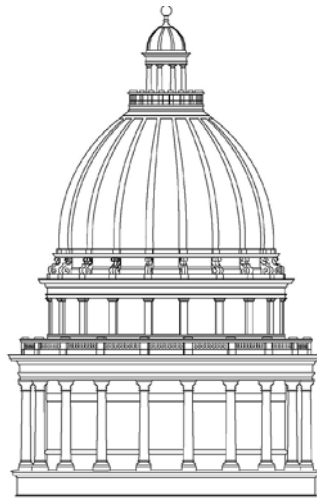


REPORT TO THE
UTAH LEGISLATURE

Number 2019-03



**A Performance Audit of Counties’
Use of Tourism Promotion Funding**

April 2019

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah



STATE OF UTAH

Office of the Legislative Auditor General

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KADE R. MINCHEY, CIA, CFE
AUDITOR GENERAL

April 17, 2019

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of Counties' Use of Tourism Promotion Funding** (Report #2019-03). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Kade minchey".

Kade R. Minchey, CIA, CFE
Auditor General

Digest of A Performance Audit of Counties' Use of Tourism Promotion Funding

We were asked to determine whether counties are using the Transient Room Tax (TRT) according to *Utah Code* requirements and to provide policy makers with information about counties' use of TRT tourism promotion funds. Statewide TRT revenues have increased 53 percent in the last five years due to increased hotel stays. Counties can charge a tax of up to 4.25 percent on hotel or other accommodation stays and are then required to spend at least 47 percent of the proceeds on promoting tourism in their county. The other 53 percent can be used for tourism projects or mitigation.

Chapter II Counties Are Mostly Compliant but Some Seek Greater Flexibility

County TRT Expenditures Meet Broad Requirements Allowed by Code. Counties are mostly using their TRT funds for expenditures allowed by *Utah Code*. Because statute broadly defines allowed TRT expenses, most reviewed expenses are allowed. Both Washington and Grand counties expended TRT funds for their airports in 2017 but because it is not an allowed use, stopped doing so.

Counties Follow State TRT Spending Proportion Requirements. The eight counties we reviewed were all spending or reserving at least 47 percent of their TRT revenues for establishing and promoting county tourism in calendar year 2017.

Counties' Request for Greater Flexibility is a Policy Question. All eight sampled counties reported a desire for the Legislature to relax the requirement that 47 percent be spent exclusively on tourism promotion to enable more spending on projects or mitigation, depending on county size. Tourism tax flexibility is a Legislative policy decision, and as such, we make no recommendation either way, but only offer applicable information to aid in the legislative decision.

Chapter III Further Restricting County Usage of Promotion Funding Is a Policy Question

Past Policy Makers Defined Tourism Broadly. It appears that former legislators intentionally defined tourism promotion quite broadly. Specifically, in 2005 the Legislature formed a task force and conducted a detailed study of tourism funding. The sponsoring representative made it clear that though the task force considered defining tourism promotion as seeking out-of-state visitors, they decided against it. This chapter offers

information but does not state an opinion on the Legislature's decision of whether to further prescribe the use of TRT promotion funds.

Tourism Policy is Unique to Each State. Tourism policy appears to be a state-specific policy decision, with each state operating differently. This confirms that the Legislature should set the policy with which it is most comfortable. Discussions with other intermountain west states revealed that, though smaller, both had policies that provided slightly more state control.

Counties Use Promotion Dollars for In-State and National Advertising. The eight sampled counties, on average, use 6 percent of their advertising dollars in-state, and 51 percent out-of-state. These numbers are broad estimates, as most counties do not track their expenditures by geographical target, nor are they currently required to do so. A significant portion of their promotional spending is done online.

Chapter IV

Changing Reporting Requirements Could Increase Accountability

Reporting Process Does Not Provide Accountability. The original legislative intent of the tourism promotion reporting requirements was to provide accountability. The original intent is not being realized, as few counties submit the required tourism revenue reports. In their current form, current reports are not fulfilling their intended purpose as accountability measures.

