



#646
November 17, 2020

Report to the Mississippi Legislature

FY 2020 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U.S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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November 17, 2020

Honorable Tate Reeves, Governor
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Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On November 17, 2020, the PEER Committee authorized release of the report titled ***FY 2020 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund.***

A handwritten signature in cursive script, reading "Lydia Chassaniol".

Senator Lydia Chassaniol, Chair

This report does not recommend increased funding or additional staff.

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FY 2020 Annual Report: A Review of the Mississippi Development Authority Tourism Advertising Fund

Introduction

Authority, Scope, and Purpose

As required by MISS. CODE ANN. Section 27-65-75 (23) (1972), the PEER Committee reviewed the Mississippi Development Authority Tourism Advertising Fund established by MISS. CODE ANN. Section 57-1-64 (1972). The Committee conducted this review in accordance with MISS. CODE ANN. Sections 5-3-51 et seq. (1972).

Method

In conducting this review, PEER:

- reviewed relevant sections of state law;
- interviewed Mississippi Development Authority (MDA) staff;
- obtained expenditure and programmatic information from the Mississippi Development Authority; and,
- obtained sales tax collection information from the Mississippi Department of Revenue.

Additional Tourism-Related Information

During its 2020 Regular Session, the Legislature enacted House Bills 1790 and 1791, which appropriated a portion of the Mississippi's CARES Act funds for tourism-related purposes. While PEER has compiled this report to comply with the mandate in MISS. CODE ANN. Section 27-65-75 (23) for an annual report regarding the Mississippi Development Authority Tourism Advertising Fund, PEER is including tangential information regarding additional funds made available to organizations for tourism promotion. (See pages 8 through 11.)

Background

This chapter addresses tourism-related statutory changes made by the Mississippi Legislature through the enactment of Senate Bill 2193 (2019 Regular Session).

Creation of the Mississippi Tourism Association Marketing Advisory Board

Senate Bill 2193 created the Mississippi Tourism Association Marketing Advisory Board to assist the Mississippi Development Authority with the advertising and promotion of tourism in Mississippi.

Section 1 of Senate Bill 2193 (2019 Regular Session) created a Mississippi Tourism Association Marketing Advisory Board (Advisory Board) to assist the Mississippi Development Authority (MDA) in the planning of initiatives for advertising and promoting tourism in Mississippi. (This provision is now codified as MISS. CODE ANN. Section 57-1-64.1.) The Advisory Board is composed of the following:

- Mississippi Tourism Association (MTA) Executive Director;
- five members of the MTA Board of Directors representing the MTA's tourism regions—i.e., Hills, the Delta, the Capital/River, the Pines, and the Coastal region;
- three at-large members;
- three at-large members appointed by the Governor;¹
- one at-large member appointed by the Lieutenant Governor; and,
- one at-large member appointed by the Speaker of the House of Representatives.

Senate Bill 2193 authorized the Advisory Board to provide input and advice to MDA's Tourism Division on marketing and advertising planning. The bill specified that the Advisory Board would have no executive powers at MDA.

House Bill 1791 (2020 Regular Session) required the Advisory Board to, in addition to its input into tourism branding and messaging, communicate public health information to the general public.

¹ House Bill 1791 (2020 Regular Session) amended MISS. CODE ANN. Section 57-1-64.1 to allow the appointment of members to the Mississippi Tourism Association Board of Directors by the Governor, Lieutenant Governor, and Speaker of the House.

Distribution of a Portion of Restaurant and Hotel Sales Tax Collections

Senate Bill 2193 required increasing percentages of sales tax revenue collected from Mississippi restaurants and hotels to be deposited into the Mississippi Development Authority Tourism Advertising Fund.

Section 2, Subsection 23(a) of Senate Bill 2193 (2019 Regular Session) requires a percentage of each month's sales tax collections from restaurants and hotels to be distributed to and deposited into the Mississippi Development Authority Tourism Advertising Fund. (This provision is now codified as MISS. CODE ANN. Section 27-65-75 (23).) Specifically, the bill required a set percentage of such sales tax collections to be distributed as follows:

- For the period August 15, 2019, through July 15, 2020: 1% of total sales tax revenue collected from restaurants and hotels;
- For the period August 15, 2020, through July 15, 2021: 2% of total sales tax revenue collected from restaurants and hotels; and,
- From August 15, 2021, and each month thereafter, 3% of total sales tax revenue collected from restaurants and hotels.

The bill required the sales tax collections to be deposited into the Mississippi Development Authority Tourism Advertising Fund and used exclusively for purposes authorized for the fund. The bill also stated that revenue diverted to the fund could not be available for expenditure until February 1, 2020.

