



## Legislative Fiscal Bureau

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June 1, 2023

Joint Committee on Finance

Paper #750

### Marketing and Advertising Funds (Tourism)

[LFB 2023-25 Budget Summary: Page 613, #2]

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#### CURRENT LAW

The Department of Tourism manages the state's tourism marketing campaigns, which utilize print, billboard, Internet, email and other forms of advertising to encourage travel in Wisconsin. The Department reports that it focuses much of this advertising in large Midwest population centers such as Chicago, Minneapolis-St. Paul, and in-state areas such as Milwaukee, Madison, and Green Bay.

Tourism promotion-related appropriations generally have remained within a range of \$15 million to \$17 million annually in recent biennia, with a majority of each year's funding dedicated to marketing of the state. Under Committee action to date, the Department is budgeted \$16,955,300 in each year of the 2023-25 biennium for tourism promotion functions, which includes: (1) \$5,975,800 in state general purpose revenues (GPR); (2) \$9,376,000 from program revenues (PR); and (3) \$1,603,500 from the segregated (SEG) transportation and conservation funds. Funding for marketing and promotions is \$13.3 million each year, while other Department operations account for \$3.7 million. The Department is also authorized 27.0 tourism development positions, of which 26.0 are GPR-supported and 1.0 is PR-supported, under Committee action to date.

#### DISCUSSION POINTS

1. Assembly Bill 43/Senate Bill 70 would provide \$33,600,000 GPR in 2023-24 to expand Tourism's marketing and advertising initiatives. The provision would be intended to increase marketing and exposure of the state, particularly relative to the annual marketing campaigns of other neighboring Midwest states. Funding would be provided in Tourism's biennial marketing appropriation, meaning that Tourism would be able to expend or encumber the amounts through June

30, 2025, at which time unencumbered amounts would return to the general fund.

2. Additionally, the bill would provide \$1,700,000 in base funding each year with 4.0 permanent positions for Tourism general operations. Funds and staffing would be intended to address rising costs of production fees, website management, research, and information management. The 4.0 positions would include a consumer communications specialist, a marketing coordinator, a content marketing writer, and a social media assistant. Funding would include \$157,800 in 2023-24 and \$211,000 in 2024-25 for salaries and fringe benefit costs, with \$1,542,200 in 2023-24 and \$1,489,000 in 2024-25 for supplies or contracted services. The 4.0 positions are intended to make permanent 4.0 federally-funded (FED) project positions funded from the American Rescue Plan Act (ARPA) State Fiscal Relief Fund (SFRF). The positions were authorized in March of 2022 and would expire September 30, 2023.

3. Tourism indicates that marketing funding under AB 43/SB 70 would be used for seven seasonal marketing campaigns, beginning in the summer of 2023 and running through advertising purchased for subsequent fall, winter and summer campaigns into 2025. This would likely account for an average of perhaps \$4.2 million per campaign in production costs and advertising purchases, although Tourism expects advertising costs will vary by season and campaign. Tourism notes the Department utilized \$7.5 million in funds allocated by the Governor under ARPA, predominantly in 2022-23, but the exhaustion of funding will limit the Department's reach with base funding as advertising campaign development and placement costs increase. Tourism expects additional funding would support longer and more consistent advertising buys in its preferred markets, including throughout summer seasons rather than at the outset of such campaigns.

4. Tourism continues to utilize its 'Propensity to Visit Model,' a statistical model that aims to predict visitor interests and spending habits. Tourism states that the model uses psychographic, demographic, and geographic data to make these predictions. Tourism utilizes the information from the model to decide how to advertise and market effectively. The Department reports that, based on the model, additional marketing funding would likely support additional advertising in its existing 12 markets: Milwaukee, Madison, Green Bay, and Wausau in Wisconsin; Chicago and Rockford in Illinois; Minneapolis-St. Paul, Duluth, and Rochester in Minnesota; and Des Moines, Cedar Rapids, and Davenport in Iowa. Tourism indicates that once marketing funding is determined, the Department will also use the model to determine where to expand marketing efforts.

