

Tourism

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1	Standard Budget Adjustments



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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.)

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May, 2021

Joint Committee on Finance

Paper #581

Native American Tourism of Wisconsin (Tourism)

[LFB 2021-23 Budget Summary: Page 51, #3, and Page 558, #3]

CURRENT LAW

The Department of Administration (DOA) coordinates with tribal governments through its Divisions of Intergovernmental Relations and Gaming. The Division of Intergovernmental Relations provides services and resources to strengthen the relationship between the state and tribal governments, while the Division of Gaming administers regulatory activities under state-tribal gaming compacts. Tribal governments pay a portion of gaming revenues to the state based on compact provisions, and gaming revenues support programs at various state agencies.

Among the programs supported by tribal gaming revenues is the Department of Tourism's general marketing of the state's destinations and attractions. Tourism is appropriated \$13.3 million for marketing activities in 2020-21, of which \$9,127,100 is from tribal gaming revenues. Tourism currently provides \$200,000 of this funding annually to support the Great Lakes Inter-Tribal Council's (GLITC) Native American Tourism of Wisconsin (NATOW) initiative.

DISCUSSION POINTS

1. Tribal gaming revenue paid to the state is based on provisions under state-tribal compacts. The first draw on gaming revenue is to state agencies for programs that benefit the tribes and promote tourism. Remaining revenues are deposited in the general fund. Under the compacts, payments to the state may be reduced in the event of a disaster that affects gaming operations. In 2019-20, payments were postponed because of casino closures during the COVID-19 pandemic. Tribes are scheduled to submit the postponed 2019-20 payment in three installments (in 2021-22, 2022-23, and 2023-24). It is estimated that revenues, including postponed payments, will total \$55.7 million in 2021-22 and \$61.5 million in 2022-23.

2. Currently, the Department of Tourism administers \$200,000 each year under contract with NATOW, for marketing tribal destinations and producing promotional materials. Before the contract's creation in 2017, the Department of Tourism allocated \$200,000 annually to NATOW under a statutory earmark. Presently, Tourism allocates these funds as a sole-source contract. The current contract expires June 30, 2021, but is typically renewed each year. 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.

3. Under the current 2020-21 contract, funding is allocated as follows: (a) \$70,000 for account executive services; (b) \$55,000 for individual tribal marketing assistance; (c) \$55,000 for marketing and promotional expenses; (d) \$7,500 for tribal coordination and education; (e) \$6,500 for account executive travel expenses; and (f) \$6,000 for an industry relations conference.

4. 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.

5. In the 2021-23 agency budget requests, DOA and Tourism asked that management of the NATOW marketing contract be transferred to DOA. The contract would continue to be funded by tribal gaming revenues and administered as a grant to the Great Lakes Inter-Tribal Council. The Department of Administration has an existing relationship with GLITC through its technical assistance program, which fosters economic development on tribal lands. Under the agency budget request, tribal gaming funds would be transferred to DOA's existing appropriation for American Indian economic development for contract administration.

6. Given DOA's existing relationship with Wisconsin's tribal governments and GLITC, the transfer of the marketing contract from Tourism to DOA could create efficiencies by consolidating state-tribal relations under one state agency. Therefore, the Committee could transfer the contract to DOA. As under the agency budget request, the contract would continue to be provided \$200,000 PR annually and NATOW would continue to provide its current level of services to tribal members. [Alternative 1]

7. 2021 Assembly Bill 68/Senate Bill 111 would transfer administration of the contract to DOA and increase the marketing contract with NATOW from \$200,000 to \$400,000 annually, which would decrease Tourism's overall marketing funding by the same amount. The bill would also create an annual PR appropriation under DOA for American Indian tourism marketing and require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council for tourism marketing. [Alternative 2]

8. The administration indicates that NATOW requested increased funding to help with the

economic recovery of tribal tourism following the COVID-19 pandemic. In its request, NATOW notes that thousands of employees who work for the tribes have been furloughed or laid off as a result of the pandemic, and lost revenue has severely disrupted tribal communities. Funds would be used to assess the impact of the pandemic on tribal tourism, identify relevant recovery initiatives, develop unified marketing strategies, provide technical assistance and capacity building in the tourism and hospitality sectors, and build organizational capacity to better assist members with advertising and economic development.

