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AGENCY REVIEW

DEPARTMENT OF COMMERCE DIVISION OF TOURISM

AUDIT OVERVIEW

The Tourism Commission Is Required to Establish a Comprehensive Strategy to Promote and Develop Tourism in the State; However, the Tourism Commission's Strategy Is Primarily Devoted to Promotional Effort With Limited Developmental Initiatives

The Tourism Promotion Fund Will Be Depleted of Cash Reserves In About Five Years at the Current Rate of Revenue and Expenditures

The Tourism Commission Does Not Have a Good Measure of the Effectiveness of Some of the Advertising Projects It Funds

The Legislature Should Consider Giving the Tourism Commission the Flexibility to Use a Portion of the Tourism Promotion Fund or Directing a Portion of the Development Office Promotion Fund for Tourism Development Activities



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EXECUTIVE SUMMARY

The Legislative Auditor conducted a performance review of the West Virginia Division of Tourism (Division) as part of the Agency Review of the West Virginia Department of Commerce mandated by West Virginia Code §4-10-8(b)(3). The objective of this review was to determine the extent to which the Division and the Tourism Commission (Commission) comply with West Virginia Code in developing a comprehensive strategy that promotes and develops tourism in the state.

Issue 1: The Tourism Commission Is Required to Establish a Comprehensive Strategy to Promote and Develop Tourism in the State; However, the Tourism Commission’s Strategy Is Primarily Devoted to Promotional Effort With Limited Developmental Initiatives.

Although West Virginia Code mandates that the Commission utilize a two-pronged tourism strategy that includes both promotion and development of the tourism industry, the Commission focuses primarily on promotion. In order to meet the developmental requirements found in code, the Commission must include in its strategy long-term planning, needs assessment, and funding coordination.

Issue 2: The Tourism Promotion Fund Will Be Depleted of Cash Reserves In About Five Years at the Current Rate of Revenues and Expenditures.

The primary promotional method used by the Commission is the Matching Advertising Partnership Program (MAP Program), which is funded by the Tourism Development Fund. In recent years the expenditures from the fund have greatly exceeded its revenues and, if continued at the current rate, will lead to the depletion of cash reserves in the fund in about five years. Though the Commission has made changes to its award criteria and has added a stipulation to its legislative rule that allows for competitive awarding of grant moneys, the wording of the rule suggests that the Commission will only use the competitive awarding system when the fund no longer has sufficient moneys to award all eligible applicants. The Commission should immediately adopt a competitive system rather than waiting for funds to run out.

Issue 3: The Tourism Commission Does Not Have a Good Measure of the Effectiveness of Some of the Advertising Projects It Funds.

The Legislative Auditor evaluated MAP Program applications and found that, although applicants are required to report on the outcome of prior marketing campaigns when applying for similar projects in the future, there are several improvements that could be made to enhance both applicant evaluation and overall program evaluation. Recommended

improvements include establishing clear and quantifiable criteria for applicants to use when reporting the outcome of advertising projects and generating reports to determine the overall effectiveness of MAP Program funds and trends of repeat projects.

Issue 4: The Legislature Should Consider Giving the Tourism Commission the Flexibility to Use a Portion of the Tourism Promotion Fund or Directing a Portion of the Development Office Promotion Fund for Tourism Development Activities.

The Commission's use of the Tourism Promotion Fund is restricted by code to direct advertising only, thus denying the Commission access to funds for development activities. Although the Commission's enabling statute has funding mechanisms for developmental initiatives, funds would have to be provided through other state entities. Allowing the Commission to access a portion of Tourism Promotion Fund moneys for developmental activities or directing a portion of another funding source such as the Development Office Promotion Fund to the Commission for tourism development would better enable the Commission to fulfill its mandated duties.

Recommendations:

1. *The Tourism Commission should strive to fulfill its enabling statute by becoming more involved in developmental initiatives.*
2. *The Tourism Commission should develop a comprehensive, long-term strategy that incorporates both promotion and development programs and stakeholder's input.*
3. *The Tourism Commission should consider assessing the strengths and weaknesses and the various needs of the tourism industry.*
4. *The Tourism Commission, through the Development Office, should consider contracting the research services of one of the state universities to research the strengths and weaknesses of the state's tourism industry and develop a long-term strategy for developing tourism.*
5. *The Legislative Auditor recommends that the Commission consider adopting a competitive awarding system immediately as enabled by legislative rule CSR§144-1-4.4.*
6. *The Legislative Auditor recommends that the Commission determine the potential cost-effectiveness of new projects based on tracking data for similar past projects conducted by other applicants.*
7. *The Legislative Auditor recommends that the Commission generate reports to determine the overall effectiveness of MAP Program funds and to determine trends of repeat projects.*

8. *The Legislative Auditor recommends that the Commission establish clear and quantifiable criteria for reporting the outcome of advertising projects funded by the MAP Program.*

9. *The Legislative Auditor recommends that the Commission should consider denying funding to projects that do not provide clear, quantifiable data with clear methodology for measuring advertising effectiveness.*

10. *The Legislative Auditor recommends that the Legislature consider either amending WVC§5B-2-12 to give the Tourism Commission greater flexibility on how it can spend monies from the Tourism Promotion Fund by allowing a portion of the Tourism Promotion Fund to be available for development activities or direct a portion of the Development Office Promotion Fund to be available to the Tourism Commission for developmental activities.*

OBJECTIVE, SCOPE & METHODOLOGY

Objective

This performance review of the West Virginia Division of Tourism (Division) was conducted as part of the agency review of the West Virginia Department of Commerce mandated by WVC§4-10-8(b)(3). The objective of this review was to determine the degree to which the Division and the Tourism Commission comply with West Virginia Code in developing a comprehensive strategy that promotes and develops tourism in the state.

Scope

The scope of this review in terms of data collection and analysis comprised FY 2000 through April 8, 2010 and focused on actions taken by the Division and the Commission in carrying out the mandates enacted in West Virginia Code Chapter 5B, article 2, sections 8-13.

Methodology

In order to determine the Commission's compliance with state code in developing strategies and performing its duties and to gauge the extent and effectiveness of planning and coordination conducted by the Commission, the Legislative Auditor interviewed Division staff; conducted a survey of state Convention and Visitors Bureaus (CVBs); reviewed Division of Tourism reports; obtained MAP Program application data; obtained a legal opinion regarding the structure and functions of the Commission; and evaluated information regarding other states' equivalent agencies and tourism industries.

BACKGROUND

The West Virginia Tourism Commission (Commission) is a 13-member private-public board created in 1995 by SB 33 to govern the Division of Tourism (Division) within the West Virginia Development Office of the West Virginia Department of Commerce. The mission of the Division is to partner with private sector tourism industry to:

Cultivate a world-class travel and tourism industry through the creation of jobs, stimulation of investment, expansion of current tourism businesses, and promotion of a positive state image; thereby improving the way of life for West Virginians.

The Division is divided into the following components:

- **Administration** – provides administrative support to all sections of the Division by providing accounting of all revenue, expenses, and purchasing functions by establishing a system of internal control that includes auditing MAP Program applicant fund expenditures. Also provides oversight and direction for strategic planning, setting goals and objectives, and daily agency operation.
- **Human Resources** – manages payroll, benefits, employee relations, training, privacy, and EEO regulations.
- **Cooperative Tourism/Matching Advertising Partnership (MAP) Program** – manages the MAP Program and conducts outreach services.
- **Customer Service Centers** – promote travel destinations and assist visitors via the 1-800-CALLWVA Call Center, eight state Welcome Centers, and by distributing tourism literature, making reservation referrals, offering itinerary planning, and conducting Web chat sessions.
- **Marketing/Advertising/Public Relations** - develops projects and campaigns to promote the state as a travel destination. Promotes a positive image of the state. Works in conjunction with Commerce Communications and industry members to coordinate media activities and to respond to media inquiries.

- **West Virginia Film Office** – recruits movie, television, and related productions to West Virginia, creating job opportunities.

The Travel Industry in West Virginia Is Smaller Than That in Surrounding States, But Travel Plays an Important Role in West Virginia’s State Economy.

Travel plays an important role in the West Virginia economy, making up about three percent of the total state Gross Domestic Product. The travel industry accounts for billions of dollars of spending, millions of dollars in tax revenue, and thousands of jobs in the state of West Virginia. Tables 1-3 provide impact statistics for West Virginia and the five surrounding states for 2000-2007 as reported by the U.S. Travel Association.

As Table 1 shows, travel spending in West Virginia is considerably lower than that in the surrounding states. Spending in West Virginia has shown an average rate of growth of 4.5 percent since 2000, which is comparable to spending growth in Kentucky, Maryland, and Virginia, and notably higher than that of Ohio and Pennsylvania.

Travel plays an important role in the West Virginia economy, making up about three percent of the total state Gross Domestic Product.

	Kentucky	Maryland	Ohio	Pennsylvania	Virginia	West Virginia
2000	\$ 5,383.2	\$ 9,002.1	\$13,963.7	\$ 16,296.6	\$13,910.5	\$ 1,762.1
2001	5,241.4	9,069.8	13,139.5	16,014.6	13,618.9	1,735.8
2002	5,375.8	9,030.2	12,745.9	15,944.8	13,737.9	1,796.0
2003	5,565.3	9,331.3	12,974.9	16,418.8	14,303.7	1,829.0
2004	6,007.2	10,076.3	13,680.9	17,367.8	15,513.1	1,999.4
2005	6,520.1	10,675.8	14,463.3	18,386.3	16,927.6	2,149.5
2006	6,962.6	11,436.4	15,127.5	19,296.1	18,118.9	2,267.8
2007	7,415.0	11,926.3	15,809.3	20,272.2	19,166.0	2,389.4
Average Rate of Increase	4.7%	4.1%	1.9%	3.2%	4.8%	4.5%

¹Data compiled from U.S. Travel Association State Economic Impact of Travel and Tourism reports.

Table 2 shows that West Virginia also has the lowest amount of tax receipts from travel, although at 3.0 percent, the state’s average rate of increase in travel tax receipts is higher than that of most surrounding states.

	Kentucky	Maryland	Ohio	Pennsylvania	Virginia	West Virginia
2000	\$ 886.3	\$ 1,905	\$ 2,342.3	\$ 2,955.5	\$ 2,129.6	\$ 275.1
2001	868.0	1,926.8	2,272.9	2,950.2	2,105.2	270.1
2002	877.7	1,913.9	2,224.6	2,850.2	2,078.1	277.5
2003	896.2	1,959.7	2,227.1	2,791.7	2,128.4	277.4
2004	940.2	2,079.6	2,307.6	2,876.0	2,232.6	297.5
2005	972.8	2,169.6	2,356.6	2,854.3	2,376.6	308.5
2006	1,009.1	2,292.1	2,407.6	2,861.7	2,480.3	323.6
2007	1,052.5	2,346.3	2,509.8	2,998.4	2,562.1	337.3
Average Rate of Increase	2.5%	3.1%	1.0%	0.2%	2.7%	3.0%

¹Data compiled from U.S. Travel Association State Economic Impact of Travel and Tourism reports.