A Single Oversight Entity Should Be Designated. The requirement to submit to multiple report recipients could be confusing counties as there is no established oversight entity tasked with receiving reports and ensuring compliance. It is common practice in other states to submit tourism revenue reports to a state tourism body. Ideally, one state entity should be designated as the statutory oversight entity, and the Utah Office of Tourism is in the best position to receive county tourism revenue reports and provide oversight.

Reports Could Provide Accountability with Changes. Because state entities are not required to check for compliance, and the independent audit requirement has been repealed, the Legislature may want to consider changing the reports to ensure accountability and statutory compliance. Changes could include follow up by report recipients if reports are not submitted or adding elements to the reports that could make them more useful in decision making.

Changes to Oversight of Tourism Revenue Usage Could Make Reports More Useful. Reporting requirements could be changed to include: deadlines for report submission, UOT reports to the Legislature on county compliance, and additional spending metrics such as in- vs out-of-state spending.

REPORT TO THE UTAH LEGISLATURE

Report No. 2019-03

A Performance Audit of Counties' Use of Tourism Promotion Funding

April 2019

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Chapter I

Introduction

We were asked to determine whether counties are using the Transient Room Tax (TRT) according to *Utah Code* requirements and to provide policy makers with information about counties' use of TRT promotional funds. Although the counties have multiple sources of funding for tourism promotion and operation, this audit focuses on the TRT. Statewide revenues from this fund have increased 53 percent in the last five years due to increased hotel stays.

Counties Use Multiple Sources to Finance Tourism

Statutorily, counties can use multiple sources to fund their tourism operations and promotion. These funds come from various taxes and their use is specifically prescribed. One main funding source is the TRT, the use of which is restricted. Other various taxes can be used for differing purposes.

TRT Usage Is Restricted

Counties can charge a tax of up to 4.25 percent on hotel or other accommodation stays.¹ These taxes are charged by the hotels and then remitted to the Utah State Tax Commission. The Tax Commission then distributes these funds to the counties.

Collected TRT funds can be used for four purposes, as listed in Figure 1.1

Counties can charge up to 4.25 percent on hotels stays for Transient Room Taxes.

¹ *Utah Code* 59-12-301(1)(a) & 59-12-103(1)(i)

Figure 1.1 Utah Code Allows TRT Funds to Be Used for Four General Tourism-Related Purposes. These purposes will be discussed in more detail further in the report.

	Approved Use	Referred to in Report as
1	Establishing and promoting recreation, tourism, film production, and conventions	Promotion
2	Acquiring or operating convention rooms, visitor information centers, museums, or sports and recreation facilities	Acquiring and Operating
3	Acquiring or making payments for land or infrastructure improvements for use 2	Payments
4	Mitigation of tourism impacts for solid waste disposal, emergency medical services, search and rescue, law enforcement, and road repair for class B through D roads. This use is only allowed for 4 th through 6 th class counties	Mitigation

Source: *Utah Code 17-31-2(1)*

Only fourth through sixth class counties can use TRT funds for mitigation of tourism impacts.

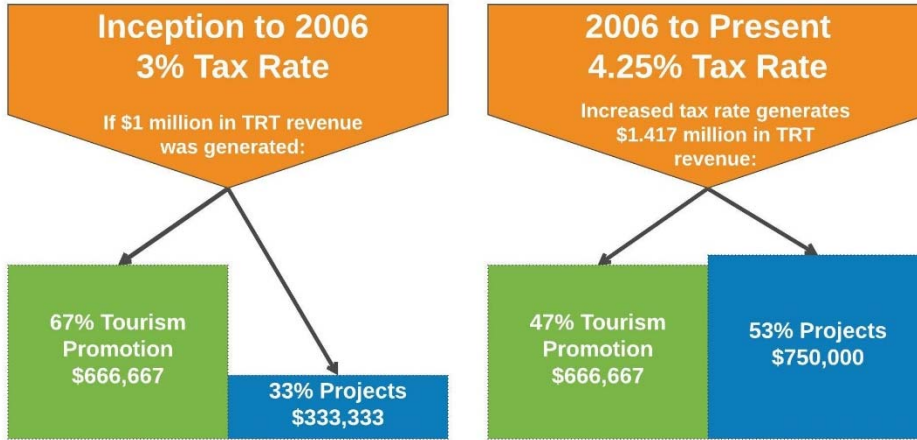
Counties must use at least 47 percent to promote tourism within their county.