9. It should be noted that the promotion of tourism within Wisconsin is included as a priority use of tribal gaming revenues in the state's written agreements with the tribes. It also appears that there will be sufficient tribal gaming revenue to support the increase. Therefore, the Committee could approve the request to transfer administration of the NATOW marketing contract to DOA and provide DOA an increase of \$200,000 PR annually for the contract without affecting Tourism marketing appropriations. [Alternative 3] The Committee could also transfer \$200,000 PR and administration of the contract and provide an additional \$200,000 PR to DOA each year. [Alternative 4] Either alternative could accomplish the transfer of the contract administration to DOA, while lessening or eliminating the decrease to Tourism marketing appropriations contained in AB 68/SB 111.

10. Because funding for NATOW would continue to be supportive of tribal tourism recovery and promotion efforts, the contract could be viewed as more appropriate for Tourism to continue administering. The Committee could maintain the NATOW contract with Tourism and appropriate an additional \$200,000 tribal gaming PR each year for NATOW. [Alternative 5]

11. The federal American Rescue Plan Act of 2021 (ARPA) provides one-time funding of \$20 billion to tribal governments nationwide. Funds may be used to respond to the COVID-19 emergency and address the pandemic's economic effects, including through aid to industries such as tourism and hospitality. The U.S. Department of the Treasury must allocate \$1.0 billion equally among tribal governments (approximately \$1.7 million for each of the 574 federally-recognized tribes), and has discretion to allocate the remaining \$19.0 billion. Funds will be available through December 31, 2024. While it is not yet known how much tribal governments in Wisconsin will receive under ARPA, it is possible that these funds could be used to help the tourism industry recover from the COVID-19 pandemic. Note further that the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$15.3 million in direct assistance to federally-recognized tribes in Wisconsin in 2020. In addition, from the state's CARES Act allocation, the Governor provided \$11 million in tribal government aid grants (\$1.0 million per tribe). Given federal funding provided for tribes under the CARES Act and ARPA, the Committee could take no action. [Alternative 6] Under this alternative, the NATOW contract would remain under Tourism.

ALTERNATIVES

1. Transfer administration of the Native American Tourism of Wisconsin marketing contract from Tourism to DOA and transfer \$200,000 PR annually in tribal gaming revenue to DOA's existing appropriation for American Indian economic development. Require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council.

ALT 1	Change to Base
PR (Tourism)	- \$400,000
PR (DOA)	<u>400,000</u>
Total	\$0

2. Transfer administration of the Native American Tourism of Wisconsin marketing contract and \$400,000 PR annually in tribal gaming revenue from Tourism to DOA. Create an annual appropriation in DOA for American Indian tourism marketing and require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council.

ALT 2	Change to Base
PR (Tourism)	- \$800,000
PR (DOA)	<u>800,000</u>
Total	\$0

3. Transfer administration of the Native American Tourism of Wisconsin marketing contract from Tourism to DOA. Create an annual appropriation in DOA for American Indian tourism marketing and provide \$200,000 PR annually in tribal gaming revenue. Require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council. Reduce GPR-Rev by \$200,000 annually associated with the increased appropriation.

ALT 3	Change to Base
PR (DOA)	\$400,000
GPR-Rev	- \$400,000

4. Transfer administration of the Native American Tourism of Wisconsin marketing contract and \$200,000 PR annually in tribal gaming revenue from Tourism to DOA. Create an annual appropriation in DOA, provided \$400,000 PR annually for American Indian tourism marketing. Require DOA to award the amount appropriated to the Great Lakes Inter-Tribal Council. Reduce GPR-Rev by \$200,000 annually associated with the increased appropriation.

ALT 4	Change to Base
PR (Tourism)	- \$400,000
PR (DOA)	<u>800,000</u>
Total	\$400,000
GPR-Rev	- \$400,000

5. Maintain the Department of Tourism's administration of the Native American Tourism of Wisconsin contract. Direct Tourism to provide \$400,000 PR annually from tribal gaming revenues for Native American tourism marketing, and provide \$200,000 PR each year to Tourism's tribal

gaming PR marketing appropriation. Reduce GPR-Rev by \$200,000 annually associated with the increased appropriation.

