



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #746

Tourism Marketing Earmarks (Tourism)

[LFB 2009-11 Budget Summary: Page 594, #7]

CURRENT LAW

Tourism is required by the statute to award the following: (a) \$125,000 annually for marketing of sporting activities and events, which Tourism currently awards to the Wisconsin Sports Development Corporation; (b) \$25,000 annually for state sponsorship of, and advertising during, broadcasts of the Milwaukee Symphony Orchestra; (c) \$50,000 biennially to America's Black Holocaust Museum of Milwaukee; and (d) \$200,000 biennially to the Milwaukee Public Museum for Native American exhibits and activities. These earmarks were created over the course of the 1995, 1997 and 1999 budgets. The Department may use its two available tourism marketing appropriations, which are funded by tribal gaming PR or transportation fund SEG, to make the expenditures.

GOVERNOR

In addition to the currently earmarked expenditures, require Tourism to make grants of at least \$200,000 annually to Native American Tourism of Wisconsin (NATOW) from any available tourism marketing appropriations.

DISCUSSION POINTS

1. Tourism's marketing program is funded from two sources -- tribal gaming revenues and the transportation fund. The following table identifies base year funding and the amounts recommended under AB 75 for marketing activities.

	Base <u>2008-09</u>	<u>AB 75</u>	
		<u>2009-10</u>	<u>2010-11</u>
Tourism Marketing			
Tribal Gaming	\$9,149,400	\$8,683,400	\$8,683,400
Transportation Fund	<u>2,200,000</u>	<u>1,870,100</u>	<u>1,710,100</u>
Total	\$11,349,400	\$10,553,500	\$10,393,500

2. The administration intends for grants to NATOW to be part of a series of proposals for reallocating funds the state receives from gaming compacts with Wisconsin's native tribes. NATOW is a project of the Great Lakes Inter-Tribal Council (GLITC) to promote cultural or natural destinations of Wisconsin's 11 native tribes. Among the projects NATOW carries out is a series of publications and educational materials under the title of "Native Wisconsin." Tourism reports that it currently spends approximately \$60,000 annually with NATOW, which includes sponsorship of NATOW's annual conference (\$10,000), printing costs of "Native Wisconsin" publications (\$36,000), and other advertising and marketing (\$14,000). Marketing efforts have included development of a marketing plan that promotes each of Wisconsin's tribes. GLITC indicates it would use the funding under the bill to create a tourism director of the NATOW program, with associated supplies and travel costs, in addition to publication expenses for "Native Wisconsin" and other marketing activities.

3. Under AB 75, earmarked funding would be as follows:

	<u>2009-10</u>	<u>2010-11</u>
Sports Development Corporation	\$125,000	\$125,000
Milwaukee Symphony Orchestra	25,000	25,000
Black Holocaust Museum	25,000	25,000
Milwaukee Public Museum -- Native American Exhibits	100,000	100,000
Native American Tourism of Wisconsin	<u>200,000</u>	<u>200,000</u>
Total	\$475,000	\$475,000

Following is a description of the current earmarked programs.

4. The Joint Committee on Finance added the required \$125,000 expenditure for sports marketing to the 1995-97 budget. The annual sports marketing grant goes to the Wisconsin Sports Development Corporation (WSDC) for: (a) promotion of the Ironman Wisconsin Triathlon and the Badger State Games; and (b) enhancement of the WSDC Web site.

5. The expenditure for the Milwaukee Symphony Orchestra was included by the Governor and approved by the Legislature in the 1997-99 budget. Funds go to the Milwaukee Symphony for sponsorship of radio shows broadcast July through September. These shows are carried on Wisconsin Public Radio and on the WFMT (Chicago) Radio Network, which syndicates

the show to nationwide affiliates. The purpose of the funding was to provide access to the Symphony throughout the state and to promote Wisconsin to a nationwide audience.

