

MEMORANDUM



DATE: July 18, 2011
TO: All Interested Parties
FROM: Ben Gielczyk, Fiscal Analyst
RE: Pure Michigan Tourism Advertising Campaign

This memo provides background on the history of Michigan travel and tourism promotional 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. Despite the frequent use of one-time supplemental funding, the only stable and consistent source of funding has been General Fund/General Purpose (GF/GP) appropriations in the "Michigan Promotion Program" line item under the Michigan Strategic Fund budget. 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 is eliminated and replaced with \$25.0 million from the 21st Century Jobs Trust Fund.

Tourism Promotion Funding FY 2005-06 to FY 2011-12

Fiscal Year	GF/GP	21st Century Jobs Trust Fund*	Michigan Promotion Fund	TOTAL
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
TOTAL	\$33,775,600	\$101,782,500	\$9,500,000	\$145,058,100

*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 these acts, a "Michigan Promotion Fund"² 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.

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.

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.

FY 2010-11

For the current fiscal year, FY 2010-11, a total of \$25.4 million has been 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 recently-passed 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.

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.