

Tourism

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May, 2019

Joint Committee on Finance

Paper #690

Marketing Increases (Tourism)

[LFB 2019-21 Budget Summary: Page 398, #2 and Page 400, #6]

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. 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. 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.

Tourism marketing funds support advertising contracts with private firms to advertise Wisconsin tourism destinations primarily within the state and region. Tourism reports that because of the range of expertise required, the large professional staff of these private firms provide marketing services on a more cost-effective basis than the Department would likely be able to provide on its own. Currently, Laughlin Constable is responsible for Tourism's general advertising, including: (a) creating and placing general advertising in print, broadcast and internet-based media; (b) public relations efforts; and (c) marketing research. In 2017-18, expenditures with Laughlin Constable totaled approximately \$8.8 million. The Laughlin Constable contract expires July 1, 2019, and Tourism indicates it is in the process of preparing a request for proposals for its new general marketing contract.

Tourism also contracts with Native American Tourism of Wisconsin (NATOW) to provide

tribal marketing services. NATOW, which consists of a marketing representative from each of the 11 federally recognized Native American tribes in Wisconsin, promotes awareness of the tribes and their tourist destinations, including notable cultural and natural sites. Its activities include marketing, public relations, state-tribal relations, education, and awarding grants. The contract provides \$200,000 annually during the 2017-19 biennium.

GOVERNOR

Provide \$4,000,000 GPR in 2019-20 and \$1,000,000 GPR in 2020-21 in the Department's GPR marketing appropriation. Additionally, provide 1.0 GPR position with \$80,000 GPR in 2019-20 and \$106,700 GPR in 2020-21 in the Department's general program operations appropriation to support the increased marketing funding. Further, provide an additional \$100,000 each year in Tourism's tribal gaming PR marketing appropriation to increase the Department's contract with Native American Tourism of Wisconsin from \$200,000 to \$300,000 annually.

DISCUSSION POINTS

A. General Marketing

1. The Department reports it is in the process of developing a strategic plan, to be completed in July, 2019, that will inform its future marketing strategy. Thus, it is unable to report on its intended allocation of the proposed increased marketing funding. Tourism currently allocates advertising to appeal to markets that would encourage vehicle-driven visits to Wisconsin, but suggests that some funding may be redirected towards marketing Wisconsin as an air travel destination in new markets outside the Midwest. However, the Department notes that its allocation of marketing funding is intended to be consistent with its strategic plan and market research, so it is unable to report anticipated allocations or potential target markets. The Department did report it does not intend to create new grant programs or increase existing grants with the proposed increased funding.

2. As seen in Table 1, Tourism last received an increase in base marketing funding under 2013 Wisconsin Act 20, when total marketing funding increased to \$12,545,600 beginning in 2013-14. However, statutory requirements that Tourism spend \$950,000 each biennium on specifically earmarked purposes expired effective July 1, 2017. Thus, in the 2017-19 biennium, Tourism's general marketing budget effectively increased by this amount, as funding is no longer directed to other purposes. (In 2015-16 and 2017-18 other one-time earmarked expenditures were budgeted under Tourism's marketing appropriations, but equivalent funding increases were also provided. Thus, the base amount of \$12,545,600 provided in 2013-14 has remained unchanged relative to the 2019-21 adjusted base.)

TABLE 1**Tourism Promotion Funding Levels**

<u>Fiscal Year</u>	<u>GPR Tourism Marketing</u>	<u>PR Tourism Marketing</u>	<u>SEG Tourism Marketing</u>	<u>Total Tourism Marketing</u>
2009-10	\$0	\$8,213,600	\$1,757,100	\$9,970,700
2010-11	0	8,373,600	1,597,100	9,970,700
2011-12	1,172,000	9,557,900	1,595,900	12,325,800
2012-13	1,172,100	9,557,900	1,595,900	12,325,900
2013-14	1,827,100	9,127,100	1,591,300	12,545,500
2014-15	1,827,100	9,127,100	1,591,300	12,545,500
2015-16	2,327,100	9,127,100	1,591,400	13,045,600
2016-17	1,827,100	9,127,100	1,591,400	12,545,600
2017-18	1,909,600	9,127,100	1,591,400	12,628,100
2018-19	1,827,100	9,127,100	1,591,400	12,545,600
2019-20 (Bill)	5,827,100	9,127,100	1,591,400	16,545,600
2020-21 (Bill)	2,827,100	9,127,100	1,591,400	13,545,600

3. Tourism argues that increased funding for marketing is necessary to remain competitive with neighboring Midwestern states. The United States Travel Association (USTA) collects budget data on state tourism offices, which is compiled in the Table 2 to compare Wisconsin's Tourism budget with those of other states in the region. Per capita funding is based on the July 1 population estimate from the U.S. Census Bureau for the beginning of the respective fiscal year. For 2016-17, the most recently available data for state tourism budgets, Wisconsin ranked third among the six states in both tourism budget totals and budgeted dollars per capita. In 2016-17, Wisconsin was \$0.14 below the Midwest average spending per capita. Including population increases of 40,700 through July 1, 2018, the most recently available population data, Tourism would require an additional \$982,300 each year to meet the Midwest average of \$2.86 per capita.

