

Director: Mark McDermott

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	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
PROGRAM BUDGET				
Tourism Promotion				
<u>Subprograms</u>				
Welcome Center Operations	331,500	338,300	352,300	352,400
Tourism Development and Fund Sharing	690,700	795,200	1,060,600	1,140,800
Destination Marketing				
Media Advertising SLI	4,157,100	4,044,700	6,044,900	6,788,100
Travel Counseling and Direct Marketing SLI	1,330,000	1,363,700	1,363,700	1,363,700
Travel Industry Marketing SLI	995,000	1,002,700	1,002,700	1,002,700
Media Communication SLI	390,000	442,000	442,000	442,000
Research and Data Repository SLI	194,000	241,500	241,500	241,500
Maricopa County Tourism Promotion SLI	0	0	4,000,000	4,200,000
<i>Subprogram Subtotal</i>	<u>7,066,100</u>	<u>7,094,600</u>	<u>13,094,800</u>	<u>14,038,000</u>
<i>Program Subtotal - Tourism Promotion</i>	8,088,300	8,228,100	14,507,700	15,531,200
Business Administration	600,300	652,200	913,100	891,400
TOTAL APPROPRIATIONS	8,688,600	8,880,300	15,420,800	16,422,600
OPERATING BUDGET				
Full Time Equivalent Positions	23.0	23.0	28.0 ^{1/}	28.0 ^{1/}
Personal Services	366,000	374,700	554,200	554,200
Employee Related Expenditures	69,000	73,400	112,500	114,100
Professional and Outside Services	45,100	44,700	44,700	44,700
Travel - In State	15,600	22,300	28,300	28,300
Travel - Out of State	18,200	16,700	20,700	20,700
Other Operating Expenditures	1,088,900	1,233,700	1,522,400	1,602,400
Equipment	19,700	20,200	43,200	20,200
<i>Operating Subtotal</i>	<u>1,622,500</u>	<u>1,785,700</u>	<u>2,326,000</u>	<u>2,384,600</u>
Special Line Items (SLI)	7,066,100	7,094,600	13,094,800	14,038,000
TOTAL APPROPRIATIONS	8,688,600	8,880,300	15,420,800 ^{2/3/4/} _{5/}	16,422,600 ^{2/3/4/} _{5/}
FUND SOURCES				
General Fund	8,688,600	8,880,300	11,420,800	12,222,600
<u>Other Appropriated Funds</u>				
Tourism Fund	0	0	4,000,000	4,200,000
<i>Subtotal - Other Appropriated Funds</i>	<u>0</u>	<u>0</u>	<u>4,000,000</u>	<u>4,200,000</u>
TOTAL APPROPRIATIONS	8,688,600	8,880,300	15,420,800	16,422,600

^{1/} Includes 13 FTE Positions funded from Special Line Items in FY 2002 and FY 2003.

^{2/} An amount equal to the revenues collected under the authority of A.R.S. § 42-5029, is appropriated from the state General Fund to the Tourism Fund in FY 2002 and FY 2003. This amount is currently estimated to be \$11,420,800 in FY 2002 and \$12,222,600 in FY 2003. (General Appropriation Act footnote)

AGENCY DESCRIPTION — *The office is responsible for promoting tourism within the state, which includes planning and developing an information campaign, advertising, exhibitions, and operating a visitors' center.*

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	<u>Est./Actual</u>	<u>Est./Actual</u>	<u>Estimate</u>	<u>Estimate</u>
• Number of domestic tourists (millions)	NA/24.1	NA/24.8	25.6	26.3/27.1
• Number of requests for travel materials	500,000/ 571,600	500,000/ 539,800	500,000	500,000
• Advertising cost per inquiry for travel materials	\$6.00/\$5.80	\$6.00/\$4.70	\$8.00	\$8.00
• Visitors at the welcome center	110,000/ 103,200	117,700/ 110,700	112,000	115,000/ 118,000
• Administration as a % of total cost	NA	5.0/NA	4.4	4.4
• Customer satisfaction rating for travel kits program (Scale 1-8)	NA	NA	NA	6.0

Tourism and Sports Authority Funding — Maricopa County voters in November 2000 approved Proposition 302, the Tourism and Sports Authority initiative. The initiative provides for a 1% increase in the bed tax rate, and a 3.25% increase in the car rental tax to fund a variety of projects, including additional funding for tourism promotion in Maricopa County. The Proposition designates \$4,000,000 of the additional tax collections to be used on Maricopa County tourism promotion in FY 2002. This amount is required by the same law to annually grow by 5% in each subsequent year.

This county tourism marketing funding will be distributed through the Maricopa County Tourism Promotion Special Line Item. These monies bypass the state General Fund and are deposited into the Tourism Fund, which is subject to appropriation.

