



Legislative Fiscal Bureau

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April 23, 2009

Joint Committee on Finance

Paper #745

Wisconsin Welcome Centers Closing (Tourism)

[LFB 2009-11 Budget Summary: Page 594, #3 & 4]

CURRENT LAW

The Department of Tourism operates eight Wisconsin Welcome Centers (WWCs) near the state's boundaries to provide visitors with literature and information on state tourist destinations. The WWCs are located in or near Beloit, Kieler (Grant County), Hudson, Hurley, Kenosha, Marinette, La Crosse and Superior. Grant County and Marinette locations are open on a seasonal basis only from April through October, and the others are open year-round. The eight Wisconsin Welcome Centers are authorized 11.95 permanent positions and LTE equivalent of 7.77 full-time employees. Total budgeted operating costs for 2008-09 are \$1.22 million. The WWCs received 985,800 visitors in 2007-08. The attachment shows operating costs, positions authorized and visitor information for the Wisconsin Welcome Centers.

GOVERNOR

Delete funding and positions for the Wisconsin Welcome Centers as follows: (a) \$374,500 GPR in 2009-10 and \$500,900 GPR in 2010-11 with 7.95 positions annually; (b) \$200,000 SEG in 2009-10 and \$360,000 transportation fund SEG in 2010-11; and (c) \$101,600 tribal gaming PR annually.

DISCUSSION POINTS

1. The Wisconsin Welcome Centers have not been staffed since April 11. Tourism reports the closing date is intended to allow for most operational costs associated with the WWCs, as well as other costs associated with closing, to be accounted for by the close of the fiscal year. This scheduling is intended to save GPR and other state funds. Tourism officials report these

operations reductions allow the Department to meet the administration's objectives for expenditure reductions but also preserve marketing funding that has a greater potential economic impact in the state. The Department has left brochures and other publications at the WWCs, all of which are located in Department of Transportation (DOT) highway rest areas except the Marinette WWC. Restrooms and related facilities will remain open at DOT's discretion. During its occupation of DOT rest areas, Tourism has paid approximately 20% of the cost to DOT for contracted cleaning and maintenance services and a portion of debt service costs for each WWC in a rest area with outstanding debt payments. The last of Tourism's debt obligations expires in 2008-09. Tourism also paid a portion of county maintenance costs on certain locations for grass mowing and snow removal. Although DOT has not indicated what it plans to do with all the rest areas formerly housing WWCs, Tourism officials report that visitors bureaus and chambers of commerce in Beloit, Kenosha and La Crosse may be interested in staffing the WWC spaces. These groups will continue discussions with DOT on the future operations of the WWCs, but Tourism does not plan to be involved in these discussions or any operations.

2. Tourism indicates the informational role of WWCs is increasingly being filled by the Internet, and Internet contacts are generally more cost-effective than placing staff at the WWCs. Since 2002, sessions on the Tourism web site have more than doubled, from 2.1 million sessions annually to 4.8 million sessions for calendar year 2008. In the same time, total annual visitors to the eight WWCs have decreased by approximately 8%. Tourism is planning for a greater online customer service presence, and intends for its Internet site to get increasing use by visitors seeking state travel guides and publications. The Department will continue to print guides for distribution through normal avenues, however, including DOT rest areas and local tourism organizations.

3. The bill would eliminate base funding and positions for the WWCs. Out of 11.95 permanent positions associated with the WWCs, Tourism would retain 4.0 positions to be reassigned within the Department. Retaining these positions would cost \$259,400 GPR annually. In addition, Tourism has shifted responsibilities of another position and intends for this restructuring to improve the Department's programming with respect to both visitors and to the state tourism industry. Tourism also intends to augment revenues through these program changes, particularly in the Travel Green Wisconsin and co-op advertising programs. These plans are discussed in greater detail below. However, as 4.0 positions to be retained were associated with the WWCs, the Committee may wish to consider deleting these positions and \$259,400 GPR annually to eliminate all funding and positions currently budgeted for the WWCs (Alternative 2).