Mitigation, the fourth approved use, is the only major use that is restricted by size of county, although there are some minor uses available only to first class counties. We will further simplify the four uses listed in Figure 1.1 into two categories: promotion (#1) and projects (#2-4). This grouping is based on requirements for the percentage of total TRT revenues each county must spend on a specific purpose.

Counties are required to use at least 47 percent of their total TRT revenue to promote county tourism.² The rest of the funds can be spent on projects or mitigation (for fourth through sixth class counties). If they so choose, counties could spend the entire TRT amount to promote tourism, but 47 percent is mandatory. Figure 1.2 presents a hypothetical depiction of how TRT funds would be spent both before and after 2006 rate changes. It assumes that, at a 3 percent tax rate, \$1 million dollars would be collected before 2006, then, given the same tax base, \$1.417 million would have been collected after the rate increase to 4.25 percent.

² Counties charging the full 4.25 percent TRT allowed by the state must spend at least 47 percent to promote tourism. If counties charge less than the full 4.25 percent, the percentage required to promote tourism goes up. For example, a county that charges only a 3 percent TRT rate would be required to spend 66 percent on promoting tourism. Most counties charge the full 4.25 percent, with the exception of Duchesne, Juab, Millard, Piute, Rich, Summit, and Tooele counties.

Figure 1.2 Counties Must Spend at Least 47 Percent of TRT Funds on Tourism Promotion But Can Spend the Entire Amount. Until the allowed tax rate was increased in 2006, counties had to spend 66 percent.



Source: Auditor analysis of statute timeline

Until 2006, counties were only allowed to charge up to a 3 percent TRT, 66 percent of which had to be spent to promote tourism in the county. In 2006, the Legislature approved an additional 1.25 percent tax, which was not restricted to promotion but could be used for any of the four other purposes. Thus, if a county charged the full allowed 4.25 percent, 47 percent of that total must be spent to promote county tourism.

Counties Have Other Sources of Tourism Funding

Statute allows other sources of funding to support county tourism promotion and tourism mitigation efforts. Other than the TRT, the primary source is the Tourism, Recreation, Cultural, Convention, and Airport Tax (TRCCA). These taxes are collected mainly on car rentals and restaurant sales. The proceeds can be used for many of the same purposes as the TRT, but statute also allows for use at airports, and can be pledged as securities for bonds.

Counties can use other additional taxes to support tourism. These taxes and their associated transactions are shown in Figure 1.3.

Until 2006, counties were required to spend 66 percent on tourism promotion.

Another significant source of tourism promotion funding is the TRCCA, but this is not included in the audit scope.

Figure 1.3 Utah Allows Multiple Types of Tourism Tax. Most of these taxes are funded by hotel stays or motor vehicle rentals.

Tax Type	Source of Tax
State Transient Room Tax	Hotels and other visitor accommodations
Municipality Transient Room Taxes	Hotels and other visitor accommodations
TRCCA Transient Room Tax*	Hotels and other visitor accommodations
TRCCA Short Term Leasing Population	Short-term rental of motor vehicles

Source: **Utah Code**

* This tax is available only to counties of the first class.

For further detail on the collection and allowed uses of these taxes, see Appendix A.

TRT Revenues Have Grown Significantly

From fiscal year 2013 to 2017, statewide county TRT revenue has increased 53 percent, or at least 10 percent per year. This increase varies from county to county, but overall, county revenues have increased significantly. Figure 1.4 shows the amounts and growth rates over five years, while Figure 1.5 shows the growth for the eight counties selected for review in this audit.

Statewide TRT revenue increased 53 percent from 2013 to 2017.

Figure 1.4 Five-Year TRT Revenue Exceeded \$240 Million Statewide. Revenue increased 53 percent from fiscal year 2013 to 2017.

