

OFFICE OF TOURISM

Mark McDermott, Director

A.R.S. § 41-2301

JLBC Analyst: Jim Rounds

| General Fund | FY 1998 Actual | FY 1999 Estimate | FY 2000 Approved | FY 2001 Approved |
|--|---------------------------|-----------------------------|----------------------------------|----------------------------------|
| FTE Positions | 22.0 | 22.0 | 23.0 ^{1/} | 23.0 ^{1/} |
| Personal Services | 694,900 | 683,500 | 712,100 | 726,400 |
| Employee Related Expenditures | 99,200 | 125,100 | 138,300 | 144,400 |
| Professional and Outside Services | 42,200 | 35,000 | 13,000 | 13,000 |
| Travel - In State | 5,300 | 13,000 | 13,000 | 13,000 |
| Travel - Out of State | 21,500 | 11,500 | 11,500 | 11,500 |
| Other Operating Expenditures | 350,900 | 415,000 | 412,700 | 412,700 |
| Equipment | 39,900 | 0 | 0 | 0 |
| Operating Subtotal | 1,253,900 | 1,283,100 | 1,300,600 | 1,321,000 |
| Toll-Free Line Production and Placement | 3,228,000 | 3,630,100 ^{2/} | 0 | 0 |
| Toll-Free Line Response | 1,321,600 | 1,421,700 | 0 | 0 |
| International and Domestic Marketing | 893,500 | 894,000 | 0 | 0 |
| Research and Data Repository | 193,700 | 194,000 | 194,000 | 194,000 |
| Welcome Center Operations | 321,200 | 327,600 | 332,800 | 338,300 |
| Media and Public Relations | 286,100 | 286,100 | 0 | 0 |
| Tourism Investment Funds Sharing (TIFS) Program | 790,000 | 790,000 | 790,000 | 790,000 |
| Tourism Promotion | 0 | 0 | 6,231,900 ^{3/} | 6,231,900 ^{3/} |
| Total Appropriations | 8,288,000 | 8,826,600 | 8,849,300 ^{4/5/} | 8,875,200 ^{4/5/} |

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.*

Replace Temporary Staff — The approved amount includes an increase of 1 FTE Position and a reduction of \$(400) beginning in FY 2000 as a result of converting a receptionist from a contracted position to a permanent employee. The change will provide stability at the position and should increase productivity with no additional cost.

Toll-Free Line Production and Placement — Monies are appropriated to promote the toll-free information line. Beginning in FY 2000, all monies in this Special Line Item will be redirected into the Tourism Promotion Special Line Item. (*See Tourism Promotion Special Line Item for more information.*)

Toll-Free Line Response — Monies are appropriated to operate the toll-free information line. Beginning in FY 2000, all monies in this Special Line Item will be

redirected into the Tourism Promotion Special Line Item. (*See Tourism Promotion Special Line Item for more information.*)

International and Domestic Marketing — Monies are appropriated to market Arizona as a vacation destination. Beginning in FY 2000, all monies in this Special Line Item will be redirected into the Tourism Promotion Special Line Item. (*See Tourism Promotion Special Line Item for more information.*)

Research and Data Repository — The approved amount allows the office to manage state tourism data.

Welcome Center Operations — The approved amount provides funds and 4 FTE Positions to operate the Painted Cliffs Welcome Center in Lupton.

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

^{2/} The FY 1999 appropriation for the Toll-Free Line Production and Placement Special Line Item included an estimated Tourism Fund deposit of \$2,702,900 pursuant to Laws 1997, Chapter 3, 1st Special Session.

^{3/} 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)

^{4/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{5/} If Senate Bill 1370 of the 44th Legislature, 1st Regular Session or similar legislation to direct hotel and motel bed tax receipts to the Tourism Fund to be spent on tourism promotion is enacted into law, all monies appropriated to the Office of Tourism revert to the state General Fund. (General Appropriation Act footnote) Note: SB 1370 was not enacted, so no reversion will take place.

OFFICE OF TOURISM (Cont'd)

Media and Public Relations — Monies are appropriated to promote Arizona by leveraging media and public relations opportunities. Beginning in FY 2000, all monies in this Special Line Item will be redirected into the Tourism Promotion Special Line Item. (*See Tourism Promotion Special Line Item for more information*).

TIFS Program — The approved amount allows the office to match contributions from local groups who use the funding to develop local tourism advertising campaigns.

Tourism Promotion — The approved amount includes the consolidation of funding for 4 advertising related Special Line Items into 1 Special Line Item titled Tourism Promotion. The consolidated Special Line Items include Toll-Free Line Production and Placement, Toll-Free Line Response, International and Domestic Marketing, and Media and Public Relations.

Monies in this Special Line Item will be used on the office's toll-free information line, and on international and domestic marketing. Consolidating the related advertising Special Line Items into this single Tourism Promotion Special Line Item will give the office the flexibility to direct the advertising related monies towards the best use in an effort to maximize travel to this state.

Additional Legislation: Omnibus Budget Reconciliation: Public Finances (Chapter 3, 1st Special Session) — This act includes a provision that allows for a fixed deposit of \$2,702,900 from the state's share of hotel/motel bed tax collections into the Tourism Fund for use in the newly created Tourism Promotion Special Line Item.

Current permanent law would have allowed for a deposit into the Tourism Fund of an amount equal to 75% of the annual growth of the last ½ cent increase in hotel/motel bed tax revenues, in addition to a base allocation of \$2,000,000. Because growth rates vary, the deposits into the fund would also vary.

Laws 1997, Chapter 3, 1st Special Session temporarily changed this formula for FY 1998 and FY 1999 to allow for a deposit into the Tourism Fund of 3% of hotel/motel bed tax monies.

The approved annual fixed deposit of \$2,702,900 will allow for a stable appropriation for use in the Tourism Promotion Special Line Item in both FY 2000 and FY 2001.

Other Issues: Dedicated Funding — The above table references a General Appropriation Act footnote that reverts all approved Office of Tourism funding to the state General Fund if alternative funding is provided in legislation passed by the 44th Legislature, 1st Regular Session. Since no alternative funding was enacted in

separate legislation, the Office of Tourism's approved budget for FY 2000 and FY 2001 is provided solely in the General Appropriation Act.