

Tourism

(LFB Budget Summary Document: Page 428)

LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Kickapoo Valley Reserve and Lower Wisconsin State Riverway Board (Paper #625)
4	Marketing Earmarks (Paper #626)



Legislative Fiscal Bureau

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

April 22, 2015

Joint Committee on Finance

Paper #625

Kickapoo Valley Reserve and Lower Wisconsin State Riverway Board (Tourism)

[LFB 2015-17 Budget Summary: Page 430, #3, Page 286, #2, and Page 308, #14]

CURRENT LAW

Kickapoo Valley Reserve. The Kickapoo Valley Reserve (KVR) consists of approximately 8,600 acres of land north of La Farge in Vernon County. The property was the site of a U.S. Army Corps of Engineers dam and reservoir project on the Kickapoo River that was abandoned around 1975. The Corps transferred ownership of approximately 7,400 acres to the State of Wisconsin in December, 2000. Additionally, 1,200 acres were transferred to the Bureau of Indian Affairs in trust for sites sacred to the Ho-Chunk Nation. A 1997 memorandum of understanding between the state and the Ho-Chunk Nation stipulates the entire 8,600 acres will be managed as one property.

The Reserve is managed by the 11-member Kickapoo Reserve Management Board (KRMB). Board members are appointed by the Governor from candidates recommended by nearby municipalities, school boards, or the Ho-Chunk Nation, and members are to be residents of the municipalities surrounding the Reserve or of the Kickapoo River watershed, or are to have interests in the environment, tourism, education, or the cultural resources of the Kickapoo River area. Day-to-day functions of the Reserve are overseen by an executive director appointed by the KRMB. The executive director and all Reserve staff serve in the unclassified service. The Reserve has 4.0 authorized permanent positions under current law and the bill.

The KRMB was created by 1993 Act 349 and was initially administratively attached to the Department of Administration (DOA). It has been administratively attached to Tourism since 1996. KVR staffing and operations also are budgeted as a separate program under Tourism. Under s. 15.03 of the statutes, Tourism is to provide the KRMB limited administrative functions such as personnel, payroll, budget, fiscal and accounting services under terms of the

administrative attachment. Reserve policy, rules, and operational plans are independently established by the KRMB. The KRMB is to consult and cooperate with several state agencies, however, including the Department of Natural Resources (DNR), regarding the management of the Reserve.

Most administrative functions of the Kickapoo Valley Reserve are funded by the forestry account of the segregated conservation fund. Additional functions are supported by program revenues generated by: (a) educational programming offered to the public and local schools; (b) admissions and camping fees; and (c) other land usage fees, including revenues from timber harvests and leases of Reserve lands for agricultural production. Policing of Reserve property is supported by tribal gaming PR and is carried out both by Reserve staff and by sworn law enforcement officers working as limited-term employees. As the Reserve is state property and exempt from property taxation, the state pays aids in lieu of taxes to local governments and school districts. These payments are funded by forestry SEG.

Lower Wisconsin State Riverway Board. The Lower Wisconsin State Riverway Board (LWSRB) was created under 1989 Act 31. The Riverway extends approximately 92 miles from below the dam at Prairie du Sac to the confluence with the Mississippi River near Prairie du Chien and encompasses approximately 79,300 acres. By statute, the Board consists of nine members, with one member from each of the counties the Riverway flows through including: Crawford, Dane, Grant, Iowa, Richland, and Sauk. The six members from each affected county are required to be either a local city or village official representing lands abutting the Riverway, or a town official representing lands located within the Riverway or a resident of a town with lands within the Riverway or a resident of a city or village that abuts the Riverway. These six members are nominated by the county boards and appointed by the Governor. The three other members are appointed by the Governor and subject to Senate confirmation; they are required to represent recreational user groups, and must not be residents of any of the affected counties.

Under current law, the LWSRB is administratively attached to Tourism. Prior to 1995 Act 27, the LWSRB was attached to the DNR. DNR remains responsible for: (a) administering a land acquisition program within the LWSRB boundaries; (b) promoting to Riverway users an appreciation of the area's physical characteristics, history, traditions and culture; and (c) promulgating rules, applicable to lands only in the Riverway, that minimize the effect of timber cutting on Riverway aesthetics.

GOVERNOR

Transfer the administrative attachments of the Kickapoo Valley Reserve/Kickapoo Reserve Management Board and the Lower Wisconsin State Riverway Board from Tourism to DNR. Transfer 4.0 KVR positions from Tourism to DNR and transfer associated funding to DNR. (The administration indicates transfer amounts include a calculation error.)

In addition to the funding and position transfers, the bill includes standard directives: (a) transferring all KVR assets, liabilities, tangible personal property and current contracts from Tourism to DNR; and (b) providing for the transfer of incumbent KVR employees, and

preserving all rights and statuses employees may have earned prior to transfer. The transfer would take effect on the day after the bill's publication date.

As the LWSRB is budgeted as a separate agency, no positions or funding transfers are necessary to accomplish the transfer of the administrative attachment from Tourism to DNR.

DISCUSSION POINTS

1. The governing boards of the following four entities are placed under various types of administrative attachment or oversight by the Department of Tourism: (a) the Kickapoo Reserve Management Board; (b) the Lower Wisconsin State Riverway Board; (c) the Arts Board; and (d) the State Fair Park Board. The following discussion points briefly discuss the nature of each board's attachment to, or placement under, the Department.

