
Issue Brief – Tourism Marketing Performance Fund

OFFICE OF TOURISM

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SUMMARY

The Tourism Marketing Performance Account was established in the 2005 1st Special Session through the passage of SB 1002 – “Funding for Tourism”. Funding for the program was provided by setting aside a percentage of the increase in tourism-generated tax revenue for the purpose of tourism promotion.

The legislation established a General Fund restricted account known as the Tourism Marketing Performance Account. The criteria for the account include:

- The account is administered by the Governor’s Office of Economic Development.
- The account earns interest.
- The director of the Office of Tourism may use account monies appropriated to the office to pay for the statewide advertising, marketing, and branding campaign for promotion of the state as conducted by the office.
- The director shall allocate 10% of the monies appropriated to the office, to a sports organization for advertising, branding, and promoting Utah in attracting sporting events to the state.
- The sports organization must annually account the use of the monies to the director and the board.
- 20% of the account goes to a Cooperative Program for use by cities, counties, and nonprofit destination marketing organizations for advertising and to promote to out-of-state visitors.

DISCUSSION AND ANALYSIS

Originally SB 1002 appropriated from the General Fund one-time: \$10 million for FY 2006 and \$4 million for FY 2007. The Legislature also provided for the possibility of an additional \$4 million from surplus funds in FY 2007. The performance-based funding mechanism began in FY 2007, with the cumulative performance based funds being appropriated providing there was growth in the specified North American Industrial Classification System Codes (NAICS). SB 1002 expanded the categories on which performance and funding is evaluated to include:

- Miscellaneous Store Retailers
- Passenger Air Transportation
- Scenic and Sightseeing Transportation
- Performing Arts, Spectator Sports and Related Industries
- Museums, Historical Sites and Similar Institutions
- Amusement and Recreation Industries
- Accommodations
- Food Services and Drinking Places
- Jewelry, Luggage, and Leather Goods Stores
- Taxi and Limousine Service
- Charter Bus
- Travel Arrangement and Reservation Services

- Pharmacies and Drug Stores
- Sporting Goods Stores
- Hobby Toy and Game Stores
- Book Stores and News Dealers
- Convenience Stores without Gas Pumps
- Gasoline Stations with Convenience Stores
- Other Gasoline Stations
- Passenger Car Rental
- Recreational Goods Rental

Policy makers assumed that total revenue from these specified NAICS codes would grow by 3 percent a year without promotion. The Tourism Marketing Performance Account receives half of the revenue above 3 percent, up to \$3,000,000. If growth fails to exceed the 3 percent, the account will receive the same appropriation as it did in the previous year. The history of the growth is shown in the table below.

NAICS	FY 2004	FY 2005	Growth 04/05	FY 2006	Growth 05/06
Gas Service station	199,054,510	239,791,168	20.5%	210,521,031	-12.2%
Convenience stores	504,702,138	473,372,199	-6.2%	552,186,773	16.6%
Retail Misc.-drug & proprietary stores	85,939,300	96,923,003	12.8%	108,783,799	12.2%
Retail Misc.-Jewelry stores	95,473,788	96,665,226	1.2%	110,158,395	14.0%
Retail Misc.-Luggage & leather	11,106,908	10,278,828	-7.5%	9,490,046	-7.7%
Retail Misc.-Sporting & Bicycle stores	326,954,450	356,636,581	9.1%	468,351,139	31.3%
Retail Misc.-Hobby, Toy & Game stores	135,729,349	120,081,462	-11.5%	120,181,413	0.1%
Retail Misc.-Book stores	127,752,153	136,380,897	6.8%	137,048,501	0.5%
Retail-Misc.-Florists	42,220,102	40,779,078	-3.4%	43,238,228	6.0%
Retail-Misc.-Stationary stores	142,967,664	151,865,119	6.2%	174,512,318	14.9%
Retail-Misc.-Gift,novelty&souvenir	117,959,305	120,180,816	1.9%	128,290,387	6.7%
Retail-Misc.-Used merchandise stores	36,624,884	45,960,740	25.5%	55,549,793	20.9%
Retail-Building&garden-mobile home dealers	18,047,465	20,037,152	11.0%	24,887,104	24.2%
Retail-Miscellaneous-Misc. retail stores	605,450,394	677,234,316	11.9%	841,719,336	24.3%
Air transportation	19,751,940	38,885,832	96.9%	52,138,061	34.1%
Local & interurban transportation	7,584,265	7,658,681	1.0%	10,388,067	35.6%
Automotive rentals	416,223,630	466,167,571	12.0%	531,570,104	14.0%
Miscellaneous transportation	13,063,157	18,697,336	43.1%	21,710,034	16.1%
Producers, Orchestras,Entertainers	10,154,492	6,656,710	-34.4%	6,650,814	-0.1%
Commercial Sports	57,212,594	61,342,470	7.2%	66,518,555	8.4%
Museums,Botanical & Zoos	11,953,046	12,971,732	8.5%	14,092,979	8.6%
Ski resorts	187,658,405	185,621,149	-1.1%	259,468,203	39.8%
Misc. Amusements	255,805,214	256,988,534	0.5%	297,199,268	15.6%
Hotel and lodging	620,356,305	718,077,356	15.8%	742,098,547	3.3%
Eating and drinking	2,153,410,922	2,347,285,130	9.0%	2,601,064,857	10.8%
Total	6,203,156,380	6,706,539,086	8.1%	7,587,817,752	13.1%
1/2 Growth over 3 Percent			\$8,147,099		\$18,274,422

In addition to the sales tax diversion, the Office of Tourism has received General Fund appropriations which are declining over time. During the 2007 General Session \$5,000,000 was appropriated from the General Fund in addition to a \$6,000,000 appropriation from earmarked sales tax revenue. For FY 2009 the agency General Fund request is \$6 million and the earmarked sales tax could be \$9 million for a total potential appropriation of \$16 million. By FY 2015, tourism would receive no direct General Fund appropriation but would receive \$30 million from earmarked revenues.

Funding for the Tourism Marketing Performance Account is distributed to three areas: Marketing Coop, Advertising, and the Sports Commission.

Cooperative Marketing

The Tourism Marketing Performance Account legislation requires that 20 percent of the total funding be utilized for a Cooperative Marketing Program. The co-op program is intended to leverage funding to attract out of state visitors. In FY 2006 48 projects from 23 counties received funding. In FY 2007 51 projects from 22 counties received funding.

Advertising

Advertising accounts for approximately 70 percent of the expenditures from the Tourism Marketing Performance Account. Advertising allocations are considered in a couple of ways. First, the funding is allocated to national, international, and western states advertising focuses. Second, the funding is split between winter advertising, non-winter advertising, and special interest projects.

Sports Commission

When initially passed the Tourism Marketing Performance Account allocated 7.5 percent of the total funding up to \$750,000 to the Utah Sports Commission. The transfer occurred in FY 2006 and FY 2007. However, the statute was changed in the 2007 General Session to allow for a transfer of 10 percent of the funding with no cap in place. The change in funding started in FY 2008 leading to a transfer of \$1,100,000 to the Sports Commission.

The Sports Commission uses funding to promote sporting events in Utah. Uses of funding are reported to the Sports Commission Board which then makes the results available to the Legislature.

LEGISLATIVE ACTION

Currently \$9,000,000 in earmarked sales tax revenue has been identified for the FY 2009 budget. The Analyst recommends that the committee place funding on a priority list and identify the set aside as the source of funding. Additionally the Analyst recommends that the committee authorize the Office of Tourism to utilize the interest income that has accrued to the fund in the amount of \$668,000.