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Joint Committee on Finance

Paper #626

Marketing Earmarks (Tourism)

[LFB 2015-17 Budget Summary: Page 431, #4]

CURRENT LAW

The Department of Tourism is required to promote Wisconsin as a destination for travelers. In general, the Department has discretion in establishing themes for seasonal marketing campaigns and determining how its marketing communications are to be disseminated. Additionally, Tourism's statutory duties include making the following expenditures on annual or biennial bases, as noted:

- a. At least \$125,000 in each fiscal year for marketing of sporting activities and events;
- b. At least \$25,000 in each fiscal year for state sponsorship of, and advertising during, broadcasts of the Milwaukee Symphony;
- c. At least \$50,000 in each fiscal biennium to promote multicultural events in Wisconsin;
- d. At least \$200,000 in each fiscal biennium for grants to the Milwaukee Public Museum (MPM) for promotion of Museum programs and exhibits; and
- e. At least \$200,000 in each fiscal year for grants to Native American Tourism of Wisconsin (NATOW), an initiative promoting travel to tribal areas and events.

Tourism is allowed to make the expenditures from any of its three marketing appropriations, which are funded by general purpose revenues (GPR), the segregated (SEG) transportation fund, and state proceeds under tribal gaming compacts. Tribal gaming proceeds are considered program revenue (PR), but unencumbered tribal gaming PR appropriations lapse to the general fund annually or biennially, depending on the appropriation. Tourism's general marketing appropriations have annual base funding of \$12,545,500, including \$160,000 annually

for support of regional tourist information centers.

GOVERNOR

Repeal the five earmarks noted above, and delete \$475,000 tribal gaming PR annually for tourism marketing.

DISCUSSION POINTS

1. In an April 13 letter to the Committee's Co-chairs, the administration is now recommending that the funding and required expenditures for sports marketing and NATOW be restored. This would restore \$325,000 tribal gaming PR annually, leaving \$150,000 tribal gaming PR associated with the other three items being removed from base funding.

2. The earmarks under current law were enacted over several biennial budget acts as follows: (a) 1995 Act 27 (sports marketing); (b) 1997 Act 27 (Milwaukee Symphony); (c) 1999 Act 9 (multicultural activities and events, and MPM); and (d) 2009 Act 28 (NATOW). Several earmarks have been materially altered since their creation. The MPM provision, which was originally earmarked for Native American exhibits and activities at the Museum, was amended after a long-term closure of certain Native American exhibits. During that time, the Museum began directing Tourism funds to promotion of other special events, and the earmark was amended to reflect the change. Additionally, the provision for multicultural activities and events was originally created for America's Black Holocaust Museum (ABHM) in Milwaukee, but the Museum closed its physical location in 2008, and Tourism generally lapsed \$25,000 annually to the general fund between the ABHM's closure and the earmark's change under 2011 Act 32. The earmarks generally all were created without additional funding being provided for them, although budget legislation in the 1997-99 and 1999-2001 biennia did provide for base funding increases of approximately \$3.9 million for tourism marketing over the period.

3. The recent uses of funds under each earmark are described briefly in the following points:

- **Sports Activities and Events:** In 2013-15, the Department allocated funding to support: (a) general digital and print advertising and marketing for Wisconsin sporting events, including the SportsWisconsin.com website to market sporting events in Wisconsin; (b) market research of attendees of sporting events in Wisconsin; and (c) marketing Wisconsin as a destination for sporting events by participating in trade shows such as that of the National Association of Sports Commissions and the TEAMS (Travel, Events and Management in Sports) Conference and Expo.

- **Milwaukee Symphony Orchestra:** The Milwaukee Symphony Orchestra uses Tourism funding for production costs of concerts that are recorded and distributed to radio stations across the U.S.