The travel industry accounts for fewer jobs in West Virginia than in any of the surrounding states, although it is important to keep in mind that West Virginia’s population is smaller than that of surrounding states. Although the average rate of growth in travel employment from 2000-2008 in all but Pennsylvania is less than 1 percent, West Virginia’s has shown the least increase, with an average growth of 0.12 percent. Travel employment is vital to the state economy, nonetheless, according to the U.S. Travel Association, the 28,100 travel-related jobs created in West Virginia in 2007 made up about 3.7 percent of all non-farm employment in the state. The Division’s Economic Impact report estimated that the travel-generated employment made up about 4.7 percent of total state employment in 2008.

Travel-related jobs created in West Virginia in 2007 made up about 3.7 percent of all non-farm employment in the state.

Table 3
Travel Employment (Thousands)
West Virginia and Surrounding States
2000-2007¹

	Kentucky	Maryland	Ohio	Pennsylvania	Virginia	West Virginia
2000	87.1	114.6	177.8	240.3	210.7	27.9
2001	85.8	114.9	175.1	239.6	211.9	27.5
2002	85.8	112.2	172.1	233.7	206.8	28.2
2003	86.2	112.6	167.9	224.6	207.3	27.5
2004	87.9	115.4	166.3	222.0	209.5	28.0
2005	89	115.9	165.8	214.6	212.3	28.3
2006	89.5	116.5	166.3	213.3	213.8	28.6
2007	90	116.3	168.2	214.4	215.8	28.1
Average Rate of Increase	0.47%	0.22%	- 0.78%	-1.6%	0.35%	0.12%

¹Data compiled from U.S. Travel Association State Economic Impact of Travel and Tourism reports.

As the figures in Tables 1-3 illustrate, the travel industry in West Virginia is smaller than that in surrounding states, but plays a significant role in the state economy.

The travel industry in West Virginia is smaller than that in surrounding states, but plays a significant role in the state economy.

ISSUE 1

The Tourism Commission Is Required to Establish a Comprehensive Strategy to Promote and Develop Tourism in the State; However, the Tourism Commission’s Strategy Is Primarily Devoted to Promotional Effort With Limited Developmental Initiatives.

Issue Summary

West Virginia Code charges the Tourism Commission with establishing a comprehensive strategy for promoting and developing the state’s tourism industry. The Legislative Auditor finds that the Tourism Commission has implemented a strategy that consists primarily of promotional activities, with little effort devoted to development of tourism. Developmental strategies that are mandated include facilitating access to business capital, leveraging funding from various sources, improving infrastructure for tourism enhancement, and developing private-public partnership ventures. The Legislative Auditor recognizes that promotional activities, such as direct advertising, can have some indirect effects on developing tourism; however, direct developmental efforts are mandated and necessary to expand and diversify the state’s tourism base. Developing tourism must involve long-term planning and needs assessment, both of which the Tourism Commission has not done.

The Tourism Commission has a primary responsibility to develop a comprehensive tourism promotion and development strategy for the state.

The Tourism Commission Is Mandated to Promote and Develop Tourism

According to WVC§5B-2-9, the Tourism Commission has a primary responsibility to develop a comprehensive tourism promotion and development strategy for the state. The statutory mandate lists several strategies and activities that the plan should include, which are shown in Table 4.

Table 4 Requirements of a Comprehensive Tourism Strategy Specified in West Virginia Code §5B-2-9
Continue, diversify, or expand the tourism base of the state as a whole
Create tourism jobs
Develop a highly skilled tourism work force
Facilitate business access to capital for tourism
Advertise and market the resources offered by the state
Facilitate cooperation among local, regional, and private tourism enterprises
Improve infrastructure on a state, regional, and community level in order to facilitate tourism development
Improve the tourism business climate generally
Leverage funding from sources other than the state, including local, federal, and private sources
In Developing Strategies, the Commission Shall Consider:
Improvement and Expansion of existing tourism marketing and promotion activities
Promotion of cooperation among municipalities, counties, and the West Virginia Infrastructure and Jobs Development Council in funding physical infrastructure to enhance the potential for tourism development

In addition to the efforts listed in Table 4, the Tourism Commission has the power and duty to:

- Acquire for the State through purchase, lease or agreement or acceptance of gifts, donations, real or personal property, and any interest of property.
- Make recommendations to the Governor and the Legislature of legislation deemed necessary to facilitate the Tourism Commission's power and duties.
- Submit an annual report to the Council for Community and Economic Development that discusses the development of the state's tourism industry and the necessary funding to continue development of tourism.
- Employ or contract through the West Virginia Development Office technical consultants.
- Provide an annual detailed program and policy action statement to the Joint Committee on Government and Finance that indicates the Tourism Commission's plans and programs to be used in accomplishing its goals and duties.

- Enter into contractual or joint venture agreements with a nonprofit corporation to share in the development and funding of tourism promotion or development programs.

The statutory language that describes the elements to be included in the comprehensive strategy can be summarized into two distinct categories: 1) promotion, and 2) development. Although there are a few strategic elements that can be categorized as both promotion and development, there are certain elements that are distinctly promotion or development. For example, strategies that are distinctly development are:

1. Facilitate access to business capital.
2. Leverage funding from various sources.
3. Improve infrastructure for tourism enhancement.
4. Develop private-public partnership ventures.
5. Report to the Council for Community and Economic Development the development of the state's tourism industry and the necessary funding to continue development of tourism.
6. Acquire for the State through purchase, lease or agreement or acceptance of gifts, donations, real or personal property, and any interest of property.
7. Make recommendations to the Governor and the Legislature of legislation deemed necessary to facilitate the Tourism Commission's power and duties.

WVC §5B-2-9 specifies an extensive and comprehensive strategy that involves a two-pronged approach of promotion and development of tourism in the state. The promotion aspect includes direct advertising and marketing of the state's tourism resources and attractions. However, the development component requires several sub-activities that include long-term planning, needs assessments and funding coordination.

The Tourism Commission's Strategy Lacks a Development Thrust

As shown below, WVC §5B-2-9 specifies an extensive and comprehensive strategy that involves a two-pronged approach of promotion and development of tourism in the state. The promotion aspect includes direct advertising and marketing of the state's tourism resources and attractions. However, the development component requires several sub-activities that include long-term planning, needs assessments and funding coordination. Needs assessments would determine the strengths and weaknesses of the state's tourism industry. This would help determine what areas need to be continued, expanded, improved or diversified. Furthermore, needs assessments would assess the quality

of current attractions, infrastructure conditions, current accommodations, and other categories that are ancillary components to tourist attractions. Long-term planning is essential to a comprehensive tourism promotion and development strategy.

Long-term planning is essential to a comprehensive tourism promotion and development strategy.

Two-Pronged Approach Required By West Virginia Code

1. Promotion - Direct Advertising and Marketing
2. Development – Continue, Create, Improve, Expand, Diversify
 - a) long-term planning
 - b) needs assessments
 - c) funding coordination

The Tourism Commission primarily focuses its efforts on marketing and advertisement. This is done principally through the administration of the Matching Advertising Partnership (MAP) Program. The MAP Program is funded through video lottery revenues placed in the Tourism Promotion Fund established in WVC §5B-2-12. The Tourism Commission awards matching grants to eligible organizations that are promoting their organizations' events to out-of-state and out-of-area markets. As much as \$10 million a year is awarded in MAP Program funds to organizations to assist them in their marketing campaigns. The MAP Program is the bulk of the Tourism Commission's activities. Although the MAP Program promotes various destinations in the state, there is insufficient information or analysis by the Tourism Commission that demonstrates how effective the MAP Program has been or whether other uses of these funds would be more productive. This is discussed in greater detail in Issue 3.

The Legislative Auditor recognizes that the promotional efforts of the Tourism Commission are a benefit to the state.

The Legislative Auditor recognizes that the promotional efforts of the Tourism Commission are a benefit to the state and meet the requirements mandated by the Legislature. A survey of Convention and Visitors Bureaus (CVBs) conducted by the Legislative Auditor revealed that the majority of CVBs see the improvement and expansion of tourism promotion and marketing as the most important strategy for improving the tourism industry in their areas. Results of this survey can be found

in Appendix B. However, the Tourism Commission is also mandated by the same statute to take on developmental efforts. The developmental efforts listed in statute involve long-term planning, assessing the tourism industry's strengths and weaknesses, and determining and coordinating the necessary funds for capital and infrastructure.

The Legislative Auditor has determined that the Tourism Commission has not been involved in long-term planning towards developing tourism. For example, WVC§5B-2-9(d) requires that the Tourism Commission submit an annual report to the Council for Community and Economic Development (CED Council) that describes the development of the state's tourism industry and the necessary funding to continue the development of the tourism industry. This mandate suggests a detailed analysis of the tourism industry and funding needs. The Tourism Commission submits to the CED Council the annual report of the West Virginia Division of Tourism, which provides a discussion on the various marketing and outreach initiatives, ad campaign awards, and statistics on tourism job growth. There is no discussion on needed funding to continue tourism development. Other than the tourism job growth statistics, the Division of Tourism's annual report does not describe development initiatives or funding needs.

The Legislative Auditor has determined that the Tourism Commission has not been involved in long-term planning towards developing tourism.

In addition, WVC§5B-2-10 requires that the Commission submit an annual report to the Joint Committee on Government and Finance on a program and policy action statement. The Tourism Commission submits its marketing plans for the year. Again, this plan does not give any description of development efforts or long-term planning. Furthermore, WVC§5B-2-9(c)(2) gives the Commission the duty to make recommendations to the governor and the Legislature of any legislation deemed necessary to facilitate the Commission's duties. There is no evidence that the Commission has presented to the governor or the Legislature a long-term plan that gives recommendations concerning what is needed to develop the state's tourism industry.

The Commission Is Required to Address Issues That Prevent a Comprehensive Tourism Strategy

The Legislative Auditor inquired as to why certain development activities are not part of the Commission's strategies. The Tourism Commission stated the following:

The Tourism Commission believes that items for consideration as laid out by the original legislation was prior to the significant funding cuts which the Commission now faces. By Legislative

action, the funds have been reduced by 50 percent and are also experiencing increased gaming competition from other states. The Commission believes that with the limited funding available its primary focus should be on advertising and promoting the state as a tourism destination.