Kickapoo Reserve Management Board

2. The statutes require the KRMB to appoint an executive director, who may hire additional unclassified positions up to the number authorized for the Reserve (4.0 currently). The statutes further provide salaries for the Reserve executive director and staff are to be set by the KRMB, subject to other restrictions in the statutes or the state compensation plan. The Division of Administrative Services in the Department of Administration (DOA) performs payroll and technical administrative tasks for KVR's human resources management, as is the case for Tourism and several other smaller state agencies, boards, offices and commissions. Tourism must approve certain payment vouchers submitted by KVR, including those for travel and vouchers for payment to vendors exceeding \$2,500, per Tourism policy. In most cases, human resources and compensation decisions made by the KRMB are executed by Tourism or DOA in accordance with KRMB's directives. However, Tourism and the KVR report there have been instances in which KRMB decisions for employee compensation were overturned or only partially approved, due to restrictions Tourism interpreted as applying to all executive branch agencies, including KVR as a budgeted component of Tourism. Under the bill, DNR would assume responsibility for KVR accounting, payroll, and human resources functions. DNR reports it would expect to continue the same degree of oversight on KVR requests as was exercised by Tourism.

3. Although KRMB is administratively attached to Tourism under s. 15.03 of the statutes, and the Board is granted certain hiring and compensation authorities by statute, the Kickapoo Valley Reserve also is budgeted under Tourism. This differs from the LWSRB and the State Fair Park Board, which are budgeted as separate entities. Tourism reports in most cases the Department has forwarded KRMB's biennial budget requests without change for subsequent consideration by the Governor. However, because KVR is budgeted under Tourism, which is an executive branch agency, the Department and KVR report in certain instances the Tourism Secretary or other Tourism officials have amended or cancelled KVR requests that were interpreted as being contrary to other statewide administrative or gubernatorial directives in place at the time. DNR reports it would expect to continue the same degree of oversight on KVR requests as was exercised by Tourism.

Lower Wisconsin State Riverway Board

4. The LWSRB is budgeted as a separate state agency and, since 1995 Act 27, has been attached to Tourism under s. 15.03 of the statutes. The LWSRB has authority to appoint 2.0 permanent employees in the unclassified service, and the Board may establish employee salaries, subject to other provisions in the statutes and the state compensation plan. Because the LWSRB is budgeted separately from other agencies, Tourism reports it does not have authority to modify or delete requests relating to budget submission or employee compensation in the manner in which it oversees the same for KVR. Tourism currently provides accounting support for the LWSRB, including processing travel and certain other payment vouchers. DOA executes LWSRB human resources and payroll functions, as is the case with KVR. Under the bill, the LWSRB would continue to be budgeted as a separate agency but would be attached to DNR rather than Tourism. DNR indicates that, under the bill, the LWSRB would continue to submit their own budget, with possible assistance from DNR finance staff in terms of budget instructions. In addition, DNR, like Tourism, would not require LWSRB to seek approval from the Department for requests relating to employee compensation. DNR would be responsible for LWSRB payroll, accounting, and human resources functions under the bill.

State Fair Park Board

5. Like the LWSRB, the State Fair Park Board is attached to Tourism under s. 15.03 of the statutes and is budgeted as a separate agency. The State Fair Park Board is to appoint a director in the unclassified service, and the director is to appoint staff in the unclassified service, up to the number of positions authorized for the agency (48.0 in 2014-15). The Board and director are to establish salaries for State Fair Park employees, subject to provisions in the statutes and the state compensation plan. Compensation for the State Fair Park director is dictated in part by statutory provisions assigning various agency executives or senior staff to specified executive salary groups (ESGs).

6. Despite the administrative attachment of State Fair Park to Tourism, State Fair Park currently conducts its own human resources, payroll, procurement, and budgeting functions. (Provisions in the bill would transfer human resources and information technology functions from State Fair Park to DOA, and the administration also indicates it intends to begin exercising current authorities to centralize procurement functions for several state agencies, including State Fair Park.) Also, the statutes specifically require Tourism to forward all personnel and biennial budget requests made by the State Fair Park Board without change, unless the State Fair Park Board requests or consents to such change. Tourism reports it has no involvement in reviewing or submitting personnel or budget materials from State Fair Park.

Arts Board

7. The Arts Board is a 15-member, Governor-appointed body responsible for promoting the development of the arts in Wisconsin through grants and other programming assistance. Members have three-year terms and must be residents of the state known for their concern for the arts. Membership also must include at least two persons from each of the northwest, northeast, southwest and southeast areas of the state. Beginning with 2011 Act 32, the Arts Board is created

within, and budgeted as a separate program under, the Department of Tourism. As a result, all Arts Board administrative functions are carried out by Tourism or DOA, and budgeting and employee compensation are carried out under the direction of the Tourism Secretary. 2011 Act 32, however, retained the authority of the Arts Board to appoint its own Executive Secretary, who oversees the daily operations of the Arts Board staff.