- **Multicultural Events:** As of April 1, 2015, Tourism has allocated \$50,000 for the 2013-15 biennium as follows: (a) \$20,000 for the annual Mexican Fiesta in Milwaukee; (b) \$10,000 for

the 2013 African World Fest in Milwaukee; (c) \$5,000 for the Museum of Wisconsin Art in West Bend for promotion of Native American exhibits; and (d) \$15,000 for the Beloit Summer Gospel Jam. Tourism reports funding proposals for the multicultural events earmark are formally made to the Tourism Secretary and reviewed by staff. Recipients are selected by the Tourism Secretary based on the multicultural event's marketing plan, the anticipated impact of the event, and the degree to which the event's marketing plan comports with Tourism's marketing strategies for the state.

- Milwaukee Public Museum: MPM customarily uses Tourism funds to supplement promotional campaigns for large exhibits at the Museum. Museum officials report state funding generally supports additional marketing in larger Wisconsin metropolitan areas, and generally for traveling exhibits stopping at the Museum. For example, in 2013-14, the earmark supported marketing activities for the traveling exhibit "Body Worlds & the Cycle of Life," which was on display at the Museum from February to June, 2014. For 2014-15, the Museum reports it will use Tourism funding to promote its "Crossroads of Civilization" exhibit, a new permanent exhibit that opened in March.

- Native American Tourism of Wisconsin: Tourism reports funding in 2013-15 has supported NATOW revamping its Web and social media presence under the "Native Wisconsin" brand.

4. In addition to the five earmarks, Tourism administers several competitive grant programs with various aims. The Joint Effort Marketing (JEM) grant program provides marketing assistance to Wisconsin events or attractions that are new, one-time, or that are using new means of marketing the event, including campaigns to encourage visits at off-peak times. The Ready, Set, Go! grant program provides assistance in securing competition-related events that would be expected to generate an economic impact in the prospective area. The Meetings Mean Business program assists areas seeking to host regional or national meetings with grants to support costs of convention facilities rentals, shuttles or similar transportation costs within the destination city, or other hosting costs such as promotions of the host city or rebates for guest rooms. Also, the Department administers the Tourist Information Center program, which provides grants to local organizations such as convention and visitors bureaus or chambers of commerce operating informational centers in regions throughout the state.

5. The Wisconsin Arts Board, which operates under the Department of Tourism, also administers competitive grant programs providing organizational or promotional support to arts organizations in Wisconsin. The largest program currently is the Creation and Presentation program, which provides grants to arts organizations to assist with their operations, or with creating and presenting arts programs. Eligible uses of Creation and Presentation grants include marketing of arts performances or displays. In addition, the Creative Communities program provides grants to further arts education in K-12 schools, local arts programming, or folk and traditional arts, including art forms specific to ethnicities or Native American tribes. The Arts Board also provides sustaining grants to several Milwaukee-area, minority-focused arts organizations under the Arts Challenge Initiative, and the Arts Board is appropriated tribal gaming PR for projects furthering the awareness and continuing practice of traditional arts forms of Wisconsin's Native American tribes. For 2014-

15, the Arts Board has budgeted: (a) \$151,900 GPR and \$535,600 FED for Creation and Presentation grants; (b) \$114,000 GPR and \$34,400 FED for Creative Communities grants; (c) \$57,000 GPR for the Arts Challenge Initiative; and (d) \$24,900 tribal gaming PR for Native American arts projects, known as the Woodland Indian Arts Initiative.

