



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #691

Video Production Staff (Tourism)

[LFB 2019-21 Budget Summary: Page 399, #3]

CURRENT LAW

The Department of Tourism is required to promote Wisconsin as a destination for travelers. To do so, it advertises the state's scenic, historic, cultural, recreational, and other attractions through digital, print, radio, and television communications. These activities are supported by Tourism's three marketing appropriations, which are funded by general purpose revenues (GPR), the segregated (SEG) transportation fund, and tribal gaming program revenues (PR). In 2018-19, Tourism is provided \$15,482,600 for tourism promotion functions. Of this amount, \$12,545,600 is provided in Tourism's marketing appropriations, consisting of \$1,827,100 GPR, \$9,127,100 tribal gaming PR, and \$1,591,400 transportation fund SEG. In 2018-19, the Department is authorized 30.0 tourism development positions, of which 26.0 are GPR-supported and 4.0 are PR-supported.

As part of its promotional duties, the Department of Tourism places videos across a variety of digital platforms, including television, internet, social media, and mobile apps. Videos span a variety of topics, showing travel destinations and their amenities, and popular tourist activities. Currently, the Department does not have capacity to produce videos internally. Instead, it outsources video production as part of its marketing contracts.

GOVERNOR

Provide 2.0 GPR positions with \$374,200 GPR in 2019-20 and \$415,800 GPR in 2020-21 to build the Department of Tourism's capacity to produce videos internally. Funding in the Department's general program operations appropriation would increase by \$101,400 in 2019-20 and \$135,400 in 2020-21 for salary and fringe benefits, and by \$272,800 in 2019-20 and \$280,400 in 2020-21 for supplies and services. Under the bill, Tourism general program operations are

budgeted at \$3.4 million GPR in 2019-20 and \$3.6 million GPR in 2020-21.

DISCUSSION POINTS

1. Tourism reports it expended \$180,400 in 2016-17 and \$96,600 in 2017-18, and estimates expenditures of \$160,900 in 2018-19 for video production. Tourism notes that variation from year to year in video production expenditures is associated with both its marketing calendar and the timing of vendor billing. Tourism estimates it spends between \$1,500 and \$20,000 per video, depending primarily on its length and production quality, as well as necessary travel expenses to filming locations. The Department reports videos typically range from 15 seconds to three minutes. In 2018, Tourism estimates it commissioned approximately one video per week.

2. Tourism suggests that industry research and experience shows video is effective at driving interest, engagement, and action related to consumer purchasing behavior. As media consumption changes, Tourism argues that consumers are growing more responsive to video content. Thus, the Department expects that production of videos will continue to increase over time.

3. Most of the Department's marketing activities are conducted through contracts with outside vendors. The Department reports this is because it lacks the scale necessary to employ the variety of staff with specific expertise in multiple aspects of professional advertising. As a result, it is more cost-efficient to hire an outside firm with a large staff, so that Tourism may collaborate with experts as needed without having to hire them full-time. Given that video production has significant fixed costs associated with equipment, software and licensing, and staff training, it had previously been inefficient for the Department to maintain such resources internally to make a small number of videos each year. Considering that video marketing is becoming a larger portion of the Department's promotional content, it could be argued the Department now has sufficient need to justify these upfront costs. As the number of videos produced increases, Tourism would be able to spread fixed costs of video production across more videos, and realize cost savings relative to its vendor contracts.

4. The Department estimates that if the provision were approved, the additional funding and reallocated savings from reduced external production costs would allow Tourism to produce two to three times more videos annually. However, providing an average of \$395,000 annually over the 2019-21 biennium for internal production would increase video production costs approximately 2.7 times the average of approximately \$146,000 annually since 2016-17. Thus, it is not immediately clear that in-house video production would be more efficient on a cost-per-video basis. However, it is possible certain start-up costs related to equipment could inflate the annual cost of video production in the short term under the bill's funding levels, and that production cost per video would fall in subsequent biennia.