ALT 5	Change to Base
PR (Tourism)	\$400,000
GPR-Rev	- \$400,000

6. Take no action. The Native American Tourism of Wisconsin contract would remain under the Department of Tourism.

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May, 2021

Joint Committee on Finance

Paper #582

Office of Outdoor Recreation (Tourism)

[LFB 2021-23 Budget Summary: Page 558, #5]

CURRENT LAW

The Department of Tourism is responsible for promoting visitor activity and spending in the state, as well as advertising Wisconsin destinations and attractions. The Department's primary activities include: (1) advertising the state's scenic, historic, cultural, recreational, and other attractions through digital, print, radio, and television communications; (2) providing information to prospective travelers by internet, social media, and telephone; (3) developing cooperative marketing programs with the state tourism industry; (4) administering tourism-related grants; and (5) administering tourism development programs that assist businesses and municipalities in identifying marketable features that may attract customers.

The Department operates the Office of Outdoor Recreation (OOR) to facilitate the promotion of Wisconsin's outdoor recreational opportunities and to connect businesses and other interests involved in outdoor recreation. Since its creation in 2019, OOR's projects have included: (1) establishing an advisory committee to guide the Office's operations; (2) creating a stakeholder contact database; (3) meeting with industry stakeholders; (4) establishing a monthly email for subscribers; (5) deploying an input survey to stakeholders; (6) creating a free, downloadable toolkit to advise communities on safe recreation during the COVID-19 pandemic; (7) airing a radio public service announcement campaign; (8) establishing an outdoor recreation business directory; (9) publishing an economic impact report; and (10) creating a series of webinars.

2019 Wisconsin Act 9 provided Tourism with 3.0 GPR two-year project positions for OOR in the 2019-21 biennium, as well as funding of \$274,300 GPR in 2019-20 and \$349,000 GPR in 2020-21 on a one-time basis. These original positions and funding expire on June 30, 2021.

DISCUSSION POINTS

1. The Office of Outdoor Recreation's mission is "to support and uplift the state's outdoor recreation industry for the economic health and overall wellbeing of the state and its residents." OOR operates according to four principles: (1) to encourage residents, visitors, and businesses to experience the state's natural places and outdoor recreation offerings as a means of economic development; (2) to connect people to Wisconsin's natural places and outdoor recreation opportunities through access and education; (3) to promote active lifestyles and healthy individuals and communities; and (4) to sustain Wisconsin's natural assets by encouraging outdoor recreation, and the preservation of lands and waters.

2. The table below shows the Office of Outdoor Recreation's expenditures for 2019-20 and estimated expenditures for 2020-21, as reported by Tourism. Initial salary and fringe expenditures were less than the appropriated amounts due to positions not being filled at the start of 2019-20. Additionally, the Office was in its initial stages of setup, resulting in fewer expenditures for supplies and services. The table also depicts OOR's budgeted expenditures by category under Assembly Bill 68/Senate Bill 111.

Office of Outdoor Recreation Expenditures

	<u>2019-20</u>	<u>2020-21*</u>	<u>2021-22**</u>	<u>2022-23**</u>
Salary	\$61,700	\$195,500	\$196,800	\$196,800
Fringe Benefits	14,000	52,300	89,300	89,300
Supplies and Services	77,900	172,000	67,700	67,700
One-time Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$153,600	\$419,800	\$353,800	\$353,800

* Estimated.

** Assembly Bill 68/Senate Bill 111.

3. The 3.0 OOR positions currently include a director, a community development and communications specialist, and a research analyst. The director is responsible for establishing the mission and strategy, holding stakeholder meetings, managing staff and budget, participating in media interviews, and maintaining relations with various stakeholders, committees, and government contacts. The community development and communications specialist primarily maintains public outreach, prepares media talking points, produces content for publications and newsletters, and manages the stakeholder database. Additionally, the incumbent publishes updates to fall leaf color reports and winter ski and snowmobile trail reports, which Tourism has customarily released in recent years to promote fall and winter outdoor recreation. The research analyst produces data for the Office's research database and website in part with data from the U.S. Department of Commerce's Bureau of Economic Analysis.