This explanation for why the Commission has implemented a one-sided strategy essentially blames funding cuts that occurred in 2004 and 2007. However, between 1995, when the Tourism Commission was created, and when funding was cut, there was no development thrust and the Promotion Fund accrued a sizable balance of nearly \$32 million. Furthermore, for the Commission to state that advertising and promoting should be the primary focus, given the limited funds, significantly limits the development of tourism. **A significant problem with a strategy that focuses strictly on direct advertising is that weaknesses or needs within the tourism industry are not being addressed by the Commission.** Moreover, diminishing returns can occur in advertising that can create the need for alternative uses of advertising funds, such as development activities. Issue 3 of this report discusses the need for the Commission to compile data that would help determine the effectiveness of the MAP Program and whether alternative uses of some MAP Program funds would be more effective. A one-sided strategy of advertising without development will not advance tourism in the state. **The Tourism Commission is mandated (§5B-2-9) to address the issues that prevent it from developing a comprehensive tourism promotion and development strategy. This responsibility has not been carried out by the Commission.**

A significant problem with a strategy that focuses strictly on direct advertising is that weaknesses or needs within the tourism industry are not being addressed by the Commission.

20 states perform long-term strategic tourism planning.

Twenty States Utilize Long-Term Strategic Tourism Planning

The Legislative Auditor's Office looked at planning information for equivalent agencies in other states and Washington, D.C. to see whether long-term strategic tourism planning is conducted. For the purposes of this evaluation, "long-term" means two or more years. As shown in Appendix C, altogether, 20 states perform long-term strategic tourism planning; 18 other states publish short-term plans that focus on tourism marketing, such as that developed by West Virginia; 4 states have strategic development plans published by other agencies that include stipulations for developing tourism; 1 state publishes an annual strategic tourism development plan; 1 state developed a one-time publication of strategic directions for tourism in 2007; and the remaining six states

currently have no planning information available.

Of the surrounding states, Virginia and Maryland conduct long-term strategic planning for tourism and Kentucky publishes a biennial marketing plan. Although Ohio publishes no strategic tourism development plan, a strategic plan for economic development through 2020 has been published that includes the promotion of Ohio as a tourism destination. Similarly, although Pennsylvania's Tourism Office has no strategic plan, the Pennsylvania Department of Conservation and National Resources published a Blueprint for Action that includes tourism development.

Development of a Long-term Strategic Plan Requires Extensive Research

While some state tourism agencies such as those in Wyoming, Virginia, and Minnesota performed the planning process within the agency, others, such as South Carolina, Montana, Washington, Nebraska, Maine, Michigan, Connecticut, and New Jersey contracted out to consulting firms or higher education institutions for some or all aspects of the planning process. Rhode Island released a request for proposals from firms in anticipation of developing its strategic plan.

Several states with long-term strategic plans, including New Jersey, Washington, Minnesota, Oregon, Michigan, Nebraska, Montana, Hawaii, and Connecticut, had similar strategic plan development processes designed to coordinate and integrate the needs of various aspects of the tourism industry. These planning processes were conducted by incorporating multiple methods of obtaining input from tourism industry individuals and organizations, government representatives, and private citizens, such as discussion sessions, surveys, and interviews. As the Michigan Travel Commission indicates in its publication:

A great effort was put forth to identify the key challenges facing the industry and develop strategies to address them. We also worked collectively to identify the opportunities for the industry and to capitalize upon those that would strengthen our tourism industry positioning. We also identified the weaknesses of our industry and have build in options for decisively and strategically attacking them.

As the Tourism Division points out in its 2010 Marketing Plan, *research plays a vital role in tourism planning by uncovering the latest visitor trends and travel habits.* In September 2009, the Division released

a report compiled by Dean Runyan Associates that looked at the economic impact of tourism in the state from 2000-2008. Additionally, the Division has contracted with Longwoods Travel USA in the past to collect data concerning the number of day and overnight visitors to the state, along with information such as from where travelers come, their activities while here, and traveler demographics. The 2010 Marketing Plan indicates that this tracking will continue, along with tracking of lodging occupancy, rates, demand, and revenues and numbers from welcome centers, the internet, and the Call Center.

This research is important and useful; however, research is also needed to address the shortcomings of the tourism industry. While data such as visitor tracking provides information that are relevant and useful in guiding decisions such as areas in which to focus marketing efforts, more needs-focused research would help determine what negatives are encountered by tourists that would hinder their return or initial visit. Although some area-specific industry assessments have been conducted by other entities, such as a travel and tourism research study contracted by the Greenbrier County CVB to assess the needs of the industry in that county, no statewide industry assessment has been conducted. This sort of needs assessment would have to be done in order to formulate a long-term development plan for the state tourism industry. **Developing a long-term strategic plan by incorporating the input of stakeholders within the tourism industry would provide the Commission with the opportunity to enhance cooperation, expand its focus beyond marketing and advertisement, and develop methods for enhancing the industry, all of which are required of the Commission in West Virginia state code.**

Research is needed to address the shortcomings of the tourism industry.

Conclusion

The Legislature mandated that the Tourism Commission develop a comprehensive strategy that includes promotion and development programs. The Tourism Commission has indicated that promotional activities should be the primary focus given the limitation of funds. This policy denies the state a more developed tourism industry and it neglects the statutory responsibility to address issues that will facilitate the Commission's powers and duties. It is essential for the Tourism Commission to implement a long-term strategy that includes development initiatives.

An important element in establishing a development thrust is to engage in research of the tourism industry to determine its strengths and weaknesses. Such a research project would require technical expertise. Currently, the staff for the Tourism Commission specializes in marketing.

The Development Office has authority to provide the Tourism Commission with necessary staffing or consultation services to fulfill its mandate. Therefore, the Development Office should consider contracting with one of the state universities to identify and address the various needs of the tourism industry. Developing a long-term strategy using methods that incorporate the input of various industry stakeholders, provide needs-assessment research, and include long-term objectives and promotional activities would establish the comprehensive strategy the state needs to develop tourism.

Recommendations

- 1. The Tourism Commission should strive to fulfill its enabling statute by becoming more involved in developmental initiatives.*
- 2. The Tourism Commission should develop a comprehensive, long-term strategy that incorporates both promotion and development programs and stakeholder's input.*
- 3. The Tourism Commission should consider assessing the strengths and weaknesses and the various needs of the tourism industry.*
- 4. The Tourism Commission, through the Development Office, should consider contracting the research services of one of the state universities to research the strengths and weaknesses of the state's tourism industry and develop a long-term strategy for developing tourism.*

Developing a long-term strategy using methods that incorporate the input of various industry stakeholders, provide needs-assessment research, and include long-term objectives and promotional activities would establish the comprehensive strategy the state needs to develop tourism.

ISSUE 2

The Tourism Promotion Fund Will Be Depleted of Cash Reserves In About Five Years at the Current Rate of Revenues and Expenditures.

Issue Summary

The MAP Program is funded through video lottery revenues that are deposited in the Tourism Promotion Fund (Promotion Fund). Prior to 2004, the Promotion Fund had been able to accumulate cash reserves because revenues exceeded expenditures. Cash reserves in the Promotion Fund reached an amount of \$31.9 million in fiscal year 2003. However, legislation passed in 2004 and 2007 transferred moneys from the Promotion Fund to other programs, and the percentage of video lottery revenues flowing into the Promotion Fund was decreased from 3 percent to 1.375 percent. The Commission has recognized for several years that it would have less funds to award through the MAP Program. The Commission has made changes to its award criteria and added a stipulation to its legislative rules that allows for competitive awarding of grant moneys in the event that there is not adequate funding available for all applicants. However, the wording of the legislative rules suggests that the Commission will use a competitive award system when the Promotion Fund does not have sufficient monies. As of FY 2009, the cash reserves in the Promotion Fund has dwindled to \$18.2 million, and at the current rate of revenues and expenditures, the cash reserves will be depleted by FY 2014. The Legislative Auditor finds that the Commission should immediately adopt a competitive awarding system, rather than waiting for funds to run out.

The Legislative Auditor's survey of CVBs revealed that the MAP Program is seen as a vital resource for tourism development and expansion.

Background

The Legislative Auditor's survey of CVBs revealed that the MAP Program is seen as a vital resource for tourism development and expansion (see Appendix B). The MAP Program, which was legislated in 1994 and has been in existence since 1995, is a *reimbursable partnership program that provides matching funds for innovative and effective direct advertising projects that increase visitation and travel expenditures in the State of West Virginia*. MAP Program funds are given at three different award levels:

- \$10,000+
 - Total project cost must be at least \$20,000.

- Applicant and partner combined share of the project cost must be at least \$10,000.
- Applicant and partners must provide at least 50 percent of the total project cost.
- 80 percent of advertising must be for non-local areas (outside a 50-mile radius or in an out-of-state market).
- \$7,500 or less
 - Applicant and partners must provide at least 25 percent of the total project cost.
 - Total awards under this program will not exceed \$2,000,000 in any fiscal year.
 - 80 percent of the advertising must be for non-local areas.
- \$5,000 or less
 - Awards are limited to Fairs and Festivals only.
 - Awards will not exceed \$5,000 per applicant in any given quarter.
 - The applicant must provide at least 50 percent of the total project cost.

Awards at all levels are to be used solely for direct advertising purposes, which is defined as television, radio, mailings, newspaper, magazines, internet and outdoor billboards.

As the flowchart on the next page shows, the MAP Program is funded by video lottery revenues deposited in the Tourism Promotion Fund established in WVC §5B-2-12. In 2004, pursuant to SB 197, \$5 million each was transferred from the Fund to the Capitol Renovation and Improvement Fund, the industrial development loans fund administered by the Economic Development Authority, and the Tax Reduction and Federal Funding Increased Compliance Fund. SB 197 also decreased the amount of the net terminal income from video lottery funds allocated each fiscal year to the Tourism Promotion Fund from 3 percent to 1.375 percent, reallocating the remaining 1.625 percent to other funds.

Additionally, MAP Program funds were lessened following the passage of HB 2877 in 2007, which added stipulations to WVC §5B-2-12 for the first \$4,700,000 of money placed in the Tourism Promotion Fund to be deposited into the Courtesy Patrol Fund beginning in FY 2008.

Changes in annual Tourism Promotion Fund revenues and expenditures resulting from SB 197 and HB 2877 are also illustrated in the flowchart below. MAP Program expenditures comprised, on average, about 91 percent of total Promotion Fund expenditures through 2003. Following the passage of HB 2877, MAP Program expenditures comprised about 66.8 percent of total expenditures on average.