5. Table 1 depicts Tourism's funding levels from fiscal year 2016 to 2025, with budgeted amounts through 2022-23. Figures for 2023-24 and 2024-25 show each of Committee action to date and amounts under AB 43/SB 70 that remain under consideration by the Committee. The marketing component of the Department's budget directly affects the level of advertising and other activities that can be supported by Tourism. Under Committee action to date, a total of \$13,289,500 is budgeted for marketing activities in each year of the 2023-25 biennium, with \$2,571,000 GPR, \$9,127,100 tribal gaming PR, and \$1,591,400 transportation fund SEG.

**TABLE 1**

**Tourism Promotion Funding Levels**

Fiscal Year	GPR Tourism Marketing	PR Tourism Marketing	SEG Tourism Marketing	Tourism Marketing Total	GPR Program Operations	PR Program Operations	SEG Program Operations	Other PR	Tourism Total
2015-16	\$2,327,100	\$9,127,100	\$1,591,400	\$13,045,600	\$2,680,000	\$345,300	\$12,100	\$109,000	\$16,192,000
2016-17	1,827,100	9,127,100	1,591,400	12,545,600	2,680,000	324,500	12,100	109,000	15,671,200
2017-18	1,909,600	9,127,100	1,591,400	12,628,100	2,464,600	319,300	12,100	99,100	15,523,200
2018-19	1,827,100	9,127,100	1,591,400	12,545,600	2,506,500	319,300	12,100	99,100	15,482,600
2019-20	2,080,400	9,127,100	1,591,400	12,798,900	3,231,800	133,400	12,100	99,100	16,275,300
2020-21	2,571,000	9,127,100	1,591,400	13,289,500	3,321,600	133,400	12,100	99,100	16,855,700
2021-22	2,571,000	9,127,100	1,591,400	13,289,500	3,404,900	141,100	12,100	99,100	16,946,700
2022-23	2,571,000	9,127,100	1,591,400	13,289,500	3,404,900	141,100	12,100	99,100	16,946,700
Committee Action to Date									
2023-24*	2,571,000	9,127,100	1,591,400	13,289,500	3,404,800	149,800	12,100	99,100	16,955,300
2024-25*	2,571,000	9,127,100	1,591,400	13,289,500	3,404,800	149,800	12,100	99,100	16,955,300
AB 43/SB 70 <sup>1</sup>									
2023-24*	56,171,000	9,127,100	1,591,400	66,889,500	6,993,400	0	12,100	99,100	73,994,100
2024-25*	12,571,000	9,127,100	1,591,400	23,289,500	7,099,500	0	12,100	99,100	30,500,200

<sup>1</sup> Provisions still under consideration by the Committee

6. Table 2 depicts comparative tourism budgets across nearby Midwestern states, from fiscal year 2011-12 to 2020-21. Wisconsin ranked second among states in tourism budget totals and budgeted dollars per capita. Most state tourism budgets are supported by state general fund taxes, although some are at least partly supported by special-purpose taxes such as those on casinos, gaming centers, or hotel operators. In the intervening years, some states have enacted, or are considering, increases to state tourism agency marketing budgets. In Minnesota, which has generally had a similar state tourism budget to Wisconsin, the Legislature in May of 2023 approved an increase of \$33.3 million over the 2023-25 fiscal biennium for Explore Minnesota. Iowa, in its 2023 fiscal year, added \$1.1 million in general fund appropriations for tourism advertising.

**TABLE 2**

**Comparative Tourism Budgets**

State	2011-12		2020-21		Percent Change (FY12 to FY21)	
	Total (millions)	Per Capita	Total (millions)	Per Capita	Total	Per Capita
Illinois	\$54.6	\$4.24	\$61.9	\$4.88	13%	15%
Iowa	3.8	1.23	3.7	1.14	-4	-7
Michigan	27.4	2.78	15.0	1.49	-45	-46
Minnesota	8.3	1.56	15.6	2.73	88	75
Wisconsin	15.2	2.66	16.9	2.86	11	7
Combined Average	\$21.9	\$2.96	\$22.6	\$3.01	3.4%	1.6%

Source: Digital state budget documents, U.S. Census Bureau, U.S. Travel Association

7. Tourism reports rising costs of production fees, website management, research, and information management. The Department cites the following estimated annual cost increases:

(a) Approximately \$500,000 each year for production costs of ads, marketing research, and other marketing initiatives. The Department states that the production cost for a typical summer marketing campaign has increased in cost from approximately \$272,600 in 2021 to approximately \$420,000 in 2023.

