second year project, and 25% for a third year. However, a JEM grant may not exceed the lesser of: (a) 50% of the event's total project budget; or (b) the difference between 50% of the event's total project budget, and event advertising and promotional revenue minus 50% of the event's total project budget. Applications are reviewed by Tourism staff and forwarded with recommendations to the Council on Tourism, which makes the grant selections based on the project's advertising plan and budget, project coordination with state-wide tourism, the project's likelihood of substantially increasing tourist visits and expenditures, and applicant ability to pay its share of the project costs and potentiality to be self-sufficient within three years.

6. A report commissioned by the Department of Tourism on the state's tourism industry from December, 2001, through November, 2002, indicates that travel related expenditures totaled \$11.7 billion in Wisconsin. This represents a two percent increase over the amount spent in Wisconsin during the period of December, 2000, through November, 2001. The following table shows estimated travel expenditures over the last seven years in Wisconsin. Travelers include those on vacation, business or personal travel. The overnight visitor count is an estimate of the number of people lodging per location of overnight stay (for example, a couple on a three-night stay at one hotel would count as two, whereas if they changed lodging each night, they would be counted as six "visitors").

TABLE 3**Economic Impact of Travel Estimates**

<u>Year</u>	<u>Travel Expenditures (in billions)</u>	<u>Percent Change</u>	<u>Overnight Visitors (in millions)</u>	<u>Percent Change</u>
1996	6.70	--	30.5	--
1997	6.80	1.5%	29.8	-2.0%
1998	8.12	19.4	31.9	7.0
1999	9.08	11.8	32.2	0.9
2000	11.05	21.7	37.4	16.1
2001	11.47	3.0	36.9	-1.3
2002	11.70	2.0	N.A.	N.A.

7. In 2002-03, a National Council of State Tourism Directors poll found that Wisconsin ranked eleventh in total tourism office funding among 49 states that responded. Testimony at the Committee's public hearings argued that in order for Wisconsin to remain a premier tourism destination of the Midwest, it must maintain state tourism marketing funding. Proponents of this view believe reducing tourism marketing will have a negative effect on the Wisconsin tourism industry and the associated revenues that are generated. Results of Midwestern states in the survey, along with a comparison to 1987-88 funding levels, are shown in Table 4. It is important to note that the figures shown below reflect total tourism budgets and not just those for marketing activities.

TABLE 4**Comparative Tourism Budgets**

<u>State</u>	<u>1987-88</u>		<u>2002-03*</u>		<u>Percent Increase</u>	
	<u>Total (millions)</u>	<u>Per Capita</u>	<u>Total (millions)</u>	<u>Per Capita</u>	<u>Total</u>	<u>Per Capita</u>
Illinois	\$20.5	\$1.79	\$49.7	\$3.94	145%	120%
Indiana	2.1	0.38	5.3	0.87	152	129
Iowa	1.4	0.50	3.6	1.21	157	142
Michigan	10.6	1.14	14.8	1.47	40	29
Minnesota	5.9	1.35	9.9	1.98	68	47
Missouri	5.2	1.02	15.2	2.68	192	163
Ohio	6.4	0.59	5.4	0.47	-16	-20
Wisconsin	6.3	1.29	14.8	2.71	135	110
Combined Average	\$7.3	\$1.01	\$14.8	\$1.92	109%	90%

* Projected budget, budget adjustments may have resulted in reductions in some states.

8. Others argue that given the state's current fiscal situation, tourism marketing reductions are appropriate. In addition, despite tourism marketing reductions for the last two years and two consecutive winters of below average snowfall, travel expenditures have continued to rise in Wisconsin.

9. The Committee could consider increasing tourism marketing by \$85,100 annually to restore the 1998-99 funding level (a base level reduction of 14%). Funding for tourism marketing in 1998-99 was \$9,241,000 GPR in the year prior to the introduction of tribal gaming revenues. Providing \$317,000 annually would maintain funding at the 2002-03 level available after 2003 Act 1 reductions (\$9,472,900) and represent a base level reduction of 12%.

10. On the other hand, the Committee could consider reducing tourism marketing funding to its 1997-98 funding level of \$7,741,000 by reducing an additional \$1,414,900 GPR annually (a 28% reduction to base level funding). Alternatively, a number of other options could be considered to either restore or further reduce state tourism marketing funds.

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation by restoring one of the following annual amounts for tourism marketing.
 - a. \$85,100 (to restore the 1998-99 level of funding, for a base level reduction of 14%).

<u>Alternative 2a</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$170,200

- b. \$317,000 (to restore the amount available in 2002-03).

<u>Alternative 2b</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$634,000

- c. \$800,000 (a base reduction of \$800,000 annually, or 7%).

<u>Alternative 2c</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$1,600,000

- d. \$1,200,000 (a base reduction of \$400,000 annually, or 4%).

<u>Alternative 2d</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$2,400,000

- e. Delete provision (maintain base level funding at \$10.8 million annually).

<u>Alternative 2e</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$3,200,000

3. Adopt the Governor's recommendation. In addition, reduce tourism marketing funding by one of the following annual amounts.

- a. \$1,414,900 GPR to reflect the level of tourism marketing funding in 1997-98 (a base reduction of \$3,014,900 annually, or 28%).

<u>Alternative 3a</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$2,829,800

- b. \$1,000,000 (a base reduction of \$2,600,000 annually, or 24%).

<u>Alternative 3b</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$2,000,000

- c. \$500,000 (a base reduction of \$2,100,000 annually, or 19%).

<u>Alternative 3c</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$1,000,000

- d. \$250,000 (a base reduction of \$1,850,000 annually, or 17%).

<u>Alternative 3d</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	- \$500,000

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