	2013	2014	2015	2016	2017	Total
Totals (\$ Millions)	38.8	42.4	47.2	52.5	59.4	240.3
Year to Year Growth (%)	NA	10	11	11	13	53

Source: *Utah State Tax Commission*

Figure 1.5 Eight Counties Selected for Audit Review Experienced Significant TRT Growth from Fiscal Year 2013 to 2017. Growth varied by county.

County	Total Amount Collected (\$ million)	Total Percent Increase
Davis	\$ 6.7	58 %
Garfield	7.6	58
Grand	17.4	123
Salt Lake	76.8	41
Wasatch	7.5	47
Washington	27.1	78
Wayne	1.6	96
Weber	6.4	46

Source: Utah State Tax Commission

As Figures 1.4 and 1.5 show, TRT revenues available for county use have increased significantly in recent years.³ Added revenues have allowed counties to increase their TRT usage but have also contributed to questions about that use.

Audit Scope and Objectives

This audit examines the TRT use by the eight counties listed in Figure 1.5. These counties were chosen to represent the broad spectrum of counties in Utah. There is at least one of most classes of county representing various regions in the state. We also chose counties containing national parks and counties with fewer recognizable tourism draws. These counties were included to recognize the diverse needs these differences create for counties.

Much of this report is intended to be informational. The main themes of this audit raise policy questions, and as such our office seeks to inform, but not to direct, the resulting discussion.

1. Are counties compliant with statutory requirements for tourism promotion funding use? (Chapter II)
2. Would increased flexibility in allowed usage be fiscally responsible and useful to counties? (Chapter II)

³ For detailed information on all Utah counties, see Appendix B.

3. How and where are counties using the TRT funds designated specifically for tourism promotion? (Chapter III)
4. Are required tourism fund reports being submitted and used as intended? (Chapter IV)

Chapter II

Counties Are Mostly Compliant but Some Seek Greater Flexibility

All eight counties sampled in this audit are now in compliance with Transient Room Tax (TRT) spending requirements. The money used for both promotion and projects in these counties follows statutory guidelines, although two counties were questionably using or reporting some funds but have since fixed the problem. The counties are also spending or reserving at least 47 percent of their TRT funds for promotion as required by law. Although they are currently complying with *Utah Code*, counties reported a desire for more flexibility in how the law allows them to use TRT funds, which, along with whether to define tourism promotion more tightly,⁴ are policy questions for the Legislature to decide.

County TRT Expenditures Meet Broad Requirements Allowed by Code

Counties are mostly using their TRT funds for expenditures allowed by *Utah Code*. Statute broadly defines allowed TRT expenses, as discussed in Figure 1.1 in Chapter I. Because of the wide-ranging nature of these categories, most reviewed expenses are allowed. With a few exceptions, counties are meeting these broad guidelines. The majority of the eight counties in our sample allocate all required promotion dollars to their tourism departments or a similar contracted service. Some counties, like Washington, had special event promotion projects that did not go through the tourism department, but still counted toward the promotion total.

TRT spending is divided into two categories.⁵ At least 47 percent must be spent to promote tourism, while the other 53 percent can be used for tourism projects. This 53 percent is being used to finance a

⁴ The policy question of defining tourism promotion will be discussed in Chapter III.

⁵ More detail about these categories, as well as how they are derived, can be found in Chapter I.

Counties are conforming to the fairly broad TRT spending requirements.

broad range of projects. Figure 2.1 shows some major expenditures in this category for each of the sampled counties.

Figure 2.1 Counties Used TRT Project Money for Various Allowed Uses. Much of the difference depends on the class size of the county.

County	Class	Major Expense
Davis	2	Convention Center Bond Repayment
Garfield	5	Mitigation*
Grand	5	Mitigation
Salt Lake	1	Convention Center Bond Debt Service
Wasatch	4	Constructing Sports and Recreation Facility
Washington	2	Constructing Sports and Recreation Facility
Wayne	6	Mitigation
Weber	2	Events Center Operation and Maintenance

Source: Auditor Analysis of County Data
** Mitigation of tourism impacts is only allowed to class 4 through 6 counties, and includes solid waste disposal, emergency medical services, search and rescue, and law enforcement.*

Smaller counties primarily spend non-promotional TRT to mitigate the effects of tourism.