(b) \$198,500 each year for the creation and distribution of marketing content on YouTube, websites, and other social media platforms.

(c) \$2.2 million annual increase for purchasing advertisements via television, radio, social media, and billboards. The Department anticipates higher costs for purchasing advertising generally, including potentially exaggerated effects on advertising rates from substantially higher demand for airtime during the 2024 presidential primary and general election campaigns.

(d) \$519,800 annual increase for billable hours on contracted services, including those with Hiebing (marketing), Turner (public relations), Ascedia (website management), and McLernon (social media).

(e) \$126,500 for marketing brand partnerships with organizations such as UW-Madison athletics, the Green Bay Packers, the Milwaukee Brewers, and Chicago Cubs, all of which Tourism indicates it ceased due to insufficient funding.

(f) \$13,000 annual increase for vendor fees.

(g) \$101,000 each year for information management licensing and storage costs, with \$500,000 on a one-time basis to modernize outdated electronic databases for statewide industry contacts and amenity information.

8. Tourism contends that current staffing levels are insufficient for executing the Department's preferred marketing initiatives. The 4.0 positions under the bill would be intended to increase staff capacity. Table 3 shows total Tourism's authorized positions from 2009-10 to 2024-25 under Committee action to date. Tourism's total position authorization has not increased, and has decreased in some years, since 2009-10. (The reductions shown for the 2023-25 biennium reflect the removal of 3.0 project positions for the Office of Outdoor Recreation as a standard budget adjustment; the positions' reauthorization is also before the Committee under Paper #753.)

**TABLE 3**

**Department of Tourism Position Authorization from 2009-10 to 2024-25**

<u>Fiscal Year</u>	<u>Total Positions</u>	<u>Fiscal Year</u>	<u>Total Positions</u>
2009-10	30.45	2017-18	30.00
2010-11	30.45	2018-19	30.00
2011-12	27.00	2019-20	30.00
2012-13	27.00	2020-21	30.00
2013-14	27.00	2021-22	30.00
2014-15	27.00	2022-23	30.00
2015-16	31.00	2023-24*	27.00
2016-17	31.00	2024-25*	27.00

\*Committee action to date

9. Of the 4.0 positions under the bill, Tourism indicates the following intended responsibilities: (a) 1.0 consumer communications specialist would book interviews, write talking points for radio and television interviews, and contact regional media and content creators for collaborations; (b) 1.0 marketing coordinator would research and analyze marketing trends; (c) 1.0 content marketing writer would write articles and increase the number of publications that the Department can produce; and (d) 1.0 social media assistant would manage the Department's social media accounts, including Facebook, Instagram, Pinterest, YouTube, and Twitter.

10. There are several options the Committee could consider for Tourism's marketing funding in the 2023-25 biennium. The Committee could provide \$33,600,000 GPR for marketing in 2023-24 as proposed in the bill [Alternative 1a]. As amounts would not continue in the base, additional action would be required to provide additional ongoing funding in future biennia.

11. As Tourism has received an allocation from discretionary ARPA funds of \$7.5 million, the Committee could provide an additional \$7,500,000 each year [Alternative 1b] or \$7,500,000 in 2023-24 [Alternative 1c]. The Committee could also consider providing \$3.65 million each year, which approximates the amount that Tourism identified as expected increases in costs, discussed previously [Alternative 1d].

12. The Department's last general increase in marketing funding was \$781,800 per year, provided first in the 2019-21 biennium each year as one-time funding and as a base increase beginning in 2021-22. The amount was based on increases in the Consumer Price Index (CPI) reported by the federal Bureau of Labor Statistics as reflected in Midwest measurements of CPI between 2013, the year of Tourism's preceding base increase, and early 2019. Since the last marketing appropriations increase of \$781,800 in was first budgeted in July, 2019, the most recently available data indicates both Midwest and national CPI rose 18% in the period since. The Committee could increase Tourism's GPR marketing funds by \$2,400,000, approximately equal to an inflationary adjustment based on these CPI measures since these funds were last increased in 2019 [Alternative 1e].