6. Wisconsin's neighboring states, which are generally seen as competing for Wisconsin and Midwestern travelers, typically use general purpose tax revenues and other special-purpose revenues to fund some or all of their tourism agencies' operations and marketing activities. Special-purpose revenues include gaming taxes (Iowa), hospitality taxes (Illinois) and securitized proceeds of state tobacco settlement funds (Michigan). The following table shows the appropriations and fund sources for tourism marketing in Michigan, Illinois, Minnesota and Iowa for the 2015 fiscal year, as well as amounts recommended by each state's executive budget for the 2016 and 2017 fiscal year. Per capita funding is calculated using 2014 population estimates from the U.S. Census Bureau. The amounts shown are intended to show only each state's approximate funding for general state-directed marketing activities. Funding for designated grant programs, for example, has been removed. In some cases, other states have substantial appropriations not included for general state-directed tourism marketing purposes. Examples would be state film incentive programs, as well as local-assistance grant programs, analogous to Wisconsin's Joint Effort Marketing and Tourist Information Center programs. Illinois in particular has a number of grant programs for: (a) administrative and promotional activities of local chambers of commerce and convention and visitors bureaus; (b) structural improvements at tourist attractions; and (c) promotion of Illinois in international tourism. For the 2015 fiscal year, the Illinois Office of Tourism has approximately \$30 million budgeted for such grants to local entities. It should be noted that 2015 fiscal year funding for general state-directed tourism marketing reflects the following increases: (a) in Illinois, approximately \$7.6 million over the 2014 fiscal year funding of \$21.3 million; (b) in Minnesota, approximately \$4.3 million annually in the 2013-15 biennium over the base-year funding of about \$5.3 million; and (c) in Michigan, \$4 million annually over the biennium from base-year funding of \$25 million. State-directed marketing funding would decrease significantly under the 2016 fiscal year executive budget recommendation in Illinois, while executive budget recommendations in Wisconsin and other neighboring states would be subject to more modest changes, if any. Wisconsin generally is competitive with other states' per-capita, state-directed marketing funding, and would likely remain so under the bill.

State Tourism Marketing Appropriations

<u>State</u>	<u>Fund Sources</u>	<u>2015</u>		<u>Proposed in Millions</u>	
		<u>Total in Millions</u>	<u>Per Capita</u>	<u>2016</u>	<u>2017</u>
Illinois	Hotel operators' occupational tax	\$28.9	\$2.24	\$22.9	N/A*
Iowa	Gen. taxes, gaming taxes	2.7	0.87	2.7	2.7
Michigan	Tobacco settlement securities	29.0	2.93	30.0	30.0
Minnesota	Gen. taxes, PR	9.6	1.76	9.7	9.7
Wisconsin	GPR, gaming PR, transportation SEG	10.8 [♦]	1.87	10.8 [♦]	10.8 [♦]

* Illinois budgets on an annual basis, and figures for the 2017 fiscal year are not yet proposed.

[♦] Wisconsin annual amounts do not include: (a) \$1,130,000 for JEM grants; or (b) \$160,000 tribal gaming PR for TIC grants; or (c) \$475,000 for statutory earmarks.

Sources: Illinois Office of Tourism, Iowa Economic Development Authority, Michigan House Fiscal Agency, Explore Minnesota Tourism, U.S. Census Bureau

7. Were the earmarks repealed, Tourism would have the authority under its general marketing responsibilities to continue providing promotional or marketing support to the organizations or purposes currently specified in the statutes. However, the Department reports it is unlikely to continue recipient-specific funding. The Department indicates that its primary responsibility is to maximize marketing of the state at large. Although Tourism maintains a destination database that provides information on specific destinations or events, Tourism reports it generally does not provide significant resources to existing single recipients outside the current earmarks or grant programs. The Department reports sports marketing and the Ready, Set, Go! program could continue, although Tourism officials expect to continue evaluating whether such current activities sufficiently attract both sporting events and travelers to Wisconsin.

8. As the earmarked organizations or events rely on other sources of funds to support their programming and operations, it could be argued the groups might be able to replace Tourism funding through additional fundraising in the future. For instance, the Milwaukee Symphony Orchestra and Milwaukee Public Museum receive funding from admissions and other individual, corporate or charitable support. The Milwaukee Public Museum also receives public support from Milwaukee County, and the Milwaukee Symphony Orchestra is a regular recipient of funding from the Arts Board and other public support. NATOW reports it could seek additional tribal or corporate support. Further, multicultural events are administered similar to other competitive grants, and have been sufficiently competitive in recent years such that recipient groups are unlikely to be significantly reliant on Tourism funding.

