

# Office of Tourism

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DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
<b>OPERATING BUDGET</b>				
<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
<b>OPERATING SUBTOTAL</b>	<b>6,602,400</b>	<b>7,477,300</b>	<b>7,477,300</b>	<b>7,477,300</b>
<b>SPECIAL LINE ITEMS</b>				
Media Advertising	3,915,500	7,286,300	7,286,300	7,286,300
Statutory Funding Increase	0	0	885,800	1,858,600
<b>AGENCY TOTAL</b>	<b>10,517,900</b>	<b>14,763,600</b>	<b>15,649,400</b>	<b>16,622,200</b>

<b>FUND SOURCES</b>				
General Fund	10,517,900	14,763,600	15,649,400	16,622,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>10,517,900</b>	<b>14,763,600</b>	<b>15,649,400</b>	<b>16,622,200</b>
Other Non-Appropriated Funds	9,302,400	12,358,000	14,014,300	15,923,300
<b>TOTAL - ALL SOURCES</b>	<b>19,820,300</b>	<b>27,121,600</b>	<b>29,663,700</b>	<b>32,545,500</b>

CHANGE IN FUNDING SUMMARY	FY 2007 to FY 2008 JLBC		FY 2007 to FY 2009 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	885,800	6.0%	1,858,600	12.6%
Total Appropriated Funds	885,800	6.0%	1,858,600	12.6%
Non Appropriated Funds	1,656,300	13.4%	3,565,300	28.9%
Total - All Sources	2,542,100	9.4%	5,423,900	20.0%

**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.

## CHANGES FROM FY 2007

### 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 \$14,986,000 from the General Fund in FY 2007; the revised amount allocated by the formula, however, is expected to be \$14,763,600. 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 JLBC includes, according to A.R.S. § 42-5029, \$7,477,300 from the General Fund in FY 2008 and

FY 2009 for the operating budget. This amount is unchanged from FY 2007.

**FY 2008**      **FY 2009**

**Tourism Funding**

**Increase**

**GF \$885,800**      **\$1,858,600**

*(Please see the discussion regarding the Tourism funding formula for more information.)*

**Special Line Items**

**Media Advertising**

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

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**

**Statutory Allocations**

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

**Statutory Funding Increase**

The JLBC includes, 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. These amounts would fund the following adjustments:

<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>
<b>Total</b>		<b>\$23,803,100</b>	<b>\$27,121,600</b>	<b>\$29,663,700</b>	<b>\$32,545,500</b>

**SUMMARY OF FUNDS**

**FY 2006 Actual**      **FY 2007 Estimate**

**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.

**Funds Expended**      9,302,400      12,358,000  
**Year-End Fund Balance**      1,316,500      1,316,500

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
<b>Tourism Workshop (TOA3163/A.R.S. § 35-142)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Workshop registration fees, trade marketing recoveries, advertising recoveries, and other operating revenue.		
<b>Purpose of Fund:</b> 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