TABLE 2**Midwest Tourism Budgets**

State	<u>2013-14</u>		<u>2016-17</u>		<u>Percent Change (FY14 to FY17)</u>	
	Total (millions)	Per Capita	Total (millions)	Per Capita	Total	Per Capita
Illinois	\$53.3	\$4.13	\$50.5	\$3.93	-5%	-5%
Indiana	3.6	0.55	6.2	0.94	72	71
Iowa	4.5	1.46	4.4	1.40	-2	-4
Michigan	32.3	3.26	34.0	3.42	5	5
Minnesota	14.0	2.58	14.5	2.62	4	2
Wisconsin	15.2	2.65	15.7	2.71	3	2
Combined Average	\$20.5	\$2.82	\$20.9	\$2.86	2%	1%

Source: U.S. Travel Association, U.S. Census Bureau

4. Tourism also argues that its advertising buying power, most notably in its primary out-of-state media market of Chicago, is declining relative to other states. Changes in this buying power can be roughly reflected by changes in the Consumer Price Index (CPI), as reported by the federal Bureau of Labor Statistics (BLS). BLS reports both national and Midwest measurements of CPI. Since the last increase in marketing appropriations in July, 2013, and March, 2019, the most recently available data, national CPI rose from 233.596 to 254.202 (8.8%) and Midwest CPI rose from 222.902 to 236.793 (6.2%). Increasing the Department's total marketing appropriations to adjust for national inflation would require an additional \$1,106,800 each year, and increasing marketing appropriations to adjust for Midwest inflation would require an additional \$781,800 each year.

5. Considering increased marketing spending may maintain or enhance Wisconsin's competitiveness relative to neighboring states and cover increased costs of doing business, the Committee could consider approving the Governor's proposal to increase marketing funding by \$1,000,000 GPR each year (Alternative A1). This alternative would more closely align Tourism's total operations and promotion budget with the per capita average of Midwest states.

6. The Committee could also consider increased funding of \$1,106,800 each year to reflect a national inflationary increase to marketing funding (Alternative A2), or \$781,800 to reflect a Midwest inflationary increase to marketing funding (Alternative A3). Conversely, given that general promotional funding increased with the expiration of earmarks in July, 2017, the Committee could take no further action (Alternative A4).

B. 2019-20 Marketing Supplement

7. In addition to the proposed increase to the Department's general marketing of \$1,000,000 each year, the bill provides an additional \$3,000,000 in 2019-20. The administration indicates that the supplemental funding provided in 2019-20 is intended to support additional promotional efforts related to Wisconsin's hosting of national events, namely the Democratic National Convention (July, 2020) and Ryder Cup (September, 2020). It is intended that funding would support marketing of state destinations while the events attract significant national and international attention. While funding would be provided in the first year, the appropriation is biennial, meaning amounts may be spent both years of the biennium, after which they would lapse to the general fund.

8. The Committee could consider providing an additional \$3 million in 2019-20 (Alternative B1), or a smaller amount of \$1 million (Alternative B2). The Committee could also consider providing one of the above funding amounts in its supplemental funding appropriation, which could be released once Tourism submitted a request and plan for its use (Alternative B3). The Committee could also take no action (Alternative B4).

C. Marketing Position

9. The administration indicates that the proposed position is intended to support the growing workload of the Department. However, Tourism reports that it has not yet determined what the activities or duties of the proposed position. The Department suggests the position could be a graphic designer focused on content creation and branding, or a media relations strategist focused on increasing earned media and third-party stories on Wisconsin tourism destinations. The Department

intends to finalize its strategic plan and review market research before determining how to allocate the position.

10. Alongside an increased funding level for general marketing, and the resulting increased workload associated with administering it, the Committee could consider adopting the Governor's proposal to provide an additional position and associated funding of \$80,000 in 2019-20 and \$106,700 in 2020-21 to assist in statewide marketing efforts (Alternative C1). The Committee could also take no action (Alternative C2).

D. Native American Tourism of Wisconsin

11. Prior to July 1, 2017, Tourism was required to provide \$200,000 annually to NATOW. Following the repeal of this statutorily required earmark, Tourism elected to continue funding to NATOW under an annual contract for the same amount. Tourism currently offers this funding as a sole-source contract, arguing that there is no other organization qualified to conduct these services. Tourism believes NATOW is best poised to conduct these activities because it has staff with the relational experience, and cultural and organizational knowledge necessary for effective collaboration with Native American tribes for marketing purposes.

12. The administration indicates the requested increase in funding for tribal marketing contracts was requested by the Stockbridge-Munsee Community on behalf of NATOW. Under the request, funding would be allocated as follows: (a) \$35,000 for marketing and promotional expenses; (b) \$40,000 for tribal coordination and education; (c) \$15,000 for its industry relations conference; and (d) \$10,000 for public and media relations.

13. Agreements between the state and most of the tribes that operate gaming facilities include ancillary memoranda of understanding (MOUs) related to government-to-government matters. In most cases, these MOUs specify that tribal gaming revenues, other than payments made to reimburse the state for the costs of regulating gaming and providing services and assistance, should be used for the following four purposes: (a) economic development initiatives to benefit tribes and/or Native Americans within Wisconsin; (b) economic development initiatives in regions around casinos; (c) promotion of tourism within the state; and (d) support of programs and services of the county in which the tribe is located. Given that tribal MOUs delineate tribal gaming revenues are to be used for Tourism promotion, the Committee could consider approving the Governor's proposal to provide \$100,000 tribal gaming PR annually to NATOW (Alternative D1).

14. Tribal gaming revenues that are not allocated to state agencies are deposited into the state's general fund. Given that the Governor's proposal would reduce the amount transferred to the general fund, the Committee could consider taking no further action (Alternative D2).

ALTERNATIVES

A. General Marketing

1. Adopt the Governor's proposal by providing \$1,000,000 in 2019-20 and \$1,000,000 in

2020-21 in the Department's GPR marketing appropriation.