Proposition 302 also provides for an Office of Tourism annual budget that is based on a percentage of certain sales tax collections. Beginning in FY 2002, 3.5% of bed tax collections, 3% of amusement tax collections, and 2% of restaurant tax collections from the previous year will be dedicated for use on Office of Tourism operations. This amount is estimated to be \$11,420,800 in FY 2002 and \$12,222,600 in FY 2003. While Proposition 302 dedicates this portion of bed, amusement, and restaurant tax collections to the Office of Tourism, the Legislature is required to formally appropriate these monies from the state General Fund.

These General Fund monies are appropriated into the Tourism Fund. The General Appropriation Act includes a

footnote that further appropriates these monies from the Tourism Fund for use by the Office of Tourism. These dedicated Tourism Fund tax monies are not displayed in the above table to avoid double counting. The only listed Tourism Fund monies in the Fund Sources portion of the above table are the monies derived from the new car rental and bed taxes for use on Maricopa county tourism promotion.

The budget figures included in this report are estimates. The actual amounts approved for use on statewide tourism promotion are equal to a percentage of certain tax collections, and may differ from those displayed in the above table. In addition, general statewide budget adjustments such as salary increases, changes in rent, and health and dental coverage are assumed to be part of, and not in addition to, the above total. Therefore, a portion of the Tourism Promotion Program funding may need to be transferred to the Business Administration Program to pay for these additional administration expenses.

The approved amount includes a FY 2002 General Fund increase of \$2,540,500 and 5 FTE Positions above FY 2001, and a FY 2003 General Fund increase of \$3,342,300 and 5 FTE Positions above FY 2001 for use on administration and statewide tourism promotion. Funding for the additional 5 FTE Positions will be distributed through the Business Administration Program, while the additional statewide tourism promotion funding will likely be distributed through the Tourism Development and Fund Sharing Subprogram, and through the Media Advertising Special Line Item.

^{3/} All monies deposited into the Tourism Fund by legislative appropriation, or by transfer from the Tourism and Sports Authority under the provisions of A.R.S. § 5-835, are appropriated for use by the Office of Tourism in FY 2002 and FY 2003. These amounts are currently estimated to be \$15,420,800 in FY 2002 and \$16,422,600 in FY 2003. This appropriation is not in addition to the amounts shown as Lump Sum and Special Line Items. The amounts shown as Lump Sum and Special Line Items are estimates of the appropriation that will be provided under current law. (General Appropriation Act footnote)

^{4/} The Office of Tourism shall report to the Joint Legislative Budget Committee by November 1, 2001, and by November 1, 2002 as to how any additional funds that become available to the agency through the statutory funding formula, in excess of the estimates included in the General Appropriations Act, will be used. If available funds are less than what are displayed in this act, the Office of Tourism will instead report where the expenditure reductions will occur. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as a Lump Sum by Agency with Special Line Items.

Tourism Promotion Program — This program integrates all of the Office of Tourism’s primary marketing efforts, including the operation of a state welcome center, community tourism development, and strategic marketing projects. This program is comprised of the following 3 subprograms. All funding in this program comes from the General Fund, with the exception of the Maricopa County Tourism Promotion Special Line Item.

Welcome Center Operations Subprogram — Funding for this subprogram supports the operation of a tourism welcome center in Lupton, Arizona.

Tourism Development and Fund Sharing Subprogram — This subprogram supports the overall statewide tourism promotion effort by assisting communities, regions and non-profit entities in the development and promotion of their tourism attractions through the use of matching grants.

Destination Marketing Subprogram — This subprogram supports the core tourism promotion activities, and is comprised of the following 6 Special Line Items.

Media Advertising Special Line Item — Monies in this line item are used for paid media placements in targeted markets to promote Arizona as a travel destination.

Travel Counseling and Direct Marketing Special Line Item — Monies in this line item support a toll-free information line, and the distribution of various travel materials.

Travel Industry Marketing Special Line Item — Monies in this line item support the participation in trade shows and trade organizations, and provides assistance to tour operators for the development of pre-packaged tours.

Media Communication Special Line Item — Monies in this line item support the development of media publicity through magazine and newspaper articles, and through broadcast programs.

Research and Data Repository Special Line Item — Monies in this line item allow the Office of Tourism to manage all state tourism data, and conduct research when necessary.

Maricopa County Tourism Promotion Special Line Item — Monies in this line item come from transfers from the Tourism and Sports Authority for use on tourism promotion in Maricopa County. It is probable that the funds will be expended as grants to various tourism organizations in Maricopa County and will not be directly administered by the Office of Tourism.

Business Administration Program — This program provides the general administrative support to the agency, including management, accounting services, strategic planning, budget development, and procurement compliance.

[Click here to return to the Table of Contents](#)