While the expenses listed in Figure 2.1 are not exhaustive, they represent the largest project expense in each county. Most of the uses, including those not listed above, comply with statute. Washington and Grand County both had 2017 expenditures that required further review, as discussed in the next section.

Washington and Grand counties spent TRT money on their airports, which is not allowed. They have resolved the issue.

2017 TRT Airport Spending Was Questionable but Was Resolved. Both Washington and Grand counties reported expending TRT funds for their airports in 2017 but stopped doing so in 2019 and 2018 respectively. TRT statute does not list airports as an allowed use, although the Tourism, Recreation, Cultural, Convention, and Airport Facilities Tax (TRCCA) does allow it.

Washington County reported spending TRT funds on its airport bond but is no longer doing so after the mistake was discovered during the audit. The county has adjusted its accounting to ensure that TRT money goes to funding its convention center.⁶ Grand County

⁶ Before the audit, Washington County contributed \$700,000 to both its convention center bond payment account and to the TRCCA account to pay for the airport bond. In turn, the county transferred over \$700,000 from the TRCCA account for the convention center and \$700,000 for the airport. To fix the problem of TRT funds paying for the airport, Washington will now transfer \$1.4 million from the TRT account to the convention center bond, and the money that was formerly transferred from TRCCA to the convention center will now be used for the

used TRT funds in at least 2016 and 2017 to contribute to the fund for improving runways and remodeling the terminal. No money was spent for this purpose in 2018, and none is budgeted to be used in 2019. The Grand County Clerk/Auditor reports that they are now using TRCCA money for this purpose, which is an allowed use. Thus, both Washington and Grand counties have resolved the issue.

Counties Follow State TRT Spending Proportion Requirements

The eight counties we reviewed were all spending or reserving at least 47 percent of their TRT revenues for establishing and promoting county tourism in calendar year 2017.⁷ Figure 2.2 shows the percent of their TRT revenues counties have been using to promote tourism.

Reviewed counties all spent at least 47 percent of TRT funds on promotion.

Figure 2.2 The Eight Reviewed Counties Used or Reserved at Least 47 Percent of Their TRT Revenues to Promote Tourism in 2017. Counties must use at least 47 percent on tourism promotion but could use up to 100 percent if they so choose. Uses of project funding are shown in Figure 2.1.

County	Promotion Funding (%)	Project Funding (%)
Davis	49 %	51 %
Garfield	47	53
Grand	49	51
Salt Lake	47	53
Wasatch	50	50
Washington*	47	53
Wayne**	62	38
Weber	61	39

Source: Auditor Analysis of County Data

** In 2017, Washington County did not spend all of its TRT funds and has significant reserves. Most of the amount in reserve is now earmarked for promotion because the county had only spent 36 percent on promotion and most of the projects amount.*

*** In 2018, Wayne County independently realized it did not have to spend as much on tourism, and the promotion amount was reduced to 47 percent.*

All counties we reviewed spend or reserve at least the required amount on tourism promotion. Although most counties spend the entire

airport bond. This change will maintain the amounts paid on the bonds but will ensure that Washington is using TRT funds appropriately.

⁷ Counties all track their finances on a calendar year basis, while the state generally operates on a fiscal year. Any discrepancies in county totals between Chapter I and the other report chapters are because of this difference. In the case of counties with questionable purchases, 2018 and 2019 were also considered.

In 2017 Washington County had about \$10 million in TRT reserves which has since been appropriately delineated into allowed purposes.

amount each year, Washington County has not done so and has significant TRT reserves.

As of December 2017, Washington County had \$10.6 million in its TRT fund account. Until this audit, staff did not realize that statute required that they continue delineating reserve funds by promotion vs. projects.⁸ After we expressed concern, the County Clerk/Auditor's office analyzed and split the reserves for the last five years to comply with statute. We reviewed their analysis and found that Washington County now complies with the carry-forward provision of the statute.

There may have been some confusion in the counties as to how much was required to be spent on promotion. For example, until June 2018, Wayne County was spending 62 percent on promotion. They realized they could use a greater proportion for mitigation and reallocated funds accordingly.