ALT A1	Change to	
	Base	Bill
GPR	\$2,000,000	\$0

2. Provide \$1,106,800 each year in the Department's GPR marketing appropriation to reflect an inflationary increase based on national CPI.

ALT A2	Change to	
	Base	Bill
GPR	\$2,213,600	\$213,600

3. Provide \$781,800 GPR each year in the Department's GPR marketing appropriation to reflect an inflationary increase based on Midwest CPI.

ALT A3	Change to	
	Base	Bill
GPR	\$1,563,600	-\$436,400

4. Take no action.

ALT A4	Change to	
	Base	Bill
GPR	\$0	-\$2,000,000

B. 2019-20 Marketing Supplement

1. Adopt the Governor's proposal by providing \$3,000,000 in 2019-20 in the Department's GPR marketing appropriation.

ALT B1	Change to	
	Base	Bill
GPR	\$3,000,000	\$0

2. Provide an additional \$1,000,000 in 2019-20 in the Department's GPR marketing appropriation.

ALT B2	Change to Base Bill
GPR	\$1,000,000 - \$2,000,000

3. In addition to one of the above alternatives, specify that funding be provided in the Joint Committee on Finance supplemental appropriation. (The Department of Tourism could request, under s. 13.10 of the statutes, the release of funding by the Committee.)

4. Take no action.

ALT B4	Change to Base Bill
GPR	\$0 - \$3,000,000

C. Marketing Position

1. Adopt the Governor's proposal to provide 1.0 GPR position with \$80,000 GPR in 2019-20 and \$106,700 GPR in 2020-21 to assist in statewide marketing efforts.

ALT C1	Change to Base Funding	Change to Base Positions	Change to Bill Funding	Change to Bill Positions
GPR	\$186,700	1.00	\$0	0.00

2. Take no action.

ALT C2	Change to Base Funding	Change to Base Positions	Change to Bill Funding	Change to Bill Positions
GPR	\$0	0.00	- \$186,700	- 1.00

D. Native American Tourism of Wisconsin

1. Adopt the Governor's proposal to provide an additional \$100,000 each year in Tourism's tribal gaming PR marketing appropriation to increase the Department's contract with Native American Tourism of Wisconsin. Tourism would be provided \$9,227,100 tribal gaming PR each year of the biennium.

ALT D1	Change to Base		Change to Bill	
	Revenue	Funding	Revenue	Funding
PR		\$200,000		\$0
GPR-Tribal	- \$200,000		\$0	
PR-REV	<u>200,000</u>		<u>0</u>	
Total-REV	\$0		\$0	

2. Take no action. Tourism would be provided \$9,127,100 tribal gaming PR each year of the biennium.

ALT D2	Change to Base		Change to Bill	
	Revenue	Funding	Revenue	Funding
PR		\$0		- \$200,000
GPR-Tribal	\$0		\$200,000	
PR-REV	<u>0</u>		<u>- 200,000</u>	
Total-REV	\$0		\$0	

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May, 2019

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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May, 2019

Joint Committee on Finance

Paper #692

Office of Outdoor Recreation (Tourism)

[LFB 2019-21 Budget Summary: Page 399, #4]

CURRENT LAW

The Department of Tourism is responsible for promoting Wisconsin and supporting its tourism industry. Its responsibilities include: (a) advertising the state's scenic, historic, cultural, recreational, and other attractions through digital, print, radio, and television communications; (b) providing information to prospective travelers by internet, social media, and telephone; (c) developing cooperative marketing programs with the state tourism industry; (d) administering tourism-related grants; and (e) administering development programs that assist businesses and municipalities in identifying marketable features that may attract customers.

In 2018-19, the Department is provided \$15,482,600 for tourism promotion functions, which includes \$4,333,600 in state general purpose revenues (GPR), \$9,545,500 from program revenues (PR), and \$1,603,500 from segregated (SEG) funds. Segregated funding includes \$1,591,400 from the transportation fund and \$12,100 from the parks account of the conservation fund. Expenditures from the conservation fund reflect printing costs associated with the Department's state parks visitor guide. The Department is authorized 30.0 tourism development positions, of which 26.0 are GPR-supported and 4.0 are PR-supported.

GOVERNOR

Provide 3.0 GPR positions with \$274,300 GPR in 2019-20 and \$349,000 GPR in 2020-21 to create an Office of Outdoor Recreation (OOR). Funding would be provided under the Department's general program operations appropriation.

DISCUSSION POINTS

1. Tourism contracts with Longwoods International annually to conduct research on the impacts of tourism on Wisconsin's economy. Longwoods randomly solicits survey participation each quarter from a national sample, and collected data about 4,700 overnight trips to Wisconsin in 2017, the most recently available data. Other than visiting friends and relatives (45%), outdoors (11%) was the next most commonly cited reason for overnight leisure trips in Wisconsin, followed by special events (10%), touring (8%), resorts (3%), theme parks (3%), city trips (3%) and casinos (3%). Tourism describes outdoor recreation as the top "marketable" reason for travel, as social occasions and business travel are not typically influenced by consumer choice. Additionally, the table shows the percentage of 2017 leisure trip respondents reporting participation in various activities, as compared to the national average. Underlined items in the table reflect those that could be considered primarily "outdoor recreation."