8. The administration indicates the KVR/KRMB and LWSRB transfers to DNR are intended to align the boards and their managed areas with an agency more closely aligned programmatically. Additionally, the bill would transfer Tourism's accounting services to DOA under bill provisions intended to centralize accounting, human resources and information technology services from smaller agencies. Tourism's accounting staff executes responsibilities required for the administratively attached boards that are not otherwise provided by DOA.

9. The Kickapoo Valley Reserve and Kickapoo Reserve Management Board were both a product of a years-long planning effort conducted by citizens of the area, according to a University of Wisconsin-Extension history of the Reserve. Land acquisition for the proposed federal dam project involved the purchase of properties of several dozen landowners, although many were not willing to relinquish their properties. (At the same time, according to the UW-Extension history, others had purchased land with the expectation of an increase in tourism development and water-based recreation.) The course of the dam project, including the buy-outs of area landowners and the subsequent failure of the project, were viewed as unsatisfactory by opponents or supporters of each. The Reserve reports DNR was active in the process of conducting required environmental assessments, namely those involving endangered species, and the assessments were a factor in the ultimate failure of the dam project. Both the administration of the dam project and its failure were also perceived as inconsiderate of local preferences. The local planning efforts into the 1990s revealed a strong desire in the area for a locally based governance structure to direct the future use of the land. Ultimately, the KVR and the KRMB were created in state statute in 1994, Congress formally cancelled the Kickapoo River dam project and provided for a transfer of lands in 1996, and the Reserve was subsequently established as an area for public outdoor recreational activity.

10. KVR and DNR cooperate on some activities under current law and practice. For example, the KVR's northeastern boundaries abut Wildcat Mountain State Park. Reserve staff report the properties conduct cross-promotions for events or activities at each property, and the two are parties to mutual aid agreements with local law enforcement. KVR also reports it has occasionally consulted with DNR foresters on timber management, and the Reserve has been able to at times receive DNR assistance in other Reserve maintenance, such as for a recent streambank restoration. The Reserve reports DNR is only able to provide technical expertise or assistance to KVR to the extent DNR has available staffing and funds, and to the extent the Reserve or a specific project meet eligibility criteria for any funding involved. In addition, approximately 3,600 acres of the KVR are designated as a state natural area by DNR and the Natural Areas Preservation Council. The designation does not substantially alter the primacy of the KRMB in establishing operations and use policies for the Reserve, however.

11. Since the Reserve's creation, interested persons and groups in the Kickapoo Valley have generally viewed the KVR/KRMB governance affiliation with Tourism as significantly

preferable to such an affiliation with DNR. This sentiment derives from the history of the Kickapoo River dam project. Some KVR-area residents have expressed opposition to the bill provision, particularly if any change in the administration of the Reserve were to increase DNR's authority over the Reserve at the expense of the KRMB.

12. The Committee could consider adopting the Governor's recommendation with respect to each attached board (Alternatives A1 and B1). It could be argued that an administrative attachment to DNR is more appropriate for KVR/KRMB and LWSRB than an attachment to Tourism. For instance, the Reserve has many attributes similar to those of state parks, and an administrative attachment may provide additional opportunities for collaboration between the entities. It also may be that an administrative attachment to DNR may enhance KVR opportunities to compete for DNR funding for Reserve maintenance projects. As described earlier, LWSRB was originally attached to DNR, and DNR also remains responsible for certain promotional and regulatory activities pertaining to the LWSRB.

13. The administration reports funding to be provided the KVR under the bill does not properly account for certain standard budget adjustments and fringe benefit rate differentials between Tourism and DNR. Correcting the calculations would result in an annual increase of \$5,000 to the KVR budget (Alternative A1).

14. Because KVR and DNR have demonstrated the ability to collaborate on mutually beneficial projects, and because certain DNR responsibilities relating to LWSRB would not change under the bill, it could be argued switching administrative attachment is unnecessary. Further, the bill would place KVR's funding and positions within the DNR budget for lands, parks and forestry programs. Although DNR reports at this time it expects to execute the administrative attachment in a similar fashion to Tourism, it could be argued that the bill would leave in place current structures that would provide DNR discretion over KVR/KRMB activities or requests. This could allow for KRMB decisions to be reversed in whole or in part. It is possible such instances could be disfavored locally and viewed as contrary to the intention behind the KRMB's creation and structure. The Committee could, therefore, consider deleting the Governor's recommendation (Alternatives A2 and B2).

15. Deleting the provision would result in the KVR/KRMB and LWSRB remaining attached to Tourism. To the extent the bill may retain provisions transferring accounting and similar functions to DOA, any such services currently provided by Tourism would likely be provided to the attached boards by DOA. The Committee could consider specifying the administrative attachment of KVR/KRMB and the LWSRB to DOA (Alternatives A3 and B3). Such an alternative would again place KVR/KRMB with the agency to which it was attached upon the Reserve's inception in state law. Such an alternative would also provide for a more direct attachment to the agency (DOA) that is proposed to be responsible for payroll, human resources, accounting and other services of smaller state agencies. However, it also could be argued that DOA is an inappropriate attachment as compared to either Tourism or DNR from a programmatic perspective. KVR/KRMB and the LWSRB are primarily concerned with outdoor recreation and natural resource management, which more closely align with the missions of Tourism or DNR. Boards currently administratively attached to DOA tend to be those with general government functions.

