

OFFICE OF TOURISM

Mark McDermott, Director

A.R.S. § 41-2301

JLBC Analyst: Jim Rounds

General Fund	FY 1999 Actual	FY 2000 Estimate	FY 2001 Approved
FTE Positions	22.0	23.0	23.0 ^{1/}
Personal Services	759,700	712,100	726,400
Employee Related Expenditures	112,400	138,300	144,400
Professional and Outside Services	80,300	13,000	13,000
Travel - In State	2,500	13,000	18,100
Travel - Out of State	11,100	11,500	11,500
Other Operating Expenditures	243,100	412,700	412,700
Equipment	58,600	0	0
Operating Subtotal	1,267,700	1,300,600	1,326,100
Toll-Free Line Production and Placement	3,630,000	0	0
Toll-Free Line Response	1,421,500	0	0
International and Domestic Marketing	891,000	0	0
Research and Data Repository	192,800	194,000	194,000
Welcome Center Operations	326,600	332,800	338,300
Media and Public Relations	286,100	0	0
Tourism Investment Funds Sharing (TIFS) Program	789,600	790,000	790,000
Tourism Promotion	0	6,231,900	6,231,900 ^{2/}
Total Appropriations	8,805,300	8,849,300	8,880,300 ^{3/}

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.*

Additional Legislation: Tourism: Dedicated Sales Tax Revenues (Chapter 375) — The legislation will require, beginning in FY 2002, that 52.66% of the state's share of the transient lodging distribution base monies annually be appropriated from the General Fund to the Tourism Fund for use on the Office of Tourism budget.

An intent statement specifies that beginning in FY 2002, the entire Office of Tourism budget will be appropriated from the Tourism Fund, and that this appropriation will not be in addition to the current direct General Fund appropriation.

Under current law, the Office of Tourism is funded with a direct General Fund appropriation as well as from a share of bed tax revenues.

Based on current projections, the JLBC Staff estimates that the FY 2002 General Fund deposit will be \$9,203,600. Based on historical growth, the Office of Tourism would have a comparable budget in FY 2002 under the old formula.

If Laws 2000, Chapter 372 (Tourism and Sports Authority) is approved by voters in November 2000, the above funding formula would be replaced with an alternative formula (*see Tourism and Sports Authority narrative*).

The legislation also allows for a public vote in Pima County to add 1% to the current bed tax rate to be used on tourism promotion in Pima County. If approved, the Office of Tourism would administer the expenditure of these additional funds. This portion of the legislation is consistent with, but not dependent on, Laws 2000, Chapter 372 (*see Tourism and Sports Authority narrative*).

Tourism and Sports Authority (Chapter 372) — This act requires a public vote to establish a Tourism and Sports Authority (Authority). If approved by Maricopa County voters in November 2000, the Authority would be responsible for constructing a football stadium for the Arizona Cardinals, overseeing expenditures related to Cactus League capital improvements, and overseeing the construction of recreational facilities if revenues are available. Additional funds would pass through the

^{1/} Includes 4 FTE Positions funded from Special Line Items in FY 2000 and FY 2001.

^{2/} Of the \$6,231,900 appropriated to the Tourism Promotion Special Line Item in FY 2000 and FY 2001, \$2,702,900 shall be deposited in the Tourism Fund pursuant to law. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

OFFICE OF TOURISM (Cont'd)

Authority to the Office of Tourism to be spent on tourism promotion in Maricopa County.

The stadium construction, the Cactus League capital improvements, the recreational facilities, and the tourism promotion spending would primarily be funded through a 1% increase in the bed tax, and a 3.25% increase (less the \$2.50 per contract that is dedicated for current Cactus League capital improvements) in the car rental tax in Maricopa County. In addition to this voter approved tax increase, contributions would be made by the Arizona Cardinals, the National Football League, and possibly the Fiesta Bowl. Interest from bond escrow monies and recaptured construction taxes would also be available to the Authority. (See Table 1 for an estimate of the projected 29-year revenues and expenditures.)⁷

Revenues	
Up Front Contributions	\$ 105,700.0
<i>Long-Term Revenues:</i>	
Maricopa Bed Tax	804,322.0
Maricopa Car Rental Tax	419,269.7
Retention of Cardinals' Income Taxes	363,880.9
Retention of Stadium Sales Taxes	103,371.4
Stadium Event Revenues	124,639.5
Subtotal – Long-Term Revenues	\$ 1,815,483.5
Total Projected Revenues	\$ 1,921,183.5
Expenditures	
Stadium Expenditures:	
Construction	\$ 331,000.0
Construction Debt Service	311,099.1
Operations	420,453.9
Subtotal – Stadium Expenditures	\$ 1,062,553.0
Tourism Promotion	249,290.8
Cactus League	189,500.0
Amateur & Recreational Facilities	69,600.0
Total Projected Expenditures	\$ 1,570,943.8
Total 29-Year Surplus	\$ 350,239.7

Specifically related to the stadium, the Executive currently projects that construction costs will total \$331,000,000. The facility will be partly funded from \$105,700,000 in up-front contributions. The remaining \$225,300,000 will

be financed by issuing bonds. (Table 2 displays these amounts.)

Up Front Contributions:	
Arizona Cardinals/NFL	\$ 85,000.0
Fiesta Bowl	0.0 ^{1/}
Interest from Bond Escrow	10,000.0
Recaptured Contracting Taxes	10,700.0
Subtotal – Up Front Contributions	\$ 105,700.0
 Bond Revenues	 \$ 225,300.0
 Total Construction Costs	 \$ 331,000.0

The legislation, if approved by voters, would also revise the current method of funding the Office of Tourism. Under current law, the Office of Tourism is funded with a direct General Fund appropriation as well as from a share of bed tax revenues. Chapter 372 would instead annually provide the Office of Tourism with 4% of total bed tax revenues, 3% of amusement tax revenues, and 2% of restaurant tax revenues.

The JLBC Staff currently estimates that this provision would provide the Office of Tourism \$11,479,000 in FY 2002. Under current law, the Office of Tourism would have received an estimated \$9,203,600. This increased cost of funding is not covered by the Tourism and Sports Authority revenue sources, and instead would reflect a General Fund obligation.

The dedicated funding formula provided by this bill overrides the dedicated funding formula provided by Laws 2000, Chapter 375.

In addition to the above dedicated operating budget revenues, the Executive estimates that the Authority would provide the Office of Tourism in the first year of operations \$4,000,000 to be used on tourism promotion in Maricopa County. The bill does not provide for legislative review of these expenditures. Although the amount is not guaranteed by statute, the Executive estimates that the Authority would annually increase this contribution by 5%. This additional tourism promotion spending would be funded from the \$1,921,183,500 that is expected to be collected over the 29-year life of the Tourism and Sports Authority project (see Table 1).

[Click here for more information from the initial biennial appropriations report \(June 1999\)](#)