Percentage of Overnight Leisure Travelers Participating by Activity

<u>Activity</u>	<u>Wisconsin</u>	<u>National Average</u>
Shopping	27%	35%
Swimming	22	21
Fine Dining	17	23
Landmark/Historic Site	16	19
Bar/Nightclub	15	17
<u>National/State Park</u>	15	15
Waterpark	14	5
<u>Hiking/Backpacking</u>	14	11
<u>Beach/Waterfront</u>	13	20
Casino	12	14
<u>Fishing</u>	12	6
<u>Camping</u>	11	7
Museum	11	14
Brewery	9	6
Theme Park	8	11
Fair/Exhibition/Festival	8	6
<u>Boating/Sailing</u>	7	6
Winery	7	5
Theater	5	7

Note: Excludes activities for which less than 5% of Wisconsin respondents participated.

2. Tourism argues that the significant impact of outdoor recreation on Wisconsin's economy necessitates increased focus for the Department to remain competitive with other Midwestern states in its tourism promotional duties. According to information from the National Association of State Outdoor Recreation Liaison Officers, several states have formed outdoor recreation offices, task forces, councils or other bodies, including Colorado, Maryland, Michigan, Montana, North Carolina, Oregon, Utah, Vermont, Washington, and Wyoming. Each state model is generally intended to further cooperation between those entities managing or promoting public and

private outdoor resources and recreational activities.

3. The Department reports it intends for OOR to promote existing resources and strengths of the state's outdoor recreation industry, and increase awareness and participation in outdoor recreation. The Department intends for the 3.0 positions in the Office to consist of a director (program and policy chief) and two marketing and industry outreach specialists (marketing specialists). The Department expects staff to: (a) conduct market research to develop messaging and identify target groups for advertising outdoor recreational visits; (b) coordinate and collaborate with state and local government agencies, nonprofit organizations, and for-profit recreation businesses; and (c) develop and administer a marketing plan focused on outdoor recreation.

4. The Department reports generally it does not conduct separate marketing efforts focused exclusively on outdoor recreation. Instead, its promotion of outdoor recreation is combined with its general advertising of other tourist destinations and amenities. Further, Tourism reports it is unable to provide an estimate of what proportion of advertising expenditures are dedicated to outdoor recreation-focused topics.

5. Currently, Tourism employs four regional tourism specialists, which assist local areas and businesses to develop their tourism resources, including customer service training to improve customer experiences and strategic planning to identify promotion and development opportunities. Tourism reports it expects that OOR will provide similar support activities targeted at the outdoor recreation industry. However, Tourism argues that its regional tourism specialists do not have the expertise or capacity to provide the type of industry support it envisions for the outdoor recreation industry, which is why it has proposed additional staff.

6. The Department of Natural Resources (DNR) is responsible for managing and promoting the state's parks and other state-owned public lands. DNR parks regularly organize events promoting participation in outdoor recreation. DNR also maintains a website and publishes newsletters that promote public lands. Further, the Department has developed a statewide OutWiGo campaign, designed to encourage residents to be active outdoors, for health and wellness, and to increase use of public lands. While DNR programs promote outdoor recreation, including state public lands, waterway access points and safety, and recruitment and retention of hunters and anglers, Tourism argues these activities do not capture the entire industry, which includes other outdoor activities such as waterskiing, snowboarding, and boating, as well as other entities, such as private retailers and equipment renters, nonprofits, and other local and federal lands. Tourism intends for OOR to expand the breadth of these promotional activities, and argues that as the state's promotional agency, it is best poised to do so. Further, Tourism reports OOR would collaborate with DNR to further increase interest in, and visits to, state parks.

7. Although staff would conduct the activities described previously, it is not clear how many positions would be required to accomplish the proposed activities and program goals. Instead, positions provided could be considered an allocation of resources towards promotion of outdoor recreation in general, and the extent of this promotion would be commensurate with the number of positions. Given the uncertainty in establishing an office dedicated to promotion of outdoor recreation, the Committee could consider providing funding on a one-time basis during the 2019-21 biennium, with 3.0 project positions that expire June 30, 2021. This would allow the Committee an

opportunity to review the operation and results of OOR before authorizing ongoing funding and positions (Alternative 2).

8. Considering the frequent participation in outdoor recreational activities of tourists in Wisconsin, and the resulting impact on the tourism industry and state economy, the Committee could consider adopting the Governor's proposal to create an Office of Outdoor Recreation (Alternative 1). Conversely, given that DNR already spends time promoting outdoor recreation through its marketing of Wisconsin's state public lands, and other public and private organizations market other outdoors activities throughout the state, the Committee could consider taking no further action (Alternative 5).

9. Current general marketing appropriations of GPR, tribal gaming PR, and transportation fund SEG support Tourism's marketing activities and advertising budget. If the Committee wished to provide funding and positions for an Office of Outdoor Recreation, it could consider decreasing the Department's GPR marketing appropriation by an equivalent amount of funding (Alternative 3), and doing so on a one-time basis in the 2019-21 biennium (Alternative 4). This would allow the Department to focus its efforts on promotion of outdoor recreation, while also limiting the budget impact of the proposal. (Additional adjustments to the general marketing funding proposed by the Governor are discussed in a separate Tourism issue paper, entitled "Marketing Increases.")

ALTERNATIVES

1. Adopt the Governor's proposal to provide 3.0 GPR positions with \$274,300 GPR in 2019-20 and \$349,000 GPR in 2020-21 to create an Office of Outdoor Recreation within the Department of Tourism.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$623,300	3.00	\$0	0.00

2. Modify the Governor's proposal by providing funding on a one-time basis during the biennium and specifying positions would be two-year project positions that expire June 30, 2021.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$623,300	3.00	\$0	0.00

3. Decrease the Department's GPR marketing appropriation by \$274,300 in 2019-20 and \$349,000 in 2020-21, to reflect a reallocation of equal funding to create the proposed Office of Outdoor Recreation. (This alternative could be moved in addition to one of Alternatives 1 or 2.)

