

MEMORANDUM



DATE: October 29, 2015
TO: All Interested Parties
FROM: Ben Gielczyk, Senior Fiscal Analyst
RE: Pure Michigan Tourism Marketing Campaign [UPDATE]

This memo provides background on the history of Michigan travel and tourism marketing efforts under the Pure Michigan campaign.

Summary

State travel and tourism promotion funding has been a regular source of legislative deliberation in recent years due to the lack of a consistent funding source to support both a regional and national marketing campaign. Prior to FY 2011-12, supplemental appropriations were frequently used to supplement the base GF/GP funding. Beginning in FY 2011-12, the 21st Century Jobs Trust Fund was established as the sole legislatively appropriated fund source for Pure Michigan. Since the inception of the Pure Michigan marketing campaign in Fiscal Year (FY) 2005-06, base GF/GP appropriations have varied between \$5.4 million and \$5.7 million. Under the FY 2011-12 budget, the base GF/GP appropriation was eliminated and replaced with \$25.0 million from the 21st Century Jobs Trust Fund. FYs 2012-13 maintained the 21st Century Jobs Trust Fund fund sourcing at \$25.0 million. FYs 2013-14 and 2014-15 increased funding for the Pure Michigan campaign to \$29.0 million entirely funded from the 21st Century Jobst Trust Fund. The enacted FY 2015-16 budget invested an additional \$4.0 million to bring the total for the current fiscal year to \$33.0 million.

Tourism Promotion Funding FY 2005-06 to FY 2015-16

| <u>Fiscal Year</u> | <u>GF/GP</u> | <u>21st Century Jobs Trust Fund*</u> | <u>Michigan Promotion Fund</u> | <u>TOTAL</u> |
|--------------------|---------------------|--|--|----------------------|
| 2005-06** | \$5,817,500 | \$7,500,000 | \$0 | \$13,317,500 |
| 2006-07 | 5,717,500 | 7,500,000 | 0 | 13,217,500 |
| 2007-08 | 5,717,500 | 14,282,500 | 0 | 20,000,000 |
| 2008-09 | 5,717,500 | 27,500,000 | 0 | 33,217,500 |
| 2009-10 | 5,402,800 | 0 | 9,500,000 | 14,902,800 |
| 2010-11 | 5,402,800 | 20,000,000 | 0 | 25,402,800 |
| 2011-12 | 0 | 25,000,000 | 0 | 25,000,000 |
| 2012-13 | 0 | 25,000,000 | 0 | 25,000,000 |
| 2013-14 | 0 | 29,000,000 | 0 | 29,000,000 |
| 2014-15 | 0 | 29,000,000 | 0 | 29,000,000 |
| 2015-16 | 0 | 33,000,000 | 0 | 33,000,000 |
| TOTAL | \$33,775,600 | \$217,782,500 | \$9,500,000 | \$261,058,100 |

*Includes Jobs For Michigan Investment Fund - Returns to Fund appropriations in FY 2007-08 in the amount of \$4,282,500.

**\$100,000 GF/GP was included in a supplemental appropriation, Public Act 345 of 2006, for the promotion of the Detroit Zoological Institute.

FYs 2005-06 and 2006-07

Pure Michigan is the name of Michigan's tourism promotion campaign that markets Michigan's natural resources, recreational activities, and cultural attractions to promote Michigan's tourism industry. Corresponding with the introduction of the Pure Michigan campaign, base GF/GP funding for tourism promotion was supplemented with \$15.0 million to be spread evenly over FYs 2005-06 and 2006-07. Specifically, Public Act 225 of 2005 dedicated \$15.0 million in 21st Century Jobs Trust Fund to "a Michigan promotion program to enhance funding beyond that included in the annual appropriation for travel Michigan to attract additional tourism expenditures in this state." This funding came from the partial securitization of tobacco settlement revenues that allowed the state to deposit approximately \$400.0 million in one-time funding to the 21st Century Jobs Trust Fund. Furthermore, the additional funding allowed the Pure Michigan campaign to reach regional markets including Milwaukee, Cincinnati, and Ontario. Prior to Pure Michigan, Michigan's tourism promotion was focused in Chicago, Indianapolis, and Cleveland.