Senate Bill 3100 (2011 Regular Session) created a special fund in the State Treasury to be known as the Mississippi Development Authority Tourism Advertising Fund, which consists of monies from any source designated for deposit into the fund, such as the diversion of sales tax collections authorized in Senate Bill 2193. (The establishment of this fund is now codified as MISS. CODE ANN. Section 57-1-64.) Senate Bill 3100 states that MDA can use amounts in the fund for the purpose of "paying costs incurred in connection with the purchase of Internet advertising and other promotional information and materials related to Mississippi tourism resources and activities."

Annual Reviews by the PEER Committee

Senate Bill 2193 requires the Joint Legislative PEER Committee to conduct annual reviews of the use of funds deposited into MDA's Tourism Advertising Fund.

Section 2, Subsection 23(a) of Senate Bill 2193 (2019 Regular Session) requires the PEER Committee to provide annual reports to the Legislature documenting the amount of funds deposited into the MDA Tourism Advertising Fund and a detailed record of how the funds are spent.

Revenues Deposited into and Amounts Expended from the MDA Tourism Advertising Fund

This chapter addresses the following issues regarding the revenues and expenditures of the MDA Tourism Advertising Fund:

- restaurant and hotel sales tax collections deposited into the Tourism Advertising Fund during FY 2020;
- expenditures made from the Tourism Advertising Fund during FY 2020; and,
- projected expenditures from the Tourism Advertising Fund during FY 2021.

FY 2020 Restaurant and Hotel Sales Tax Collections Deposited into the MDA Tourism Advertising Fund

During FY 2020, the MDA Tourism Advertising Fund received approximately \$3.2 million in restaurant and hotel sales tax revenue as provided by MISS. CODE ANN. Section 27-65-75 (23) (1972).

As shown in Exhibit 1, below, during FY 2020, the MDA Tourism Advertising Fund received approximately \$3.2 million in restaurant and hotel sales tax collections as provided under MISS. CODE ANN. Section 27-65-75 (23).

Exhibit 1: Restaurant and Hotel Sales Tax Collections Distributed to the MDA Tourism Advertising Fund for FY 2020

| Month | Amount |
|----------------|--------------------|
| August 2019 | \$229,333 |
| September 2019 | \$227,166 |
| October 2019 | \$219,832 |
| November 2019 | \$205,223 |
| December 2019 | \$220,229 |
| January 2020 | \$255,231 |
| February 2020 | \$807,281 |
| March 2020 | \$294,322 |
| April 2020 | \$277,965 |
| May 2020 | \$243,291 |
| June 2020 | \$210,519 |
| Total | \$3,190,392 |

SOURCE: Mississippi Department of Revenue.

As stated on page 3, the \$3.2 million represents 1% of total restaurant and hotel sales tax collections statewide during

FY 2020. Given that the percentage of restaurant and hotel sales tax collections to be deposited in the Tourism Advertising Fund will increase to 2% and 3% during the next two fiscal years, the fund could receive a substantial amount of sales tax revenues in the future, depending on sales activities of restaurants and hotels within the state. (The exact amount of future increases of sales tax collections is difficult to project considering the impact that the COVID-19 pandemic has had on the national and state economy.)

Senate Bill 3100 authorizes MDA to “sell advertising and other tourism promotional information through the Mississippi Development Authority website and other marketing outlets” and place proceeds from such sales in the Tourism Advertising Fund. According to MDA staff, the only revenues deposited into the Tourism Advertising Fund during FY 2020 were the restaurant and hotel sales tax collections.

FY 2020 Expenditures Made from the MDA Tourism Advertising Fund

The Mississippi Development Authority expended \$39,500 from the Tourism Advertising Fund during FY 2020 to contract with a national research firm to conduct an overnight visitation study.

As stated on page 3, Senate Bill 2193 prohibited the expenditure of proceeds from restaurant and hotel sales tax collections deposited into the Tourism Advertising Fund until February 1, 2020. MDA complied with this restriction.

In May 2020, Visit Mississippi²—i.e., MDA’s tourism bureau—accepted a proposal from Longwoods International to conduct a custom overnight visitation study for Visit Mississippi. The projected cost of the study was \$39,500 to be paid from the Tourism Advertising Fund. MDA justified the expenditure because Visit Mississippi was preparing to launch a new tourism promotion campaign and needed visitor profile research to assist in that effort.

According to MDA’s contract with Longwoods International, the company’s database of visitor profiles could provide MDA with visitor information such as:

- visitor demographics;
- main purpose of visitors’ trips;
- length of trip overall and destination;
- accommodations used;
- size and composition of travel party;
- activities participated in during the trip; and,
- expenditures.

² Visit Mississippi is MDA’s brand for the agency’s tourism promotion efforts.

Under the terms of the contract, in addition to visitor profiles, Longwoods International was required to provide MDA with information regarding visits by travel segments such as:

- casino gambling/sports betting;
- historical interest;
- cultural interest;
- soft adventure, e.g., fishing, camping, national or state park; and,
- hard adventure, e.g., hiking, boating, hunting, off-road activities.