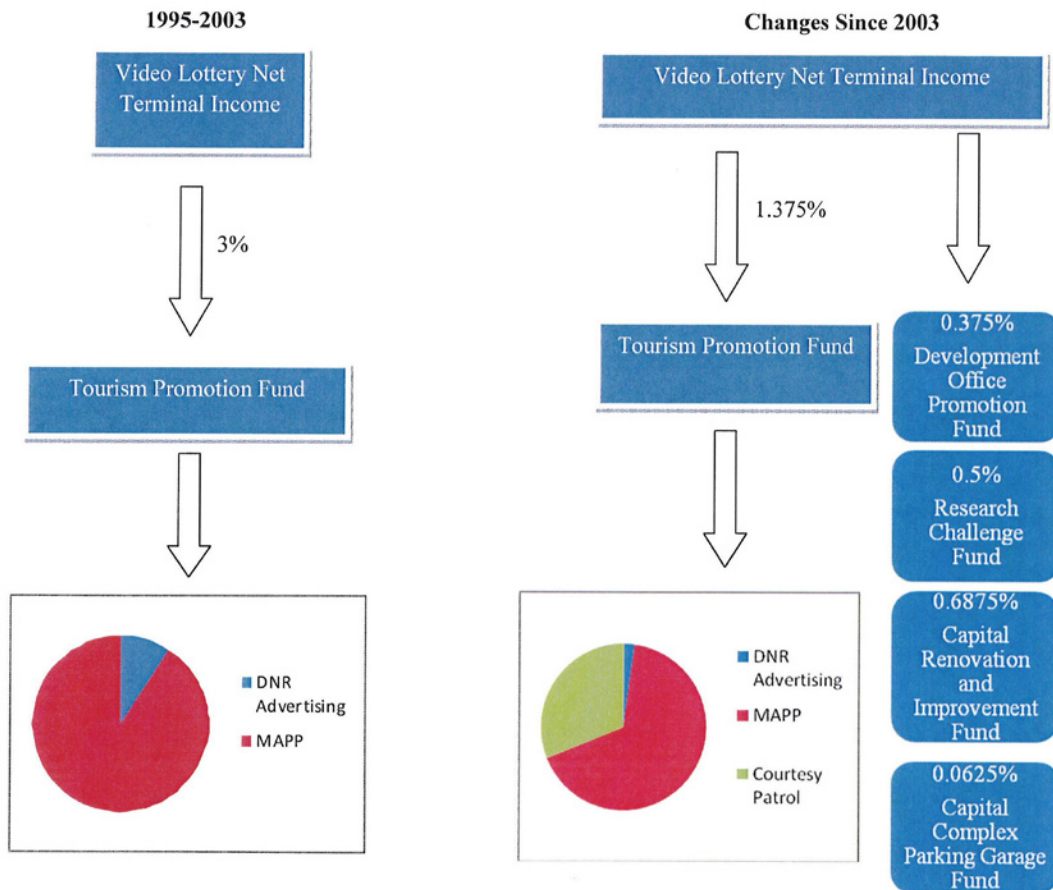


Table 5 shows revenues and expenditures for the Promotion Fund from FY 2000 through 2009. As these figures illustrate, the excess cash balance in the fund has been declining from a peak amount of \$31.9 million in 2003, to \$18.2 million in 2009. The largest drop in the Fund occurred in 2004. In the last two years expenditures were several million dollars higher than revenues. **Should this trend continue at the same rate, the cash balance of the Promotion Fund will be depleted in about five years (FY 2014).**

In the last two years expenditures were several million dollars higher than revenues. Should this trend continue at the same rate, the cash balance of the Promotion Fund will be depleted in about five years (FY 2014).

Table 5
Tourism Promotion Fund
Revenue and Expenditures
FY 2000-2009
(In Millions)

FY	Beginning Cash Balance	Revenue	Expenditures				Ending Cash Balance ⁴
			DNR Advertising	MAP Program	Courtesy Patrol ¹	Total ²	
2000	\$5.7	\$8.2	\$.25	\$4.9	--	\$5.1	\$8.8
2001	\$8.8	\$12.7	\$.56	\$5.4	--	\$6.0	\$15.6
2002	\$15.6	\$17.0	\$1.0	\$9.2	--	\$10.5	\$22.2
2003	\$22.2	\$19.7	\$.13	\$9.9	--	\$10.0	\$31.9
2004	\$31.9	\$23.3	\$2.4	\$13.0	--	\$30.4 ³	\$24.8
2005	\$24.8	\$11.8	\$.43	\$12.3	--	\$12.7	\$23.9
2006	\$23.9	\$11.7	\$1.3	\$8.3	--	\$ 9.5	\$26.1
2007	\$26.1	\$12.1	\$1.3	\$10.6	--	\$11.9	\$26.3
2008	\$26.3	\$11.2	\$.39	\$10.6	\$4.7	\$15.7	\$21.9
2009	\$21.9	\$10.7	\$.26	\$9.6	\$4.7	\$14.3	\$18.2

Source: Data compiled from the Legislative Auditor's Digest of Revenue Sources, 2000-2009 and Budget Division expenditure information.

¹The Courtesy Patrol Program began receiving 4.7 million annually from the Tourism Promotion Fund in 2008.

²Totals are not exact due to rounding.

³There were additional fund transfers totaling \$15 million in 2004 pursuant to SB 197.

⁴Ending cash balance includes encumbered funds that are already committed to grantees. Unencumbered cash balances as provided by the Division of Tourism can be found in Appendix D.

The Commission is aware that the Promotion Fund is being depleted and in response the Commission included a stipulation in its legislative rule for funding under a reduced-revenue scenario as recommended in a 2004 Legislative Auditor Performance Evaluation:

CSR §144-1-4.4 Grants will be awarded on a competitive basis, in accordance with program priorities established by section 4.3 above. The Commission anticipates that the demands on the tourism promotion fund will soon exceed the available monies in that fund. In the event that the fund does not have sufficient monies to fund the grants seeking funding, the Commission will award grants based on how successfully the grants meet the evaluation criteria. The Commission reserves the right to award some grants and deny others, as well as the right to fund grants at a level less than the 50 percent match.

Although this stipulation allows grants to be awarded competitively, they have not been since the rules were promulgated. **Furthermore, the phrasing of the rule suggests that the Commission will implement competitive awarding when fund monies are depleted.**

The Commission is aware that the Promotion Fund is being depleted and in response the Commission included a stipulation in its legislative rule for funding under a reduced-revenue scenario...however...the phrasing of the rule suggests that the Commission will implement competitive awarding when fund monies are depleted.

The Commission voted in October 2009 to limit the maximum allowable funding amount requested to \$400,000 per MAP Program applicant per year. Additionally, changes to the rules were made in an effort to sustain funding. These changes were approved and became effective May 7, 2010. Approved changes included the following:

- Reduction in eligible postage to allow direct mail at the standard bulk rate only.
- Requirement that three written bids for printing costs be provided to the Division by the applicant at the time of reimbursement, along with justification if the lowest bid was not selected.
- Elimination of the pro-ration provision for real estate sales and stipulation that any real estate advertising must be for vacation rentals only.
- Reduction in allowable production expenses from \$22,500 to \$10,000 per media category.
- Clarification that web design, development, and upgrade expenses are for the applicant's website only and may not exceed \$22,500 per applicant, per year.
- Addition of Destination Campgrounds as an eligible applicant category.

The Commission has also voted to add a stipulation to reduce current allowable funding if an applicant did not utilize full funding in past applications, with a provision for appeal, and a stipulation that all applications must include a minimum of three partners (including the applicant organization).

Conclusion

While changes in award criteria made by the Commission may help to reduce the amount by which Tourism Promotion Fund expenditures exceed revenues, it is the opinion of the Legislative Auditor that in order to better address funding limitations, the Commission should begin using a competitive awarding system now, rather than waiting for funds to run out. This is especially important considering that the Commission does not have a clear and measurable understanding on how effective some advertising grants have been. This is discussed in further detail in Issue 3. Consideration should be given to allowing some portion of the MAP

While changes in award criteria made by the Commission may help to reduce the amount by which Tourism Promotion Fund expenditures exceed revenues, it is the opinion of the Legislative Auditor that in order to better address funding limitations, the Commission should begin using a competitive awarding system now, rather than waiting for funds to run out.

Program funds to be used for alternative purposes that may be more effective, such as development initiatives. This is discussed in greater detail in Issue 4. Therefore, **the Legislative Auditor recommends that the Commission consider adopting a competitive awarding system immediately as enabled by legislative rule CSR§144-1-4.4.**

Recommendation

5. *The Legislative Auditor recommends that the Commission consider adopting a competitive awarding system immediately as enabled by legislative rule CSR§144-1-4.4.*

ISSUE 3

The Tourism Commission Does Not Have a Good Measure of the Effectiveness of Some of the Advertising Projects It Funds.

Issue Summary

The Tourism Commission does well in requiring applicants who are requesting funding for a similar project that was funded in the past to submit with their new application a Tracking and Evaluation form that shows the effectiveness of the prior advertising effort. However, there are a few deficiencies in the process of evaluating applications for MAP Program funds. These are:

- New (first-time) projects are generally funded as long as the application has been properly filed. Although staff guidance and recommendations occur throughout the application process, no documented assessment of the effectiveness of the project is made for first-time applicants. An evaluation of effectiveness is conducted only when a similar project is conducted by the same applicant in another year.
- Projects that have been funded multiple times or for consecutive years are evaluated based on the results of the previous year, instead of the entire history of the project. The Tourism Commission does not compile historical data on repeat projects for trend-analysis purposes.
- In some cases applicants submit data showing the advertising results of the previous year that do not give a good representation of advertising effectiveness or sufficient methodology on how the numbers were derived.

The Commission should address these issues to ensure a cost-effective allocation of limited MAP Program funds. Trends for repeat projects should be compiled, and it should consider denying funding if applicants do not provide adequate methodology and clear, quantifiable figures on the effectiveness of the previous advertising campaign.

There are a few deficiencies in the process of evaluating applications for MAP Program funds.

Although Amendments May Occur During the Application Process, All Eligible MAP Program Applications Are Approved.

In order to gauge the actual impact of the MAP Program, the Legislative Auditor's Office obtained MAP Program application and award summary data for FY 2008, 2009, and 2010 through April 8, 2010. Table 6 provides the number of applications received, approved, and denied or withdrawn for each of the three award levels in each fiscal year.