FYs 2007-08 and 2008-09

The Pure Michigan campaign received additional 21st Century Job Trust Fund appropriations for FY 2007-08 and 2008-09 under Public Act 98 of 2008. Under this act, the Michigan Tobacco Finance Authority was authorized to refund and refinance tobacco settlement bonds sufficient to provide net proceeds to the state of \$60.0 million, which was ultimately deposited in the 21st Century Jobs Trust Fund. Under the provisions of the act, \$50.0 million was appropriated to the Michigan Promotion Program to promote tourism and business development in Michigan. With not more than 25.0 percent of those funds dedicated to business development, the Michigan Strategic Fund board agreed to appropriate \$37.5 million of the funds for tourism promotion over FYs 2007-08 and 2008-09: \$10.0 million was dedicated for FY 2007-08 and \$27.5 million was dedicated for FY 2008-09.

In addition to the 21st Century Jobs Trust Fund supplemental funding in FY 2007-08, tourism promotion received an additional \$4.3 million to base funding in Public Act 127 of 2007 (the General Government appropriations bill).¹ The additional funding was received from the Jobs for Michigan Investment Fund - Returns to Fund. This fund was created in Public Act 225 of 2005 and serves as a repository for any interest or loan repayments from various awards granted from the 21st Century Jobs Trust Fund.

The supplemental funding in FY 2007-08 allowed the State to expand the Pure Michigan campaign into the Columbus, Ohio; Dayton, Ohio; and St. Louis, Missouri regional viewing areas. In FY 2008-09, the \$27.5 million in supplemental funding allowed the State to expand Pure Michigan to both a winter advertising campaign and, for the first time, to a national advertising campaign. The expansion to a national campaign was a \$10.0 million effort that allowed for Pure Michigan tourism advertisements to be broadcast on 15 national cable networks.

FY 2009-10

In FY 2009-10, the state tourism budget did not receive supplemental funding from the 21st Century Jobs Trust Fund or Jobs for Michigan Investment Fund - Returns to Fund. Without the supplemental funding from either of those sources, the Michigan Promotion Program started FY 2009-10 with base funding of \$5.4 million GF/GP. The reduced appropriations to start FY 2009-10 did not allow Travel Michigan to purchase a Pure Michigan winter advertising campaign. However, in an effort to increase tourism promotion, the legislature enacted Public Acts 36 and 37 of 2010. Under the provisions of

¹ The Michigan Strategic Fund budget bill, PA 127 of 2007, included a total of \$5.7 million in additional funding above GF/GP base funding. This funding was dedicated to support tourism and business marketing. According to statute, not more than 25% of Michigan Promotion Program funding may be used to support business marketing. Therefore, the Michigan Strategic Fund allocated \$4,282,500, or 75.1%, for tourism promotion.

these acts, a Michigan Promotion Fund² was created to promote economic development and job creation in Michigan through the promotion of tourism. For FY 2009-10 only, the acts provided that \$9.5 million of use tax collections would be deposited in the Michigan Promotion Fund.³ This supplemental funding allowed Travel Michigan to have a limited summer and fall tourism promotion campaign.

FY 2010-11

For FY 2010-11, a total of \$25.4 million was appropriated for tourism promotion. In addition to the annual base funding of \$5.4 million GF/GP, Michigan tourism promotion received two supplemental appropriations of \$10.0 million (for a total of \$20.0 million) through two pieces of legislation that amended the Michigan Strategic Fund Act. Initially, Public Act 271 of 2010 allocated \$10.0 million of the \$75.0 million appropriated to the 21st Century Jobs Trust Fund in Public Act 191 of 2010 (FY 2010-11 general government budget) to tourism promotion.⁴ The provisions of the act required \$1.5 million of the \$10.0 million to be used for winter tourism promotion in FY 2010-11.

The legislature subsequently enacted Public Act 3 of 2011, which increased the amount allocated from the 21st Century Jobs Trust Fund for tourism promotion in FY 2010-11 to \$20.0 million. The provisions of Public Act 3 of 2011 also amended the Michigan Strategic Fund Act to include tourism promotion as a permissible use of the funds appropriated to the 21st Century Jobs Trust Fund. This supplemental funding allowed the state to launch another Pure Michigan national tourism promotion campaign in March 2011.

