

TOURISM PROCUREMENT EXEMPTION Annual Report

Pursuant to:

Economic Development Article §4-107

Submitted by:

Maryland Department of Commerce

September 2020

DIVISION OF MARKETING, TOURISM & THE ARTS PROCUREMENT EXEMPTION REPORT

Executive Summary

The Division entered into two cooperative marketing agreements in Fiscal Year 2020 under Commerce's tourism procurement exemption authority. This authority exempts Commerce from some of the requirements of state procurement law regarding certain marketing activities related to the promotion of tourism.

Under this authority, Commerce contributes no more than 50 percent of total project costs. This has been a great opportunity for the State to pay less for more products/services and receive increased economic benefits. The attached chart describes each project in terms of actual dollar amounts committed, and below is a brief summary of the project covered under the tourism procurement exemption. All cooperative marketing projects under this exemption were reviewed by the Department's Assistant Attorney General and approved by the Secretary of Commerce or designee prior to implementation.

Capital Region USA

The Capital Region USA (CRUSA) is a non-profit tourism coalition comprised of and funded primarily by the Maryland Office of Tourism, the Virginia Tourism Corporation and Destination DC, with significant support from the Metropolitan Washington Airports Authority. CRUSA strives to increase awareness and visitation to generate positive economic impact to the region from selected international markets by implementing marketing programs and public/private sector partnerships.

Formed in 1991, CRUSA has created a strong, unified marketing effort to attract the lucrative overseas visitor from our primary markets of the United Kingdom and Germany, our secondary markets of France, Mexico and Brazil, and the emerging market of China, by combining limited marketing funds from each partner. Investments by each partner funded a fully integrated, professionally managed international marketing campaign in FY20 with a budget of \$3.2 million representing a leverage factor of 2 to 1. CRUSA generated \$1.7 million in cash and in-kind contributions to support its marketing programs from corporate sponsors, grants, tour operator partners and suppliers across the region.

Increasing Awareness:

- CRUSA partnered with 14 overseas tour operators for joint consumer marketing initiatives in the United Kingdom, Germany, and France. CRUSA's investment of \$187,450 (including 20% matching Brand USA funds) was also matched by \$354,512 from the operators, resulting in campaigns valued at \$541,962. Three supplier partners

participated in the UK and France campaigns and contributed an additional \$10,500 in support.

- CRUSA's overseas representatives in China, the United Kingdom, Germany, France, and Brazil distributed approximately 89,572 print holiday guides to travel trade, media, and consumers. In addition, there were 1,661 downloads of the e-Guide across all languages.
- CRUSA achieved editorial coverage in print and electronic media outlets with an earned media value of \$17.4 million. CRUSA and its partners hosted 46 journalists supported by \$113,502 in in-kind support from travel industry partners across the region and beyond who provided free or reduced-rate flights, accommodations, meals, attraction admissions, and transportation for our clients.

The Tourism Council of Frederick County

The Maryland Office of Tourism entered into a cooperative marketing agreement with the Tourism Council of Frederick County to jointly produce an economic impact study to measure the effect of tourism spending at the county and State level. This study is vitally important for the State and the counties to demonstrate the impact of visitor spending and activity on Maryland and its jurisdictions. The cooperative agreement is with Frederick County, the Maryland Office of Tourism and the research provider, Tourism Economics. The 2019 Tourism Economic Impact Report reported the following:

Visitation increased 1.5 percent from 41.5 million in 2018 to 42.1 million in 2019

- Business travel was flat
- Leisure travel grew 4.1 percent

The spending of Maryland's visitors increased 3 percent to \$18.6 billion

- Leisure visitor spending increased 1.2 percent
- Lodging (overnight) spending increased 3.4 percent
- Food and beverage increased 4.9 percent

Tourism is the 11th largest private sector employer

- 150,000 people employed in tourism with salaries of \$6.6 billion (up 1.5 percent).

\$2.6 billion in state and local taxes were generated by visitors – essentially saving Maryland households \$1,175.

Tourism Promotion Exemption Report - Fiscal Year 2020

<u>Contractor</u>	<u>Term</u>	<u>Private Sector Investment</u>	<u>State Investment</u>	<u>Description</u>
Capital Region USA	7/1/2019- 6/30/2020	\$1,700,000	\$400,000	Promote awareness of Maryland and the Capital Region USA (Maryland, Virginia and Washington, D.C.) as an international visitor destination.
Tourism Council of Frederick County	7/1/2019- 6/30/2020	\$32,500	\$32,500	Work to produce the Economic Impact of Tourism in Maryland
Total		\$1,732,500	\$432,500	