As required by the contract, MDA has received the report from Longwoods International, which MDA provided to members of the Mississippi Tourism Association Marketing Advisory Board and other stakeholders in Mississippi's tourism industry. According to MDA staff, Visit Mississippi will utilize the report to develop new methods and strategies to market Mississippi tourism in targeted media segments to attract more visitors to Mississippi.

Anticipated FY 2021 Tourism Advertising Fund Expenditures

Although the Tourism Advertising Fund had a substantial cash balance remaining at the end of FY 2020, MDA staff anticipates expending more than \$2.5 million from the fund during FY 2021 on tourism promotion efforts.

Given that MDA only expended \$39,500 from the Tourism Advertising Fund during FY 2020 and the fund had a balance remaining at the end of the fiscal year, \$3,150,892, PEER questioned MDA staff regarding expenditures projected to be paid from the fund in future fiscal years. According to MDA staff, projected tourism advertising and promotion expenditures to be paid from the Tourism Advertising Fund in FY 2021 include the following:

- approximately \$500,000 to contract with a marketing firm experienced in digital advertising;
- an indeterminate amount for a new public relations campaign encouraging out-of-state visitors to travel to Mississippi for its beaches, casinos, outdoor activities, and museums. (The campaign is currently in the planning phase and the amount to be expended will be determined by the media markets targeted and bids received from vendors. MDA staff noted that the publicity campaign for Mississippi's bicentennial celebration cost approximately \$2 million.); and,
- an indeterminate amount to implement an advertising matching grant program for local tourism marketing entities, such as convention and visitors' bureaus, chambers of commerce, and established tourism councils and commissions. Approved projects are anticipated to receive up to 50% of total eligible costs with the remaining 50% to be matched by the local entity on a dollar-for-dollar

basis and not by in-kind contributions such as goods or services.

PEER notes that while the FY 2021 projected expenditures reflect MDA's current plans for the use of monies in the Tourism Advertising Fund, such plans may be revised or supplemented depending upon the promotion priorities of MDA and Mississippi's tourism industry.

CARES Act Funds Appropriated to DFA for Disbursement to Destination Marketing Organizations and Museums

COVID-19, a severe acute respiratory syndrome, was first identified in December 2019 in Wuhan, China. The outbreak was declared a Public Health Emergency of International Concern in January 2020 and a worldwide pandemic in March 2020. The pandemic and response measures contributed to social and economic disruption, including the largest global recession since the Great Depression.

In response to the health, social, and economic effects of the COVID-19 pandemic within the United States, Congress passed and President Donald Trump signed on March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act). The CARES Act was the third phase of the federal government’s response to the coronavirus following two other laws to support American families and address health sector needs that were approved on March 6, 2020, and March 18, 2020.

The CARES Act included provisions that provided cash payments and other resources to help individuals, small businesses, state and local governments, and hospital/healthcare providers. The Act contained resources to help states address their immediate budget problems due to COVID-19. The centerpiece of the state aid was a \$150 billion Coronavirus Relief Fund (CRF) that state, tribal, and local governments could use to meet costs connected to the virus. Each state was allocated a minimum of \$1.25 billion, which Mississippi received, with more populous states receiving more funds. Legislatures and executive offices in each state were responsible for expending the state’s CRF allocation within guidance provided primarily by the U.S. Department of Treasury and other federal agencies.

The Legislature’s appropriation of CRF monies to destination marketing organizations and nonprofit museums was separate and apart from the monies in MDA’s Tourism Advertising Fund for promotion efforts.

Appropriation of Coronavirus Relief Funds for Tourism Promotion

During its 2020 Regular Session, the Legislature appropriated \$15 million of Mississippi’s Coronavirus Relief Fund monies for the benefit of Mississippi’s destination marketing organizations and nonprofit museums.

As part of Mississippi’s response to COVID-19, the Legislature allocated a portion of Mississippi’s \$1.25 billion in Coronavirus Relief Fund (CRF) monies to destination

marketing organizations and nonprofit museums. During its 2020 Regular Session, the Legislature enacted House Bill 1791 and declared that the COVID-19 public health emergency had a significant negative impact on Mississippi's tourism industry and its nonprofit museum. House Bill 1791 created two special funds in the State Treasury for the expenditure of CRF monies to "publicize the resumption of tourism activities and steps taken to ensure a safe tourism experience and to assist nonprofit museums with costs associated with cleaning, disinfection, social distancing measures and/or other health and safety measures necessary for such museums to reopen to the public."

House Bill 1790 (2020 Regular Session) appropriated \$14 million of CRF monies to the Department of Finance and Administration (DFA) to be disbursed to destination marketing organizations. The bill required that such disbursements comply with guidelines and criteria promulgated by the U.S. Department of Treasury.