9. On the other hand, earmark recipients' other revenues may be dedicated to other purposes within organizations' budgets, and adjusting budgets to compensate for the elimination of state funding may not be immediately possible. Further, although additional fundraising efforts might accommodate the deletion of state funding, some representatives of the organizations have contended increasing fundraising can be difficult depending on local conditions, including other charitable causes that may be seeking support from common donor populations. If state funding could not be replaced by other sources, some recipients report they would likely decrease activities

currently supported by state funding. Milwaukee Public Museum indicates it may reduce its promotional spending in extended geographic areas, and the Milwaukee Symphony Orchestra reports it would consider reducing the number of performances it records. State funding constitutes more than half of NATOW funding, meaning any loss of funding could significantly impair the organization's operations, were additional fundraising not realized.

10. The statutes containing the earmarks do not require any match, either in a specified sum or on a percentage basis. Tourism also reports it does not specifically require a match. However, the organizations with recipient-specific earmarks generally expend non-state funds on the activities supported by state funding. For example, Milwaukee Public Museum reports most traveling exhibits it has hosted require a minimum amount of promotional funding, which the Museum states it has provided through non-state sources; state funding has customarily augmented these base amounts. The Museum reports for the fiscal year ending August, 2015, it has budgeted approximately \$776,900 for marketing and donor development; this amount does not include state funding. The Milwaukee Symphony Orchestra indicates state funding provides approximately one-quarter of its costs in producing and distributing its radio broadcasts. Grants for multicultural events are typically expected to at least match state funds with the event's overall budget, as are recipients under other Tourism grant programs. The Committee could consider requiring a minimum recipient match for earmarks, if any, that were retained [Alternative G]. For example, Alternative G2 would require a 50/50 non-state match, similar to the current JEM program.

11. It has been argued that earmarked expenditures circumvent competitive grant processes and programs, which are established with the intention of providing numerous applicants an equal opportunity to receive public support. The administration states that the bill, as introduced, intends to eliminate earmarks across most agencies. The Committee could consider adopting the Governor's original proposal for the Tourism earmarks [Alternative A1]. However, it also could be argued the current Tourism earmarks support institutions or groups significant to Wisconsin's culture, and therefore, the marketing expenditures are appropriate as a regular part of Tourism's promotional activities. The Committee could consider deleting the provision [Alternative A5]. The Committee also could consider each earmarked expenditure and the funding level for each independently [Alternatives B1 through F3]. For instance, if the Committee wished to adopt the administration's revised recommendation, Alternatives B3 (sports marketing) and F3 (NATOW) would accomplish this.

12. Consideration could also be given to repealing the earmarks but retaining funding of \$475,000 tribal gaming PR each year [Alternative A2]. State tourism promotion could benefit if the earmarks were repealed but the Department were to gain discretion over the funding associated with the earmarks, particularly to remain competitive with neighboring states. Also, as noted earlier, earmarks have typically been added without funding being specifically provided, and one could argue eliminating the earmarks without reducing funding would be consistent with the circumstances under which the earmarks were created. Conversely, one could argue it is appropriate to reduce marketing funding in conjunction with earmark repeals, as program repeals typically occur in conjunction with funding reductions. Also, Tourism has received increases in annual base marketing funding totaling approximately \$2.6 million over the last two biennial budgets, while other state programs or agencies have sustained funding reductions.

13. It also could be argued that although three of the earmarks are dedicated to specific recipients, the sports marketing and multicultural events earmarks are open to a variety of recipients. Further, although current earmarked recipients or activities might be eligible for existing Tourism or Arts Board programs, a recipient would have to meet the eligibility criteria of the program. The Committee could consider repealing the current earmarks but retaining annual funding of \$475,000 tribal gaming PR each year and creating a sports and cultural marketing competitive grant program [Alternative A3]. Such an alternative would establish by statute competitive provisions for recipients similar to, or including, those entities that currently receive earmarked expenditures.