16. The Committee could consider providing for different administrative attachments for KVR/KRMB and LWSRB. For instance, in light of the differing histories and functions of the KVR/KRMB and LWSRB, the Committee could consider retaining the Governor's recommendation with respect to the LWSRB attachment but alter or delete the attachment recommended for the KVR/KRMB.

17. In addition to adopting, modifying or deleting the Governor's recommendation as described in separate points, the Committee could consider alternatives that would modify the treatment of the KVR/KRMB and LWSRB for budgeting and other oversight purposes. The Committee could consider specifying KVR/KRMB is to be budgeted as a separate agency (Alternative A4a). This alternative would substantially remove budgeting from the oversight of the attached agency and provide additional autonomy for the KRMB. The alternative also would make the statutory treatment of KVR/KRMB more consistent with that of the LWSRB. Although biennial budget requests from the KRMB would still be subject to approval by the Governor to be included in biennial budget bills, and appropriation levels would remain subject to legislative determinations in budget legislation, it could be argued the KRMB would have a greater degree of budgeting and management independence than may currently exist. Modifying the KVR/KRMB attachment in such a fashion also may be more acceptable to parties otherwise opposed to the provision as recommended by the Governor.

18. The Committee could also consider specifying that the agency to which KVR/KRMB and the LWSRB are attached is to forward budget requests of the KRMB and LWSRB without modification unless consented to by the attached board (Alternatives A4b and B4). Current law contains this language for several boards or commissions administratively attached to larger agencies, including for the State Fair Park Board, as noted earlier.

ALTERNATIVES

A. Kickapoo Valley Reserve/Kickapoo Reserve Management Board

1. Adopt the Governor's recommendation, as corrected, to provide an additional \$1,100 PR, \$300 tribal gaming PR and \$3,600 forestry SEG annually; or

ALT A1	Change to Bill
PR	\$2,800
SEG	<u>7,200</u>
Total	\$10,000

2. Delete the Governor's recommendation and delete \$900 PR and \$2,400 SEG annually. (The Kickapoo Valley Reserve/Kickapoo Reserve Management Board would remain administratively attached to Tourism.)

ALT A2	Change to Bill
PR	- \$1,800
SEG	- 4,800
Total	- \$6,600

3. Delete the Governor's recommendation. Instead, administratively attach the Kickapoo Reserve Management Board to the Department of Administration.

4. In addition, specify one or both of the following:

a. The Kickapoo Valley Reserve/Kickapoo Reserve Management Board is to be budgeted as a separate agency; or

b. Biennial budget requests as determined by the Kickapoo Reserve Management Board are to be forwarded without change, unless changes are agreed to by the KRMB.

B. Lower Wisconsin State Riverway Board

Administratively attach the Lower Wisconsin State Riverway Board to one of the following agencies:

1. The Department of Natural Resources (Governor's recommendation);

2. The Department of Tourism (current law); or

3. The Department of Administration.

4. In addition, specify that biennial budget requests as determined by the Lower Wisconsin State Riverway Board are to be forwarded without change, unless changes are agreed to by the LWSRB.

Prepared by: Paul Ferguson and Erin Probst



Legislative Fiscal Bureau

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

April 22, 2015

Joint Committee on Finance

Paper #626

Marketing Earmarks (Tourism)

[LFB 2015-17 Budget Summary: Page 431, #4]

CURRENT LAW

The Department of Tourism is required to promote Wisconsin as a destination for travelers. In general, the Department has discretion in establishing themes for seasonal marketing campaigns and determining how its marketing communications are to be disseminated. Additionally, Tourism's statutory duties include making the following expenditures on annual or biennial bases, as noted:

- a. At least \$125,000 in each fiscal year for marketing of sporting activities and events;
- b. At least \$25,000 in each fiscal year for state sponsorship of, and advertising during, broadcasts of the Milwaukee Symphony;
- c. At least \$50,000 in each fiscal biennium to promote multicultural events in Wisconsin;
- d. At least \$200,000 in each fiscal biennium for grants to the Milwaukee Public Museum (MPM) for promotion of Museum programs and exhibits; and
- e. At least \$200,000 in each fiscal year for grants to Native American Tourism of Wisconsin (NATOW), an initiative promoting travel to tribal areas and events.

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 annually or biennially, depending on the appropriation. Tourism's general marketing appropriations have annual base funding of \$12,545,500, including \$160,000 annually

for support of regional tourist information centers.

GOVERNOR

Repeal the five earmarks noted above, and delete \$475,000 tribal gaming PR annually for tourism marketing.

DISCUSSION POINTS

1. In an April 13 letter to the Committee's Co-chairs, the administration is now recommending that the funding and required expenditures for sports marketing and NATOW be restored. This would restore \$325,000 tribal gaming PR annually, leaving \$150,000 tribal gaming PR associated with the other three items being removed from base funding.

