



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

May, 2021

Joint Committee on Finance

Paper #580

### Market Expansion Funds (Tourism)

[LFB 2021-23 Budget Summary: Page 557, #2]

---

#### CURRENT LAW

The Department of Tourism promotes 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 2020-21, Tourism is provided \$16,855,700 for tourism promotion functions. Of this amount, \$13,289,500 is provided in Tourism's marketing appropriations, consisting of \$2,571,000 GPR, \$9,127,100 tribal gaming PR, and \$1,591,400 transportation fund SEG. In 2020-21, the Department is authorized 30.0 tourism development positions, of which 29.0 are GPR-supported and 1.0 is 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, Hiebing 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 2019, Tourism announced contracts with Simpleview and Turner for website development and public relations, respectively.

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 2019-21 biennium.

## DISCUSSION POINTS

1. Table 1 shows marketing appropriations of the Department of Tourism over the last 10 fiscal years, as well as the base amounts for the 2021-23 biennium. Under 2019 Wisconsin Act 9 and September, 2019, action by the Committee, Tourism received a marketing funding increase of \$781,800 on a one-time basis in the 2019-21 biennium. Tourism had not received a general increase in base marketing funds since 2013 Wisconsin Act 20. It should be noted that in 2015-16 and 2017-18, one-time earmarked expenditures were budgeted under Tourism's marketing appropriations and thus did not contribute to base marketing funding, as shown in Table 1.

**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>
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	2,080,400	9,127,100	1,591,400	12,798,900
2020-21	2,571,000	9,127,100	1,591,400	13,289,500
2021-22 (Base)	1,789,200	9,127,100	1,591,400	12,507,700
2022-23 (Base)	1,789,200	9,127,100	1,591,400	12,507,700

2. In 2020-21, Tourism is expected to lapse \$801,300 GPR in marketing funds under plans by the Department of Administration (DOA) to lapse or transfer \$301 million to the general fund. The Department reports this lapse was possible due to travel and activity restrictions imposed during the COVID-19 pandemic, which limited travel and spending in an atypical manner. Additionally, the Department lapsed \$552,400, including \$104,000 GPR and \$448,400 tribal gaming PR, in 2019-20 under requirements of DOA that agencies lapse or transfer \$70 million to the general fund. Lapse and transfer amounts are not reflected in Table 1.

3. In 2019, the Department, Hiebing and other research firms developed a "Propensity to Visit" model. The proprietary model compiles comprehensive data on Wisconsin travelers and tourism. Data parameters include: (a) total visits; (b) length of stay; (c) origin and other characteristics of visitors; (d) number of visits by day, week, month, and year; (e) counties visited; (f) purpose of

visit; (g) and other visual depictions of tourism information in the state. Tourism indicates that the model allows the agency to be more predictive and effective with their marketing executions, including targeting travelers seen as most likely to visit the state or be receptive to Tourism's communications.

4. In September, 2020, Tourism reported to the Committee that during the 2019-21 biennium, the Department began expanding its marketing into three new markets: Cedar Rapids and Davenport, Iowa, and Grand Rapids, Michigan. These markets are in addition to Tourism's typical regional marketing efforts including Chicago, Minneapolis/St. Paul, and St. Louis, and in-state marketing. In March, 2021, testimony to the Senate Committee on Agriculture and Tourism, the acting Tourism Secretary also indicated plans to expand to Duluth and Rochester, Minnesota; Des Moines, Iowa; Rockford, Illinois; and Wausau. Tourism also utilized 2019-21 funding increases for travel research, advertising campaign testing, marketing planning, media planning, and advertising production.

5. Tourism argues that an ongoing marketing funding increase 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 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, 2019, population estimate from the U.S. Census Bureau. For 2018-19, the most recently available data for state tourism budgets, Wisconsin ranked third among the five states in both tourism budget totals and budgeted dollars per capita. In 2018-19, Wisconsin was \$0.31 below the Midwest average spending per capita.