14. In establishing a competitive grant program, the Committee could incorporate provisions similar to those of the JEM and Ready, Set, Go! programs, including: (a) eligible grants would be for the marketing of sports or cultural events or institutions operating in Wisconsin or seeking to be held in Wisconsin, and which would increase travel to the state or a region of the state; (b) recipients must be a nonprofit organization or an organization of a local or tribal government; and (c) recipients must be responsible for: (1) curating or promoting an event, museum or other institution dedicated to natural or human history, to musical performance, or to ethnic or multicultural expression, or (2) hosting or seeking to host a national or regional sporting event that does not annually take place in Wisconsin. The Committee could specify a minimum required match of 50% of project costs, or equal to a dollar-for-dollar match on state funds, which is the minimum statutory match established for JEM grants. In addition, the Committee could specify no grant could exceed 14% of the total amount available annually, similar to administrative rules of the JEM program. The creation of an annual tribal gaming PR appropriation to fund the competitive sports and cultural marketing grant program could be specified. The Committee could also require Tourism to: (a) enter with each grantee a written agreement describing the project for which funding is to be provided and the conditions under which funding can be disbursed to a grantee; and (b) promulgate administrative rules to establish eligible expenses and determine other provisions necessary to implement the grant program.

15. If the Committee wished to establish a sports and cultural marketing grant program, it could consider accounting for the likelihood that typical rule-making and other processes of implementing the program would take time to complete. Consideration could be given to: (a) providing funding for the program beginning in 2015-16, and providing Tourism emergency rule-making authority [Alternative A3a]; or (b) providing \$475,000 tribal gaming PR beginning in 2016-17 [Alternative A3b]. If the Committee wished to delay the grant program to the second year of the biennium, it could repeal the earmarks effective July 1, 2016, and requiring Tourism to continue making the biennial expenditures in the 2015-16 fiscal year in one-half the amount otherwise specified by statute for a fiscal biennium [Alternative A4]. If a sports and cultural marketing grant program is established, the alternatives may more reasonably allow for the continuation of current expenditures while the provisions of a competitive program are determined.

ALTERNATIVES

A. General Alternatives

1. Adopt the bill provision to repeal the five marketing earmarks and reduce marketing

funding by \$475,000 tribal gaming PR each year.

2. Repeal the five marketing earmarks, but restore funding of \$475,000 tribal gaming PR to Tourism each year.

ALT A2	Change to Bill
PR	\$950,000
GPR-REV (Tribal)	- \$950,000

3. Adopt the bill provision to repeal the five specific marketing earmarks. Further, create a new annual appropriation, and require Tourism to use the funds to administer a sports and cultural event marketing competitive grant program. Specify grants must be for marketing sports or cultural events or institutions occurring in Wisconsin or seeking to be held in Wisconsin, and that would increase travel to the state or a region of the state. Specify eligible recipients must be: (a) a nonprofit organization or an organization of a local or tribal government; and (b) must be responsible for: (1) curating or promoting an event, museum or other institution dedicated to natural or human history, to musical performance, or to ethnic or multicultural expression, or (2) hosting or seeking to host a national sporting event that does not annually take place in Wisconsin. Specify a recipient must provide a match of at least 50% of project costs, and no grant may exceed 14% of the amounts available annually. Require Tourism to enter with each grantee a written agreement describing the project for which funding is to be provided and the conditions under which funding can be disbursed to a grantee. Also, require Tourism to promulgate administrative rules to establish eligible expenses and determine other provisions necessary to implement the grant program. In addition, specify one of the following:

a. Provide \$475,000 tribal gaming PR annually for the sports and cultural marketing grant program beginning in 2015-16, and provide Tourism emergency rule-making authority, without the finding of an emergency, to accomplish the purposes described above;

ALT A3a	Change to Bill
PR	\$950,000
GPR-REV (Tribal)	- \$950,000

b. Provide \$475,000 tribal gaming PR for the sports and cultural marketing grant program beginning in 2016-17.