2. The earmarks under current law were enacted over several biennial budget acts as follows: (a) 1995 Act 27 (sports marketing); (b) 1997 Act 27 (Milwaukee Symphony); (c) 1999 Act 9 (multicultural activities and events, and MPM); and (d) 2009 Act 28 (NATOW). Several earmarks have been materially altered since their creation. The MPM provision, which was originally earmarked for Native American exhibits and activities at the Museum, was amended after a long-term closure of certain Native American exhibits. During that time, the Museum began directing Tourism funds to promotion of other special events, and the earmark was amended to reflect the change. Additionally, the provision for multicultural activities and events was originally created for America's Black Holocaust Museum (ABHM) in Milwaukee, but the Museum closed its physical location in 2008, and Tourism generally lapsed \$25,000 annually to the general fund between the ABHM's closure and the earmark's change under 2011 Act 32. The earmarks generally all were created without additional funding being provided for them, although budget legislation in the 1997-99 and 1999-2001 biennia did provide for base funding increases of approximately \$3.9 million for tourism marketing over the period.

3. The recent uses of funds under each earmark are described briefly in the following points:

- **Sports Activities and Events:** In 2013-15, the Department allocated funding to support: (a) general digital and print advertising and marketing for Wisconsin sporting events, including the SportsWisconsin.com website to market sporting events in Wisconsin; (b) market research of attendees of sporting events in Wisconsin; and (c) marketing Wisconsin as a destination for sporting events by participating in trade shows such as that of the National Association of Sports Commissions and the TEAMS (Travel, Events and Management in Sports) Conference and Expo.

- **Milwaukee Symphony Orchestra:** The Milwaukee Symphony Orchestra uses Tourism funding for production costs of concerts that are recorded and distributed to radio stations across the U.S.

- **Multicultural Events:** As of April 1, 2015, Tourism has allocated \$50,000 for the 2013-15 biennium as follows: (a) \$20,000 for the annual Mexican Fiesta in Milwaukee; (b) \$10,000 for

the 2013 African World Fest in Milwaukee; (c) \$5,000 for the Museum of Wisconsin Art in West Bend for promotion of Native American exhibits; and (d) \$15,000 for the Beloit Summer Gospel Jam. Tourism reports funding proposals for the multicultural events earmark are formally made to the Tourism Secretary and reviewed by staff. Recipients are selected by the Tourism Secretary based on the multicultural event's marketing plan, the anticipated impact of the event, and the degree to which the event's marketing plan comports with Tourism's marketing strategies for the state.

- Milwaukee Public Museum: MPM customarily uses Tourism funds to supplement promotional campaigns for large exhibits at the Museum. Museum officials report state funding generally supports additional marketing in larger Wisconsin metropolitan areas, and generally for traveling exhibits stopping at the Museum. For example, in 2013-14, the earmark supported marketing activities for the traveling exhibit "Body Worlds & the Cycle of Life," which was on display at the Museum from February to June, 2014. For 2014-15, the Museum reports it will use Tourism funding to promote its "Crossroads of Civilization" exhibit, a new permanent exhibit that opened in March.

- Native American Tourism of Wisconsin: Tourism reports funding in 2013-15 has supported NATOW revamping its Web and social media presence under the "Native Wisconsin" brand.

4. In addition to the five earmarks, Tourism administers several competitive grant programs with various aims. The Joint Effort Marketing (JEM) grant program provides marketing assistance to Wisconsin events or attractions that are new, one-time, or that are using new means of marketing the event, including campaigns to encourage visits at off-peak times. The Ready, Set, Go! grant program provides assistance in securing competition-related events that would be expected to generate an economic impact in the prospective area. The Meetings Mean Business program assists areas seeking to host regional or national meetings with grants to support costs of convention facilities rentals, shuttles or similar transportation costs within the destination city, or other hosting costs such as promotions of the host city or rebates for guest rooms. Also, the Department administers the Tourist Information Center program, which provides grants to local organizations such as convention and visitors bureaus or chambers of commerce operating informational centers in regions throughout the state.

5. The Wisconsin Arts Board, which operates under the Department of Tourism, also administers competitive grant programs providing organizational or promotional support to arts organizations in Wisconsin. The largest program currently is the Creation and Presentation program, which provides grants to arts organizations to assist with their operations, or with creating and presenting arts programs. Eligible uses of Creation and Presentation grants include marketing of arts performances or displays. In addition, the Creative Communities program provides grants to further arts education in K-12 schools, local arts programming, or folk and traditional arts, including art forms specific to ethnicities or Native American tribes. The Arts Board also provides sustaining grants to several Milwaukee-area, minority-focused arts organizations under the Arts Challenge Initiative, and the Arts Board is appropriated tribal gaming PR for projects furthering the awareness and continuing practice of traditional arts forms of Wisconsin's Native American tribes. For 2014-

15, the Arts Board has budgeted: (a) \$151,900 GPR and \$535,600 FED for Creation and Presentation grants; (b) \$114,000 GPR and \$34,400 FED for Creative Communities grants; (c) \$57,000 GPR for the Arts Challenge Initiative; and (d) \$24,900 tribal gaming PR for Native American arts projects, known as the Woodland Indian Arts Initiative.

