

# Office of Tourism

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DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	31.0	31.0	31.0
Personal Services	1,259,100	1,486,600	1,486,600
Employee Related Expenditures	314,000	436,600	436,600
Professional and Outside Services	2,269,700	2,269,700	2,269,700
Travel - In State	45,200	45,200	45,200
Travel - Out of State	108,500	108,500	108,500
Other Operating Expenditures	2,960,800	5,098,700	5,098,700
Equipment	68,400	68,400	68,400
<b>OPERATING SUBTOTAL</b>	<b>7,025,700</b>	<b>9,513,700</b>	<b>9,513,700</b>
<b>SPECIAL LINE ITEMS</b>			
Media Advertising	3,363,600	3,689,800	3,689,800
Statutory Funding Increase	0	0	1,782,500
<b>AGENCY TOTAL</b>	<b>10,389,300</b>	<b>13,203,500</b>	<b>14,986,000</b>

<b>FUND SOURCES</b>			
General Fund	10,389,300	13,203,500	14,986,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>10,389,300</b>	<b>13,203,500</b>	<b>14,986,000</b>
Other Non-Appropriated Funds	7,831,300	9,544,200	10,174,000
<b>TOTAL - ALL SOURCES</b>	<b>18,220,600</b>	<b>22,747,700</b>	<b>25,160,000</b>

	<u>FY 2006 to FY 2007 JLBC</u>	
	<u>\$ Change</u>	<u>% Change</u>
General Fund	1,782,500	13.5%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	1,782,500	13.5%
Non Appropriated Funds	629,800	6.6%
Total - All Sources	2,412,300	10.6%

**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 2006

### 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 formula was originally estimated to generate \$12,844,500 from the General Fund in FY 2006, however, the actual amount allocated by the formula is \$13,203,500 due to sales tax collections above the forecast for FY 2005. The JLBC estimates that the formula will allocate \$14,986,000 from

the General Fund to the agency in FY 2007. This amount is a General Fund increase of \$1,782,500 above the revised FY 2006 amount 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 does not appear in the General Appropriation Act.

### **Operating Budget**

The JLBC recommends, according to A.R.S. § 42-5029, \$9,513,700 from the General Fund for the operating budget in FY 2007. This amount is unchanged from FY 2006.

### **Special Line Items**

#### **Media Advertising**

The JLBC recommends \$3,689,800 from the General Fund for Media Advertising in FY 2007. This amount is unchanged from FY 2006.

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 Expenditures.

#### **Statutory Funding Increase**

The JLBC recommends, according to A.R.S. § 42-5029, \$1,782,500 from the General Fund for the Statutory Funding Increase Special Line Item in FY 2007. This amount would fund the following adjustment:

<b>Tourism Formula Increase</b>	<b>GF</b>	<b><u>FY 2007</u></b>
		<b>1,782,500</b>

(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. These increases are consistent with the forecasted revenue increases used in the enacted budget. The Office of Tourism has flexibility to allocate the line item since they do not appear in the General Appropriation Act.

### **Other Issues**

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

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2005 Amount</u>	<u>FY 2006 Amount</u>	<u>FY 2007 Amount</u>
<u>Tourism Formula</u>				
• 3.5% of bed tax	General Fund	\$3,525,000	\$ 3,968,000	\$ 4,503,700
• 3% of amusement tax		1,220,300	1,306,900	1,483,300
• 2% of restaurant tax		<u>7,202,000</u>	<u>7,928,600</u>	<u>8,999,000</u>
Subtotal from Tourism Formula		11,947,300	13,203,500	14,986,000
<u>Sports and Tourism 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	5,126,400
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>4,486,200</u>	<u>4,661,900</u>	<u>5,047,600</u>
<b>Total</b>		<b>\$21,083,300</b>	<b>\$22,747,700</b>	<b>\$25,160,000</b>

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**SUMMARY OF FUNDS**

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**FY 2005**  
**Actual****FY 2006**  
**Estimate**

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**Tourism Fund (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. 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</b>	7,831,300	9,544,200
<b>Year-End Fund Balance</b>	3,279,300	5,809,100

**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