ALT A3b	Change to Bill
PR	\$475,000
GPR-REV (Tribal)	- \$475,000

4. Specify the repeal of the five earmarks would take effect July 1, 2016. Restore \$475,000 PR in 2015-16 to continue the existing earmarks for one year. (This alternative could be adopted in addition to Alternative A3b.)

ALT A4	Change to Bill
PR	\$475,000
GPR-REV (Tribal)	- \$475,000

5. Delete the Governor's recommendation. (All five earmarks and associated funding would continue.)

ALT A5	Change to Bill
PR	\$950,000
GPR-REV (Tribal)	- \$950,000

B. Sporting Activities and Events

1. Repeal the statutorily required expenditure of \$125,000 annually for marketing of sporting activities and events, and delete \$125,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$125,000 annually for marketing of sporting activities and events, but retain \$125,000 tribal gaming PR.

ALT B2	Change to Bill
PR	\$250,000
GPR-REV (Tribal)	- \$250,000

3. Delete provision. (The sports marketing earmark and funding would be retained, as recommended by the administration.)

ALT B3	Change to Bill
PR	\$250,000
GPR-REV (Tribal)	- \$250,000

C. Milwaukee Symphony

1. Adopt the Governor's recommendation to repeal the statutorily required expenditure of \$25,000 in each fiscal year for state sponsorship of radio broadcasts of the Milwaukee Symphony

Orchestra, and delete \$25,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$25,000 annually for the Milwaukee Symphony Orchestra, as recommended, but retain \$25,000 tribal gaming PR.

ALT C2	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

3. Delete provision.

ALT C3	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

D. Multicultural Events

1. Adopt the Governor's recommendation to repeal the statutorily required expenditure of \$50,000 in each biennium for promotion of multicultural events in Wisconsin, and delete \$25,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$50,000 biennially for multicultural events, as recommended, but retain \$25,000 tribal gaming PR annually.

ALT D2	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

3. Delete provision.

ALT D3	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

E. Milwaukee Public Museum

1. Adopt the Governor's recommendation to repeal the statutorily required expenditure of \$200,000 in each biennium for grants to the Milwaukee Public Museum, and delete \$100,000 tribal

gaming PR annually.

2. Repeal the statutorily required expenditure of \$200,000 biennially for the Milwaukee Public Museum but retain \$100,000 tribal gaming PR annually.

ALT E2	Change to Bill
PR	\$200,000
GPR-REV (Tribal)	- \$200,000

3. Delete provision.

ALT E3	Change to Bill
PR	\$200,000
GPR-REV (Tribal)	- \$200,000

F. Native American Tourism of Wisconsin

1. Repeal the statutorily required expenditure of \$200,000 in each fiscal year for grants to Native American Tourism of Wisconsin, and delete \$200,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$200,000 annually for Native American Tourism of Wisconsin, as recommended, but retain \$200,000 tribal gaming PR.

ALT F2	Change to Bill
PR	\$400,000
GPR-REV (Tribal)	- \$400,000

3. Delete provision. (The NATOW earmark and associated funding would be retained, as recommended by the administration.)

ALT F3	Change to Bill
PR	\$400,000
GPR-REV (Tribal)	- \$400,000

G. Recipient Match

1. For any items being retained, require that at least the following match requirement be met from non-state funding for eligible project costs:

- a. \$2 for every \$1 provided by Tourism;
 - b. \$1 for each \$1 provided;
 - c. \$1 for each \$2 provided.
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2. Take no action.

Prepared by: Paul Ferguson