		Large Applications (10,000+)	Small Applications (\$7,500 or Less)	Fairs & Festivals (\$5,000 or Less)	Total
FY 2008	Received	85	154	72	311
	Approved	80	143	64	287
	Denied/ Withdrawn	5	11	8	24
FY 2009	Received	86	151	57	294
	Approved	72	140	52	264
	Denied/ Withdrawn	14	11	5	30
FY 2010¹	Received	54	101	38	193
	Approved	51	96	32	179
	Denied/ Withdrawn	3	5	6	14

Source: West Virginia Division of Tourism.
¹Through April 8, 2010.

The Legislative Auditor evaluated all denied and withdrawn MAP Program applications from FY 2009 to determine which were withdrawn by the applicant and which were denied by the Commission. As shown in Table 7 below, a total of 18, or slightly more than half, of the unapproved applications were denied compared to 12 withdrawn.

Table 7 Number of Withdrawn and Denied MAP Program Applications FY 2009			
Application Level	# of Withdrawn Applications	# of Denied Applications	Total Withdrawn and Denied Applications
Large Applications (\$10,000+)	2	12	14
Small Applications (\$7,500 or less)	7	4	11
Fairs & Festivals (\$5,000 or less)	3	2	5
Total	12	18	30

Source: West Virginia Division of Tourism.

Applications that are denied are usually because of ineligibility or improper filing of the application. Generally, all applications that are properly filed and are eligible will receive some amount of funding. Reasons for application denial included the following:

- Noncompliance with audit requirements (1)
- Ineligible expenditures/ineligible project (10)
- Missed 45-day deadline (1)
- Conflict with a large grant (1)
- Ineligible applicant (4)
- Applicant started project before approval (1)

Applicants may not be approved for the full amount of funding requested. Generally, amounts approved differ from amounts requested due to the inclusion of ineligible items in the request. The Division states the following:

Once an eligible project is submitted, Division representatives thoroughly review each application for conformity to the legislative rule and request that any ineligible items be removed or revised to eligible expenditures. The process occurs before the applications ever reach the

Applications that are denied are usually because of ineligibility or improper filing of the application. Generally, all applications that are properly filed and are eligible will receive some amount of funding.

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review stage by the Tourism Commission. Division representatives also work with Tourism Commission members to determine eligibility of any items that may be questionable. In addition, the Tourism Commission may request the removal of particular items from an application during the actual approval meeting.

Tracking and Evaluation of MAP Program Projects Should Be Improved.

As part of the application process, MAP Program applicants are required to state how they intend to evaluate the achievement of goals of the advertisement methods being funded. If applicants apply for funding for a project similar to one funded previously through the program, they are required to submit a Tracking and Evaluation Form demonstrating the response to the prior direct advertising effort. A blank form is provided in Appendix E. The form is designed to assess the effectiveness of the advertising purchased by measuring the number of inquiries attributed to the advertising. Resorts and other applicants that utilize reservation systems are encouraged to report reservations received as a result of approved advertising programs and the return on investment from those bookings. Fairs and festivals often measure the success of advertisement by the actual number of event attendees. The Division provided the example of a festival that places \$1 coupons containing codes that indicate the source of the media in advertisements. When redeemed, these coupons provide tracking of the effectiveness of certain media and illustrate which markets are better for advertising efforts.

The information provided on Tracking and Evaluation Forms is used by the Commission in evaluating applications as follows:

If a particular item within the proposal shows a high cost per inquiry, the Tourism Commission may remove that item, or request the applicant to replace the item with one that provides proof that the state's dollars are being used effectively. A successful applicant is also allowed to modify an approved proposal, if, while tracking the project, they discover that the dollars are not generating business as expected.

The use of tracking and evaluation is also beneficial to tourism businesses, giving them data as to what works best for their investment that may be used in the decision-making process.

The information provided on Tracking and Evaluation Forms is used by the Commission in evaluating applications. The use of tracking and evaluation is also beneficial to tourism businesses, giving them data as to what works best for their investment that may be used in the decision-making process.

The Legislative Auditor evaluated applications from FY 2009 and found that 181, or 68.6 percent, of the 264 total applications approved that year were submitted for repeat advertising projects and included tracking and evaluation information. The Division uses evaluation data solely at the individual applicant level and does not compile yearly statistics for the MAP Program or trend data for repeat projects. For example, a project that has been funded the past five years will generally be assessed by the Commission using the most recent results, instead of evaluating the project based on the entire five-year history. This lack of reporting makes the actual impact of the MAP Program unclear and makes it difficult to determine whether or not certain marketing campaigns funded by the MAP Program are the most productive way to promote the state. However, the Division does indicate that it is in the process of developing a database that may allow for such reports in the future. The Division states the following:

The Division of Tourism is currently in the testing phase of implementing a web-based database for MAP Program that will allow us to glean additional valuable information from the evaluation process and run numerous reports – as an example, if we know the exact amount of dollars reimbursed through MAP Program to a publication such as the Washington Post, we would use this information to try to negotiate a discounted advertising rate (or “state” rate) for participants of MAP Program in order to save the state valuable advertising dollars that could then be used to further promote West Virginia.

Through reports generated from the new system, we will also be able to track dollars spent within various industry segments, within specific media, and overall spending within the program and the overall interest generated as a result of that spending.

Currently, tracking information is used to evaluate repeat projects from the same applicant, while new applications are evaluated primarily based on their compliance with application requirements found in Legislative Rule Title 144, Series 1. In order to allocate MAP Program funds more cost-effectively, **the Legislative Auditor recommends that the Commission determine the potential cost-effectiveness of new projects based on tracking data for similar past projects conducted**

The Division uses evaluation data solely at the individual applicant level and does not compile yearly statistics for the MAP Program or trend data for repeat projects. This lack of reporting makes the actual impact of the MAP Program unclear and makes it difficult to determine whether or not certain marketing campaigns funded by the MAP Program are the most productive way to promote the state.

by other applicants. The Legislative Auditor further recommends that the Commission generate reports to determine the overall effectiveness of MAP Program funds and to determine trends of repeat projects.

In order to determine the overall cost per inquiry or booking (CPI) for advertising funded with MAP Program moneys, the Legislative Auditor determined the overall CPI for each applicant in FY 2009 based on figures provided on Tracking and Evaluation Forms. Overall figures for all applicants are provided in Table 8 below.

Grant Level	Total # of Inquiries	Total Cost of Advertising	Total CPI
Large Applications (\$10,000+)	5,453,263	\$13,396,698	\$2.46
Small Applications (\$7,500 or less)	916,171	\$857,698	\$0.94
Fairs & Festivals (\$5,000 or less)	253,991	\$243,509	\$0.96
Total	6,623,425	\$14,497,900	\$2.19

Source: Figures compiled by the Legislative Auditor using figures reported by 2009 MAP Program applicants on Tracking and Evaluation forms.

It is important that state funds be used as wisely as possible. Because funds available for MAP Program are diminishing with time, it is especially important that the Commission award these monies to the most cost-effective projects. The Legislative Auditor commends the Commission for requiring MAP Program recipients to track and report the outcome of advertising projects; however, there are improvements that can be made in order to ensure that reported outcomes are representative of the actual impact of MAP Program projects.

Although all applicants submit the same Tracking and Evaluation Form, there are differences in the methods of determining what constitutes an “inquiry” or “booking” as well as in computing the overall cost per inquiry/booking. Some applicants have more representative tracking methods than others, such as the festival discussed above that tracks media effectiveness by placing \$1 coupons containing codes that indicate the source of the media in advertisements, which are then counted and reported as the number of bookings resulting from that media source. This is an effective method of reporting the outcome of an advertising project. Other applicants, on the other hand, provide inadequate or unquantifiable

It is important that state funds be used as wisely as possible. Because funds available for MAP Program are diminishing with time, it is especially important that the Commission award these monies to the most cost-effective projects.

data. Some report such figures as the number of postcard advertisements mailed, the number of brochures or other literature distributed, or the total number of attendees at an event as the number of inquiries/bookings. This is not a representative figure because it does not necessarily indicate the *outcome* of the advertisement and may in fact be misrepresentative of the cost effectiveness of a project. For example, one applicant reported the distribution of 30,000 brochures at a total cost of \$9,000 as its response to direct advertising, which indicates a cost per inquiry of only thirty cents, but provides no real indication of the actual impact of the brochure distribution on event attendance.

Some applicants also fail to indicate their methodology in reporting the response to their direct advertising campaigns, making it unclear how they evaluated the number of inquiries or bookings received. For example, one applicant indicated a total of 160 inquiries/bookings. Nine of these contacts were classified as phone contacts and the remaining 151 were classified as “other” types of contact, with no explanation as to what “other” might represent.

There are also variances in the method of computing the overall cost per inquiry for the grant awarded. Some applicants computed the overall CPI using the overall cost divided by the overall number of inquiries/bookings for all media categories in a project. Others summed the CPI for all media categories, found the average of all individual CPIs, or did not compute the overall CPI at all.

Establishing universal methods for reporting the effectiveness of advertising projects would better enable the Division to effectively evaluate applications, ensure that funds are wisely distributed, and provide a better starting point for establishing the web-based database that is in the process of being developed. **Therefore, the Legislative Auditor recommends that the Commission establish clear and quantifiable criteria for reporting the outcome of advertising projects funded by the MAP Program. The Legislative Auditor further recommends that the Commission should consider denying funding to projects that do not provide clear, quantifiable data with clear methodology for measuring advertising effectiveness.**

Conclusion

The Legislative Auditor evaluated tracking and evaluation data for FY 2009 in order to determine the effectiveness of the MAP Program. It was found that tracking data is used at the individual application level and is not compiled into trend data for repeat advertising projects or overall program statistics. The Division is in the process of developing a

Establishing universal methods for reporting the effectiveness of advertising projects would better enable the Division to effectively evaluate applications, ensure that funds are wisely distributed, and provide a better starting point for establishing the web-based database that is in the process of being developed.

database that may enable better tracking and reporting. It was also found that improvements should be made in order to ensure that the tracking data submitted by all applicants is more representative of the actual outcomes of advertising projects. This will enable the Division to better evaluate applications in order to ensure the most cost-effective allocation of funds.

Recommendations

6. *The Legislative Auditor recommends that the Commission determine the potential cost-effectiveness of new projects based on tracking data for similar past projects conducted by other applicants.*
7. *The Legislative Auditor recommends that the Commission generate reports to determine the overall effectiveness of MAP Program funds and to determine trends of repeat projects.*
8. *The Legislative Auditor recommends that the Commission establish clear and quantifiable criteria for reporting the outcome of advertising projects funded by the MAP Program.*
9. *The Legislative Auditor recommends that the Commission should consider denying funding to projects that do not provide clear, quantifiable data with clear methodology for measuring advertising effectiveness.*

ISSUE 4

The Legislature Should Consider Giving the Tourism Commission the Flexibility to Use a Portion of the Tourism Promotion Fund or Directing a Portion of the Development Office Promotion Fund for Tourism Development Activities.

