

# Office of Tourism

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DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	25.0	25.0		25.0
Personal Services	1,186,000	1,356,000		1,356,000
Employee Related Expenditures	197,000	317,300		317,300
Professional and Outside Services	1,078,000	2,274,000		2,274,000
Travel - In State	26,000	42,000		42,000
Travel - Out of State	51,000	44,000		44,000
Other Operating Expenditures	3,449,400	1,845,700		1,845,700
Equipment	5,000	10,000		10,000
<b>OPERATING SUBTOTAL</b>	<b>5,992,400</b>	<b>5,889,000</b>		<b>5,889,000</b>
<b>SPECIAL LINE ITEMS</b>				
Media Advertising	5,008,700	3,111,000		3,111,000
<b>AGENCY TOTAL</b>	<b>11,001,100</b>	<b>9,000,000</b>		<b>9,000,000</b>
<b>FUND SOURCES</b>				
General Fund	9,001,100	9,000,000		9,000,000
<u>Other Appropriated Funds</u>				
Tourism Fund	2,000,000	0		0
SUBTOTAL - Other Appropriated Funds	2,000,000	0		0
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,001,100</b>	<b>9,000,000</b>		<b>9,000,000</b>
Other Non-Appropriated Funds	0	7,498,200		9,920,800
<b>TOTAL - ALL SOURCES</b>	<b>11,001,100</b>	<b>16,498,200</b>		<b>18,920,800</b>

## CHANGE IN FUNDING SUMMARY

FY 2004 to FY 2005 JLBC

	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	2,422,600	32.3%
Total - All Sources	2,422,600	14.7%

**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. The funding for this agency is provided by a formula that transfers 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes collected in the prior year from the General Fund to the Tourism Fund. The agency also receives a transfer from the Tourism and Sports Authority (TSA), as well as a portion of tribal gaming contributions.

PERFORMANCE MEASURES	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Recommend.
• Number of domestic tourists (millions)	27.1	26.9	27.1	27.2
• Number of requests for travel materials	500,000	269,400	500,000	300,000
• Advertising cost per inquiry for travel materials	\$8.00	\$11.53	\$8.00	\$11.50
• Visitors at the welcome center	118,000	73,758	118,000	100,000
• Customer satisfaction rating for travel kits program (Scale 1-8)	6.0	6.9	6.0	7.0
• Administration as a % of total cost	4.4	4.0	10	4.0

**Comments:** The agency reports that the number of requests for travel materials in FY 2003 was down due to more people choosing to use the Office of Tourism's Web site rather than ordering visitor guides. This is also the reason that the advertising cost per inquiry for travel materials was above the estimate in FY 2004. The decrease in visitors to the welcome center is attributable to budget cuts that resulted in the visitor center moving to a 5 day work week, instead of the previous 7 day work week.

### RECOMMENDED CHANGES FROM FY 2004

#### Operating Budget

The JLBC recommends \$5,889,000 from the General Fund for the operating budget in FY 2005. This amount would fund the following adjustments:

#### Lease Costs GF \$0

The JLBC recommends no change from the General Fund for increased lease costs. The agency would absorb a FY 2005 lease increase of \$2,200 within its Other Operating Expenditures. Within its budget, the agency has the discretion to shift these monies from other line items.

#### Suspend Funding Formula GF 0

The JLBC recommends suspending the agency's funding formula in FY 2005 and instead continuing the FY 2004 General Fund appropriation of \$9,000,000. 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. If the formula is not suspended, we estimate that the agency would receive \$11,592,900 from the General Fund in FY 2005. The formula would have provided \$11,098,600 from the General Fund in FY 2004. A budget footnote, however, temporarily suspended the formula allocation in favor of a fixed appropriation of \$9,000,000 for FY 2004. (See *Standard Footnotes* for more information.)

#### Special Line Items

##### Media Advertising

The JLBC recommends \$3,111,000 from the General Fund for Media Advertising in FY 2005. This amount is unchanged from FY 2004. Monies in the Media Advertising Special Line Item are used for a marketing contract with a private sector firm. The prior Special Line Items in the agency's budget have been replaced by this single line item.

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**JLBC RECOMMENDED FORMAT** — Operating Lump Sum with Special Line Items by Agency. (In the FY 2004 budget, the agency had a Lump Sum by Agency format. The JLBC recommends adding the Media Advertising Special Line Item in the FY 2005 budget.)

#### JLBC RECOMMENDED FOOTNOTES

##### Standard Footnotes

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 \$9,000,000 in FY 2005.

##### Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote which states that all monies deposited into the Tourism Fund by legislative appropriation or by transfer are appropriated for use by the Office of Tourism, since the Tourism Fund became non-appropriated in FY 2004.

#### OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

##### Monies Transferred into Tourism Fund

Pursuant to Propositions 202 and 302, the Tourism Fund receives transfers from the Tourism and Sports Authority (TSA) for Maricopa County tourism promotion and from tribal gaming contributions to the state for statewide tourism promotion. In FY 2005, the TSA transfer will be \$4,630,500 and the distribution from gaming contributions is projected to be \$5,290,300. These monies will be deposited into the Tourism Fund, which became non-appropriated in FY 2004. Therefore, these monies appear in the non-appropriated funds row of the agency's number table on the previous page.

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**SUMMARY OF FUNDS****FY 2003  
Actual****FY 2004  
Estimate**

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**Tourism (TOA2236/A.R.S. § 41-2306)****Non-Appropriated**

**Source of Revenue:** Transfer from the General Fund to the Tourism Fund of 3.5% of bed taxes, 3% of amusement taxes, and 2% of restaurant taxes collected in the prior year. The Legislature suspended this funding formula for FY 2004 in favor of a fixed appropriation. In addition, the Tourism Fund receives a transfer from the Tourism and Sports Authority (TSA) to be used for tourism promotion in Maricopa County. Pursuant to Laws 2000, Chapter 372, this TSA transfer is to be in the amount of \$4,000,000 in FY 2002 and shall increase each year by 5%. These revenues are derived from a 1% increase in the bed tax and a 3.25% increase in the car rental tax. Finally, the fund receives a portion of tribal gaming contributions, pursuant to Proposition 202. The Tourism Fund became non-appropriated in FY 2004, pursuant to Laws 2002, Chapter 288.

**Purpose of Fund:** To pay for all costs associated with Office of Tourism activities.

<b>Funds Expended from the General Fund</b>	9,001,100	9,000,000
<b>Funds Expended from TSA Transfer</b>	2,000,000	4,410,000
<b>Funds Expended from Tribal Gaming</b>	0	3,088,200
<b>Year-End Fund Balance</b>	673,500	673,500

**Tourism Workshop (TOA3163/A.R.S. § 35-142)****Appropriated**

**Source of Revenue:** Workshop registration fees, trade marketing recoveries, advertising recoveries, and other operating revenue.

**Purpose of Fund:** To pay expenses incurred for the annual Governor's Tourism Conference and other projects. There is currently no activity in this fund.

<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

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