Counties' Request for Greater Flexibility Is a Policy Question

All eight sampled counties reported a desire for greater flexibility in allowed TRT spending, presenting a policy question for the Legislature. Counties reported that they would like the Legislature to relax the requirement that 47 percent be spent exclusively on tourism promotion to enable more spending on projects or mitigation, depending on county size. The counties with national parks in their borders were especially vocal about the need for flexibility to address the wear and tear on infrastructure by national park tourists. Counties also proposed that, if the Legislature were to decide to support this decision, Tourism Tax Advisory Boards (TTAB) could be a check on potential abuse of funds. Some intermountain west states are more restrictive than Utah in the use of their own hotel tax.

Tourism tax flexibility is a Legislative policy decision, and as such, we make no recommendation either way, but only offer applicable information to aid in the legislative decision.

Allowing additional flexibility in county tourism spending is a policy decision.

⁸ *Utah Code* 17-31-3

National Park Gateway Counties Report a Need for Less Required Promotion Spending

Staff at all the counties we surveyed reported that additional flexibility in how much money was required to be spent on promotion would be helpful for their county. This was especially true of counties containing national parks, specifically Washington, Garfield, Wayne, and Grand counties. These counties desired to divert promotion funding to mitigation of the effects of tourism in their county.

Some National Park Counties Report That They Have More Tourists Than Their Infrastructure Can Easily Support. Grand County staff, for example, report that they are considering raising local property taxes to address tourist impacts. The county clerk/auditor estimated that there are about 10,400 permanent residents of Grand County and 3 million annual visitors. If these 3 million visitors stayed an average of 3 days each, there would be equivalent to about 24,600 visitors on top of the existing 10,400 permanent residents. This equates to 2.4 tourists in Grand County for every permanent resident. The use of some county services is heavily weighted towards those visitors, like search and rescue and the police. He is reluctant to continue spending increasing amounts of money to bring more people to the county when they do not have the capacity to handle more people.

Wayne and Garfield counties' staff expressed similar concerns, indicating that it would be helpful to be able to increase the amount spent on mitigating the impact of tourism. As a county of the second class, Washington cannot use TRT funds for mitigation, but would like to be able to do so as a national park county. For example, staff discussed the need to build a road to a bike park they believe would increase tourism, but roads are not listed as an allowed purpose for counties of the second class.

Other counties without national parks also told us that increased flexibility in spending is important to them. A Davis County commissioner said flexibility would help them spend tourism money wisely where needed and not just on promotion because of state requirements. While counties, looking within their boundaries, may not see as large a need for tourism promotion on a micro level, the Legislature looks at this issue on the state level. A state directive to promote tourism is a policy decision, and criteria from some other states appears to lean toward tighter restrictions.

Grand County expressed reluctance to spend increasing promotion money when they do not have the capacity to support more visitors.

2019's H.B. 266 increased the flexibility of TRT use in resort communities.

The Legislature Passed a Bill in the 2019 Legislative General Session Allowing Larger Counties Some Potential Mitigation Flexibility. House Bill 266, Resort Communities TRT Amendments, allows counties to use up to 4 percent of their total TRT revenue to pay for emergency medical services in resort communities within their borders. This change applies to all counties, not just 4th through 6th class, although it can only be used for resort communities. Statute defines resort communities as a town in a county with a "...national park within or partially within the county's boundaries..." with transient room capacity of at least 66 percent of the permanent population. While this change applies to a narrow segment of counties, it is a sign of increased flexibility and is consistent with testimony we received from the eight sampled counties.

Tourism Tax Advisory Boards Advise on County TRT Usage

TTABs are tasked with advising "...the county legislative body on the best use of revenues..." collected by the TRT.⁹ The counties report that these boards are influential and active. Our review of 2017 minutes showed that the boards met at least once a year, with Wasatch County's board meeting 11 times. On average, these boards meet almost every other month.

Statute requires that TTABs be comprised of stakeholders with interest in how tourism money is spent, including employees of tourism related industries.¹⁰ These members have a vested interest in ensuring the appropriate balance exists between promotion and mitigation or other projects.