6. Wisconsin's neighboring states, which are generally seen as competing for Wisconsin and Midwestern travelers, typically use general purpose tax revenues and other special-purpose revenues to fund some or all of their tourism agencies' operations and marketing activities. Special-purpose revenues include gaming taxes (Iowa), hospitality taxes (Illinois) and securitized proceeds of state tobacco settlement funds (Michigan). The following table shows the appropriations and fund sources for tourism marketing in Michigan, Illinois, Minnesota and Iowa for the 2015 fiscal year, as well as amounts recommended by each state's executive budget for the 2016 and 2017 fiscal year. Per capita funding is calculated using 2014 population estimates from the U.S. Census Bureau. The amounts shown are intended to show only each state's approximate funding for general state-directed marketing activities. Funding for designated grant programs, for example, has been removed. In some cases, other states have substantial appropriations not included for general state-directed tourism marketing purposes. Examples would be state film incentive programs, as well as local-assistance grant programs, analogous to Wisconsin's Joint Effort Marketing and Tourist Information Center programs. Illinois in particular has a number of grant programs for: (a) administrative and promotional activities of local chambers of commerce and convention and visitors bureaus; (b) structural improvements at tourist attractions; and (c) promotion of Illinois in international tourism. For the 2015 fiscal year, the Illinois Office of Tourism has approximately \$30 million budgeted for such grants to local entities. It should be noted that 2015 fiscal year funding for general state-directed tourism marketing reflects the following increases: (a) in Illinois, approximately \$7.6 million over the 2014 fiscal year funding of \$21.3 million; (b) in Minnesota, approximately \$4.3 million annually in the 2013-15 biennium over the base-year funding of about \$5.3 million; and (c) in Michigan, \$4 million annually over the biennium from base-year funding of \$25 million. State-directed marketing funding would decrease significantly under the 2016 fiscal year executive budget recommendation in Illinois, while executive budget recommendations in Wisconsin and other neighboring states would be subject to more modest changes, if any. Wisconsin generally is competitive with other states' per-capita, state-directed marketing funding, and would likely remain so under the bill.

State Tourism Marketing Appropriations

State	Fund Sources	2015		Proposed in Millions	
		Total in Millions	Per Capita	2016	2017
Illinois	Hotel operators' occupational tax	\$28.9	\$2.24	\$22.9	N/A*
Iowa	Gen. taxes, gaming taxes	2.7	0.87	2.7	2.7
Michigan	Tobacco settlement securities	29.0	2.93	30.0	30.0
Minnesota	Gen. taxes, PR	9.6	1.76	9.7	9.7
Wisconsin	GPR, gaming PR, transportation SEG	10.8 [†]	1.87	10.8 [†]	10.8 [†]

* Illinois budgets on an annual basis, and figures for the 2017 fiscal year are not yet proposed.

[†] Wisconsin annual amounts do not include: (a) \$1,130,000 for JEM grants; or (b) \$160,000 tribal gaming PR for TIC grants; or (c) \$475,000 for statutory earmarks.

Sources: Illinois Office of Tourism, Iowa Economic Development Authority, Michigan House Fiscal Agency, Explore Minnesota Tourism, U.S. Census Bureau

7. Were the earmarks repealed, Tourism would have the authority under its general marketing responsibilities to continue providing promotional or marketing support to the organizations or purposes currently specified in the statutes. However, the Department reports it is unlikely to continue recipient-specific funding. The Department indicates that its primary responsibility is to maximize marketing of the state at large. Although Tourism maintains a destination database that provides information on specific destinations or events, Tourism reports it generally does not provide significant resources to existing single recipients outside the current earmarks or grant programs. The Department reports sports marketing and the Ready, Set, Go! program could continue, although Tourism officials expect to continue evaluating whether such current activities sufficiently attract both sporting events and travelers to Wisconsin.

8. As the earmarked organizations or events rely on other sources of funds to support their programming and operations, it could be argued the groups might be able to replace Tourism funding through additional fundraising in the future. For instance, the Milwaukee Symphony Orchestra and Milwaukee Public Museum receive funding from admissions and other individual, corporate or charitable support. The Milwaukee Public Museum also receives public support from Milwaukee County, and the Milwaukee Symphony Orchestra is a regular recipient of funding from the Arts Board and other public support. NATOW reports it could seek additional tribal or corporate support. Further, multicultural events are administered similar to other competitive grants, and have been sufficiently competitive in recent years such that recipient groups are unlikely to be significantly reliant on Tourism funding.

9. On the other hand, earmark recipients' other revenues may be dedicated to other purposes within organizations' budgets, and adjusting budgets to compensate for the elimination of state funding may not be immediately possible. Further, although additional fundraising efforts might accommodate the deletion of state funding, some representatives of the organizations have contended increasing fundraising can be difficult depending on local conditions, including other charitable causes that may be seeking support from common donor populations. If state funding could not be replaced by other sources, some recipients report they would likely decrease activities

currently supported by state funding. Milwaukee Public Museum indicates it may reduce its promotional spending in extended geographic areas, and the Milwaukee Symphony Orchestra reports it would consider reducing the number of performances it records. State funding constitutes more than half of NATOW funding, meaning any loss of funding could significantly impair the organization's operations, were additional fundraising not realized.

10. The statutes containing the earmarks do not require any match, either in a specified sum or on a percentage basis. Tourism also reports it does not specifically require a match. However, the organizations with recipient-specific earmarks generally expend non-state funds on the activities supported by state funding. For example, Milwaukee Public Museum reports most traveling exhibits it has hosted require a minimum amount of promotional funding, which the Museum states it has provided through non-state sources; state funding has customarily augmented these base amounts. The Museum reports for the fiscal year ending August, 2015, it has budgeted approximately \$776,900 for marketing and donor development; this amount does not include state funding. The Milwaukee Symphony Orchestra indicates state funding provides approximately one-quarter of its costs in producing and distributing its radio broadcasts. Grants for multicultural events are typically expected to at least match state funds with the event's overall budget, as are recipients under other Tourism grant programs. The Committee could consider requiring a minimum recipient match for earmarks, if any, that were retained [Alternative G]. For example, Alternative G2 would require a 50/50 non-state match, similar to the current JEM program.

