

## Office of Tourism

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	28.0	28.0	28.0
Personal Services	1,878,800	1,903,600	2,093,900
Employee Related Expenditures	689,800	564,000	694,800
Professional and Outside Services	1,748,900	2,249,100	2,249,100
Travel - In State	7,000	20,000	20,000
Travel - Out of State	1,700	114,700	114,700
Other Operating Expenditures	1,657,700	2,249,600	2,249,600
Equipment	61,300	30,500	30,500
<b>OPERATING SUBTOTAL</b>	<b>6,045,200</b>	<b>7,131,500</b>	<b>7,452,600</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Promotion	1,000,000	1,000,000	1,000,000
Southern Arizona Study Committee	0	250,000	0
Southern Arizona Sports, Tourism, and Film Authority	0	0	750,000 <sup>1/</sup>
Wine Promotion	100,000	100,000	1,100,000 <sup>2/3/</sup>
<b>AGENCY TOTAL</b>	<b>7,145,200</b>	<b>8,481,500</b>	<b>10,302,600 <sup>4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	7,145,200	8,481,500	10,302,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,145,200</b>	<b>8,481,500</b>	<b>10,302,600</b>
Other Non-Appropriated Funds	12,310,400	14,626,400	14,626,400
Federal Funds	3,993,500	0	0
<b>TOTAL - ALL SOURCES</b>	<b>23,449,100</b>	<b>23,107,900</b>	<b>24,929,000</b>

**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 agency receives a transfer from the Arizona Sports and Tourism Authority (AZSTA), a portion of tribal gaming contributions, and General Fund appropriations to the Tourism Fund.

### FOOTNOTES

- 1/ Laws 2022, Chapter 364 appropriated \$750,000 from the General Fund for the administration of a new Southern Arizona Study Committee.
- 2/ This appropriation is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 3/ On or before July 31, 2023, July 31, 2024 and July 31, 2025, the director of the office of tourism shall submit a report to the joint legislative budget committee detailing the uses of the monies in the wine promotion line item during the previous fiscal year. (General Appropriation Act footnote)
- 4/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

### Operating Budget

The budget includes \$7,452,600 and 28 FTE Positions from the General Fund in FY 2023 for the operating budget. FY 2023 adjustments are as follows:

#### FY 2023 Salary Increase

The budget includes \$234,100 from the General Fund in FY 2023 for a statewide employee salary increase. This

amount funds a 10% staff salary increase. (Please see the Agency Detail and Allocations section.)

#### Statewide Adjustments

The budget includes \$87,000 in FY 2023 from the General Fund for statewide adjustments. (Please see the Agency Detail and Allocations section.)

### **Arizona Promotion**

The budget includes \$1,000,000 from the General Fund in FY 2023 for Arizona Promotion. This amount is unchanged from FY 2022.

Monies in this line item are used to fund the marketing, advertisement, and promotion of the tourism industry and tourism efforts in the state.

### **Southern Arizona Study Committee**

The budget includes no funding in FY 2023 for the Southern Arizona Study Committee line item. FY 2023 adjustments are as follows:

#### **Remove One-Time Study Committee Funding**

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 for removal of one-time funding for a study committee evaluating the impact of creating a Southern Arizona regional sports authority.

Monies in this line item are to fund the costs of a study committee researching and analyzing the fiscal, economic development and other impacts of the formation of a Southern Arizona regional sports authority.

### **Southern Arizona Sports, Tourism, and Film Authority**

Laws 2022, Chapter 364 appropriates \$750,000 from the General Fund in FY 2023 for the new Southern Arizona Sports, Tourism, and Film Authority line item.

#### **Add Authority Funding**

The budget includes an increase of \$750,000 from the General Fund in FY 2023 for the administration of a new Southern Arizona Sports, Tourism, and Film Authority.

Monies in this line item fund the new Southern Arizona Sports, Tourism, and Film Authority, which consists of Greenlee, Graham, Cochise, Santa Cruz, Pima, and Pinal Counties. The authority has the power to issue revenue bonds to finance projects which promote sports, tourism, and film activity in the member counties. Within 3 months after the end of each fiscal year, the authority must report to the Joint Legislative Budget Committee on its activities from the previous fiscal year.

### **Wine Promotion**

The budget includes \$1,100,000 from the General Fund in FY 2023 for Wine Promotion. FY 2023 adjustments are as follows:

### **Increase Wine Promotion Budget**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2023 for the Wine Promotion line item.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry. The appropriation is non-lapsing.

### **Other Issues**

### **Funding Sources**

The Office of Tourism receives funding from 3 primary sources: 1) a General Fund appropriation; 2) a transfer from AZSTA, generated from partial allocations of a bed tax and car rental tax in Maricopa County (A.R.S. § 5-835), to fund Maricopa County tourism promotion; and 3) a portion of tribal gaming contributions (A.R.S. § 5-601.02). General Fund appropriations and tribal gaming contributions are used for statewide tourism promotion. Through the Proposition 302 Maricopa County program, the agency annually distributes 90% of the AZSTA transfer to destination marketing organizations (DMOs), not-for-profit organizations, and government organizations engaged in year-round marketing and tourism promotion.

In FY 2019, the most recent fiscal year not impacted by the COVID-19 pandemic, AOT's overall funding amount totaled \$23,183,500. From FY 2019 to FY 2021, AOT's funding level increased by 3.6% to \$24,027,900, and the agency projects overall FY 2022 funding to be \$23,432,900, representing a (2.5)% decrease from the previous year. AOT projects overall funding to increase to a level of \$31,650,400 in FY 2023, representing a 35.1% increase over FY 2022 and a projected economic recovery for Arizona's tourism industry. The COVID-19 pandemic has significantly reduced agency revenues from bed tax and car rental tax allocations, but this has been about equally offset by a significant increase in tribal gaming revenues. (See Table 1 for additional details on agency revenue.)

**Table 1**

**Office of Tourism Revenues <sup>1/</sup>**

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$8,335,100	\$8,481,500	\$10,302,600
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	4,885,400	5,676,300 <sup>2/</sup>	9,847,800 <sup>2/</sup>
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>10,807,400</u>	<u>9,275,100</u> <sup>2/</sup>	<u>11,500,000</u> <sup>2/</sup>
<b>Total</b>		<b>\$24,027,900</b>	<b>\$23,432,900</b>	<b>\$31,650,400</b>

<sup>1/</sup> The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.

<sup>2/</sup> The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2022 and FY 2023 are estimates provided by the Office of Tourism in September 2021.