Issue Summary

The Tourism Commission has a broad and aggressive mandate that involves both promoting and developing tourism in the state. The Tourism Promotion Fund is the Tourism Commission's primary source of funding used to fulfill its statutory mandate. However, WVC§5B-2-12 restricts the use of the Promotion Fund to only direct advertising. This restriction denies the Tourism Commission direct access to funds for tourism development activities that the Tourism Commission is also mandated to do. The Tourism Commission's enabling statute has funding mechanisms for development initiatives, but the funds would have to be provided through other state entities such as the Development Office (WVC §5B-2-1), the Council for Community and Economic Development (WVC §5B-2-2), or the Infrastructure and Jobs Development Council (WVC §31-15A-3). Currently, the Development Office Promotion Fund (WVC §5B-2-3b), which is created to promote business formation, expansion, recruitment and retention, could be a potential source of funding for the Tourism Commission's development activities. This fund's end-of-year cash balance is over \$13.4 million dollars for FY 2010. Although the Tourism Commission has not undertaken a strong approach to developing tourism, if it is to fulfill its development mandate it would be advantageous for the Tourism Commission to have direct access to funding for the purpose of developing tourism. Consideration should be given by the Legislature to either allow a portion of the Tourism Promotion Fund to be used for developmental activities or direct a portion of the Development Office Promotion Fund to be available to the Tourism Commission for developmental activities.

In order for the agency to fulfill its statutory mandates and create a more comprehensive strategy for enhancing tourism, it will need to initiate development activities, which must include at a minimum, long-term planning and needs assessments.

The Tourism Commission Does Not Have Direct Access to Funds That Can Be Used for Tourism Development.

Issue 1 of this report indicates that the Tourism Commission has been focused on promotional activities while little attention has been paid to development activities. In order for the agency to fulfill its statutory mandates and create a more comprehensive strategy for enhancing tourism, it will need to initiate development activities, which must include at a minimum, long-term planning and needs assessments. However, such development initiative would be enhanced if the Tourism

Commission had direct access to funding for tourism development activities such as providing business capital, leveraging funds, improving infrastructure or purchasing property. The Tourism Promotion Fund is the Tourism Commission's primary source of funding used to fulfill its statutory mandates. However, WVC §5B-2-12 restricts the use of the Tourism Promotion Fund to only direct advertising. The Code limits direct advertising to television, radio, mailings, newspaper, magazines, the internet and outdoor billboards. This restriction denies the Tourism Commission direct access to funds for tourism development activities that the Tourism Commission is also mandated to do. The Tourism Promotion Fund had a beginning cash balance in FY 2010 of approximately \$18.2 million dollars, however, it should be noted that only \$1.5 million of that amount is unencumbered.

The Funding Mechanisms Available to the Tourism Commission for Development Activities Are Dependent on Other State Entities.

The Tourism Commission's enabling statute has funding mechanisms for development initiatives, but the funds would have to be provided through other state entities such as the Development Office (WVC §5B-2-1), the Council for Community and Economic Development (WVC §5B-2-2), or the Infrastructure and Jobs Development Council (WVC §31-15A-3). The Tourism Commission, under WVC §5B-2-9(c)(1), can acquire real or personal property in the name of the State through purchase, lease or agreement; however, funding for such acquisitions would have to come through another state agency. The Tourism Commission is also authorized to enter into joint ventures with nonprofit corporations to share in the development and funding of tourism development and promotion programs. However, such funding would have to come from the Development Office or another state agency. Currently, the Development Office Promotion Fund (WVC §5B-2-3b), which is created to promote business formation, expansion, recruitment and retention, could be a potential source of funding for the Tourism Commission's development activities. The Development Office Promotion Fund end of fiscal year cash balance has increased from over \$5.7 million dollars in FY 2006 to over \$13.4 million in FY 2010 as shown in Table 9.

WVC §5B-2-12 restricts the use of the Tourism Promotion Fund to only direct advertising. This restriction denies the Tourism Commission direct access to funds for tourism development activities that the Tourism Commission is also mandated to do.

The Tourism Commission's enabling statute has funding mechanisms for development initiatives, but the funds would have to be provided through other state entities.

The Development Office Promotion Fund (WVC §5B-2-3b), which is created to promote business formation, expansion, recruitment and retention, could be a potential source of funding for the Tourism Commission's development activities.

Fiscal Year	Revenue	Disbursements	End-of-Year Cash Balance
2006	\$3,203,789	\$304,781	\$5,752,030
2007	\$3,299,898	\$744,253	\$8,307,675
2008	\$3,062,140	\$862,852	\$10,506,962
2009	\$2,909,513	\$1,555,239	\$11,861,236
2010	\$2,630,379	\$1,078,857	\$13,412,958

Source: Budget Division, Legislative Auditor's Office

Although the Tourism Commission has not undertaken a strong approach to developing tourism, if it is to fulfill its development mandate it would be advantageous for the Tourism Commission to have direct access to funding for the purpose of developing tourism. Consideration should be given by the Legislature to allow a portion of the Tourism Promotion Fund to be used for developmental programs. **Therefore, the Legislative Auditor recommends that the Legislature consider either amending WVC §5B-2-12 to give the Tourism Commission greater flexibility on how it can spend monies from the Tourism Promotion Fund by allowing a portion of the Tourism Promotion Fund to be available for development activities or direct a portion of the Development Office Promotion Fund to be available to the Tourism Commission for developmental activities.**

Conclusion

The Tourism Commission is responsible for promoting and developing tourism in the state. Restricting the Tourism Promotion Fund to be used only for direct advertising is a hindrance to the Tourism Commission achieving its mandate to provide a comprehensive strategy to developing tourism in the state. While direct advertising is important, a greater emphasis on developmental efforts is needed in order to achieve the comprehensive approach the Legislature envisioned. This would be facilitated by allowing some portion of the Tourism Promotion Fund or the Development Office Promotion Fund for development activities.

Although the Tourism Commission has not undertaken a strong approach to developing tourism, if it is to fulfill its development mandate it would be advantageous for the Tourism Commission to have direct access to funding for the purpose of developing tourism.

Recommendation

10. *The Legislative Auditor recommends that the Legislature consider either amending WVC §5B-2-12 to give the Tourism Commission greater flexibility on how it can spend monies from the Tourism Promotion Fund by allowing a portion of the Tourism Promotion Fund to be available for development activities or direct a portion of the Development Office Promotion Fund to be available to the Tourism Commission for developmental activities.*

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
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John Sylvia
Director

July 6, 2010

Betty Carver, Commissioner
West Virginia Division of Tourism
90 MacCorkle Avenue, SW
South Charleston, WV 25303

Dear Commissioner Carver:

This is to transmit a draft copy of the Agency Review of the Division of Tourism. This report is scheduled to be presented during the July 19-21 interim meetings of the Joint Committee on Government Operations and the Joint Committee on Government Organizations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committees may have.

We need to schedule an exit conference to discuss any concerns you may have with the report. We would like to have the meeting on Thursday, July 8 or Friday, July 9, 2010. Please contact Brian Armentrout at 304.347.4890 to schedule an exact time. We need your written response by noon on July 13, 2010 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, July 15, 2010 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in cursive script.
John Sylvia

_____ *Joint Committee on Government and Finance* _____

Appendix B: Survey of Convention and Visitors Bureaus

1) Please indicate the county or counties that your Convention and Visitors Bureau represents.

-

2) In order for the **State** to improve the tourism industry in ***your area***, please rank order the strategies the State should implement in terms of their importance from 1-7, with 1 being greatest importance and 7 being least important. (In ranking these items, each item should receive one distinct number from 1 to 7.)

_____ Improve and expand tourism marketing and promotion activities.

_____ Acquire real or personal property in the name of the State that would develop tourism.

_____ Cooperate in the production of motion pictures or television in West Virginia.

_____ Facilitate business access to capital for tourism development.

_____ Facilitate cooperation among local, regional, and private tourism enterprises.

_____ Improve the physical infrastructure on a state, regional, and local level.

_____ Leverage funding from non-state resources, including local, federal, and private sources.

3) In your estimation, what percentage of the total economy in your area is made up by the tourism industry?

0-20% 21-40% 41-60% 61-80% Over 80%

4) How would you rate the current economic condition of the tourism industry in **your area**?

Declining significantly

Declining slightly

Neither growing nor declining

Growing slightly

Growing significantly

5) Indicate the amount of assistance or coordination the Tourism Commission has provided for your area.

None

Little

Satisfactory

Excellent

6) How effective do you think the Tourism Commission has been in improving or expanding the tourism industry in your area?

Not effective

Slightly Effective

Satisfactory

Very effective

7) What improvements, if any, should be made by the Tourism Commission in order to better assist you in improving and expanding the tourism industry in your area?

Survey Results

A total of 34 surveys were sent out and 20 responses were received, a response rate of about 58.8%. Respondents were instructed that they may leave Question 1 blank if they wished to answer anonymously.

Table 1 Summary of Responses to Question 2: In order for the State to Improve the Tourism Industry in Your Area, Rank the Strategies the State Should Implement in Terms of Their Importance on A Scale of 1-7, With 1 Being Greatest Importance and 7 Being Least Important. ¹							
	# Ranking 1 st	# Ranking 2 nd	# Ranking 3 rd	# Ranking 4 th	# Ranking 5 th	# Ranking 6 th	# Ranking 7 th
Improve and expand tourism marketing and promotion activities.	7	2	3	0	2	0	0
Acquire real or personal property in the name of the State that would develop tourism.	1	2	1	0	0	4	6
Cooperate in the production of motion pictures or television in WV.	0	0	2	3	3	3	3
Facilitate business access to capital for tourism development.	3	2	3	2	4	0	0
Facilitate cooperation among local, regional, and private tourism enterprises.	0	4	1	3	1	3	2
Improve the physical infrastructure on a state, regional, and local level.	2	1	2	4	2	3	0
Leverage funding from non-state resources, including local, federal, and private sources.	1	3	3	2	1	1	3
¹ Only 14 of the 20 responses to Question 2 are included. The other six respondents failed to rank order the options.							

0-20%	2
21-40%	7
41-60%	5
61-80%	4
Over 80%	1
Total	19 ¹
¹ One of the 20 survey respondents did not select an answer to this question.	