ALT 3	Change to	
	Base	Bill
GPR	\$0	- \$623,300

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 the Office of Outdoor Recreation. (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	- \$623,300	- 3.00

Prepared by: Rory Tikalsky



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May, 2019

Joint Committee on Finance

Paper #693

Delete Office of Marketing Services (Tourism)

[LFB 2019-21 Budget Summary: Page 399, #5]

CURRENT LAW

The Department of Tourism is responsible for promoting Wisconsin and supporting its tourism industry. Its responsibilities include: (a) advertising the state's scenic, historic, cultural, recreational, and other attractions through digital, print, radio, and television communications; (b) providing information to prospective travelers by internet, social media, and telephone; (c) developing cooperative marketing programs with the state tourism industry; (d) administering tourism-related grants; and (e) administering development programs that assist businesses and municipalities in identifying marketable features that may attract customers.

In 2018-19, the Department is provided \$15,482,600 for tourism promotion functions, which includes \$4,333,600 in state general purpose revenues (GPR), \$9,545,500 from program revenues (PR), and \$1,603,500 from segregated (SEG) funds. The Department is authorized 30.0 tourism development positions, of which 26.0 are GPR-supported and 4.0 are PR-supported.

The statutes require the Department to operate a marketing clearinghouse to provide state agencies marketing services. Under the clearinghouse arrangement, Tourism is authorized to charge state agencies for marketing services sufficient to cover Tourism's cost in providing those services. Currently, the Department charges agencies \$80 per hour of services. Recent projects have included recruitment videos, marketing of annual conferences, awareness campaigns for state programs, and agency publications, among others. A list of projects since 2016-17 can be found in the attachment.

GOVERNOR

Delete 4.0 PR positions and \$365,800 PR annually associated with OMS. In an errata item,

the administration reports that it intended to provide 1.0 GPR position and \$133,400 GPR annually in the Department's general program operations appropriation to convert the incumbent OMS director, the only filled position of those proposed to be deleted, to GPR.

DISCUSSION POINTS

1. Although the marketing clearinghouse was created with Tourism in 1996, full implementation never proceeded. During that period, Tourism reports it provided occasional marketing services to agencies but did not bill for services. Under 2015 Wisconsin Act 55, Tourism was authorized 4.0 PR positions to create the Office of Marketing Services (OMS) in its current form. Act 55 also deleted 29.8 positions and funding of approximately \$2 million annually in other agencies with the intent that agencies would instead work with Tourism on communications and marketing projects. No Tourism marketing or promotion positions, all of which were GPR-supported at the time, were eliminated or transferred to OMS under the Act 55 provision.

2. While the bill deletes PR positions and funding, it would retain the statutory authorization for the Department to assess state agencies fees for marketing services and the appropriation necessary to receive those fees. Thus, the administration indicates the Department would continue to have the ability to use the clearinghouse framework in the future. However, because the OMS appropriation is annual, under the bill any further revenues could not be expended until Tourism is authorized an increase in expenditure authority by subsequent budget legislation or by the Joint Committee on Finance under s. 16.515 of the statutes. As the appropriation would have no position authority, it is expected any such expenditures would support limited-term employees and supplies and services costs.

3. Although OMS is authorized 4.0 positions, it has at most employed two. Currently, OMS has 1.0 director and remaining positions are vacant. Tourism reports that current OMS revenues are not able to support more than one position. The administration indicates that a primary reason for deletion of OMS PR funding and positions was the inconsistent revenue resulting from a lack of awareness and usage of OMS by other state agencies.

4. As part of its general marketing contracts, Tourism contracts out various professional marketing services for larger or more complex projects. The Department reports that, in general, it pays an hourly rate of \$90 for these services. OMS currently charges its clients \$80 per hour for its services. By comparison, OMS could be considered a competitive option for agencies that would otherwise use private vendors, although it does not have the capacity for larger or more complex projects.

5. Tourism indicates it intends to continue to offer services to other state agencies, on both fee and non-fee bases, even if OMS funding were deleted. The Department reports that if it were provided GPR funding for its OMS director, it would intend to provide marketing services to agencies free of charge, as resources allow. As written, the bill does not provide GPR funding or a position to retain the OMS director. The errata item forwarded by the administration also converts the 1.0 director position to GPR and provides \$133,400 GPR annually.

6. The attachment lists OMS projects since 2016-17. OMS billed agencies \$108,920 in 2016-17 for 13 projects and \$163,080 in 2017-18 for 17 projects. For 2018-19, Tourism estimates OMS will conduct 18 projects and bill \$128,120. Agencies are charged a rate of \$80 per hour of work, and OMS revenues over this period reflect approximately 5,000 hours of work. However, of projects listed in the attachment, 10 were conducted on behalf of Tourism, totaling 1,980.5 hours, or approximately 40% of all project hours of OMS. Tourism's general promotional and operations budget pays these service charges to OMS.

7. It is possible these project activities billed to Tourism could have been conducted by other Tourism staff, in which case it is not clear that OMS would have sufficient workload from other agencies to justify the proposed 1.0 GPR position if funding for the director were converted. Instead, the position could continue to spend a significant portion of its time on Tourism-related duties. Conversely, if the position were converted to GPR, it is possible that OMS's workload would grow as more agencies would seek services that are free of charge.