4. The Office of Outdoor Recreation distributes a monthly newsletter to stakeholders, which includes a foreword note from Tourism, testimonies from stakeholders, industry and community news, events, and resources. OOR reports that the newsletter has more than 1,500

subscribers. The Office has maintained close contact and held at least 200 virtual meetings with stakeholders. Tourism reports OOR secured media coverage for the state's outdoor recreation offerings and manufacturers in both smaller niche and national media such as *Backpacker TV*, *The New York Times*, *Forbes*, and *Reader's Digest*.

5. Tourism contracts with Longwoods International and Tourism Economics 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 the organization collected data regarding 3,300 overnight trips to Wisconsin in 2019, the most recently available data. Other than visiting friends and relatives (46%) and special events (11%), outdoor recreation (8%) was the next most commonly cited reason for overnight leisure trips in Wisconsin. Tourism describes outdoor recreation as the top "marketable" reason for travel, as social occasions and business travel are not typically influenced by consumer choice.

6. According to a November, 2020, report from the U.S. Bureau of Economic Analysis, outdoor recreation generated \$7.7 billion of the estimated \$350 billion in Wisconsin's 2019 state gross domestic product, or about 2.2% of the state's GDP. The BEA estimated the size of Wisconsin's outdoor recreational manufacturing sector as contributing \$1.6 billion to state GDP, ranking Wisconsin 9th in the United States in 2019. Additionally, March, 2021, testimony from the acting Tourism Secretary to the Senate Committee on Agriculture and Tourism cited Department of Natural Resources data estimating that, from 2019 to 2020, Wisconsin experienced growth in multiple measures of outdoor recreation, including: (a) 42% more state park passes sold; (b) 22% more state park visits; (c) 19.5% more fall turkey hunting licenses sold; (d) 12% more archery licenses sold; (e) 11% more fishing licenses sold; (f) 9% more small game hunting licenses sold; and (g) 7% more nights spent camping.

7. Circumstances throughout 2020 were such that the COVID-19 pandemic drove a significant amount of leisure activity into open outdoor settings, which were thought to be of lower risk of transmitting the novel coronavirus and also less susceptible to capacity limitations that were in place for certain other recreational venues. Therefore, there is not a clear causation between the efforts of the Office of Outdoor Recreation and recent growth in outdoor recreation.

8. Tourism contends that OOR creates additional opportunities for consumers to become aware of and involved with outdoor recreation offerings, particularly at a time during which public health concerns have driven additional pursuit of outdoor recreational activities. Tourism argues that although numerous entities pursue management and growth of various aspects of outdoor recreation, the Office of Outdoor Recreation is a centralized organization unique in Wisconsin in that its goals are to develop linkages between, and promote growth in, each of the state's outdoor industries and interests, such as gear manufacturers, outfitters or guides, as well as tourism and conservation entities throughout the state.

9. Other states have created outdoor recreation offices, task forces, or other bodies. While such offices occur in less than half of states, the number of states with an outdoor recreation unit has increased from 10 in 2019 to 15, including Wisconsin and the following states: Colorado, Maine, Michigan, Minnesota, Montana, Nevada, New Hampshire, New Mexico, North Carolina, Oregon, Vermont, Virginia, Washington, and Wyoming.

10. In 2020, OOR released a survey to assess stakeholder values, priorities, and ideas. The survey was sent to 1,047 stakeholder organizations related to outdoor recreation in Wisconsin, including manufacturers, retailers, guides, businesses, nonprofit organizations, government agencies, and community organizations. The survey yielded 203 responses, including from nonprofit groups, service and hospitality providers, and educational, manufacturing, and corporate entities. Respondents were from 64 of Wisconsin's 72 counties, and 65% reported working in a rural setting. Certain questions asked stakeholders to rate the importance of OOR's potential promotion strategies. Stakeholders indicated that promoting Wisconsin as a whole was most important, followed by creating awareness of outdoor recreation benefits, funding opportunities, and connecting youth. Other questions focused on how the Office of Outdoor Recreation might serve stakeholders in the outdoor recreation industry. Respondents indicated that they believed that OOR could help with marketing and promotional initiatives (82%) and assistance in securing funding (15%).

