



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
R. Michael Gill | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

January 2, 2019

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991
RE: Tourism Procurement Exemption Report

The Honorable Thomas M. Middleton
Chairman, Senate Finance Committee
3 East James Senate Office Building
Annapolis, Maryland 21401-1991

The Honorable Dereck E. Davis
Chairman, House Economic Matters Committee
231 House Office Building
Annapolis, Maryland 21401-1991

Re: Tourism Procurement Exemption Report

Dear President Miller, Speaker Busch, Chairman Middleton and Chairman Davis:

Pursuant to Section 2, Chapter 555 of the Acts of 1993 as amended by Chapter 4 of the Acts of 1994, we are pleased to submit the Department of Commerce's Tourism Procurement Exemption Activity Report, which reports on the procurement exclusion provided under Section 11-203(a)(1)(xi) of the State Finance and Procurement Article.

We look forward to your review of this report and will be happy to furnish any additional information that is needed. If we can be of further assistance, or if you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,


Benjamin H. Wu
Deputy Secretary

Enclosure

cc: Members, Senate Finance Committee
Members, House Economic Matters Committee

TOURISM PROCUREMENT EXEMPTION Annual Report

Pursuant to:

**Section 2 of CH 555, Acts of 1993, as amended by CH 4 of 1994
State Finance and Procurement Article §11-203(a)(1)(xi)**

Submitted by:

Maryland Department of Commerce

January 2019

DIVISION OF TOURISM, FILM AND THE ARTS PROCUREMENT EXEMPTION REPORT

Executive Summary

The Division of Tourism, Film and the Arts (Division) entered into two (2) cooperative marketing agreements in fiscal year 2018 under Maryland Department of Commerce (Commerce) 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% 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 each project. All cooperative marketing projects under this exemption were reviewed by the Department's Assistant Attorney General and approved by the Secretary of Commerce or his designee prior to implementation.

Capital Region USA¹

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 FY17 with a budget of \$3.8 million representing a leverage factor of more than 10 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.

Capital Region USA's marketing efforts are designed to increase awareness of the destination as a leisure travel destination, and to increase visitor volumes and spending from selected overseas markets.

¹ CRUSA data is from their most current annual report for FY17 and per calendar year. FY18 data won't be ready for publication and use until January 2019

Increasing Awareness:

- CRUSA's overseas representatives in China, the United Kingdom, Germany, France & Brazil distributed approximately 53,500 print travel guides to travel trade, media and consumers. In addition, there were 2,761 downloads of the e-Guide across all languages.
- Hosted for the first time in Washington, DC, IPW 2017 was the third largest and one of the best in the event's history. More than 6,400 attendees from over 70 countries and 530 journalists experienced the region's hospitality, history, cultural creations, scenic beauty, and much more. CRUSA's nine pre- and post-IPW fam tours took 171 travel trade and media to more than 25 towns and cities, 100+ attractions, and 35 hotels and resorts across the region.
- CRUSA reps conducted 540 sales calls and 79 training seminars for 1,579 travel agents and tour operator sales and reservations staff members across all five CRUSA markets. CRUSA organized and led three sales/media missions to the UK, France, and China generating 35 leads. CRUSA participated in seven international trade shows, attended by more than 392,000 tour operators, travel agents, media representatives, and consumers. CRUSA and its partners hosted 20 trade fam tours for 98 clients. These fam tours were supported by \$280,144 in in-kind support from travel industry partners and international airlines who provided free or reduced rate flights, accommodations, meals, attraction admissions, flights, and ground transportation for our clients.
- CRUSA completed year seven of its integrated marketing partnership with Miles, providing opportunities for industry participation in CRUSA's print holiday guides, website advertising, email, search engine marketing, and Brand USA opportunities. The program generated \$310,432 in support from industry partners.
- CRUSA achieved editorial coverage in print and electronic media outlets with an earned media value of \$37.8 million. This represents a 9.9% increase over FY16. CRUSA and its partners hosted 76 journalists supported by \$172,985 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.

Increasing Visitation:

- In 2016, a record 2.49 million overseas travelers visited the Capital Region, stayed an average of 9.7 nights and spent nearly \$5.4 billion on hotels, meals, shopping, attractions and other goods and services across Washington DC, Maryland and Virginia. These overseas visitors helped to generate nearly 37,500 jobs throughout the Capital Region.
- CRUSA partnered with 18 overseas tour operators for joint consumer marketing initiatives in the United Kingdom, Germany, Brazil, France and China. CRUSA's investment of \$203,750 was matched by \$48,750 from Brand USA and \$435,828 from the operators, resulting in campaigns valued at \$688,328. Four supplier partners

participated in the UK, French, German and Chinese campaigns and contributed an additional \$18,000 in support. The campaigns helped to generate 59,768 room nights in CRUSA for the period September 1, 2016 – August 31, 2017 and generated an estimated economic impact of \$22.66 million.

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, OTD and the research provider, Tourism Economics. The Fiscal Year Tourism Economic Impact showed that visitors spending increased 2.1 percent to \$17.7 billion, which generated \$2.4 billion in state and local tax revenue saving Maryland households \$1,100.

TOURISM PROMOTION PROCUREMENT
Exemption Report – Fiscal Year 2018

<u>Contractor</u>	<u>Term</u>	<u>Private Sector Investment</u>	<u>State Investment</u>	<u>Description</u>
Capital Region USA	7/01/18-6/30/19	\$1,698,780	\$400,000	Promoting awareness of Maryland and the Capital Region (Maryland, Washington D.C. and Virginia) as an international tourist destination.
The Tourism Council Of Frederick County	3/20/17-12/31/19	\$63,500	\$31,750	Annual economic impact study on Maryland, the 23 counties, Baltimore City and Ocean City.
TOTAL		\$1,762,280	\$431,750	