

Director: Mark McDermott

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	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
PROGRAM BUDGET			
Tourism Promotion			
<u>Subprograms</u>			
Welcome Center Operations	338,300	342,400	343,700
Tourism Development and Fund Sharing	781,500	1,030,700	1,031,300
Destination Marketing			
Media Advertising SLI	3,683,900	5,597,900	5,599,000
Travel Counseling and Direct Marketing SLI	978,300	1,113,700	1,114,400
Travel Industry Marketing SLI	1,015,900	922,700	923,700
Media Communication SLI	549,900	402,000	403,000
Research and Data Repository SLI	194,000	35,700	36,000
Maricopa County Tourism Promotion SLI	0	4,000,000	2,000,000
<i>Subprogram Subtotal</i>	<u>6,422,000</u>	<u>12,072,000</u>	<u>10,076,100</u>
<i>Program Subtotal - Tourism Promotion</i>	7,541,800	13,445,100	11,451,100
Business Administration	1,327,000	887,300	890,200
Lump Sum Reduction	0	0	(322,900)
TOTAL APPROPRIATIONS	8,868,800	14,332,400	12,018,400
OPERATING BUDGET			
Full Time Equivalent Positions	23.0	28.0	28.0 ^{1/}
Personal Services	903,800	554,200	559,000
Employee Related Expenditures	152,400	112,500	112,500
Professional and Outside Services	152,300	44,700	44,700
Travel - In State	7,500	28,300	28,300
Travel - Out of State	13,300	20,700	20,700
Other Operating Expenditures	1,214,500	1,456,800	1,456,800
Equipment	3,000	43,200	43,200
<i>Operating Subtotal</i>	<u>2,446,800</u>	<u>2,260,400</u>	<u>2,265,200</u>
Special Line Items (SLI)	6,422,000	12,072,000	10,076,100
Lump Sum Reduction	0	0	(322,900)
TOTAL APPROPRIATIONS	8,868,800	14,332,400	12,018,400 ^{2/3/4/}
FUND SOURCES			
General Fund	8,868,800	10,332,400	10,018,400
<u>Other Appropriated Funds</u>			
Tourism Fund	0	4,000,000	2,000,000
<i>Subtotal - Other Appropriated Funds</i>	<u>0</u>	<u>4,000,000</u>	<u>2,000,000</u>
TOTAL APPROPRIATIONS	8,868,800	14,332,400	12,018,400

1/ Includes 13 FTE Positions funded from Special Line Items in FY 2003.

2/ Notwithstanding A.R.S. § 41-2306 and A.R.S. § 42-5029, or any other law, the appropriation from the State General Fund to the Tourism Fund shall not exceed \$10,018,400 in FY 2003. (General Appropriation Act footnote, as adjusted for statewide allocations)

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 2003. These amounts are currently estimated to be \$12,018,400 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, as adjusted for statewide allocations)

4/ General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as a Lump Sum by Agency with Special Line Items.

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>Est./Actual</u>	<u>Estimate</u>
• Number of domestic tourists (millions)	NA/24.1	NA/24.8	25.6/26.7	26.3/27.1
• Number of requests for travel materials	500,000/ 571,600	500,000/ 539,800	500,000/ 374,500	500,000
• Advertising cost per inquiry for travel materials	\$6.00/\$5.80	\$6.00/\$4.70	\$8.00/\$6.90	\$8.00
• Visitors at the welcome center	110,000/ 103,200	117,700/ 110,700	112,000/ 106,300	115,000/ 118,000
• Administration as a % of total cost	NA	5.0/NA	4.4/NA	4.4
• Customer satisfaction rating for travel kits program (Scale 1-8)	NA	NA	NA	6.0

Formula Funding — The approved amount represents a \$(1,342,000) General Fund reduction from the amount that would have been provided under an existing statutory funding formula. A.R.S. § 42-5029 provides for an Office of Tourism budget that is based on 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes from the previous year. The formula would have provided a total of \$11,674,000 from the General Fund in FY 2003. A budget footnote, however, temporarily suspended the formula allocation in favor of a fixed appropriation of \$10,018,400 for FY 2003.

Tourism Promotion Program — This program integrates all of the Office of Tourism's primary marketing efforts. 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 (TSA) 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.

Maricopa County voters in November 2000 approved Proposition 302, the TSA 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 designated \$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.

The Public Finance Omnibus Reconciliation Bill (Laws 2002, Chapter 328) specifies that for FY 2003, the TSA shall transfer only \$2 million of this allocation to the Office of Tourism for tourism promotion, and transfer the remaining \$2.2 million to the State General Fund.

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

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