11. In May, 2021, phone calls were placed to randomly-selected OOR stakeholders, to request first-hand testimony as to the effectiveness and necessity of the Office. Those that responded provided positive comments, stating that while their relationships with OOR were still young, they felt that no other organization provided comparable services. Respondents were pleased with OOR's business directory and its efforts to quantify consumer impacts on the outdoor recreation industry. All respondents were pleased with OOR's help in marketing and networking.

12. If the Office were to continue in the 2021-23 biennium, Tourism indicates that OOR would focus on: (a) expanding the snow conditions and fall color reports; (b) improving upon its recently created Wisconsin Trail Report, which describe lands from the U.S. Forest Service, state parks, and other municipalities and nonprofits, to inform residents and visitors of hiking and biking trail conditions across the state; (c) continued connection of the outdoor recreation industry with visitors and consumers; (d) development of a comprehensive map-based inventory of outdoor recreation entities throughout the state; (e) outdoor retailer events; and (f) networking endeavors.

13. OOR could be seen as providing cross-industrial promotional and communications services for industries and entities involved in outdoor recreation, and that are not otherwise provided in the state in a coordinated manner. The Committee could consider approving 3.0 GPR positions and annual funding of \$353,800 [Alternative 1]. This is the level of OOR staffing and funding included in Assembly Bill 68/Senate Bill 111.

14. Although OOR staff conduct the activities described previously, it is not clear how many positions would be required to continue the activities and program goals that have been established for OOR. Tourism argues that 2019-21 staffing levels are desirable to maintain as the travel industry recovers from pandemic-related declines, and particularly as outdoor recreation was a travel and leisure segment considered to have experienced growth in 2020.

15. The Committee could consider continuing OOR on a two-year basis, with positions provided as project positions and funding provided on a one-time basis in the 2021-23 biennium [Alternative 2]. Although OOR has existed on a short-term basis during the 2019-21 biennium, the Committee could consider an extension of the Office to further evaluate its operations during the 2021-23 biennium. During the next biennium, tourism is expected to continue to recover as COVID-19 cases decrease and public health measures to prevent coronavirus transmission are eased. It may

be worth evaluating the Office further based on a period when the traveling population and travel habits are more typical.

16. The Committee could also consider offsetting the cost of any OOR positions by reducing Tourism's GPR marketing appropriation [Alternative 3]. This would result in any funding provided for OOR continuation not changing the agency base.

17. The Committee could also take no action [Alternative 4]. Tourism would remain authorized to continue OOR activities with staffing provided under previous and subsequent Committee action. It is not clear to what extent OOR activities would continue without additional funding and positions.

ALTERNATIVES

1. Provide \$353,800 GPR annually with 3.0 permanent positions for the Office of Outdoor Recreation.

ALT 1	Change to Base	
	Funding	Positions
GPR	\$707,600	3.00

2. Provide funding of \$353,800 GPR annually for the Office of Outdoor Recreation on a one-time basis during the biennium and specify that 3.0 positions would be two-year project positions that expire June 30, 2023.

ALT 2	Change to Base	
	Funding	Positions
GPR	\$707,600	3.00

3. In addition to Alternatives 1 or 2, decrease the Department's GPR marketing appropriation by the corresponding amount to reflect a reallocation of equal funding for the Office of Outdoor Recreation. (This alternative could be moved in addition to the alternatives above.)

4. Take no action.

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May, 2021

Joint Committee on Finance

Paper #583

Creative Economy Development Initiative Grants (Tourism)

[LFB 2021-23 Budget Summary: Page 558, #6]

CURRENT LAW

The Wisconsin Arts Board, which is part of the Department of Tourism, administers several grant programs for the support of arts organizations and arts programming throughout the state. Among these 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 program, which provides funding for local arts agencies to disburse 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. In general, recipient organizations must match Arts Board grant awards with at least an equal amount of funding from other sources.

Arts Board operations and grant programs are funded primarily by general purpose revenues (GPR), federal grants (FED), and program revenue (PR) from tribal gaming receipts. Federal funds consist of annual grants from the National Endowment for the Arts (NEA), and annual federal grants must be matched by at least an equal amount of state GPR and tribal gaming PR.