11. It has been argued that earmarked expenditures circumvent competitive grant processes and programs, which are established with the intention of providing numerous applicants an equal opportunity to receive public support. The administration states that the bill, as introduced, intends to eliminate earmarks across most agencies. The Committee could consider adopting the Governor's original proposal for the Tourism earmarks [Alternative A1]. However, it also could be argued the current Tourism earmarks support institutions or groups significant to Wisconsin's culture, and therefore, the marketing expenditures are appropriate as a regular part of Tourism's promotional activities. The Committee could consider deleting the provision [Alternative A5]. The Committee also could consider each earmarked expenditure and the funding level for each independently [Alternatives B1 through F3]. For instance, if the Committee wished to adopt the administration's revised recommendation, Alternatives B3 (sports marketing) and F3 (NATOW) would accomplish this.

12. Consideration could also be given to repealing the earmarks but retaining funding of \$475,000 tribal gaming PR each year [Alternative A2]. State tourism promotion could benefit if the earmarks were repealed but the Department were to gain discretion over the funding associated with the earmarks, particularly to remain competitive with neighboring states. Also, as noted earlier, earmarks have typically been added without funding being specifically provided, and one could argue eliminating the earmarks without reducing funding would be consistent with the circumstances under which the earmarks were created. Conversely, one could argue it is appropriate to reduce marketing funding in conjunction with earmark repeals, as program repeals typically occur in conjunction with funding reductions. Also, Tourism has received increases in annual base marketing funding totaling approximately \$2.6 million over the last two biennial budgets, while other state programs or agencies have sustained funding reductions.

13. It also could be argued that although three of the earmarks are dedicated to specific recipients, the sports marketing and multicultural events earmarks are open to a variety of recipients. Further, although current earmarked recipients or activities might be eligible for existing Tourism or Arts Board programs, a recipient would have to meet the eligibility criteria of the program. The Committee could consider repealing the current earmarks but retaining annual funding of \$475,000 tribal gaming PR each year and creating a sports and cultural marketing competitive grant program [Alternative A3]. Such an alternative would establish by statute competitive provisions for recipients similar to, or including, those entities that currently receive earmarked expenditures.

14. In establishing a competitive grant program, the Committee could incorporate provisions similar to those of the JEM and Ready, Set, Go! programs, including: (a) eligible grants would be for the marketing of sports or cultural events or institutions operating in Wisconsin or seeking to be held in Wisconsin, and which would increase travel to the state or a region of the state; (b) recipients must be a nonprofit organization or an organization of a local or tribal government; and (c) recipients must be responsible for: (1) curating or promoting an event, museum or other institution dedicated to natural or human history, to musical performance, or to ethnic or multicultural expression, or (2) hosting or seeking to host a national or regional sporting event that does not annually take place in Wisconsin. The Committee could specify a minimum required match of 50% of project costs, or equal to a dollar-for-dollar match on state funds, which is the minimum statutory match established for JEM grants. In addition, the Committee could specify no grant could exceed 14% of the total amount available annually, similar to administrative rules of the JEM program. The creation of an annual tribal gaming PR appropriation to fund the competitive sports and cultural marketing grant program could be specified. The Committee could also require Tourism to: (a) enter with each grantee a written agreement describing the project for which funding is to be provided and the conditions under which funding can be disbursed to a grantee; and (b) promulgate administrative rules to establish eligible expenses and determine other provisions necessary to implement the grant program.

15. If the Committee wished to establish a sports and cultural marketing grant program, it could consider accounting for the likelihood that typical rule-making and other processes of implementing the program would take time to complete. Consideration could be given to: (a) providing funding for the program beginning in 2015-16, and providing Tourism emergency rule-making authority [Alternative A3a]; or (b) providing \$475,000 tribal gaming PR beginning in 2016-17 [Alternative A3b]. If the Committee wished to delay the grant program to the second year of the biennium, it could repeal the earmarks effective July 1, 2016, and requiring Tourism to continue making the biennial expenditures in the 2015-16 fiscal year in one-half the amount otherwise specified by statute for a fiscal biennium [Alternative A4]. If a sports and cultural marketing grant program is established, the alternatives may more reasonably allow for the continuation of current expenditures while the provisions of a competitive program are determined.

ALTERNATIVES

A. General Alternatives

1. Adopt the bill provision to repeal the five marketing earmarks and reduce marketing

funding by \$475,000 tribal gaming PR each year.