5. The Department also argues internal video production would allow more control over the production process. This control would be expected to bring: (a) faster production times; (b) more flexibility in determining the length and location of videos; (c) the ability to create more targeted content; and (d) the opportunity to edit videos into different lengths and formats for use across different platforms. Further, Tourism expects that 2.0 proposed video production staff would work more closely with the Department's marketing team to develop videos from start to finish, including brainstorming, writing, designing, shooting, and post-production.

6. It is possible that internal production staff would not have expertise in video production as broad as a larger team at an outside vendor that can afford specialized staff and equipment. Considering this, the Department notes it does not intend to produce all videos internally. For example, larger production projects, such as television advertisements, would be outside of the capacity of agency staff. Tourism intends to continue these types of production projects with outside contracts.

7. As discussed previously, the Department expects it would produce two to three times more videos if this proposal were approved. The Department reports it plans to use its increased capacity to collaborate more closely with local direct marketing organizations, such as convention and visitor bureaus. The Department anticipates that as it produces more videos internally, it will develop a library of footage it can easily edit and reuse to provide low-cost videos to its smaller partner organizations. With increased production, the Department also sees an opportunity to increase the variety and subjects of videos it produces.

8. The proposal includes 2.0 marketing specialists as well as supplies and services costs of \$272,800 in 2019-20 and \$280,400 in 2020-21. The administration and Tourism indicate supplies and services costs would primarily support video production equipment, equipment maintenance, software, and licensing; some amounts would support travel and training. Although equipment purchases could be considered one-time, the Department argues the continuing development of production technology necessitates ongoing spending to update equipment.

9. Considering that certain equipment purchases would require an initial expenditure, the Committee could consider modifying the Governor's proposal to provide supplies and services funding of \$250,000 each year as one-time funding during the biennium, while increasing base supplies and services funding for the positions by an amount typical for other Tourism staff (Alternative 3). Supplies and services budgeted under Tourism's general operations appropriation have base-level funding of \$505,500 each year. If the Department determines that further equipment funding is necessary, it could request such funding during a subsequent biennial budget process. Such expenses could also be supplemented by existing funding from Tourism's general marketing appropriations.

10. Current general marketing contracts that support video production are funded from Tourism's general marketing appropriations of GPR, tribal gaming PR, and transportation fund SEG. The Governor's proposal does not decrease funding for the Department's general marketing contracts to offset proposed internal video production costs. If the Committee wished to provide funding and positions for internal video production, it could consider decreasing marketing appropriations by an equivalent amount, to reflect decreased expenditures under those contracts (Alternative 2), and the Committee could consider doing so on a one-time basis in the 2019-21 biennium (Alternative 4).

11. Given that providing Tourism funding for video production could decrease average costs, increase the number of videos produced, provide more flexibility and control to the Department, and increase collaboration with local organizations, the Committee could consider adopting the Governor's proposal (Alternative 1). Conversely, given that the proposal would also increase total expenditures on video production, the Committee could consider taking no further action (Alternative 5).

ALTERNATIVES

1. Adopt the Governor's proposal to provide 2.0 positions with \$374,200 in 2019-20 and \$415,800 in 2020-21 to build the Department of Tourism's capacity to produce videos internally.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$790,000	2.00	\$0	0.00

2. Adopt the Governor's proposal, but decrease the Department's GPR marketing appropriation by \$374,200 in 2019-20 and \$415,800 in 2020-21, to reflect a reallocation of equal funding to internal video production staff.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$0	2.00	-\$790,000	0.00

3. Modify the Governor's proposal to specify that \$250,000 each year would be provided as one-time funding to reflect initial purchases of production equipment. For the purposes of preparing the subsequent biennial budget, the Department of Administration would remove these amounts from the budget base. (This alternative could be moved in addition to one of Alternatives 1 or 2.)

4. Specify that the reallocation of funding from the Department's GPR marketing appropriation also be one-time in accordance with one-time funding of video production supplies and services. (This alternative could be moved in addition to Alternatives 2 and 3.)

5. Take no action.

ALT 5	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$0	0.00	-\$790,000	- 2.00

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