Annual GPR and tribal gaming PR funding to the Arts Board is \$790,000 annually in the 2019-21 biennium. In general, NEA grants are claimable by the Arts Board up to the amount of state GPR and tribal gaming PR funding appropriated to the Arts Board. (Additional state funding to match federal grants is addressed in a separate issue paper.)

DISCUSSION POINTS

1. Assembly Bill 68/Senate Bill 111 contains a program for creative economy development initiative grants for the development of the creative industry, defined as individuals or organizations whose products or services have an origin in artistic, cultural, creative, or aesthetic content. The grants would be administered by the Arts Board. Grantees may include for-profit or nonprofit businesses, local governmental agencies, and business development organizations or associations that work to promote creative industries, job creation, economic development, arts education, or workforce training and development. Grants would be limited to \$40,000 per recipient, and the initiative would require grantees to contribute a match of at least twice the amount of the proposed grant from non-state sources. Further, the Arts Board would be required to create a matrix to evaluate the effectiveness of the grants awarded and submit a report to the Joint Committee on Finance by May 1, 2023, evaluating the effectiveness of the grants on the basis of the matrix developed.

2. AB 68/SB 111 would appropriate \$500,000 in the 2021-23 biennium and would require the Arts Board to award up to that amount for creative economy development initiative grants. The level of funding is consistent with amounts proposed in past legislation to implement creative economy development initiative grants, most recently in 2019 Assembly Bill 66/Senate Bill 82. Both bills had bipartisan sponsorship but failed to pass pursuant to SJR 1.

3. The eligible recipients of creative economy development initiative grants would be generally broader than those under existing Arts Board grant and aid programs. The purposes of grants also would differ from Arts Board grant programs, which tend to support operations of arts organizations, or educational, instructional, or other community arts programming. The Arts Board states that the grants would focus on underserved rural areas of the state as well as urban neighborhoods, with particular focus on: (a) local and regional expansion of jobs, businesses, civic engagement, community revitalization, and cultural tourism programs; (b) arts and creativity in education; and (c) strengthening entrepreneurship capacity in Wisconsin's arts sector.

4. While 2021 AB 68/SB 111 would provide \$250,000 each year in the Arts Board's existing annual appropriation for state aid for the arts, 2019 AB 66/SB82 proposed \$500,000 in a new, continuing appropriation in 2019-20. The funding under the 2019 legislation would have allowed the Arts Board to expend the full \$500,000 provided until exhausted, while unencumbered amounts in an annual appropriation, as under AB 68/SB 111, would lapse to the general fund each June 30. Further, amounts provided in the first year of a biennium are not considered base funding, while amounts provided in the second year of a biennium would constitute base funding, unless otherwise specified as one-time funding.

5. The Committee could approve a creative economy development initiative grant program as included under AB 68/SB 111, and provide funding on a one-time basis in the 2021-23 biennium under the Arts Board appropriation for state aid for the arts [Alternative 1]. The Committee could also consider modifying program funding consistent with 2019 AB 66/SB 82, which would create a new continuing appropriation and provide \$500,000 GPR in 2021-22 [Alternative 2]. The Committee could also provide \$125,000 each year in the Arts Board state aid for the arts appropriation, equal to half of the amount recommended under AB 68/SB 111 [Alternative 3], or \$250,000 in 2021-22 in a continuing appropriation for the creative economy development initiative [Alternative 4]. Providing

any funding on a one-time basis would allow the Arts Board to issue grants and begin evaluating the program for reporting in early 2023 during consideration of the 2023-25 biennial budget.

6. In October of 2020, the Governor allocated \$15 million for a cultural organization grant program using funds under the federal CARES Act provided to Wisconsin to support nonprofit cultural organizations whose operations had been negatively affected by COVID-19. Grants could not exceed \$250,000 per award, or 25% of the applicant's average operating revenues over the three previous fiscal years. The state awarded grants to 385 Wisconsin cultural organizations. Additionally, the American Rescue Plan Act (ARPA) of 2021 provided \$135 million to the NEA, of which \$839,000 was awarded to Wisconsin for grants to state arts agencies and regional arts entities. The Governor has also indicated an intention to allocate up to \$50 million for tourism-related aids from approximately \$2.5 billion the state expects to receive under ARPA; details of these programs have not been released. Considering the federal aid provided by the CARES Act and ARPA, the Committee could take no action [Alternative 5].