6. The Joint Committee on Finance provided the funding for America's Black Holocaust Museum of Milwaukee (\$50,000 biennially) and the Milwaukee Public Museum (\$200,000 biennially) in the 1999-2001 budget. Funding for each was included by the Legislature as an annual allocation, but the Governor item-vetoed the words "in each fiscal year," stating in his veto message that funding was to be on a one-time basis. However, the act did not contain language limiting the funding to a one-time occurrence, and the expenditure requirement remained in the statutes. The 2005-07 budget clarified that the earmarks reflected a biennial amount. Tourism has customarily split the amounts into equal payments each fiscal year.

7. Circumstances surrounding two of the earmarks currently in the statutes have recently changed. In July, 2008, America's Black Holocaust Museum closed indefinitely due to its financial condition. Artifacts and equipment of the Museum were put in storage. The City of Milwaukee approved a plan to purchase the building housing the Museum in December, 2008. It is not yet known if the Museum would reopen at its former location, should it decide to resume operations. Tourism disbursed \$25,000 to America's Black Holocaust Museum in 2007-08, but the 2008-09 disbursement has not yet been made, pending any further developments on the Museum's status. Tourism indicates that as long as America's Black Holocaust Museum is closed, the Department intends to lapse the \$25,000 annual required expenditure. This would likely come from the tribal gaming PR appropriation.

8. Additionally, Tourism and Milwaukee Public Museum officials report that a portion of the Museum's Native American exhibit has broken, and the Museum is planning repairs to be completed later in 2009. The 2007-09 expenditure funded marketing activities by Boelter & Lincoln, a Milwaukee marketing firm, which also does other contract work for Tourism. Funds were distributed directly to the marketing firm, although the statutes specify that the funding is to be a grant to the Museum. With the funding, Boelter & Lincoln created marketing campaigns for the recent traveling exhibits "Body Worlds" and "Titanic: The Artifact Exhibition" that the Museum has hosted. Museum officials report Boelter & Lincoln used the marketing campaigns to generate publicity in areas in which Milwaukee Public Museum had not actively positioned campaigns for these exhibits. Tourism officials report that grants to the Milwaukee Public Museum will continue to fund marketing services under contract. Although the purpose of the funding is for Native American exhibits, the Department contends that use of the funds for purposes other than Native American exhibits and activities fulfills the intent of the statute more closely than using marketing appropriations for structural improvements for the Native American exhibit. Tourism officials also note the Department carries out other marketing activities for Native American tourism through GLITC and NATOW. Given that the Milwaukee Public Museum-related expenditure does not meet the requirements of the statute, the Committee could consider one of the following: (a) delete the expenditure entirely (Alternative B4); (b) delete the requirement that funds be provided to the Museum and used for Native American exhibits and activities, which would make the statutes consistent with current practices (Alternative B2); or (c) create a separate appropriation specifying the amounts be provided as a grant to the Milwaukee Public Museum to be used by the Museum for Native American exhibits and activities as originally required (Alternative B3).

9. The following table indicates total marketing appropriations and earmarked expenditures for the current year and the amounts under AB 75.

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Total Marketing	\$11,349,400	\$10,553,500	\$10,393,500
Earmarks	275,000	475,000	475,000
% of Earmarks	2.4%	4.5%	4.6%

As shown, total appropriations for marketing are decreasing while earmarked amounts are increasing. Thus, less funding is available for Tourism's general marketing efforts.

10. Proponents of the required expenditures may contend that the recipients identified in statutes serve important cultural and social purposes. However, it could be argued that current requirements limit the Department's ability to allocate funding to other destinations or events in a manner that may offer more return on the state's resources. Specifically, the statutes require an expenditure, which makes it more difficult for Tourism to use discretion for circumstances in which disbursement of the funds is not possible under the requirements of the statutes. Additionally, the expenditures must be "at least" or "not less than" the amounts specified in statutes. Further, even without the statutory requirements, Tourism would be able to provide some funding to these organizations under its general marketing authority, as it has done with NATOW.