4. Tourism indicates one of the retained positions would be placed in the central office, with responsibilities to include supervision of customer service efforts. These responsibilities would include overseeing Tourism's call center. Tourism expects increased calls to the Department beginning in December, 2009, with the end of an agreement that outsources most Tourism customer calls to Lands' End phone operators in Dodgeville. The Department intends to expand the customer service center to include online chat capabilities between representatives and prospective visitors in 2010.

5. Another position would become a marketing specialist, with primary responsibilities

related to the Department's brand initiative begun in 2008. Tourism intends for this position to allow the Department to begin deploying the brand strategy under the supervision of Tourism's brand manager. The state brand is planned to be coordinated among state agencies and private enterprises across the state in marketing the state as a destination for both visitors and beginning or expanding businesses.

6. The third and fourth positions would become regional tourism development specialists (TDSs), one of which would be a new TDS and one of which would fill a vacancy created as part of a departmental reorganization. (The reorganization is described below.) The Department currently has three specialists. TDSs work to expand and develop the tourism industry by consulting with local businesses and tourism leaders to assess an area's tourism industry and improve marketing practices. TDSs also help local groups and businesses participate in Tourism advertising and marketing programs. Each specialist has a regional focus, with the state divided into northwestern, southeastern and southwestern regions. With an additional specialist, Tourism would divide the state into four regions, including eastern, northern, southeastern and southwestern. Tourism expects that an additional field specialist will allow for more contact with local tourism organizations and businesses to further industry development.

7. Under Tourism's reorganization, the Madison regional TDS assumed a coordinative role for the TDS program, Travel Green Wisconsin, and the co-op advertising program. Travel Green Wisconsin certifies tourist destinations that minimize waste, energy use, and their overall environmental impact. The program is operated in cooperation with the Wisconsin Environmental Initiative (WEI). Under the co-op advertising program, Tourism purchases print and online advertising space in large media markets in Wisconsin and the Midwest under a banner ad, and then allows local attractions in Wisconsin to advertise under the banner ad. Tourism uses large advertising purchases to leverage lower rates for the participating destinations, who gain a presence in markets they may not otherwise have the means to reach. A co-op e-mail program functions similarly, with tourism businesses appearing in e-mails sent by Tourism to prospective visitors who have signed up for e-mails from the Department. Tourism intends for this program coordinator to identify possible changes to the co-op programs, particularly changes that could generate new revenue streams for the Department. Tourism also intends to create new revenues through the Travel Green Wisconsin program, as the Department begins receiving application and certification fees paid by prospective program members beginning July 1 and paying WEI for its services.

8. The primary purpose of the WWCs is to promote destinations in Wisconsin to visitors from other states. This generates business for local merchants as well as sales, room and other tax revenues that benefit the area visited and the state at large. Although Tourism intends to provide information to individual visitors through increased phone and Internet contacts, proponents argue that WWCs serve an important role to visitors, particularly those that are already on the road. It could also be argued that in-person services and information provided at WWCs may also be more helpful to visitors than services provided by phone or Internet. However, supporters of eliminating the WWCs argue that Tourism's role in operating the WWCs would be better filled by private tourism associations, the hospitality industry, or volunteers.

9. Each WWC could be evaluated by several criteria: (a) the geographic areas served; (b) total visitors served; (c) total operating costs; (d) cost per visitor served; or (e) a combination of factors.

10. The WWCs are positioned on major highways such that visitors coming from any of Wisconsin's four neighboring states could access them. Thus, the Committee may wish to keep open sufficient WWCs to serve each geographic area of the state. The Committee could, for example, select a location to remain open along each border with Iowa (Grant County), Minnesota (Superior, Hudson or La Crosse), Michigan (Marinette or Hurley) and Illinois (Kenosha or Beloit).