**TABLE 2**  
**Midwest Tourism Budgets**

<u>State</u>	<u>2018-19</u>	
	<u>Total</u> <u>(millions)</u>	<u>Per</u> <u>Capita</u>
Illinois	\$58.8	\$4.61
Iowa	4.4	1.39
Michigan	36.0	3.60
Minnesota	14.6	2.61
Wisconsin	15.5	2.66
Combined Average	\$25.9	\$2.97

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

6. It is not immediately known to what extent Midwest states' tourism budgets changed in 2020 or 2021, as USTA reporting is not yet available. Midwest states fund their tourism budgets from a variety of fund sources, including state general fund taxes and other special-purpose taxes, such as on casinos and gaming centers or hotel operators. It is possible that tourism agencies' budgets declined due to reduced travel or due to other budgetary decisions that states made to reduce general fund

expenditures. It may not be reasonable to consider such funding changes as indicative of a state's base tourism funding. Further, as most states are enacting budgets for the upcoming 2022 and 2023 fiscal years, it is not known to what extent state tourism marketing budgets will change.

7. Considering that Tourism has developed and reported on its analytical and strategic methods using 2019's Act 9 marketing funding increase, and such funding would cover increased costs of doing business in the future, the Committee could consider providing ongoing marketing funding of \$781,800 GPR each year [Alternative 1]. This alternative would provide the amount included in Assembly Bill 68/Senate Bill 111 and maintain the level of marketing funding appropriated by the Legislature in the 2019-21 biennium.

8. The \$781,800 GPR provided for additional tourism marketing in the 2019-21 biennium was intended to reflect the increase in the Consumer Price Index (CPI) as measured for all urban consumers in the Midwest region since July, 2013, when the last general marketing funding increase took effect. This was intended to reflect a measure of price increases over that period, and for the particular region and markets in which Tourism tends to focus advertising. In the period since July, 2013, and March, 2021, the month for which the most recent Midwest CPI data is available, the index increased 10.5% (222.902 to 246.246). A marketing funding increase commensurate with the percentage increase in Midwest CPI would be \$1,313,900 each year [Alternative 2].

9. As shown in Table 2, the average per capita spending for other Midwest state tourism agencies is \$0.31 higher than Wisconsin. Tourism would require approximately \$1,480,000 each year to meet the Midwest average of \$2.97 per capita, after accounting for Committee action on May 6 that increased Tourism's overall funding under standard budget adjustments. The Committee could consider providing \$1,480,000 GPR each year to align Wisconsin's per-capita tourism spending with levels of other states as most recently measured [Alternative 3].

10. The Governor indicated in March, 2021, an intention to allocate \$50 million for tourism purposes under the State Fiscal Recovery Fund (SFRF) enacted under the federal American Rescue Plan Act (ARPA) of 2021. Interim federal rules for the SFRF released May 10, 2021, include as eligible SFRF expenditures "aid to tourism, travel, hospitality, and other impacted industries that responds to the negative economic impacts of the COVID-19 public health emergency." However, detailed state plans have not been released as of May 12, 2021. Additionally, under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020, Tourism distributed \$11.9 million in Coronavirus Relief Fund (CRF) monies to support local tourism organizations that had been negatively impacted by COVID-19. These grants, called Tourism Relief to Accelerate Vitality and Economic Lift (TRAVEL), were distributed to 158 grantees in the state in October, 2020.

11. The Committee could consider taking no action [Alternative 4]. It is likely, based on previous announcements from the Governor, that federal funding would be made available to the tourism and related industries, as well as other small businesses in the leisure and entertainment sectors. However, while the tourism industry assistance distributed in Wisconsin from federal funding to date has consisted of direct aids, and SFRF rules would continue such uses, it is not clear that eligible tourism-related expenditures from the SFRF would include statewide marketing operations.

## ALTERNATIVES

1. Provide \$781,800 GPR each year in ongoing funding for Tourism's general marketing of Wisconsin as a travel destination.

ALT 1	Change to Base
GPR	\$1,563,600

2. Provide \$1,313,900 GPR each year in ongoing funding for Tourism's general marketing of Wisconsin as a travel destination. (This level of funding would reflect the 10.5% increase indicated by the Midwest CPI, from 2013 to March, 2021.)

ALT 2	Change to Base
GPR	\$2,627,800

3. Provide \$1,480,000 GPR each year in ongoing marketing funding. (This would be estimated to align Wisconsin's tourism marketing funding with the average of Midwestern states, or \$2.97 per capita.)

ALT 3	Change to Base
GPR	\$2,960,000

4. Take no action. (Tourism's base marketing funding would remain \$12,507,700.)

Prepared by: Moriah Hayes