ALTERNATIVES

1. Provide the Arts Board \$250,000 annually under its appropriation for state aid for the arts on a one-time basis in the 2021-23 biennium to make competitive grants in the biennium for the development of the creative industry, defined as individuals or organizations whose products or services have an origin in artistic, cultural, creative, or aesthetic content.

ALT 1	Change to Base
GPR	\$500,000

2. Create a creative economy development initiative grant program and provide \$500,000 GPR in a continuing appropriation in 2021-22.

ALT 2	Change to Base
GPR	\$500,000

3. Create a creative economy development initiative grant program and provide the Arts Board \$125,000 annually under its appropriation for state aid for the arts on a one-time basis in the 2021-23 biennium.

ALT 3	Change to Base
GPR	\$250,000

4. Create a creative economy development initiative grant program and provide \$250,000 GPR in a continuing appropriation in 2021-22.

ALT 4	Change to Base
GPR	\$250,000

5. Take no action.

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May, 2021

Joint Committee on Finance

Paper #584

Arts Board Fund Matching (Tourism)

[LFB 2021-23 Budget Summary: Page 559, #7]

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) and program revenue (PR) from tribal gaming receipts. Federal (FED) funding is provided by the National Endowment for the Arts (NEA). In 2020-21, the Arts Board is budgeted state funding of \$765,100 GPR and \$44,900 PR, and authorized positions include 3.0 GPR and 1.0 FED. Current funding levels are intended to provide the minimum amounts necessary to match federal funding provided by NEA, which requires an equal state match on its grant awards. These awards totaled \$813,700 for 2019-20 and \$813,100 for 2020-21. Total appropriations of match-eligible state funding are \$790,000 in 2020-21, including \$765,100 GPR and \$24,900 tribal gaming PR.

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. By statute, 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.

DISCUSSION POINTS

1. The NEA requires states to provide an equal match to its awards. Prior to being consolidated with 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. The NEA award for 2020-21 is \$813,100, and the preliminary NEA award for 2021-22 is \$887,100. 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 2022-23. Based on historical award trends, it is estimated that the 2022-23 award could increase by approximately 2%, to \$904,800.

2. The table outlines state appropriations and federal awards for fiscal years 2021 through 2023. 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.

Arts Board Federal Match Amounts

	Base <u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Staff and Operations*	\$289,100	\$306,200	\$306,200
Grants			
State Aid for the Arts (GPR)	\$359,300	\$359,300	\$359,300
Regranting (GPR)	116,700	116,700	116,700
Woodland Indian Arts Initiative (PR)	<u>24,900</u>	<u>24,900</u>	<u>24,900</u>
Subtotal - Grants	\$500,900	\$500,900	\$500,900
Total State Funding Available	\$790,000	\$807,100	\$807,100
Federal Awards [†]	\$813,100	\$887,100	\$904,800
Current Year Overage/Shortfall	-23,100	-80,000	-97,700
Prior Year Shortfall	<u>-16,100</u>		
Total Fiscal Year Shortfall	-39,200	<u>-80,000</u>	<u>-97,700</u>

*Amounts for the 2021-23 biennium include standard budget adjustments under Committee action of May 6.

[†] The NEA award for 2021-22 is preliminary, and the award for 2022-23 is estimated.

3. It is anticipated that 2020-21 state appropriations for the Arts Board will be insufficient to fully match federal funding available through September 30, 2021. As shown in the table, total match-eligible state funding of \$790,000 in 2020-21 is \$23,100 less than the NEA grant available for the fiscal year. However, because the federal fiscal year ends on September 30, the Arts Board could receive additional state funding during the first three months of state fiscal year 2021-22 to match federal fiscal year 2021 awards.