11. The table shows a comparison of the WWCs along the numerical indicators of cost, visitors and cost per visitor. Costs are those budgeted for 2008-09, except that costs for the Kenosha location do not include \$59,100 for debt service that expires in 2008-09. These operations costs are intended to reflect approximate costs if the WWCs were to resume operations in 2009-10. Visitor numbers are for 2007-08.

<u>Welcome Center</u>	<u>Total Costs</u>	<u>Total Visitors</u>	<u>Cost per Visitor</u>
Beloit	\$254,957	284,279	\$0.90
La Crosse	136,465	108,256	1.26
Superior	104,311	82,455	1.27
Grant County	103,010	79,947	1.29
Hurley	86,985	67,126	1.30
Marinette	53,482	39,841	1.34
Hudson	132,606	92,588	1.43
Kenosha	<u>290,971</u>	<u>142,553</u>	<u>2.04</u>
Total	\$1,162,787	897,044	\$1.30

12. If the Committee wished to keep certain WWCs open, it could choose to keep open one or more with higher visitor totals from 2007-08. This alternative would tend to favor those WWCs that are generally closest to major population centers of Chicago (Beloit and Kenosha) and Minneapolis/St. Paul (La Crosse and Hudson). Those four locations are also the four with the highest budgeted operating costs in 2008-09.

13. Alternatively, the Committee may wish to keep open one or more WWCs that have the lowest operating costs. This alternative would tend to favor those WWCs that generally receive fewer visitors. The lowest-cost locations are also concentrated in northern Wisconsin. However, visitors crossing in southern and western central Wisconsin account for more than two-thirds of the visitors received by the WWCs each year.

14. Also, the Committee may wish to keep one or more WWCs on the basis of lowest cost of operating per visitor received. This measure indicates generally how cost-effective a WWC is at serving state visitors. The WWCs show general consistency in their cost per visitor, except for

Kenosha, which has the highest cost per visitor, and Beloit, which has the lowest cost per visitor. On this basis, it could be argued the Beloit WWC provides the best return on state resources, as this location had nearly twice as many visitors in 2007-08 and has the lowest budgeted costs per visitor received.

15. If the Committee wishes to consider restoring most or all of the WWCs (Alternative 3), it may wish to consider deleting the 4.0 positions the Department has retained since the WWCs' closing (Alternative 2). Restoring the WWCs in their entirety under Alternative 3 without offsetting the positions retained by Tourism would have the effect of adding 4.0 GPR positions and associated costs.

16. It may be that WWCs would operate more cost-effectively by opening on a seasonal basis, much as the Grant County and Marinette WWCs operate from April through October. Under seasonal operation, Tourism may be able to retain LTE staff for the busiest times of the year but remove those staff in the fall and winter when fewer visitors generally stop at the WWCs. However, the Department contends that assembling and coordinating LTE staff over the spring and summer would require restoration of at least one position per location to allow the LTE system to operate effectively. This would negate much of the cost savings associated with closing the WWCs, but would not provide the same level of service associated with the WWCs.

17. It could be argued that WWCs could reopen with volunteer staffs. Volunteers are capable of providing dedicated services at little to no cost to organizations. A volunteer staff for WWCs would likely consist of residents from the surrounding area, who could provide knowledge and expertise to travelers similar to a paid staff. However, volunteers may have less accountability than a paid professional staff. Also, a volunteer-only staff may prove difficult to assemble without the offer of compensation for prospective staff members. Tourism contends that assembling and coordinating an effective volunteer-only staff for WWCs would require restoration of at least one position for each location. Additionally, Tourism reports that local visitors bureaus and chambers of commerce may employ volunteers in taking over certain WWC locations, but that these local organizations would have administrative staff in place to build and oversee the volunteer staff.