Declining Significantly	0
Declining Slightly	5
Neither Growing nor Declining	2
Growing Slightly	8
Growing Significantly	5
Total	20

None	0
Little	3
Satisfactory	7
Excellent	8
Total	18 ¹
¹ Two of the 20 survey respondents did not select an answer to this question.	

Not Effective	2
Slightly Effective	4
Satisfactory	4
Very Effective	8
Total	18 ¹
¹ Two of the 20 survey respondents did not select an answer to this question.	

Two CVBs chose not to respond to the Question 7, an open-ended question asking CVBs to discuss what improvements, if any, could be made by the Tourism Commission in order to better assist CVBs to improve and expand the tourism industry in their areas. Two indicated that no improvements were necessary. One respondent discussed a desire for more educational efforts within the tourism industry, such as seminars for topics like hotel management, small business growth and development, and funding resources for small business owners.

Three respondents discussed a need for a more equitable focus of efforts by the Commission. These CVBs indicated that there seems to be a bias toward certain destinations or entities and called for more efforts devoted toward areas such as the Eastern Panhandle and smaller destinations and events. One respondent stated that *higher funding continues to go to larger, better known entities. Tourism could help level the playing field w[ith] technical expertise and funding.*

Six respondents expressed dissatisfaction with the representation of CVBs on the Tourism Commission. West Virginia Code stipulates that one member of the Commission *shall represent a convention and visitors*

bureau and another shall be a member of a convention and visitors bureau. Although there are currently two vacancies on the Commission, both the CVB representative and the CVB member seat are filled. Respondents who cited the representation of CVBs on the Commission as a needed improvement called for the appointment of a CVB director as a Commission member.

The most frequently discussed subject was the Matching Advertising Partnership Program (MAP Program), which one CVB stressed is *crucial for tourism growth*. Recommendations made by survey respondents for improving the MAP Program included the following:

- Turning the program over to Division of Tourism staff in order for the Commission to focus on bringing more tourism business to the state;
- Expanding the MAP Program;
- Limiting MAP Program funds to *accredited CVBs and attractions*;
- Adding grant money for internet-based website advertising;
- Increasing funding to smaller destinations and events;
- Increasing access to funds by increasing the flexibility of the program, loosening the rules for how money can be spent, and shortening the deadlines on small grants.

Appendix C: Strategic Planning in All States

Strategic Planning in All States		
State	Strategic Planning	Specifications
Alabama (Bureau of Tourism and Travel)		<ul style="list-style-type: none"> Alabama code requires an annual comprehensive marketing plan be developed.
Alaska(Alaska Travel Industry Association, contracted by the Department of Commerce, Community, and Economic Development)		<ul style="list-style-type: none"> A Marketing Implementation Plan is published annually.
Arizona (Office of Tourism)		<ul style="list-style-type: none"> An annual marketing plan is published. AZ code requires the Office to <i>perform research necessary to determine a long-range tourism development plan for this state</i>, although no long-term plan is published.
Arkansas (Department of Parks and Tourism; State Parks, Recreation, and Travel Commission)		<ul style="list-style-type: none"> The Arkansas Economic Development Commission publishes a strategic plan that includes tourism development.
California (Office of Tourism, Travel and Tourism Commission (CTTC))	X	<ul style="list-style-type: none"> The CTTC published a 5-year (2007-2013) strategic marketing plan. A Rural Tourism Strategic Plan was created to be implemented with the marketing plan. A Cultural Heritage Strategic Plan was also developed.
Colorado (Tourism Office)		<ul style="list-style-type: none"> An annual marketing plan is developed.
Connecticut (Commission on Culture and Tourism, Tourism Division, Travel Council)	X	<ul style="list-style-type: none"> An annual marketing plan is published A 2005-2008 Strategic Plan was published and a 2010-2012 plan is being developed, but is not yet posted.

Delaware (Tourism Advisory Board in the Economic Development Office)		<ul style="list-style-type: none"> An annual marketing plan is published.
Florida (Office of Tourism, Trade, and Economic Development; Commission on Tourism)	X	<ul style="list-style-type: none"> Florida Code requires the creation of a 4-year marketing plan. The current plan is for FY 2009-2013. An annual marketing plan is also developed.
Georgia (Department of Economic Development)		<ul style="list-style-type: none"> An annual marketing plan is developed.
Hawaii (Hawaii Tourism Authority)	X	<ul style="list-style-type: none"> A 10 year (2005-2015) strategic plan for tourism has been developed.
Idaho (Department of Commerce, Division of Tourism)		<ul style="list-style-type: none"> An annual marketing plan is developed.
Illinois (Department of Commerce and Economic Opportunity, Office of Tourism)		
Indiana (Office of Tourism Development)		<ul style="list-style-type: none"> A one-time publication of “strategic directions” for tourism was published in 2007.
Iowa (Department of Economic Development (IDED), Tourism Office)		<ul style="list-style-type: none"> IDED published a Strategic Plan for Economic Growth that includes expanding the tourism industry
Kansas (Department of Commerce, Division of Travel and Tourism Development)		<ul style="list-style-type: none"> A marketing plan is developed.

Kentucky (Divisions of Tourism Services; Marketing and Administration; and Communications and Promotions)		<ul style="list-style-type: none"> • A marketing plan is developed biennially.
Louisiana (Dept. of Culture, Recreation, & Tourism (CRT), Office of Tourism)	X	<ul style="list-style-type: none"> • A 4-year (FY 2008-09 through 2012-13) strategic plan has been created.
Maine (Office of Tourism)	X	<ul style="list-style-type: none"> • A 5-year strategic plan (2008-2012) has been developed. • The 5-year plan is required by state code.
Maryland (Tourism Development Board)	X	<ul style="list-style-type: none"> • Maryland Code requires the creation of a 5-year strategic plan for tourism promotion and development. • The FY 2011-2015 Maryland Tourism Development Board Five Year Strategic Plan is to be completed in 2010.
Massachusetts (Office of Travel and Tourism)		<ul style="list-style-type: none"> • An annual marketing plan is developed.
Michigan (Travel Commission)	X	<ul style="list-style-type: none"> • A strategic plan (2007-2011) has been developed. • Michigan code requires the development of a long-range (between 2 and 5 years) master plan for tourism development.
Minnesota (Explore Minnesota Tourism)	X	<ul style="list-style-type: none"> • An annual strategic plan is released. • A long-term plan was released in 2009 (2020 Vision).
Mississippi (Development Authority, Tourism Division)		<ul style="list-style-type: none"> • Annual marketing plans are released
Missouri (Division of Tourism)		<ul style="list-style-type: none"> • An annual marketing plan is developed.
Montana (Department of Commerce)	X	<ul style="list-style-type: none"> • The Montana Strategic Plan for Tourism and Recreation 2008-2012 is the 4th in a series of plans. • The plan identifies 10 goals and 85 actions to be implemented.

Nebraska (Travel and Tourism Division)	X	<ul style="list-style-type: none"> • Three tourism development plans have been released (1975, 1996, and 2004.)
Nevada (Commission on Tourism, Division of Tourism)		<ul style="list-style-type: none"> • Nevada code states that the Division shall develop a state plan to promote travel and tourism in the state, • An annual plan (2010-2011) has been published.
New Hampshire (Department of Resources and Economic Development)		
New Jersey (Division of Travel and Tourism)	X	<ul style="list-style-type: none"> • A ten-year tourism master plan was released in 1997. No update has been published.
New Mexico (Tourism Department)	X	<ul style="list-style-type: none"> • A five year (2005-2010) strategic marketing plan was published. • The five year tourism plan is required by code.
New York (Department of Economic Development, Tourism Advisory Council)		<ul style="list-style-type: none"> • State code requires the development of an annual economic development plan.
North Carolina (Division of Tourism, Film, and Sports)		<ul style="list-style-type: none"> • An annual strategic marketing plan is released.
North Dakota (Department of Commerce, Tourism Division)		<ul style="list-style-type: none"> • An annual media plan is released.
Ohio (Ohio Tourism Division)		<ul style="list-style-type: none"> • The Ohio Department of Development issued a strategic plan for development through 2020 that includes the promotion of Ohio as a tourism destination.

Oklahoma (Tourism and Recreation Department, Tourism Commission)		
Oregon (Tourism Commission)	X	<ul style="list-style-type: none"> • A 2009-2011 strategic plan has been published (a prior plan was published for 2007-2009). • State code requires the plan be “periodically” revised.
Pennsylvania (Tourism Office)		<ul style="list-style-type: none"> • No plans are published by the Tourism Office, though the Department of Conservation and National Resources published a Blueprint for Action that includes tourism development.
Rhode Island (Tourism Division of the Economic Development Corporation)	X	<ul style="list-style-type: none"> • A five-year strategic plan is in the process of being created, with the goal of completion by 2011.
South Carolina (Department of Parks, Recreation, and Tourism; Division of Travel and Tourism)	X	<ul style="list-style-type: none"> • A strategic plan was released in 2006 for increasing tourism through 2020. • A 5-year plan for outdoor recreation was released in 2008. • State code requires the development of a coordinated plan, but no
South Dakota (Department of Tourism and State Development)	X	<ul style="list-style-type: none"> • The 2010 Initiative, a tourism development plan, was released in 2003.
Tennessee (Department of Tourism Development)		<ul style="list-style-type: none"> • An annual marketing plan is released.
Texas (Economic Development and Tourism Office)		<ul style="list-style-type: none"> • An annual Marketing Plan is released.
Utah (Office of Tourism)		<ul style="list-style-type: none"> • An annual Marketing Plan is published.

Vermont (Department of Tourism and Marketing)		<ul style="list-style-type: none"> An annual Marketing Plan is published.
Virginia (Virginia Tourism Authority)	X	<ul style="list-style-type: none"> A biennial strategic plan is submitted as part of Virginia Performs, a statewide “performance leadership and accountability system”. An annual strategic marketing plan is also developed.
Washington (Tourism Commission)	X	<ul style="list-style-type: none"> A 6-year (2008-2014) strategic plan has been published.
Washington, D.C (Destination D.C)		
West Virginia (Division of Tourism)		<ul style="list-style-type: none"> A marketing plan is submitted annually.
Wisconsin (Department of Tourism)		
Wyoming (Travel and Tourism)	X	<ul style="list-style-type: none"> A 2-year strategic plan is released (most recently, FY 2011-2012).