FY 2011-12

With tourism promotion as a permissible use of the funds appropriated to the 21st Century Jobs Trust Fund under the Michigan Strategic Fund Act, the FY 2011-12 budget included \$25.0 million from the 21st Century Jobs Trust Fund for tourism promotion under a new Pure Michigan line item.

FY 2012-13

In an effort to better plan and coordinate future tourism promotion activities, Travel Michigan, in coordination with the Michigan Economic Development Corporation, Travel Commission and Michigan State University, released a five-year Michigan Tourism Strategic Plan in December 2012.⁵ One component of the strategic plan relevant to the discussion in this memo is Travel Michigan's goal to "increase funding for the Pure Michigan tourism campaign to \$50.0 million by 2017 and establish Michigan in the top five highest funded states for tourism and marketing."

House Bill 4071, as introduced, proposed the establishment of a statutory \$50.0 million appropriation floor for the Michigan Promotion Program (Pure Michigan). However, the bill was substituted with a new proposed statutory floor of \$29.0 million, which matched the appropriation in the FY 2013-14 budget explained below. The bill was never enacted.

For the current fiscal year, Pure Michigan retained the \$25.0 million 21st Century Jobs Trust Fund appropriation.

² The "Michigan Promotion Fund" was created in MCL 125.2039. The fund does not have a revenue source and has not received any deposits subsequent to the \$9.5 million in use tax revenues deposited in the fund in FY 2009-10.

³ Public Act 37 of 2010 amended the Use Tax Act (MCL 205.111) to require, in fiscal year FY 2009-10 only, \$9.5 million shall be deposited in the Michigan Promotion Fund.

⁴ Under the Michigan Trust Fund Act (MCL 12.257), \$75.0 million of the tobacco settlement revenue received by the state shall be deposited in the 21st Century Jobs Trust Fund on an annual basis through FY 2014-15.

⁵ See <http://ref.michigan.org/mtr/strategic/>.

FY 2013-14

The FY 2013-14 appropriation act included \$29.0 million for Pure Michigan which was a \$4.0 million increase over the FY 2012-13 amount. According to Travel Michigan, the increased funding allowed for an expansion of international tourism marketing in the United Kingdom, Canada, and Germany. New investments were also dedicated to the tourism markets of Japan, China, and South Korea.

FY 2014-15

Pure Michigan funding in FY 2014-15 was maintained at the FY 2013-14 level of \$29.0 million. According to Travel Michigan, in addition to maintaining many of the existing marketing campaigns, the FY 2014-15 funds supported an increased spring and summer national advertising campaign. Pure Michigan marketing has continually moved into international markets. For FY 2014-15, Travel Michigan expanded the international tourism marketing in Canada, Asia, and Europe.

FY 2015-16

Funding for Pure Michigan in FY 2015-16 was increased by \$4.0 million to \$33.0 million. According to Travel Michigan, the increased funding will be used to enhance and develop new strategic initiatives in an effort to increase the visibility of the Pure Michigan campaign, enhance partnerships with private sector entities and trade shows, and revamp the Pure Michigan social media platforms and website to enhance online travel planning capabilities.

Increasing the visibility of the Pure Michigan campaign will include continued expansion into existing and new foreign markets. Pure Michigan campaign commercials will also be upgraded to highlight additional Michigan destinations.

One new initiative set to be implemented under the Pure Michigan campaign is "Take a Snow Day" which will highlight the number of unused vacation days and invite individuals to extend weekends throughout the winter at Michigan destinations.

Another initiative to enhance visibility will include increased advertising and visibility at the Detroit Metro International Airport. Travel Michigan plans to budget \$250,000 to advertise and promote Pure Michigan destinations throughout the airport in a first impressions campaign.

Private sector partnerships will continue to grow in FY 2015-16. The Pure Michigan campaign anticipates \$5.7 million from 51 private-sector partners which Travel Michigan has historically matched dollar-for-dollar. Additionally, local units continue to partner with the Pure Michigan campaign at both the state and national campaign level to promote local attractions throughout the state.