8. OMS has provided services to 16 unique clients since 2016-17. As seen in the attachment, 11 of these clients have returned for further services, and a number of projects reflect recurring annual conferences or annual campaigns. Given that the Department has cultivated a consistent base of agency clients, deletion of the Office could disrupt services to other agencies. Further, it is possible OMS could continue to grow its base of clients over time as it retains current clients and additional agencies become aware of its services.

9. Providing a GPR position to OMS would allow for a consistent funding base for the Office, which could alleviate budget uncertainty caused by fluctuations in workload. If the Committee wished to ensure a consistent operating budget for the Office, it could adopt the Governor's revised proposal to delete 4.0 PR positions and associated funding, and instead provide 1.0 GPR position and funding (Alternative 1). If the Committee wished to provide flexibility to the Office in the event projects begin to generate more revenue, it could modify the Governor's proposal to provide 1.0 GPR position and funding, but maintain existing PR positions and funding (Alternative 2). Conversely, given that current revenues are sufficient to fund 1.0 PR position, the Committee could consider maintaining 1.0 PR position and \$133,400 annually instead of providing GPR (Alternative 3).

10. Given that OMS is not able to generate revenue for all its authorized positions, and given Tourism purchases a substantial amount of OMS services but did not previously have its authorized position level reduced as other agencies did in Act 55 provisions, the Committee could consider deleting its 4.0 PR positions and associated funding (Alternative 4) and also repealing the statutory authorization for the clearinghouse and the associated appropriation (Alternative 5). The Committee could also consider taking no action, which would provide Tourism flexibility to operate the Office with up to 4.0 positions in the event projects are able to generate sufficient revenue (Alternative 6).

ALTERNATIVES

1. Adopt the Governor's proposal as modified by the errata letter to delete 4.0 PR positions and associated funding of \$365,800 PR annually, and convert the incumbent OMS director to a new GPR-funded position budgeted at \$133,400 annually.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$266,800	1.00	\$266,800	1.00
PR	<u>- 731,600</u>	<u>- 4.00</u>	<u>0</u>	<u>0.00</u>
Total	- \$464,800	- 3.00	\$266,800	1.00

2. Modify the Governor's proposal by maintaining 4.0 PR positions and associated funding of \$365,800 PR annually, while also providing 1.0 GPR position and \$133,400 GPR annually and transferring the incumbent OMS director.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
GPR	\$266,800	1.00	\$266,800	1.00
PR	<u>0</u>	<u>0.00</u>	<u>731,600</u>	<u>4.00</u>
Total	\$266,800	1.00	\$998,400	5.00

3. Maintain 1.0 PR position and associated funding of \$133,400 PR annually, and delete 3.0 PR positions and \$232,300 PR annually.

ALT 3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	- \$464,600	- 3.00	\$266,800	1.00

4. Delete 4.0 PR positions and funding of \$365,800 PR annually. (This reflects the provisions in the bill as introduced.)

ALT 4	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	- \$731,600	- 4.00	\$0	0.00

5. In addition to Alternative 5, repeal s. 41.21 of the statutes, which authorizes the Office of Marketing Services clearinghouse, and its appropriation under s. 20.380(1)(kc).

6. Take no action. This would maintain funding of \$365,800 PR annually and 4.0 positions.

ALT 6	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	\$731,600	4.00

Prepared by: Rory Tikalsky
Attachment

ATTACHMENT

Office of Marketing Services Projects

<u>Client</u>	<u>Project</u>	<u>Hours</u>	<u>Billed Amount</u>
2016-17			
Department of Tourism	2017 Wisconsin Governor's Conference on Tourism	479.5	\$38,360
Department of Military Affairs	2016 Cybersecurity Summit	284.5	22,760
Department of Military Affairs	2017 Governor's Conference on Emergency Management	204.5	16,360
Department of Financial Institutions	LookForwardWI.gov	107.0	8,560
Wisconsin Association of Convention & Visitor Bureaus	2016 Northwoods Summit	104.0	8,320
Department of Administration	State Jobs Recruitment Video	56.0	4,480
Department of Children and Families	Recruitment Video	45.0	3,600
Public Service Commission	Office of Energy Innovation Logo	35.5	2,840
Public Service Commission	State Broadband Logo	24.0	1,920
Department of Corrections	Logo	8.0	640
Legislature - Assembly	Great Lakes Wolf Summit	6.5	520
Wisconsin Economic Development Corporation	Lifestyle Video	4.0	320
Department of Administration	Small Business Summit	3.0	240
Subtotal 2016-17	13 Projects	<u>1,361.5</u>	<u>\$108,920</u>
2017-18			
Department of Tourism	2018 Wisconsin Governor's Conference on Tourism	616.5	\$49,320
Wisconsin National Guard Association, Inc.	Adjutants General Association of the United States 2018 Summer Conference	292.0	23,360
Department of Military Affairs	2018 Governor's Conference on Emergency Management	252.5	20,200
Department of Military Affairs	2017 Cybersecurity Summit	244.5	19,560
Department of Tourism	2017 Northwoods Summit	120.0	9,600
Wisconsin National Guard Association, Inc. and Wisconsin National Guard Enlisted Association	2018 Conference	120.0	9,600
Department of Corrections	Bureau of Correctional Enterprises Logo	80.0	6,400
Department of Children and Families	Recruitment Video	60.5	4,840
Department of Financial Institutions	College and Career Guide	60.0	4,800
Department of Natural Resources	Wild Wisconsin Partnership Program	54.0	4,320
Department of Health Services	Serve Wisconsin Marketing	37.5	3,000
Department of Military Affairs	2018 Cybersecurity Summit	36.5	2,920
Department of Tourism	Wisconsin Association of Convention and Visitors Bureaus Fall Conference	33.5	2,680
Wisconsin Economic Development Corporation	Recruitment Project	20.0	1,600
Department of Tourism	Tourism Week Publications	6.0	480
Wisconsin Economic Development Corporation	InWisconsin.com Photo Request	3.0	240
Wisconsin State Patrol	Motorcycle Awareness Campaign	2.0	160
Subtotal 2017-18	17 Projects	<u>2,038.5</u>	<u>\$163,080</u>

