



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

December 21, 2017

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

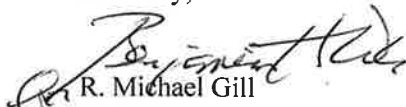
Re: Tourism Procurement Exemption Report

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,


R. Michael Gill
Secretary

Enclosure

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

The Honorable Thomas V. "Mike" Miller, Jr.
The Honorable Michael E. Busch
December 21, 2017
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bcc: Sarah T. Albert, Maryland General Assembly Library (5)
Laila Atallah
Tami Burt
Chris Carroll
Liz Fitzsimmons
Victoria Gruber
Sally Guy
Richard Higgins
Alexandra Hughes
Jason Kramer
Rhonda Ray
Alex Severn
Fay Short
Craig Svoboda
Emily Tocknell

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

December 2017

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 2017 under the 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 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 FY17 with a budget of \$3.8 million representing a leverage factor of more than 10 to 1. CRUSA generated \$1.9 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.

Increasing Awareness:

- CRUSA's overseas representatives in China, the United Kingdom, Germany, France & Brazil distributed approximately 53,543 print travel guides to travel trade, media and consumers. In addition, there were 2,761 downloads of the e-Guide across all languages.
- In FY17, CRUSA implemented a content optimization strategy to boost ongoing digital marketing efforts. CRUSA focused on a customized content marketing approach (a smart balance of paid and organic traffic) to compliment the traditional search engine marketing (paid traffic) campaigns. The goal was to incrementally improve organic performance and user engagement on the site – which is demonstrated in many of the following metrics:
 - 10% decrease in bounce rate to the website
 - 13 second increase in time on site
 - 0.25 page increase in pages per session
 - 18,553% increase in goal conversions - up from 319 conversions in FY16 to 59,503 conversions in FY17.
- 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, 2.4 million overseas travelers visited the Capital Region, stayed an average of 10 nights and spent a record \$5.4 billion on hotels, meals, shopping, attractions and other goods and services across Washington DC, Maryland and Virginia.
- 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 generate 59,768 room nights in CRUSA for the period of September 1, 2016 - August 31, 2017 and generated an estimated economic impact of \$22,658,048.

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 2016 Tourism Economic Impact showed that visitors spending increased 2.7 percent to \$17.3 billion, which generated \$2.3 billion in state and local tax revenue. The report further evidences that each Maryland household would need to pay an additional \$1,080 in taxes to replace the tax revenue generated.

NH Special Events, LLC

Maryland Welcomes the World Event was cooperative venture between National Harbor and Maryland that took place at the 2017 IPW Convention. It gave international tourism professionals a true “local’s perspective” of what our state has to offer those who visit us. In one short but action-packed evening, invitation only guests experienced Maryland’s history - and unique current culture – represented by the diverse food, drink, music and sports offered by our private sector partners and our regions. By the end of the event, the guests returned to their own countries feeling that they have experienced, and can share with others, the splendor that is Maryland.

Invitation only tour operators and guests from the target markets of Korea, Canada, Germany, United Kingdom and France were transported to the Southwest Waterfront. Once there, representatives from all jurisdictions from the State of Maryland welcomed the attendees to an immersive and interactive experience of all that Maryland had to offer. Guests were also able to go to the National Harbor tenants: Tanger Outlets, Gaylord and MGM so that the guests could explore each of what they had to showcase for the international traveler.

Maryland Welcomed the World:

- Demonstrated that Maryland is a world-class destination
- Tour operators booked business with partners – three Canadian operators booked at the event itself.
- All of the partners reported increased interest in their destinations as evidenced by continued conversations with the operators as well as increased bookings.

TOURISM PROMOTION PROCUREMENT

Exemption Report – Fiscal Year 2017

<u>Contractor</u>	<u>Term</u>	<u>Private Sector Investment</u>	<u>State Investment</u>	<u>Description</u>
Capital Region USA	7/01/15- 6/30/16	\$2,235,020	\$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.
NH Special Events, LLC	5/18/17- 6/30/17	\$424,575	\$238,000	IPW "Maryland Welcomes the World" event held at National Harbor
TOTAL		\$2,723,095	\$669,750	