



Legislative Fiscal Bureau

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September 4, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Tourism: Marketing Increases -- Agenda Item III

REQUEST

Transfer \$781,800 each year of the 2019-21 biennium from the Joint Committee on Finance's general purpose revenue (GPR) supplemental funding appropriation [s. 20.865(4)(a) of the statutes] to the Department of Tourism's general marketing appropriation [s. 20.380(1)(b)] to increase the Department's capacity to market Wisconsin as a cultural and recreational tourism destination.

BACKGROUND

The Governor's 2019-21 biennial budget proposal would have provided an additional \$4,000,000 GPR in 2019-20 and \$1,000,000 GPR in 2020-21 in Tourism's general marketing appropriation. The Committee considered the Governor's proposal under Legislative Fiscal Bureau budget paper #690, entitled "Marketing Increases," and subsequently provided \$781,800 GPR each year of the 2019-21 biennium in its supplemental funding appropriation. During the budget process, Tourism had reported it was in the process of developing a strategic plan and reviewing market research, and that it was unable to report its intended allocation of the proposed funding increase. The request provides a plan to allocate proposed additional marketing funding, which was not previously available during budget deliberations.

ANALYSIS

Tourism argues that additional funding for marketing is necessary to remain competitive with other Midwestern states, cover increased media costs, complement national events being hosted in Wisconsin such as the Democratic National Convention and Ryder Cup, and potentially expand Wisconsin's marketing footprint beyond the Midwestern region. The amount placed in the Committee's supplemental appropriation for Tourism marketing represents an inflationary increase to the Department's marketing budget based on a Midwest measurement of the Consumer Price Index

(CPI), which has increased approximately 6.2% since the last increase in general marketing funding for Tourism in 2013-14. Under the request, Tourism's marketing appropriations would be budgeted \$12.8 million in 2019-20 and \$13.3 million in 2020-21.

Tourism reports it intends to expand its 2020 and 2021 marketing efforts to perhaps three new media markets among those listed below. Through its market research, Tourism is able to identify markets in which individuals frequently conduct web searches about Wisconsin travel destinations and from which cities visitors most often travel. The following selection represent cities whose residents have been identified by these analytics as more likely to travel to Wisconsin, or cities from which a large number of visitors originate. The Department reports that the selection of cities would be based upon: (a) the size and visitor potential of residents; (b) interest of target audiences in Wisconsin amenities such as outdoor sporting activities or agritourism; (c) frequency of nonstop flights to/from Madison and Milwaukee; (d) interest and investment of tourism industry partners in these markets; and (e) analysis of the marketing strategies of Wisconsin tourism competitors. While Midwestern cities represent drivable trips to Wisconsin destinations, cities in other regions are primarily those with direct flights to Wisconsin commercial airports. Underlined cities in the list below had direct flights arriving in Appleton, Green Bay, La Crosse, Madison, Milwaukee, or Wausau in September, 2019.

Neighboring States

- Cedar Rapids, IA
- Davenport, IA
- Des Moines, IA
- Peoria, IL
- Rockford, IL
- Springfield/Decatur, IL
- Duluth, MN
- Mankato, MN
- Rochester, MN
- Detroit, MI
- Flint, MI

- Grand Rapids, MI
- Marquette, MI
- Traverse City, MI

Other Midwest

- Fort Wayne, IN
- Indianapolis, IN
- St. Louis, MO
- Cincinnati, OH
- Cleveland, OH
- Toledo, OH

Other Regions

- Phoenix, AZ
- Los Angeles, CA
- Denver, CO
- Washington, D.C.
- Tampa, FL
- Atlanta, GA
- Greensboro, NC
- Las Vegas, NV
- New York, NY
- Dallas, TX
- Houston, TX

Tourism reports it intends to allocate the additional \$781,800 each year across five different media: (a) \$581,800 on television; (b) \$100,000 on digital platforms targeted toward audiences sought by Tourism; (c) \$10,000 on internet searches; (d) \$40,000 on social media; and (e) \$50,000 on public relations. Tourism expects that each advertising medium would fulfill a different role in its marketing strategy: (a) television and public relations spending would increase general awareness of Wisconsin as a tourism destination; (b) digital platform spending would provide targeted advertising based on user interests; (c) internet searches would capture interest generated by other media and direct it towards Tourism's resources; and (d) social media would increase brand engagement and influence travel planning decisions.

The Department identifies a number of performance indicators for each medium it intends to advertise on, including, among others: (a) the size of the audience reached and subsequent internet search queries in the targeted market (television); (b) website visits and cost per website visit (digital

platforms); (c) clicks and level of engagement of web visitors (internet searches); (d) video views, website visits, and user engagement (social media); and (e) earned media impressions and search queries in the targeted market (public relations). Tourism reports its 2020 and 2021 marketing campaigns would run from approximately March through August, with intermittent television advertising and ongoing digital platform, internet search, and social media advertising during that period.

Considering increased marketing spending may maintain or enhance Wisconsin's competitiveness relative to neighboring states and cover increased costs of doing business, and that the proposed plan offers an opportunity to pursue new visitor markets, the Committee could consider approving the request [Alternative 1]. Data generated using the previously described performance indicators would allow for analysis of the impacts of the proposed marketing increase. Given that marketing in these new media markets could be considered experimental in nature, the Committee could consider providing funding on a one-time basis during the 2019-21 biennium, which would allow for consideration of previously described performance indicators during subsequent budget deliberations [Alternative 2]. The Committee could also consider denying the request [Alternative 3].

ALTERNATIVES

1. Approve the request to transfer \$781,800 GPR each year of the 2019-21 biennium from the Joint Committee on Finance supplemental appropriation [s. 20.865(4)(a)] to the Department of Tourism's general marketing appropriation [s. 20.380(1)(b)]. Funding would be ongoing, and reflected as part of the agency's adjusted base in the 2021-23 biennial budget.
2. Modify the request to transfer funding on a one-time basis during the 2019-21 biennium. Funding would not be included in the agency's adjusted base in the 2021-23 biennial budget.
3. Deny the request.

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