House Bill 1790 allowed the destination marketing organizations to expend the CRF monies on "marketing activities" to include, primarily, multimedia marketing and advertising, and administrative costs to execute marketing activities related to the business disruption effects of COVID-19.

With regard to the amount of CRF monies each destination marketing organization was to receive, House Bill 1790 required DFA to determine for each organization:

- an amount equal to 75% of the organization's marketing and advertising expenditures during FY 2019; and,
- the organization's contribution toward total tourism visitors in the state as documented in the FY 2019 Visit Mississippi Visitors Profile Report.

The bill required that no destination marketing organization receive less than \$75,000. DFA also required organizations seeking an allocation of the CRF monies to submit marketing plans detailing how they planned on using the monies.

Exhibit 2 on page 10 shows the disbursements made from CRF monies to the destination marketing organizations.

Exhibit 2: Disbursement of Coronavirus Relief Fund Monies to Destination Marketing Organizations, as of October 29, 2020

| Destination Marketing Organization | Amount |
|--|---------------------|
| Aberdeen Visitors Bureau | \$87,500 |
| Brookhaven Tourism Council | \$250,000 |
| Canton Convention and Visitors Bureau | \$210,000 |
| Tupelo Convention and Visitors Bureau | \$694,434 |
| Cleveland Tourism | \$166,405 |
| Coahoma County Tourism Commission | \$198,750 |
| Columbus-Lowndes Convention and Visitors Bureau | \$414,711 |
| Corinth Area Convention and Visitors Bureau | \$282,000 |
| DeSoto County CVB-Tourism Association | \$310,000 |
| Economic Development Authority of Jones County | \$150,000 |
| Greenwood Tourism Commission | \$240,995 |
| Grenada Tourism Commission | \$168,600 |
| Hattiesburg Tourism Commission | \$499,856 |
| Jackson Convention and Visitors Bureau | \$1,354,236 |
| Meridian/Lauderdale County Tourism Bureau | \$463,765 |
| Mississippi Gulf Coast Regional Convention and Visitors Bureau | \$3,430,061 |
| Natchez Convention Promotion Commission | \$531,660 |
| Oxford Tourism Council | \$533,525 |
| Ridgeland Tourism Commission | \$900,000 |
| Starkville Visitors and Convention Bureau | \$226,708 |
| Stone County Economic Development Partnership | \$117,000 |
| Tate County Economic Development Foundation | \$250,000 |
| Tunica County Tourism Commission | \$895,015 |
| Vicksburg Convention and Visitors Bureau | \$588,532 |
| Total | \$12,963,753 |

NOTE: Other destination marketing organizations had submitted their required documentation to the Department of Finance and Administration but had not received a disbursement as of October 8, 2020.

SOURCE: PEER analysis of Department of Finance and Administration information.

House Bill 1790 (2020 Regular Session) also appropriated \$1 million of CRF monies to DFA to be disbursed to nonprofit museums.

House Bill 1790 stated that the allocations could be used to assist nonprofit museums in paying costs associated with cleaning, disinfection, social distancing measures and/or other health and safety measures necessary in order to reopen to the public due to COVID-19. The bill required DFA to take into consideration each museum's attendance, annual revenue, and operating expenses when allocating the CRF monies.

Exhibit 3 on page 11 shows the disbursements made from CRF monies to nonprofit museums.

Exhibit 3: Disbursement of Coronavirus Relief Fund Monies to Nonprofit Museums, as of October 8, 2020

| Nonprofit Museums | Amount |
|--|------------------|
| Cleveland Music Foundation | \$104,677 |
| Columbus Cultural Heritage Foundation | \$28,009 |
| Delta Blues Foundation | \$6,901 |
| Eastman Memorial Foundation | \$24,259 |
| Gateway to the Blues Museum and Visitor Center | \$4,475 |
| Hattiesburg Convention Commission | \$51,571 |
| Lynn Meadows Discovery Center | \$1,873 |
| Maritime & Seafood Industry Museum | \$1,229 |
| Meridian Art Association | \$2,135 |
| Mississippi Arts & Entertainment Experience | \$63,334 |
| Mississippi Children's Museum | \$150,722 |
| Mississippi Cultural Crossroads | \$17,044 |
| Mississippi Museum of Art | \$265,972 |
| Mississippi Wildlife Heritage | \$1,000 |
| Museum of the Mississippi Delta | \$1,736 |
| Ohr-O'Keefe Museum of Art | \$17,623 |
| Union County Historical Society | \$6,774 |
| Vicksburg Foundation for Historical Preservation | \$822 |
| Walter Anderson Museum of Art | \$90,117 |
| Total | \$840,273 |

SOURCE: PEER analysis of Department of Finance and Administration information.

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