Appendix D: Tourism Promotion Fund Analysis 2000-2010

West Virginia Division of Tourism
Tourism Promotion Fund Analysis
2000-2010

<u>Fiscal Year</u>	<u>Beginning Cash</u>	<u>Video Lottery Revenue</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>Encumbered Funds</u>	<u>Ending Unencumbered Cash Balance</u>
2000	5,745,250	8,223,839	(5,126,269)	-	(6,709,817)	2,133,003
2001 (1)	8,842,820	12,727,332	(5,952,338)	-	(12,509,736)	3,108,078
2002	15,617,814	17,050,552	(10,509,837)	-	(18,351,116)	3,807,413
2003	22,158,529	19,747,326	(9,993,130)	-	(28,273,504)	3,639,221
2004 (2)	31,912,725	23,302,061	(15,395,898)	(15,000,000)	(23,771,605)	1,047,283
2005 (3)	24,818,888	11,770,716	(12,706,613)	-	(16,931,104)	6,951,887
2006	23,882,991	11,747,226	(9,527,348)	-	(16,980,416)	9,122,453
2007	26,102,869	12,099,625	(11,886,801)	-	(14,863,451)	11,452,242
2008 (4)	26,315,693	11,227,845	(10,973,801)	(4,700,000)	(16,750,118)	5,119,619
2009	21,869,737	10,668,214	(9,607,804)	(4,700,000)	(16,068,244)	2,161,903
2010 (5)	18,230,147	9,663,860	(9,393,939)	(3,700,000)	(13,217,043)	1,583,025
2001 (1)	Funded World Rafting Championship \$400,000					
2004 (2)	Per Senate Bill 197 the following transfers were made:					
	WVEDA Industrial Development Loan Fund					
	Capitol renovation and Improvement Fund					
	Tax Reduction and Federal Funding Increase Compliance Fund					
	(Traffic)					
	Funded PGA Event @ Pete Dye up to \$750,000					
			5,000,000			
			5,000,000			
			5,000,000			
			15,000,000			

2005 (3) Per Senate Bill 197 Beginning in Fiscal Year 2005 the funding for MAPP changed from the total 3% going to the fund to the following distribution:

Tourism Promotion Fund (MAPP)	1.3750%
Development Office Promotion Fund	0.3750%
Research Challenge Fund	0.5000%
Capitol Renovation and Improvement Fund	0.6875%
Capitol Complex Parking Garage Fund	0.0625%
	<u>3.0000%</u>

2008 (4) Funding for the courtesy patrol (DOH) moved to Division of Tourism MAPP Fund

2010 (5) Transferred \$1,000,000 from Courtesy Patrol Fund back to the Tourism Promotion Fund per SB 213

Source: West Virginia Division of Tourism. Numbers are unaudited.

Appendix E: Tracking and Evaluation

Tracking and Evaluation

For the period of (inquiries occurred between these dates):

Grant # :
 Grant Applicant Organization:
 Beginning & Ending Project Date:
 Amount of Grant:

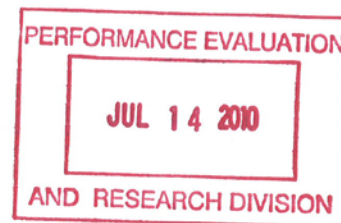
Media Category (Print, Broadcast, Internet, Billboards, Printed Material, Tradeshows, etc.)	TOTAL INQUIRIES /BOOKINGS	MEANS OF CONTACT			TOP TEN STATES/CITIES OF ORIGIN OF INQUIRY										CPI	AD COST			
		Phone	E-mail	Labels/ Other	OH	MI	VA	PA	IN	KY	WV	NC	MD	FL			OTHER		
																		Cost Per Inquiry/ Bookings	
EXAMPLE:																			
Print - WV Travel Guide	2240			2240	250	100	207	155	72	54	189	121	112	136	844		\$2.96	\$6,630	
Grand Totals																			

Codes:

Appendix F: Agency Response



July 14, 2010



Mr. John Sylvia, Director
West Virginia Legislature
Performance Evaluation and Research Division
Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610

Dear Mr. Sylvia,

As requested by your letter of July 6, 2010, the Tourism Commission and Division of Tourism have reviewed the Legislative Auditor's Recommendations and respectfully submit the following responses to the issues outlined:

Issue 1: The Tourism Commission Is Required to Establish a Comprehensive Strategy to Promote and Develop Tourism in the State; However, the Tourism Commission's Strategy Is Primarily Devoted to Promotional Effort With Limited Developmental Initiatives.

Recommendations:

- 1. The Tourism Commission should strive to fulfill its enabling statute by becoming more involved in developmental initiatives.*
- 2. The Tourism Commission should develop a comprehensive, long-term strategy that incorporates both promotion and development programs and stakeholder's input.*
- 3. The Tourism Commission should consider assessing the strengths and weaknesses and the various needs of the tourism industry.*
- 4. The Tourism Commission, through the Development Office, should consider contracting the research services of one of the state universities to research the strengths and weaknesses of the state's tourism industry and develop a long-term strategy for developing tourism.*

Mr. John Silvia
July 14, 2010

Response:

The Tourism Commission supports and is anxious to participate in any way possible with Senate Concurrent Resolution No. 31 which requests the Joint Committee on Government and Finance to study how West Virginia can implement a plan to fully develop the tourism industry in West Virginia.

Throughout its history, the Tourism Commission has participated and supported numerous tourism development initiatives including the establishment of the West Virginia HEAT (Hospitality, Education and Training) Office through the Department of Education, which is designed to create a highly skilled tourism workforce through a number of training programs, including Travel West Virginia – a student education program relative to the tourism industry; Pro-Start – a culinary food service training program in many high schools and vocational-technical centers; and A West Virginia Welcome – which provides front-line training to tourism employees for outstanding customer service.

The Tourism Commission also implemented the MAP Program, which is funded through the Tourism Promotion Fund, to leverage funding from local, federal and private sources in compliance with its enabling statute, by requiring applicants and their cooperating partners to provide a cash match for the amount of state funds received.

Recently, the Tourism Commission supported the completion of a developmental study concerning the whitewater industry in West Virginia. With the aid of this study, whitewater companies within the state have made great strides in consolidating their efforts, broadening their visitor bases, and preparing for continued success.

Issue 2: The Tourism Promotion Fund Will Be Depleted of Cash Reserves In About Five Years at the Current Rate of Revenues and Expenditures.

Recommendations:

5. The Legislative Auditor recommends that the Commission consider adopting a competitive awarding system immediately as enabled by legislative rule CSR§144-1-4.4.

Response:

As outlined under “Encumbered Funds” on Appendix E of the Legislative Auditor’s recommendations, the Tourism Promotion fund does not currently have a large reservoir of cash reserves. However, the Tourism Commission has taken a pro-active role in sustaining the Tourism Promotion Fund through competitive awarding that will ensure that the fund is not depleted. When funding cuts occurred in 2004, the Tourism Commission enacted changes

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within the program, including curtailing the use of billboard advertising in local markets. Recent changes to the program have reduced eligible postage and production costs, required bids for printing costs, narrowed the scope of web site development, required additional partners to better leverage dollars, and enacted a \$400,000 funding cap for each applicant, per year.

Each application is currently evaluated competitively according to CSR§144-1-4.4 as to how successfully the application meets the evaluation criteria. Those criteria require that the project demonstrates a potential for a strong positive return on investment, promotes a viable tourism destination, demonstrates how the project will increase visitation to the state and impact the area's overall tourism efforts. Projects are also required to leverage public/private investment and include tracking and evaluation measures. The Commission will continue to review and search for ways to improve the competitive awarding system.

Issue 3: The Tourism Commission Does Not Have a Good Measure of the Effectiveness of Some of the Advertising Projects It Funds.

Recommendations:

- 6. The Legislative Auditor recommends that the Commission determine the potential cost-effectiveness of new projects based on tracking data for similar past projects conducted by other applicants.*
- 7. The Legislative Auditor recommends that the Commission generate reports to determine the overall effectiveness of MAP Program funds and to determine trends of repeat projects.*
- 8. The Legislative Auditor recommends that the Commission establish clear and quantifiable criteria for reporting the outcome of advertising projects funded by the MAP Program.*
- 9. The Legislative Auditor recommends that the Commission should consider denying funding to projects that do not provide clear, quantifiable data with clear methodology for measuring advertising effectiveness.*

Response: The tracking and evaluation of projects is of foremost importance to the Tourism Commission. Projects are required to be tracked and, as the tourism industry of the state is multi-faceted, the best methods of tracking vary by industry segment. Resorts track response to advertising included in state matched projects by supplying the number of reservations along with return on investment. Fairs and Festivals measure actual attendance at events by surveys at the gate or during the event, and also employ methods such as including coupons in newspaper ads that are redeemable at the gate. Marketing organizations that encompass regional areas, tailor advertising to direct phone calls and web site visits in order to determine a cost for each inquiry.

As stated on Page 22 of the Legislative Auditor's recommendations, the Division of Tourism is currently in the testing phase of implementing a web-based database for the MAP Program that

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will allow the Tourism Commission to not only track expenditures but also generate additional reports.

Issue 4: The Legislature Should Consider Giving the Tourism Commission the Flexibility to Use a Portion of the Tourism Promotion Fund or Directing a Portion of the Development Office Promotion Fund for Tourism Development Activities.

Recommendation:

10. The Legislative Auditor recommends that the Legislature consider either amending WVC §5B-2-12 to give the Tourism Commission greater flexibility on how it can spend monies from the Tourism Promotion Fund by allowing a portion of the Tourism Promotion Fund to be available for development activities or direct a portion of the Development Office Promotion Fund to be available to the Tourism Commission for developmental activities.

Response:

As shown in Appendix E, although Video Lottery Revenue into the MAPP fund is roughly \$10 million per year, \$4.7 million of that \$10 million is transferred for operation of the West Virginia Courtesy Patrol, leaving the balance of dollars (\$5.3 million) available for direct advertising projects across the state. In addition to competitive awarding employed by the Tourism Commission, the \$1,583,025 balance at the end of the 2010 fiscal year, according to Appendix E - Ending Unencumbered Cash Balance, is also due to the efforts of the Legislature to transfer unused funds from the Courtesy Patrol back into the Tourism Promotion Fund during the 2010 session. In reviewing the tables provided on Page 3 of the Legislative Auditor's recommendations, it is also clear that, although the MAPP fund is growing the tourism industry in the state, we cannot afford to relax our promotional efforts within the state or where competing states are concerned. Due to these factors, the Tourism Commission respectfully requests an alternative funding source for development implementation.

Please advise when the presentation is scheduled, and please let us know if you or your staff have questions or need additional information. Thank you for your attention to this matter.

Sincerely,



Betty B. Carver
Commissioner

BBC/ap



WEST VIRGINIA LEGISLATIVE AUDITOR

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