Other States Appear to Be More Restrictive

Other intermountain west states appear to be at least slightly more restrictive in their tourism spending requirements. We contacted seven states and were able to get information from three, although two of them are smaller than Utah and may not provide an exact comparison. The results of our research follow.

Other states require at least submission of annual promotion plans for approval.

⁹ *Utah Code* 17-31-8(4)

¹⁰ *Utah Code* 17-31-8(3)

- Colorado – Colorado’s tax rate of 2 percent is less than half that allowed in Utah. In Colorado, as in Utah, all the proceeds are returned to the county in which they were raised. Unlike Utah, all collected funds must be spent to promote tourism, with all capital projects except tourist information centers forbidden.
- Idaho – Half of the proceeds from Idaho’s 2 percent tax rate go to their state office of tourism, and all of them must be used for promotion. Idaho requires its seven tourism regions¹¹ to submit annual plans to the Idaho Travel Council for approval.
- Montana – Specific uses are unrestricted, but the state’s tourism regions are required to submit annual marketing plans and budgets to the state for approval. Their tax rate is 7 percent, of which 3 percent goes to the state’s general fund. The majority of the remaining funds are used by the state’s office of tourism.

As this information shows, while there is great variety in how surrounding states collect, distribute, and use tourism promotion funds, these three states appear to be at least a little more restrictive. These restrictions include submitting annual use plans and restricting use only to promotion.

We would again like to reiterate that changing the restrictions of tourism promotion funding is a policy decision to be made by the Legislature. We have provided information which we hope will give necessary background.

Recommendation

1. We recommend that the Legislature consider whether they would like to increase county use Transient Room Tax flexibility in promotion vs project spending.

¹¹ Instead of separating by county, both Idaho and Montana have separated their states into regions that combine different counties. The funding does not return to its originating area but is apportioned out by the state.



Chapter III

Further Restricting County Usage of Promotion Funding Is a Policy Question

Past legislators chose to broadly define the use of Transient Room Tax (TRT) tourism promotion dollars in Utah as bringing people from out of the county into the county. This definition remains the general definition of tourism promotion in *Utah Code* today, with no mention of specifically targeting out-of-state visitors. Our review of other states showed that tourism promotion was operated in various ways, offering no consensus on a definition. Utah counties generally have more leeway than some tourism regions in other states. However, Utah counties use more funds to advertise outside of Utah than in-state. They use a wide variety of methods for this advertisement.

As with the policy question presented in Chapter II, this chapter seeks to inform the Legislature in a consideration of whether to further prescribe the use of TRT promotion funds. We will offer information, but not an opinion on the direction the Legislature should take.

Past Policy Makers Defined Tourism Broadly

It appears that former legislators intentionally defined tourism promotion quite broadly. Specifically, in 2005, the Legislature formed a task force and conducted a detailed study of tourism funding. In his presentation to the House Business and Labor Committee during the 2006 Legislative General Session, the sponsoring representative made it clear that though the task force had considered defining tourism promotion as seeking out-of-state visitors, they decided against it. He said

Basically, tourism promotion is something that brings people into the county from without the county. We looked at maybe defining it as the state of Utah, but truly, maybe perhaps St. George tourism promotion is bringing us down there. So, we didn't want to define [tourism promotion] as simply as out-of-state tourists.

A 2005 task force decided against defining tourism promotion as specifically targeting out-of-state visitors.

Tourism promotion is currently defined as an activity to attract guests to a given county.

Counties with national parks within their borders may require different promotion targets than those without national parks.

The task force decided against defining tourism promotion as visitors from out of the state, and instead as something that brings people from out of the county into the county.

