

Office of Tourism

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	28.0	31.0	31.0
Personal Services	2,093,900	2,093,900	2,093,900
Employee Related Expenditures	694,800	668,400	724,000
Professional and Outside Services	2,249,100	2,249,100	2,249,100
Travel - In State	20,000	20,000	20,000
Travel - Out of State	114,700	114,700	114,700
Other Operating Expenditures	2,249,600	2,599,600	2,249,600
Equipment	30,500	30,500	30,500
OPERATING SUBTOTAL	7,452,600	7,776,200	7,481,800
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(75,800)
Arizona Promotion	1,000,000	1,000,000	819,000
Southern AZ Sports, Tourism, and Film Authority	750,000	0	0
Wine Promotion	1,100,000	100,000	100,000
AGENCY TOTAL	10,302,600	8,876,200	8,325,000^{1/}
FUND SOURCES			
General Fund	10,302,600	8,876,200	8,325,000
SUBTOTAL - Appropriated Funds	10,302,600	8,876,200	8,325,000
Other Non-Appropriated Funds	36,478,800	35,429,700	35,429,700
Federal Funds	13,141,400	12,001,400	12,001,400
TOTAL - ALL SOURCES	59,922,800	56,307,300	55,756,100

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

Operating Budget

The budget includes \$7,481,800 and 31 FTE Positions from the General Fund in FY 2025 for the operating budget. Adjustments are as follows:

Remove One-Time Tourism Workforce Initiatives

The budget includes a decrease of \$(250,000) from the General Fund in FY 2025 for removal of one-time monies for distribution to a 501(c)(6) organization for the purpose of advancing workforce development initiatives in the lodging and tourism industry.

Remove One-Time Culinary Workforce Development

The budget includes a decrease of \$(100,000) from the General Fund in FY 2025 for removal of one-time monies

for distribution to a 501(c)(6) organization for a campaign to highlight Arizona's restaurant and hospitality industries. The FY 2024 budget originally appropriated a total of \$250,000 for this purpose. The FY 2025 budget reduces that appropriation by \$(150,000) in FY 2024 and removes the remaining \$(100,000) in FY 2025. *(Please see the Other Issues – FY 2024 Supplemental section for additional information).*

Statewide Adjustments

The budget includes an increase of \$55,600 from the General Fund in FY 2025 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Operating Budget Lump Sum Reduction

The budget includes a decrease of \$(75,800) from the General Fund in FY 2025 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2026 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2026 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Arizona Promotion

The budget includes \$819,000 from the General Fund in FY 2025 for Arizona Promotion. Adjustments are as follows:

Reduce Arizona Promotion Funding

The budget includes a decrease of \$(181,000) from the General Fund in FY 2025 to reduce funding for the Arizona Promotion line item.

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

Wine Promotion

The budget includes \$100,000 from the General Fund in FY 2025 for Wine Promotion. This amount is unchanged from FY 2024.

Monies in this line item will fund the marketing and promotion of the Arizona wine industry. The FY 2023 appropriation for this line item is non-lapsing. An FY 2023 General Appropriation Act footnote requires a report on expenditures through 2025 on July 31 annually.

Other Issues

FY 2024 Supplemental Reduction

The FY 2025 budget includes an FY 2024 supplemental reduction of \$(150,000) from the General Fund for culinary workforce development. The FY 2024 budget originally included a total of \$250,000 from the General Fund for this purpose. *(Please see the Operating Budget for additional information.)*

Funding Sources

The Office of Tourism (AOT) 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 2022, AOT's overall funding amount totaled \$29,442,500. In FY 2023, AOT's funding level increased by 12.2% to \$33,034,100, and the agency projects overall FY 2024 funding to be \$34,172,800, representing a 3.4% year-over-year increase. AOT projects overall funding to reach \$34,326,600 in FY 2025, a 0.5% increase over projected FY 2024 funding. *(See Table 1 on the next page for additional details on agency revenue.)*

Table 1

Office of Tourism Revenues ^{1/}

<u>Sources of Funding</u>	<u>Fund</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
<u>General Fund Appropriation</u>				
• General Fund appropriation to be used administering the Office of Tourism and promoting tourism	General Fund	\$10,302,600	\$8,876,200	\$8,325,000
<u>Sports and Tourism Authority</u>				
• Partial allocation of 1% of bed tax and 3.25% car rental tax (Prop. 302 - 2000)	Tourism Fund	11,190,300	11,749,800 ^{2/}	12,337,300 ^{2/}
<u>Tribal Gaming</u>				
• 8% of state's share of gaming proceeds, after distribution to Department of Gaming (Prop. 202 - 2002)	Tourism Fund	<u>11,541,200</u>	<u>13,546,800</u> ^{2/}	<u>13,664,300</u> ^{2/}
Total		\$33,034,100	\$34,172,800	\$34,326,600

^{1/} The numbers displayed represent revenues to the agency and may not correspond directly to the agencies' actual expenditure or appropriation amounts.
^{2/} The Sports and Tourism Authority amounts and the Tribal Gaming amounts for FY 2024 and FY 2025 are estimates provided by the Office of Tourism in September 2023.