

Office of Tourism

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.0	25.0	25.0
Personal Services	1,108,900	1,217,600	1,217,600
Employee Related Expenditures	277,700	282,500	322,600
Professional and Outside Services	2,093,000	2,869,700	2,829,600
Travel - In State	26,400	43,600	43,600
Travel - Out of State	73,400	106,700	106,700
Other Operating Expenditures	2,317,400	3,708,300	3,708,300
Equipment	64,000	80,200	80,200
OPERATING SUBTOTAL	5,960,800	8,308,600	8,308,600
SPECIAL LINE ITEMS			
Media Advertising	3,039,200	3,655,000	3,655,000
Statutory Funding Increase	0	0	880,900
AGENCY TOTAL	9,000,000	11,963,600	12,844,500

FUND SOURCES

General Fund	9,000,000	11,963,600	12,844,500
SUBTOTAL - Appropriated Funds	9,000,000	11,963,600	12,844,500
Other Non-Appropriated Funds	6,363,900	9,940,300	10,172,600
TOTAL - ALL SOURCES	15,363,900	21,903,900	23,017,100

CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
General Fund	880,900	7.4%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	880,900	7.4%
Non Appropriated Funds	232,300	2.3%
Total - All Sources	1,113,200	5.1%

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.

RECOMMENDED CHANGES FROM FY 2005

Tourism Funding Formula

A.R.S. § 42-5029 provides for an Office of Tourism budget that is based on 3.5% of the gross revenues from bed taxes, 3% of the gross revenues from amusement taxes, and 2% of the gross revenues from restaurant taxes received during the previous fiscal year. The JLBC estimates that the formula will allocate \$12,844,500 from the General Fund to the agency in FY 2006. The estimate is consistent with the JLBC forecasted revenue growth for these tax categories. This amount is a General Fund

increase of \$880,900 above FY 2005 to fully fund the Tourism Funding Formula.

The adjustments to the operating budget and Special Line Item do not require legislative appropriation and are displayed for informational purposes. Since the Office of Tourism is funded through a statutory formula, this agency will not appear in the General Appropriation Act.

Operating Budget

The JLBC recommends, according to A.R.S. § 42-5029, \$8,308,600 from the General Fund for the operating budget in FY 2006. This amount is unchanged from FY 2005.

Special Line Items

Media Advertising

The JLBC recommends, according to A.R.S. § 42-5029, \$3,655,000 from the General Fund for Media Advertising in FY 2006. This amount is unchanged from FY 2005.

Monies in the Media Advertising Special Line Item are used for a marketing contract with a private sector firm, advertisement placement in magazines, handouts, and inserts in newspaper. The Media Advertising Line does not include expenditures associated with the state visitors guide and advertisement production expenditures which are included in Professional and Outside Services and Other Operating Expenses.

Statutory Funding Increase

The JLBC recommends, according to A.R.S. § 42-5029, \$880,900 from the General Fund for the Statutory Funding Increase Special Line Item in FY 2006. This amount would fund the following adjustments:

Tourism Formula Increase **GF** **FY 2006**
\$880,900
(Please see the discussion regarding the Tourism Funding Formula for more information.)

Monies in the Statutory Funding Increase Special Line Item are the JLBC forecasted increases in the Tourism Funding Formula. The Office of Tourism has flexibility to allocate the line item since they do not appear in the General Appropriations Act.

Other Issues

The Office of Tourism receives its funding from 3 statutory allocations. *(Please refer to Table 1 below for funding allocations.)*

Table 1

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2005 Amount</u>	<u>FY 2006 Amount</u>
<u>Tourism Formula</u>			
• 3.5% of bed tax	General Fund	\$3,525,000	\$3,775,300
• 3% of amusement tax		1,220,300	1,291,000
• 2% of restaurant tax		<u>7,202,000</u>	<u>7,778,200</u>
Subtotal from Tourism Formula		11,947,300 ^{1/}	12,844,500
<u>Tourism & Sports Authority</u>			
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	4,650,000	4,882,300
<u>Tribal Gaming</u>			
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>5,290,300</u>	<u>5,290,300</u>
Total		\$21,887,600	\$23,017,100

^{1/} This amount does not include the FY 2004 healthcare trigger appropriation of \$16,300 from the General Fund.

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 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.

Funds Expended from the General Fund	9,000,000	11,963,600
Funds Expended from TSA Transfer	4,028,100	4,650,000
Funds Expended from Tribal Gaming	2,335,800	5,290,300
Year-End Fund Balance	400,300	400,300

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.

Funds Expended	0	0
Year-End Fund Balance	0	0

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