<u>Client</u>	<u>Project</u>	<u>Hours</u>	<u>Billed Amount</u>
2018-19			
Department of Tourism	2019 Wisconsin Governor's Conference on Tourism	618.5	\$49,480
Department of Military Affairs	2018 Cybersecurity Summit	283.5*	22,680*
Department of Military Affairs	2019 Governor's Conference on Emergency Management	251.0*	20,080*
Department of Administration	2018 Northwoods Summit	102.0*	8,160*
Wisconsin National Guard Association, Inc. and Wisconsin National Guard Enlisted Association	2019 Conference	75.0*	6,000*
Wisconsin Historical Society	Historic Sites Multi-Year Marketing Strategy	71.0	5,680
Department of Tourism	Strategic Planning and Secretary Engagement	40.0*	3,200*
Department of Tourism	2018 Wisconsin Fall Tourism Conference	31.5	2,520
Department of Tourism	Wisconsin Governor's Conference on Tourism Sponsor Appreciation Lunch	25.0*	2,000*
Office of the Assembly Chief Clerk	2018 American Society of Legislative Clerks and Secretaries Seminar	58.0	4,640
Department of Justice	2019 Internet Crimes Against Children Conference	23.0*	1,840*
Department of Natural Resources	Wild Wisconsin Partnership Program	12.5	1,000
Department of Justice	Logo Design	12.0	960
Department of Corrections	Bureau of Correctional Enterprises Website	10.5*	840*
Department of Tourism	Reception Breakfast	10.0*	800*
Department of Corrections	Bureau of Correctional Enterprises T-Shirt Design	8.0	640
Department of Financial Institutions	2019 College and Career Guide	6.0	480
Wisconsin State Patrol	Motorcycle Awareness Campaign	<u>3.0</u>	<u>240</u>
Subtotal 2018-19	18 Projects	1,601.5	\$128,120
Total	48 Projects	5,001.5	\$400,120

*Project is ongoing or not yet billed. Amounts shown are preliminary estimates, and should not be considered final.



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May, 2019

Joint Committee on Finance

Paper #694

State Aid for the Arts (Tourism)

[LFB 2019-21 Budget Summary: Page 401, #8]

CURRENT LAW

The Wisconsin Arts Board, budgeted in the Department of Tourism, administers several grant programs in which it distributes state and federal funds to Wisconsin arts organizations. State funding is primarily supported by general purpose revenues (GPR), as well as program revenue (PR) from tribal gaming receipts. Federal (FED) funding is provided by the National Endowment for the Arts (NEA). The Arts Board has state adjusted base funding of \$746,300 GPR and \$44,900 PR, with 3.0 GPR and 1.0 FED positions. Total state adjusted base funding for the Arts Board is \$746,300 GPR and \$44,900 PR. Funding consists of: (a) \$270,300 GPR and \$20,000 PR annually in general operations funding; (b) \$359,300 annually for general grants, contracts, and aids; (c) \$116,700 GPR annually for the Wisconsin Regranting Initiative; and (d) \$24,900 tribal gaming PR annually for the Woodland Indian Arts Initiative.

Current Arts Board grant programs are: (a) Creation and Presentation Grants, which are awarded to established nonprofit arts organizations to assist with their operations or creation and presentations of arts programming; (b) Creative Communities Grants, which fund projects focused on arts education, development of local arts programming, or folk and traditional arts; (c) Folk Arts Apprenticeship Grants, which support the study of an apprentice with a master of native or traditional ethnic arts or performance; (d) the Wisconsin Regranting Initiative, which provides funding for local arts agencies to disburse in turn to artists and local arts organizations in their regions of the state; (e) the Arts Challenge Initiative, which currently supports several minority-focused arts organizations in the Milwaukee area; and (f) the Woodland Indian Arts Initiative, which is intended to support events, facilities or institutions to practice and preserve the arts traditions of Wisconsin's Native American tribes. Arts Board grants require an equal recipient match. Arts Board staff also provide technical assistance to Wisconsin arts organizations relating to fundraising, marketing, and other aspects of operations.

GOVERNOR

Provide an additional \$71,900 GPR annually in the Arts Board's state aid for the arts appropriation, for a total of \$431,200 annually during the 2019-21 biennium.

DISCUSSION POINTS

1. The administration indicates the increase of \$71,900 is intended to reflect a general increase of 20% in state aid for the arts and is not intended to supplement a specific grant program. Further, Arts Board staff report they have received no direction from the administration on allocation of proposed funding. Increased funding is also intended to provide supplements to the Arts Board necessary to meet federal match requirements for NEA state partnership grant awards.

2. The NEA requires states to provide an equal match to its awards. Prior to being consolidated with the Department of Tourism in 2011, the Board's state funding was \$3.0 million. Current funding levels are intended to provide the minimum amounts necessary to match federal funding provided by the NEA. NEA awards totaled \$787,100 for 2017-18 and \$798,900 for 2018-19. The preliminary NEA award for 2019-20 is \$813,700. NEA awards are dependent upon federal appropriations and an allocation process that may vary with awards claimed by other states. Thus, it is not yet known what amount will be available in 2020-21. Based on historical award trends, it is estimated that the 2020-21 award could increase by approximately 2%, to \$830,000.