13. The Committee could also choose to provide one or more of the proposed positions [Alternatives 2a through 2d]. Over the period shown in Table 3, Tourism's marketing budget has increased from \$10.0 million in 2009-10 to \$13.3 million under the adjusted base and Committee action to date. Some may argue that effectively deploying Tourism's funding, as well as overseeing the additional forms of media and communications that have developed since 2009, warrant additional position authority to conduct tourism promotion activities. Additionally, as Tourism indicates its hourly billing rates are likely to increase under its contracts with marketing and advertising management agencies, it may be that providing additional position authority would allow the Department to rely less on contracted work at rates of perhaps \$100 or more per hour and utilize in-house staff for additional management of marketing activities, public information outlets, and social media accounts.

14. AB 43/SB 70 would include additional operations funding of \$1,542,200 in 2023-24 and \$1,489,000 in 2024-25 for supplies or contracted services, of which \$1,498,200 in 2023-24 and \$1,445,000 in 2024-25 would not be associated with positions under Alternatives 2a through 2d. [Alternative 3a]. A number of anticipated cost increases previously discussed have been, or could reasonably be, funded through Tourism's marketing appropriations. Tourism indicates a desired upgrade to the agency's databases for managing industry contacts and amenity information, which is currently organized manually using standard spreadsheets, has been bid at \$500,000. Costs for licensing and management would be an estimated \$61,000 each year, and a separate database for storing images and graphics is anticipated to cost \$40,000 annually in the future. The Committee could consider providing additional supplies and services funding of \$601,000 in 2023-24 and \$101,000 each year beginning in 2024-25 [Alternative 3b].

15. The Committee could also take no action with regard to marketing funding [Alternative 4]. Action could be taken on specific marketing and other Tourism activities under other issue papers.

**ALTERNATIVES**

1. Provide one of the following amounts in Tourism's biennial marketing appropriation to expand marketing and advertising initiatives.

a. \$33,600,000 in 2023-24;

ALT 1a	Change to Base
GPR	\$33,600,000

b. \$7,500,000 in each year of the biennium;

ALT 1b	Change to Base
GPR	\$15,000,000

- c. \$7,500,000 in 2023-24;

<b>ALT 1c</b>	<b>Change to Base</b>
GPR	\$7,500,000

- d. \$3,650,000 in each year of the biennium;

<b>ALT 1d</b>	<b>Change to Base</b>
GPR	\$7,300,000

- e. \$2,400,000 in each year of the biennium.

<b>ALT 1e</b>	<b>Change to Base</b>
GPR	\$4,800,000

2. Provide one or more of the following positions:

- a. 1.0 consumer communications specialist with \$46,100 in 2023-24 and \$58,000 in 2024-25.

<b>ALT 2a</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$104,100	1.00

- b. 1.0 marketing coordinator with \$54,800 in 2023-24 and \$69,500 in 2024-25.

<b>ALT 2b</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$124,300	1.00

- c. 1.0 content marketing writer with \$54,800 in 2023-24 and \$69,500 in 2024-25.

<b>ALT 2c</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$124,300	1.00

- d. 1.0 social media assistant with \$46,100 in 2023-24 and \$58,000 in 2024-25.

<b>ALT 2d</b>	<b>Change to Base</b>	
	<b>Funding</b>	<b>Positions</b>
GPR	\$104,100	1.00

(Any or all positions could be selected in addition to Alternative 1.)

3. Provide additional operations funding for supplies or contracted services in one of the following amounts:

- a. \$1,498,200 in 2023-24 and \$1,445,000 in 2024-25.

<b>ALT 3a</b>	<b>Change to Base</b>
GPR	\$2,943,200

- b. \$601,000 in 2023-24 and \$101,000 each year beginning in 2024-25.

<b>ALT 3b</b>	<b>Change to Base</b>
GPR	\$702,000

(Additional operations funding could be selected with any of Alternatives 1 or 2.)

4. Take no action.

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