11. If the Committee wished to grant more discretion to the Department for marketing expenditures, it could delete some or all of the required expenditures from the statutes (Alternative B4). This would allow Tourism to distribute its available funding through general marketing arrangements, contracts, or other marketing programs such as joint effort marketing (JEM) grants. (The statutes require Tourism to spend at least \$1,130,000 annually for competitive JEM grants to nonprofit organizations or Native American tribes to assist in the promotion of local destinations and events.) A deletion of the statutory language would not require changes to marketing appropriations, although the Committee could consider reducing marketing appropriations in an amount equal to the deleted expenditures (Alternative B5). In this case, funding could be deleted from Tourism's tribal gaming PR or transportation SEG marketing appropriations. Tribal gaming revenues not appropriated for other purposes would lapse to the general fund. Funding deleted from transportation fund SEG would revert to DOT.

12. If the Committee wished to keep the required expenditures in the statutes, it could amend statutory language to allow Tourism to reallocate funding if a designated recipient or program were not in operation. This would allow the Department to support other marketing efforts if a recipient ceased operations. Alternatively, the Committee may wish to specify that Tourism expend "up to" a specific amount for each organization rather than "at least" or "not less than" an amount for an organization (Alternative B6). This would allow Tourism to continue making expenditures if the recipient or recipient's designated program were open to the public, but also allow Tourism to make no expenditure if a recipient or its designated program were not in operation. This flexibility does not currently exist in the statutes. Such a change in language, however, would also give Tourism the flexibility to make a reduced payment or no payment, even if the designated program were operating. Finally, the Committee could delete the requirements for

expenditures to these groups, but instead specify that the Department give funding preference to these groups in the Department's general marketing activities or in determining the annual tourism marketing strategy as required by statutes (Alternative B7). This would allow Tourism to regularly consult with the organizations and make annual expenditures in line with the organizations' annual marketing needs, subject to Tourism's other marketing preferences for a given year. Under such an alternative, the Committee could still specify amounts up to which Tourism would be required to award grants, but the Department would retain authority to make lower awards in a given year or no disbursements for years in which a designated program was not operating.

ALTERNATIVES

A. Native American Tourism of Wisconsin

1. Approve the Governor's recommendation to make an annual expenditure of \$200,000 to NATOW.
2. Delete provision.

B. Existing Expenditures

1. Maintain current law and current funding levels for expenditures required by the statutes.
2. Maintain current law and current funding levels for required expenditures, but specify that Tourism expend \$200,000 biennially to conduct or contract for marketing activities for exhibits or activities on behalf of the Milwaukee Public Museum. This would be consistent with current Tourism practice.
3. Create a new appropriation and transfer \$100,000 in tribal gaming PR annually to be provided as a grant to the Milwaukee Public Museum to be used for Native American exhibits and activities.
4. Delete the statutory reference to any or all of the required expenditures:
 - a. \$125,000 annually to marketing for sporting activities and events;
 - b. \$25,000 annually to the Milwaukee Symphony Orchestra;
 - c. \$50,000 biennially to America's Black Holocaust Museum;
 - d. \$200,000 biennially to the Milwaukee Public Museum for Native American exhibits and activities.

5. Delete statutory references to any or all of the required expenditures. In addition, reduce, by a corresponding amount, the expenditure authority in Tourism's:

a. Tribal gaming PR marketing appropriation (the state's general fund balance would increase by a corresponding amount); or

b. Transportation fund SEG marketing appropriation.

6. Amend statutory language to specify the designated amounts are a maximum, rather than a minimum currently. Tourism could expend "up to" the amount specified in the statutes for each recipient.

7. Delete requirements that Tourism make expenditures to the identified organizations, but specify that Tourism give preference to the organizations in its general marketing activities and in its annual marketing strategy.

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