



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #757

Tourism Impact Study (Tourism)

Bill Agency

CURRENT LAW

The Department of Tourism annually commissions a study on the economic impact of travel in Wisconsin in an attempt to measure the economic benefits of tourism within the state. The study is not statutorily required and is largely funded out of the Department's tourism marketing tribal gaming program revenue appropriation.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Since 1989, Tourism has contracted with the research firm Davidson-Peterson Associates, Inc., to conduct an annual study measuring the economic benefits derived from dollars spent by travelers in Wisconsin. For purposes of the study, "travelers" includes all those "traveling outside their normal routine" whether they are out-of-state or Wisconsin residents and whether they travel for leisure, recreation, business, or are visiting family or friends.

2. The method of the annual study is to determine economic impact through data samples collected from interviews with travelers, lodging owners and state residents. For example, in 2005 face-to-face interviews were conducted with approximately 2,000 people traveling "outside their normal routine" in all parts of the state and in all seasons of the year. These interviews attempted to determine how much is spent by an average traveler on an average trip. Additionally, 3,200 interviews were conducted by phone throughout the year with lodging properties to determine

the number of paid overnight stays during the year. Finally, approximately 1,000 interviews were conducted by phone with randomly selected Wisconsin households to determine the number of unpaid overnight stays with family or friends during the year. The study's preliminary estimate of traveler expenditures is usually announced around early March in conjunction with the annual Wisconsin Governor's Conference on Tourism, with the results used to show the industry's importance to the state. With the completion of the report later in the year (typically around May), more thorough tourism data is made available (such as estimated expenditures by county).

3. Tourism's current contract with Davidson-Peterson for the impact study is the last of five one-year contracts (renewable each year for five years). The cost of the study for the time period lasting from December 1, 2006, through November 30, 2007, is \$146,000. Over the course of the five renewable one-year contracts, the cost of the study has increased an average of \$4,400 annually. The Department of Administration (DOA) is currently in the process of sending out requests for proposal to vendors to bid for the new contract to compile traveler economic impact studies for the Department.

4. Tourism funds the costs of the impact study predominantly from its tourism marketing tribal gaming program revenue appropriation. This appropriation receives revenues from payments received by the state in exchange for tribal gaming agreements. Since any tribal gaming revenue that is not expended is deposited to the general fund, tribal gaming PR expenditures decrease the amount of general fund revenue by the same amount. State tourism marketing is funded at over \$11.3 million annually, including \$9.1 million in tribal gaming PR and \$2.2 million SEG from the transportation fund (funded, beginning in 2005-06, from a 40% increase in the vehicle rental fee).

5. Tourism staff argue the impact study helps the Department to consistently track, on an historical basis, the health of the tourism industry on an annual and seasonal basis. The study also allows the Department to track tourism data on a county-by-county basis and by a general expenditure purpose basis (shopping, food, recreation, lodging, and transportation). This information is shared with local tourism and convention organizations and the tourism industry.

6. Local tourism and convention bureau staff indicate Tourism provides them with information learned from the economic impact of tourism study as part of the broad collaboration between the Department and these local groups. They indicate the results of the study allow them to show the importance of the tourism industry to the state's economy, and stress the importance of funding for tourism promotion efforts. In addition, they indicate the study provides data on the effectiveness of current tourism promotional efforts.

7. However, common concerns are often raised with the impact study, including whether traveler spending is a good indicator of the effectiveness of state and local tourism promotion efforts and whether increases in state tourism promotion lead to increases in traveler expenditures. Some argue the study offers little in the way of tangible benefits and has a limited effect on the actions of the Department. Rather, it is argued the study is used by Tourism as publicity each year at the annual tourism conference and to argue for additional funding for tourism

promotion at the state and local levels.

8. Questions have also been raised about the accuracy of the study as it relates to tourism. For example, the definition of "traveler" is quite expansive and includes such people as: (a) business travelers, whether they are from out-of-state or making semi-regular in-state trips; (b) someone visiting a relative in another city; and (c) families of youth athletic teams traveling within the state for athletic events. While it is uncertain what number of "travelers" each year fall into these categories, all three of these groups are fairly common, and their travel habits are unlikely to be affected by tourism advertising campaigns.

9. In addition, the study takes into account the expenditures of second homeowners. While expenditures of these homeowners are often largely tourism related (such as at weekend cottages), second homeowners do not fit neatly within the category of "tourist." With a pre-existing reason to visit the state (or travel within the state), these individuals are already likely to "travel" to (or within) the state, and it is uncertain whether advertising campaigns have an effect on the frequency of their travels (although they could potentially affect their timing).

10. Finally, while the study is often used by promoters of the tourism industry (and proponents of increased funding for the Department's tourism promotion efforts) to lend support for a cause-and-effect relationship between tourism marketing and traveler expenditures, this relationship is not clear. The following table provides an overview of state tourism promotion spending by fiscal year, and traveler expenditures, as determined by the Davidson-Peterson impact study, in the associated calendar year. As shown in the table, while a 51% increase in state tourism marketing between 1997-98 and 1999-00 (from \$7,741,000 to \$11,667,500) coincided in traveler expenditures in the tourism impact study increasing by 36% (from \$8.12 billion to \$11.05 billion), state promotion declined by 22% from 1999-00 to 2004-05, yet traveler expenditures rose 8%. As a result, opponents of utilizing tax revenues for state tourism promotion efforts argue there does not appear to be a clear cause-and-effect relationship between state tourism promotion and travel expenditures. Rather, opponents argue that other factors such as private investment, weather, and the state and national economy play a larger role in the amount of tourism spending of travelers than state tourism promotion.

State Tourism Promotion and Traveler Expenditures by Year

<u>Fiscal Year</u>	<u>Tourism Marketing</u>	<u>Percent Increase</u>	<u>Calendar Year</u>	<u>Estimated Traveler Spending</u>	<u>Percent Increase</u>
1997-98	\$7,741,000		1998	\$8,120,000,000	
1998-99	9,241,000	19.4%	1999	9,080,000,000	11.8%
1999-00	11,667,500	26.3	2000	11,050,000,000	21.7
2000-01	11,660,500	-0.1	2001	11,450,000,000	3.6
2001-02	10,403,800	-10.8	2002	11,560,000,000	1.0
2002-03	9,472,900	-8.9	2003	11,710,000,000	1.3
2003-04	9,155,900	-3.3	2004	11,780,000,000	0.6
2004-05	9,155,900	0.0	2005	11,950,000,000	1.4
2005-06	10,715,700	17.0	2006	12,970,000,000	8.5

11. The Committee could consider eliminating funding for the study on the economic impact of tourism. Based on the cost of the 2007 survey (\$146,000), along with the average annual increase in cost of the survey over the last five years, the Committee could eliminate \$150,000 in tribal gaming PR annually from the Department's tourism promotion tribal gaming program revenue appropriation. Eliminating funding associated with the impact study would also have the effect of increasing revenue deposited to the state's general fund by \$150,000 annually.

ALTERNATIVES TO BILL

1. Delete \$150,000 tribal gaming PR annually related to the annual tourism economic impact study that Tourism has historically commissioned.

ALT 1	Change to Bill		Change to Base	
	Revenue	Funding	Revenue	Funding
GPR	\$300,000	\$0	\$300,000	\$0
PR	<u>0</u>	<u>- 300,000</u>	<u>0</u>	<u>- 300,000</u>
Total	\$300,000	- \$300,000	\$300,000	- \$300,000

2. Maintain current law.

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