



July 26, 2004

Senator Paul McKinley
State Capitol
Des Moines, IA 50319
LOCAL MAIL

RE: Welcome Center Brochure Cooperative Marketing Program

Dear Senator McKinley

A number of questions have been presented to the Department concerning its new cooperative marketing effort at the four state-owned Welcome Centers. This letter is in response to the questions asked by you at the Administrative Rules Review Committee, the Fiscal Committee, and with the Legislative Services Agency.

1. Why did the Department decide to charge a brochure rack fee?

In Fiscal Year '04 IDED received \$5.7 million dollars for its Community Development Division. In Fiscal Year '05 this declined to \$5.5 million dollars. Due to this reduction in the Department's budget, it became necessary to review and prioritize the Department's core functions. The loss had to be absorbed at some level. It was determined that three positions at the Welcome Centers would need to be eliminated. The Department explored alternatives to assess whether an entrepreneurial option could be found to market tourism events and maintain the same level of service at the state Welcome Centers. The result was the establishment of a voluntary cooperative marketing effort that involves the state and private tourism partners.

2. Is the state charging travelers who stop at the state-owned Welcome Centers a fee for copies of brochures?

No, travelers are not charged a fee for brochures. The program is completely voluntary and tourism groups who do not wish to purchase brochure rack space are not obligated to do so. Their brochures will be kept at the Welcome Centers and will be provided to travelers upon request.

3. Upon what statutory authority is the Department relying for collecting a brochure rack fee?

The statutory authority to engage in cooperative marketing activities, such as the sharing of the costs associated with brochure rack space, at Iowa Welcome Centers is found in the following Iowa Code section and the annual appropriations bill:

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Sally J. Pederson, Lieutenant Governor

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- (1) Iowa Code section 15.272 applies to the establishment and operation of a statewide welcome center program. The Department's responsibilities include, but are not limited to, those activities listed in 15.272(2). Paragraph "b" of section 15.272(2) reads that the Department is responsible for the:

"...operations, management, and maintenance of state-owned and state-operated welcome centers, including the collection and distribution of tourism literature, telecommunication services, and other travel-related services, and the display and offering for sale of Iowa-made products, crafts and arts."

- (2) In the recently enacted appropriations bill, Senate File 2298, section 50(3) "c", the legislature directs the Department to develop public-private partnerships to promote tourism:

"c. The department shall develop public-private partnerships with Iowa businesses in the tourism industry, Iowa tour groups, Iowa tourism organizations, and political subdivisions in this state to assist in the development of advertising efforts. The department shall, to the fullest extent possible, develop cooperative efforts for advertising with contributions from other sources."

The Department and the private sector are jointly sharing the costs of marketing brochures at the Welcome Centers. This includes jointly marketing tourism sites within the state by making available marketing space for the placement of brochures at the state-owned Iowa Welcome Centers. In previous years, the Department has covered the cost of this form of marketing. Recent budget cuts have created the need to share those marketing costs with its tourism partners.

4. Are there other examples of cooperative marketing efforts at the Department?

Yes. The concept of public-private collaboration is not new to the Department. Some examples of similar activities include: cooperative tourism advertising/marketing (e.g. sharing of the costs of advertising in various publications); trade missions (companies pay a participation fee and the costs of the mission are paid through public and private funds); Sell Iowa/major events (e.g. BIO event) (companies and communities pay a participation fee to help cover the costs of these public-private events).

5. Do other states charge brochure rack fees? Do other Welcome Centers in Iowa charge fees?

Yes, to both questions. Before establishing this cooperative marketing initiative IDED staff researched the issue and learned that Florida, Virginia, Oregon, California, Connecticut, Louisiana, and Minnesota/Mall of America all have brochure rack charges. Some of the privately-owned Welcome Centers in Iowa charge a fee to display brochures at their facility.

6. Where are the fees that are collected being deposited and under what statutory authority?

IDED is serving as the fiscal agent for this statewide effort to collect the payments that are submitted. Payments received are deposited in the IDED Foundation. This is done pursuant to

the authority of Iowa Code section 15E.11:

"...authorized to form a corporation....for the purpose of receiving and disbursing funds from public or private sources to further the overall development and well-being of the state."

7. How will the funds be used? How much will the Department need to collect to maintain the desired level of services at the Welcome Centers?

The Department has existing contractual arrangements with each of the Tourism Regions (Eastern, Western, and Central) to promote collaborative tourism activities. If sufficient funds are collected, these contracts will be amended and the funds will be distributed to the three Tourism Regions with the stipulation that a portion of the funds must be used to provide staff assistance at the Welcome Centers. Sixty thousand dollars (\$60,000) is needed to maintain the same level of staffing and hours of operation that existed prior to the budget cuts. This initiative will not proceed unless the full \$60,000 is raised.

8. How much has been collected to date?

As of July 23, 2004 \$41,280 has been collected.

9. Why shouldn't these fees be in administrative rules?

For several reasons: (1) This is not a policy that needs to be adopted through the administrative rulemaking process because it is a contractual arrangement involving the use of a public facility. (2) The cooperative marketing program is completely voluntary; it does not require that a fee be paid before services are provided.

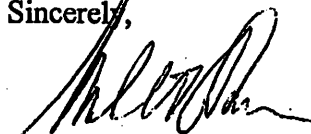
The sharing of marketing expenses is a common form of public-private marketing that has been used for many years at the Department. It is also a typical form of marketing used in the tourism industry.

This program is no different than sharing the costs of advertising in print media or sharing the costs of a Sell Iowa trip or an international trade mission at which the state's interests and private business interests are represented. The program shares the costs of displaying brochures to market Iowa events.

10. Why didn't the Department use Iowa Values Fund marketing money to supplant tourism budget cut? How much is available in IVF marketing?

The Department did not use IVF money to supplant this tourism activity because that is not permissible. No funds are now available in IVF marketing.

Sincerely,



Michael T. Blouin, Director

Cc: Russ Trimble, Legislative Services Agency ✓
Joe Royce, Administrative Rules