2. Repeal the five marketing earmarks, but restore funding of \$475,000 tribal gaming PR to Tourism each year.

ALT A2	Change to Bill
PR	\$950,000
GPR-REV (Tribal)	-\$950,000

3. Adopt the bill provision to repeal the five specific marketing earmarks. Further, create a new annual appropriation, and require Tourism to use the funds to administer a sports and cultural event marketing competitive grant program. Specify grants must be for marketing sports or cultural events or institutions occurring in Wisconsin or seeking to be held in Wisconsin, and that would increase travel to the state or a region of the state. Specify eligible recipients must be: (a) a nonprofit organization or an organization of a local or tribal government; and (b) must be responsible for: (1) curating or promoting an event, museum or other institution dedicated to natural or human history, to musical performance, or to ethnic or multicultural expression, or (2) hosting or seeking to host a national sporting event that does not annually take place in Wisconsin. Specify a recipient must provide a match of at least 50% of project costs, and no grant may exceed 14% of the amounts available annually. Require Tourism to enter with each grantee a written agreement describing the project for which funding is to be provided and the conditions under which funding can be disbursed to a grantee. Also, require Tourism to promulgate administrative rules to establish eligible expenses and determine other provisions necessary to implement the grant program. In addition, specify one of the following:

a. Provide \$475,000 tribal gaming PR annually for the sports and cultural marketing grant program beginning in 2015-16, and provide Tourism emergency rule-making authority, without the finding of an emergency, to accomplish the purposes described above;

ALT A3a	Change to Bill
PR	\$950,000
GPR-REV (Tribal)	-\$950,000

b. Provide \$475,000 tribal gaming PR for the sports and cultural marketing grant program beginning in 2016-17.

ALT A3b	Change to Bill
PR	\$475,000
GPR-REV (Tribal)	-\$475,000

4. Specify the repeal of the five earmarks would take effect July 1, 2016. Restore \$475,000 PR in 2015-16 to continue the existing earmarks for one year. (This alternative could be adopted in addition to Alternative A3b.)

ALT A4	Change to Bill
PR	\$475,000
GPR-REV (Tribal)	-\$475,000

5. Delete the Governor's recommendation. (All five earmarks and associated funding would continue.)

ALT A5	Change to Bill
PR	\$950,000
GPR-REV (Tribal)	-\$950,000

B. Sporting Activities and Events

1. Repeal the statutorily required expenditure of \$125,000 annually for marketing of sporting activities and events, and delete \$125,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$125,000 annually for marketing of sporting activities and events, but retain \$125,000 tribal gaming PR.

ALT B2	Change to Bill
PR	\$250,000
GPR-REV (Tribal)	-\$250,000

3. Delete provision. (The sports marketing earmark and funding would be retained, as recommended by the administration.)

ALT B3	Change to Bill
PR	\$250,000
GPR-REV (Tribal)	-\$250,000

C. Milwaukee Symphony

1. Adopt the Governor's recommendation to repeal the statutorily required expenditure of \$25,000 in each fiscal year for state sponsorship of radio broadcasts of the Milwaukee Symphony

Orchestra, and delete \$25,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$25,000 annually for the Milwaukee Symphony Orchestra, as recommended, but retain \$25,000 tribal gaming PR.

ALT C2	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

3. Delete provision.

ALT C3	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

D. Multicultural Events

1. Adopt the Governor's recommendation to repeal the statutorily required expenditure of \$50,000 in each biennium for promotion of multicultural events in Wisconsin, and delete \$25,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$50,000 biennially for multicultural events, as recommended, but retain \$25,000 tribal gaming PR annually.

ALT D2	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

3. Delete provision.

ALT D3	Change to Bill
PR	\$50,000
GPR-REV (Tribal)	- \$50,000

E. Milwaukee Public Museum

1. Adopt the Governor's recommendation to repeal the statutorily required expenditure of \$200,000 in each biennium for grants to the Milwaukee Public Museum, and delete \$100,000 tribal

gaming PR annually.

2. Repeal the statutorily required expenditure of \$200,000 biennially for the Milwaukee Public Museum but retain \$100,000 tribal gaming PR annually.

ALT E2	Change to Bill
PR	\$200,000
GPR-REV (Tribal)	- \$200,000

3. Delete provision.

ALT E3	Change to Bill
PR	\$200,000
GPR-REV (Tribal)	- \$200,000

F. Native American Tourism of Wisconsin

1. Repeal the statutorily required expenditure of \$200,000 in each fiscal year for grants to Native American Tourism of Wisconsin, and delete \$200,000 tribal gaming PR annually.

2. Repeal the statutorily required expenditure of \$200,000 annually for Native American Tourism of Wisconsin, as recommended, but retain \$200,000 tribal gaming PR.

ALT F2	Change to Bill
PR	\$400,000
GPR-REV (Tribal)	- \$400,000

3. Delete provision. (The NATOW earmark and associated funding would be retained, as recommended by the administration.)

ALT F3	Change to Bill
PR	\$400,000
GPR-REV (Tribal)	- \$400,000

G. Recipient Match

1. For any items being retained, require that at least the following match requirement be met from non-state funding for eligible project costs:

- a. \$2 for every \$1 provided by Tourism;
 - b. \$1 for each \$1 provided;
 - c. \$1 for each \$2 provided.
-
2. Take no action.

Prepared by: Paul Ferguson

TOURISM

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
7	Lapse Requirement

LFB Summary Items Addressed in a Separate Paper

<u>Item #</u>	<u>Title</u>
2	Office of Marketing
5	Provision of Information Technology Services by DOA
6	Transfer Functions and Delete Positions for DOA Shared Agency Services

