

Director: Margie Emmermann

JLBC Analyst: Matt Busby

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved	FY 2009 Approved
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	34.0	36.0	36.0	36.0
Personal Services	1,534,800	1,883,000	1,883,000	1,883,000
Employee Related Expenditures	424,300	602,500	608,300	608,300
Professional and Outside Services	1,816,800	2,668,800	2,668,800	2,668,800
Travel - In State	29,100	42,700	42,700	42,700
Travel - Out of State	124,700	183,200	183,200	183,200
Other Operating Expenditures	2,636,100	2,043,400	2,037,600	2,037,600
Equipment	36,600	53,700	53,700	53,700
OPERATING SUBTOTAL	6,602,400	7,477,300	7,477,300	7,477,300
SPECIAL LINE ITEMS				
Media Advertising	3,915,500	7,286,300	7,286,300	7,286,300
Statutory Funding Increase	0	0	885,800	1,858,600
AGENCY TOTAL	10,517,900	14,763,600	15,649,400	16,622,200^{1/}
FUND SOURCES				
General Fund	10,517,900	14,763,600	15,649,400	16,622,200
SUBTOTAL - Appropriated Funds	10,517,900	14,763,600	15,649,400	16,622,200
Other Non-Appropriated Funds	9,302,400	12,358,000	14,014,300	15,923,300
TOTAL - ALL SOURCES	19,820,300	27,121,600	29,663,700	32,545,500

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.

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 \$15,649,400 from the General Fund to the agency in FY 2008 and \$16,622,200 in FY 2009. These amounts equal General Fund increases of \$885,800 in FY 2008 and \$1,858,600 in FY 2009 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 budget provides, according to A.R.S. § 42-5029, \$7,477,300 from the General Fund for the operating budget in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

Special Line Items

Media Advertising

The budget provides \$7,286,300 from the General Fund for Media Advertising in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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 newspapers. The Media Advertising line does not include expenditures associated with the state visitors

^{1/} A.R.S. § 42-5029 transfers a portion of General Fund sales tax revenue to the Office of Tourism without legislative appropriation. As a result, these monies are not included in the General Appropriation Act.

guide and advertisement production expenditures, which are included in Professional and Outside Services and Other Operating Expenditures in the operating budget.

Statutory Funding Increase

The budget provides, according to A.R.S. § 42-5029, \$885,800 from the General Fund for the Statutory Funding Increase Special Line Item in FY 2008 and \$1,858,600 in FY 2009. (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 monies in the line item since they do not appear in the General Appropriation Act.

Other Issues

Statutory Allocations

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

Table 1					
Office of Tourism Revenues					
<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2006 Amount</u>	<u>FY 2007 Amount</u>	<u>FY 2008 Amount</u>	<u>FY 2009 Amount</u>
<u>Tourism Formula</u>					
• 3.5% of bed tax	General Fund	\$ 3,968,000	\$4,356,900	\$4,618,300	\$ 4,927,800
• 3% of amusement tax		1,306,900	1,494,900	1,584,600	1,671,700
• 2% of restaurant tax		<u>7,928,600</u>	<u>8,911,800</u>	<u>9,446,500</u>	<u>10,022,700</u>
Subtotal from Tourism Formula		13,203,500	14,763,600	15,649,400	16,622,200
<u>Sports and Tourism Authority</u>					
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	4,882,300	5,126,400	5,382,700	5,651,900
<u>Tribal Gaming</u>					
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>5,717,300</u>	<u>7,231,600</u>	<u>8,631,600</u>	<u>10,271,400</u>
Total		\$23,803,100	\$27,121,600	\$29,663,700	\$32,545,500