4. In addition to the \$23,100 shortfall in 2020-21 state funding relative to NEA funding

available for the year, Arts Board staff and the Department of Administration indicate the Arts Board has a shortfall of \$16,100 carried over from 2019-20. In February, 2020, the Committee provided \$41,500 GPR in supplemental funding in 2019-20 to reconcile previous misalignments in how state Arts Board funding had been allocated to federal grant cycles, owing to the later end in the federal fiscal year. However, the February, 2020, supplemental funding did not include amounts to cover the shortfalls in state funding for the 2019-20 and 2020-21 fiscal years, which had not yet been finalized.

5. For 2021-22 and 2022-23, Committee action to date has approved standard budget adjustments that would provide the state match-eligible funding shown in the table. As a result, state funding would need to increase by an additional \$80,000 in 2021-22 and by \$97,700 in 2022-23 to equal the \$887,100 in 2021-22 and \$904,800 in 2022-23 necessary to match federal funds anticipated in each year. In the event that funding is not sufficient in a given year, unmatched awards go unclaimed. Arts Board staff reports that it has had to delay grants to grantees or reduce potential awards due to the state not fully matching NEA funds in the past.

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 have included supplements of \$68,900 in 2011-12, \$10,400 in 2012-13, \$13,800 in 2015-16, \$29,700 in 2016-17, \$29,800 in 2017-18, and \$41,500 in 2019-20.

7. The Committee could consider providing funds to cover the 2020-21 known shortfall of \$23,100 and the remaining \$16,100 shortfall from 2019-20, for a total of \$39,200 [Alternative 1]. The Committee could also consider providing funds to cover the accumulated shortfall of \$39,200 and the anticipated 2021-22 shortfall of \$80,000, for a total of \$119,200 [Alternative 2].

8. Considering the regularity of NEA award increases and the expectation that supplements would be necessary in the future, the Committee could consider an equal match for the 2019-20 through 2022-23 fiscal years. This would provide \$119,200 in 2021-22 and \$97,700 in 2022-23 for a total of \$216,900 [Alternative 3]. In addition to either of Alternatives 2 or 3, the Committee could specify that the funding to match anticipated shortfalls in either of the 2021-22 (\$80,000) or 2022-23 (\$97,700) fiscal years is to be placed in the Joint Committee on Finance supplemental GPR appropriation [Alternative 4]. Under this alternative, the Committee could allocate funding to the Arts Board under a s. 13.10 request as state match needs are finalized. Any unallocated supplements would lapse to the general fund balance on June 30, 2023.

9. In October of 2020, the Governor allocated funding of \$15 million from the federal CARES Act for a cultural organization grant program in Wisconsin, to support nonprofit cultural organizations whose operations had been negatively affected by COVID-19. Grants could not exceed \$250,000 per award, or 25% of the applicant's average operating revenues over the three previous fiscal years. The state awarded grants to 385 Wisconsin cultural organizations. Additionally, the American Rescue Plan Act (ARPA) of 2021 provided \$135 million to the NEA, of which \$828,200 was awarded to Wisconsin for grants to state arts agencies and regional arts entities. State fund matching requirements were waived. Considering the federal aid provided by the CARES Act and ARPA, the Committee could maintain base funding [Alternative 5].

ALTERNATIVES

1. Provide \$39,200 GPR in 2021-22 to reflect equal state matches for federal NEA awards in 2019-20 (\$16,100 shortfall) and 2020-21 (\$23,100 shortfall).

ALT 1	Change to Base
GPR	\$39,200

2. Provide \$119,200 GPR in 2021-22 to reflect equal state matches for federal NEA awards in 2019-20 (\$16,100 shortfall), 2020-21 (\$23,100 shortfall), and preliminary 2021-22 awards (\$80,000).

ALT 2	Change to Base
GPR	\$119,200

3. Provide \$119,200 GPR in 2021-22 and \$97,700 GPR in 2022-23 to reflect equal state matches to federal NEA awards in 2019-20 (\$16,100 shortfall), 2020-21 (\$23,100 shortfall), 2021-22 preliminary (\$80,000), and 2022-23 anticipated (\$97,700).

ALT 3	Change to Base
GPR	\$216,900

4. In addition to either of Alternatives 2 or 3, specify that the funding to match anticipated shortfalls in either of the 2021-22 (\$80,000) or 2022-23 (\$97,700) fiscal years is to be placed in the Joint Committee on Finance supplemental GPR appropriation.

5. Take no action.

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