18. Operating a WWC may require local visitors bureaus and chambers of commerce to incur additional costs. If the Committee approves Tourism terminating operation of the WWCs, it may wish to authorize annual funding to allow Tourism to defray some of the costs to local tourism organizations who may take over staffing and operation of WWCs. Tourism indicates the administration has allocated \$160,000 SEG in 2009-10 for this purpose. (This accounts for the difference in SEG reductions between 2009-10 and 2010-11). Tourism reports this funding would provide grants to local tourism organizations to purchase items such as display racks and other equipment to take over operation of WWCs. The Committee may wish to make this an annual allocation rather than a one-time expenditure, funded by either the tribal gaming PR or transportation fund SEG marketing appropriations (Alternative 4).

19. If the Committee wished to authorize annual allocations to local tourism organizations, the Committee could consider provisions to ensure that state funds would be

distributed fairly and in proportion to an organization's actual costs. The Committee could require a competitive grant process, including an application process, and specify: (a) that funds only be distributed on a reimbursement basis; (b) that Tourism and a grant recipient enter a written agreement to specify the terms of the grant, with any written agreement to require: (1) a description of the tourist informational center being operated; (2) a preliminary itemized statement of estimated total eligible costs; (3) prior to reimbursement, an itemized statement of actual eligible costs; and (4) any conditions for the release of the funds; and (c) that the Department may only award funds up to a specified cost-share rate. For example, each year Tourism makes cost-share grants under the joint effort marketing (JEM) grant program to local organizations to promote innovative or exceptional events. The statutes specify that a JEM grant may not exceed 50% of the total cost of the project. The Committee may wish to specify eligible funds would be acquisition costs of promotional materials, including standard display equipment, but not including compensation of employees. This is consistent with a number of provisions of the JEM grant program. The Committee may also wish to specify that the following entities would be eligible to apply for funds: (a) not-for-profit organizations whose purpose is to promote tourism; (b) organizations, including elected bodies, of federally recognized Native American tribes; or (c) cities, towns, villages or counties. These requirements would generally follow those of the JEM program. The Committee may also wish to specify that organizations would be eligible for funding if they operate regional tourist information centers. A regional tourist informational center could be defined as a location providing informational and promotional materials on cultural or recreational attractions in multiple counties. Further, regional tourist information centers could be defined as places at which visitors would reasonably be assumed to stop at while en route to other recreational or cultural destinations. The Department could be required to promulgate rules for administration of the grant program.

20. If the Committee wishes to restore certain or all WWCs, or if the Committee wishes to establish a grant program for operation of regional tourist information centers, it should be noted that use of GPR or tribal gaming PR would lower the general fund balance for June 30, 2011, as tribal gaming revenues not appropriated for other purposes lapse to the general fund. Appropriating transportation fund SEG would reduce the available balance in the transportation fund on June 30, 2011.

ALTERNATIVES

1. Adopt the Governor's recommendation to delete: (a) \$374,500 GPR in 2009-10 and \$500,900 GPR in 2010-11 with 7.95 positions annually; (b) \$200,000 SEG in 2009-10 and \$360,000 SEG in 2010-11; and (c) \$101,600 tribal gaming PR annually.

2. Delete an additional \$259,400 GPR annually with 4.0 positions to eliminate all staffing currently associated with the WWCs.

ALT 2	Change to Bill	
	Funding	Positions
GPR	- \$518,800	- 4.00

3. Restore funding and positions for any or all of the WWCs listed below. (If the Committee wishes to restore most or all of the WWCs, it may wish to consider adopting Alternative 2 for the reasons discussed earlier.)

