

March 15, 2006

The Honorable Jennifer M. Granholm
2nd Floor Romney Building
P.O. Box 30013
Lansing, MI 48909

Dear Governor Granholm,

Tourism business operators across the state wish to express our gratitude for your support of the amendment which provided for the one-time placement of \$15 million to augment Travel Michigan's promotion budget of \$5.7 million.

On behalf of the Tourism Industry Coalition of Michigan and the Michigan Hotel, Motel & Resort Association we are requesting your assistance in resolution of an apparent misunderstanding regarding expenditures of that \$15 million provided under the 21st Century Jobs Fund.

Michigan's tourism industry faces some unique challenges

- 60-70% of tourism is generated by in-state residents
- Given already low levels of consumer confidence, gasoline prices have a disproportionate impact on in-state tourism outcomes.
- Tourism is utterly completely dependent on discretionary spending. Such spending is heavily impacted by the state's economy, unemployment levels, and consumer confidence.
- Michigan geography makes us a uniquely "drive to" rather than "drive through" state. Unlike other states we receive no significant revenue from travelers passing through on the way to somewhere else.
- Michigan hotel occupancy levels, (generally regarded as the best overall gauge of tourism outcomes), are 50th nationwide.

We understand there are concerns regarding the time frame established by Travel Michigan for expenditure of the \$15 million. Unfortunately, we were totally unaware of any agreement to expend those funds over a longer period of time.

We wish to assure you, and legislative leaders, that Travel Michigan did not act in a vacuum, or without direct input from the industry. On December 12, 2005, twenty two representatives from a broad cross section of Michigan's tourism industry, met to provide Travel Michigan staff advice and counsel as to how to expend the \$15 million in the most cost-effective manner possible.

It was the consensus of industry representative that those funds should be expended over a two year period and that additional expenditures should be used to exploit those existing and new markets most likely to provide strongest results. In addition, the provision of verifiable data to your administration and legislative leaders on the impact, or return on investment, for those tourism promotion expenditures was deemed to be a top priority.

Michigan is being heavily outspent by other states in this region as we compete for limited tourist dollars. Illinois' total tourism budget is \$48 million. Pennsylvania expends \$33 million to promote tourism. West Virginia spends \$23 million to attract tourists to their state and Wisconsin budgets \$13 million.

From a marketing-impact perspective, we would prefer the \$15 million be spent over a two year period. However, we understand there are concerns regarding this issue that are beyond our control. We respectfully request that all parties weigh the needs of an industry that while weakened, is Michigan's best bet to provide a rapid return on investment, providing more jobs and tax revenue to the State.

Thank you for your consideration of this request.

Sincerely,

Steven J. Yencich, CAE
President

Cc: Joint Select Committee on Oversight of the 21st Century Job Fund