3. The table outlines state appropriations and federal awards for fiscal years 2019 through 2021, and anticipated shortfalls in available state matching funds under a number of alternatives. Not shown in the table is \$20,000 PR budgeted each year for arts publications and other services, which is not eligible to offer as a state match.

Federal Match Amounts

	2018-19	Bill (Alternative 1)		Equal Match (Alternatives 2&3)		Base (Alternative 5)	
		2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Staff and Operations*	\$270,300	\$289,100	\$289,100	\$289,100	\$289,100	\$289,100	\$289,100
Grants: Current Law	500,900	500,900	500,900	500,900	500,900	500,900	500,900
Grants: Proposed Supplement	0	71,900	71,900	51,400	40,000	0	0
Total State Funding Available	\$771,200	\$861,900	\$861,900	\$841,400	\$830,000	\$790,000	\$790,000
Federal Awards†	\$798,900	\$813,700	\$830,000	\$813,700	\$830,000	\$813,700	\$830,000
State Overage/Shortfall	- 27,700	48,200	31,900	27,700	0	- 23,700	- 40,000

*Amounts for 2018-19 include \$8,200 in anticipated supplemental costs for statewide employee compensation increases. Amounts for the 2019-21 biennium include standard budget adjustments.

† The award for 2019-20 is preliminary, and the award for 2020-21 is estimated.

4. Without legislative action, it is anticipated that 2018-19, 2019-20, and 2020-21 state appropriations for the arts will be insufficient to fully match federal funding. As shown in the table, total match-eligible state funding of \$771,200 in 2018-19 is \$27,700 less than the NEA grant available

for the fiscal year. In 2019-20 and 2020-21, assuming funding would be provided for standard budget adjustments, state match-eligible funding of \$790,000 would be \$23,700 and \$40,000, respectively, less than the anticipated and estimated NEA grants to be awarded. In the event funding is not sufficient in a given year, unmatched awards go unclaimed. However, because the federal fiscal year ends on September 30, the Arts Board could receive federal fiscal year 2019 awards during the first three months of state fiscal year 2020, if additional state funding were made available under the bill.

5. Arts Board staff reports that if it were to receive the proposed 20% increase in grant funding, it would direct the additional funding to Creation and Presentation Grants. In 2018-19, the Board has budgeted \$643,600 for Creation and Presentation Grants from state and federal sources. While the Board's 2019-20 budget has not yet been finalized, adoption of the Governor's proposal could increase the 2019-20 allocation for these grants by approximately 11% over 2018-19 levels.

6. In recent years, the Committee has regularly considered one-time supplements to the Arts Board through the biennial budget, miscellaneous legislation, and meetings under s. 13.10 of the statutes to appropriate sufficient state funding to fully match federal NEA awards. These include supplements of \$68,900 in 2011-12, \$10,400 in 2012-13, \$13,800 in 2015-16, \$29,700 in 2016-17, and \$29,800 in 2017-18. Considering the regularity of NEA award increases and the expectation that supplements would be necessary in the future, the Committee could consider the Governor's proposal to increase state aid for the arts (Alternative 1).

7. As shown in the table, a supplement of \$51,400 in 2019-20 would be required to match actual 2018-19 and anticipated 2019-20 NEA awards. Additionally, \$40,000 would be required to match the estimated 2020-21 award. Given the need for additional state funding to match NEA awards, the Committee could consider providing funding of \$91,400 for all anticipated shortfalls through 2020-21 (Alternative 2), or \$51,400 for known shortfalls for the 2018-19 and 2019-20 fiscal years (Alternative 3). Under Alternative 3, additional funding necessary for the 2020-21 award, if necessary, could be addressed through subsequent budget legislation.

8. 2011 Wisconsin Act 32 first intended to align state aid for the arts with federal grants, and appropriations generally have been made to maximize federal grants when initial state appropriations are insufficient. However, the state-federal funding alignment is not a statutory directive the Legislature and Governor must follow in considering the Arts Board budget. Thus, the Committee could also take no action, which would likely require the Arts Board to relinquish federal funding of \$51,400 awarded by the NEA for the 2018-19 and 2019-20 state fiscal years (Alternative 4).

ALTERNATIVES

1. Adopt the Governor's proposal to provide an additional \$71,900 GPR annually to the Arts Board for state aid for the arts, for a total of \$431,200 GPR annually during the 2019-21 biennium.

ALT 1	Change to	
	Base	Bill
GPR	\$143,800	\$0

2. Provide \$51,400 GPR in 2019-20 and \$40,000 GPR in 2020-21 to reflect equal state match to actual and anticipated federal NEA awards in 2018-19, 2019-20, and 2020-21, for a total of \$410,700 in 2019-20 and \$399,300 in 2020-21.

ALT 2	Change to	
	Base	Bill
GPR	\$91,400	- \$52,400

3. Provide \$51,400 GPR in 2019-20 to reflect equal state match to actual 2018-19 and preliminary 2019-20 NEA awards, for a total of \$410,700 in 2019-20 and \$359,300 in 2020-21.

ALT 3	Change to	
	Base	Bill
GPR	\$51,400	- \$92,400

4. Take no action. Funding for state aid for the arts would remain at \$359,300 annually during the 2019-21 biennium.

ALT 4	Change to	
	Base	Bill
GPR	\$0	- \$143,800

Prepared by: Rory Tikalsky

TOURISM

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments

LFB Summary Item Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
7	Restore Percent for Art