	<u>2009-2010</u>				<u>2010-2011</u>				<u>Positions</u>
	<u>GPR</u>	<u>PR*</u>	<u>SEG</u>	<u>Total</u>	<u>GPR</u>	<u>PR*</u>	<u>SEG</u>	<u>Total</u>	<u>GPR</u>
a. Beloit	\$136,200	\$27,300	\$37,200	\$200,700	\$152,000	\$27,300	\$75,700	\$255,000	2.00
b. Grant County	43,600	9,600	16,700	69,900	59,400	9,600	34,000	103,000	0.90
c. Hudson	88,200	10,100	9,100	107,400	104,000	10,100	18,500	132,600	1.80
d. Hurley	33,400	7,200	15,000	55,600	49,200	7,200	30,600	87,000	0.80
e. Kenosha	165,100	19,700	44,400	229,200	180,900	19,700	90,400	291,000	3.00
f. La Crosse	78,900	11,100	15,000	105,000	94,700	11,100	30,600	136,400	1.75
g. Marinette	31,300	6,400	0	37,700	47,100	6,400	0	53,500	0.70
h. Superior	43,600	10,200	17,100	70,900	59,400	10,200	34,700	104,300	1.00
Total	\$620,300	\$101,600	\$154,500	\$876,400	\$746,700	\$101,600	\$314,500	\$1,162,800	11.95

* Tribal gaming PR increases would reduce general fund revenues by the same amount.

4. Adopt the Governor's recommendation, but restore \$160,000 beginning in 2010-11. Authorize Tourism to allocate that amount for grants, on a reimbursement basis of up to 50% of the costs of acquiring promotional materials, including standard display equipment but not including compensation of employees, to local tourism organizations. Require that Tourism and a grant recipient enter a written agreement to specify the terms of the grant, with any written agreement to include: (1) a description of the tourist informational center being operated; (2) a preliminary itemized statement of estimated total costs; (3) an itemized statement of actual expenditures prior to reimbursement; and (4) any conditions for the release of the funds. Specify that eligible applicants are: (a) not-for-profit organizations whose purpose is to promote tourism; (b) organizations, including elected bodies, of federally recognized Native American tribes; or (c) cities, towns, villages or counties. Specify that eligible applicants must operate regional tourist informational centers, which: (a) provide informational and promotional materials on cultural or recreational attractions in multiple counties; and (b) are places at which visitors would reasonably be assumed to stop at while en route to other recreational or cultural destinations. Require Tourism to promulgate rules for administration of the grant program. (This alternative could be adopted instead of or in addition to Alternative 2 or 3.) Specify that grants be made from one of the following marketing appropriations:

- a. Tribal gaming PR; or

ALT 4a	Change to Bill	
	Revenue	Funding
GPR	-\$160,000	
PR		\$160,000

b. Transportation fund SEG.

ALT 4b	Change to Bill
	Funding
SEG	\$160,000

Prepared by: Paul Ferguson
Attachment

ATTACHMENT

Wisconsin Welcome Centers 2008-09 Budgets and 2007-08 Visitors

<u>Welcome Center</u>	<u>Total Operating Costs</u>	<u>Permanent Positions</u>	<u>LTE Equivalents</u>	<u>Travel Parties*</u>	<u>Travel Party Visitors</u>	<u>Motorcoach Visitors</u>	<u>School Visitors</u>	<u>Total Visitors</u>	<u>% of Visitors</u>
Beloit	\$254,957	2.00	2.26	94,524	274,120	10,159		284,279	31.7%
Kenosha	350,038	3.00	1.52	45,692	132,507	9,846	200	142,553	15.9
La Crosse	136,465	1.75	0.86	35,716	103,576	4,404	276	108,256	12.1
Hudson	132,606	1.80	0.70	31,384	91,014	1,185	389	92,588	10.3
Superior	104,311	1.00	0.72	28,195	81,766	689		82,455	9.2
Grant County	103,010	0.90	0.77	27,056	78,462	1,485		79,947	8.9
Hurley	86,985	0.80	0.55	22,906	66,427	699		67,126	7.5
Marinette	53,482	0.70	0.39	13,493	39,130	711		39,841	4.4
Totals	\$1,221,854	11.95	7.77	298,966	867,001	29,178	865	897,044	100.0%

*Tourism counts a travel party as 2.9 visitors