The Legislature has not acted to change the definition of tourism since 2006. *Utah Code* defines tourism promotion as “...an activity to develop, encourage, solicit, or market tourism that attracts transient guests to the county, including planning, product development, and advertising.”¹² Currently no specific mention is made in statute of counties’ attracting visitors from outside the state, but the Legislature could decide to change this 13-year-old definition. In contrast, the Utah Office of Tourism’s (UOT) charge is specifically to promote Utah to those who live outside the state. *Utah Code* requires UOT to develop and implement an approved out-of-state tourism advertising, marketing, and branding program.¹³

The main difference between counties’ TRT fund amounts available for tourism promotion is the type of attraction in a county. For example, in the last five years, Grand County’s TRT collected \$17.37 million, while Davis County collected \$6.7 million. This difference occurred despite Grand being a fifth-class county and Davis being a second-class county. The obvious difference is that Arches and Canyonlands National parks are within Grand County’s boundaries. Arches National Park is more likely to attract out-of-state visitors and is therefore easier to promote outside the state. These differences are an example of the difference in promotion among counties that led the 2005 task force to broadly define tourism promotion.

Tourism Policy Is Unique to Each State

Tourism policy appears to be a state-specific policy decision, with each state operating differently. This confirms that the Legislature should set the policy with which it is most comfortable. We contacted seven intermountain west states and were able to get information from two. Discussions with these states revealed that there are few similarities in how they require tourism promotion funding to be spent. Still, both states had slightly more restrictive policies than

¹² *Utah Code* 17-31-5.5(2)(b)(i)

¹³ *Utah Code* 63N-7-201(1)(b)&(c)

Utah's, requiring more state control. Those state-specific practices are discussed below.

- Idaho – Idaho requires all bed tax spending to be used to promote tourism outside the state. Idaho has chosen to allow less local control than Utah currently offers.
- Montana – Montana allows spending of promotion funds for both in- and out-of-state visitors. The tourism regions are required to submit annual marketing plans that specify their geographic targets. This is a slightly higher level of state oversight than exists in Utah, where counties can set their own marketing plans.

Officials in other states gave a range of reasons for their restrictions. Montana officials, for example, specified that they had intentionally chosen not to require only out-of-state marketing. They decided they wanted citizens of Montana to spend their vacation dollars in Montana instead of going elsewhere, so they advertise to state citizens as well as out-of-state visitors.

Counties Use Promotion Dollars For In-State and National Advertising

The eight sampled counties, on average, use 6 percent of their advertising dollars in-state, and 51 percent out-of-state. These numbers are broad estimates, as most counties do not track their expenditures by geographical target, nor are they currently required to do so.^{14, 15} Also, these targets are not always clear. For example, online advertisement targets national audiences, but also targets audiences in Utah; we included online advertisement in the out-of-state category.¹⁶ Figure 3.1 delineates 2017 county promotion spending by geographical target.

¹⁴ To determine these estimates, we separated counties' expenses into obvious categories, and asked counties to verify whether these expenses were spent for in- or out-of-state promotion. These numbers are strictly estimates.

¹⁵ Chapter IV discusses the option for the Legislature to require counties to begin gathering and reporting this information.

¹⁶ Online advertising will be detailed in the next section.

While Idaho requires tourism promotion to be aimed out-of-state, Montana allows both in- and out-of-state promotion.

The eight sampled counties all spend more money advertising outside of Utah than in.

Figure 3.1 In 2017 the Eight Sampled Counties Spent More Money Advertising Out-of-State Than in Utah. Staffing and operations includes counties' tourism staff costs, buildings, visitor center costs, and some travel. The percentages in this figure are estimates based on the best data we could gather.

County	Total Promotional Spending*	In-State	Out-of-State	Staffing and Operations
Davis	\$1,076,000	29 %	38 %	33 %
Garfield	1,269,200	13	66	21
Grand	2,801,200	15	72	13
Salt Lake	10,031,900	0**	40	60
Wasatch	692,000	10	30	60
Washington	3,392,200	7	70	23
Wayne	321,000	10	51	39
Weber	880,000	3	39	58

Source: Auditor Analysis of County Data

* The numbers in Figure 3.1 do not match those listed in Figure 2.2 because this figure shows only the promotion total and does not include any project spending.

** Salt Lake County reports that, because they try to advertise only to larger markets, their promotion dollars are all targeted outside the state.

On average, the eight sampled counties spent eight times more on promoting tourism outside Utah than in. The staffing and operations category in Figure 3.1 includes items that cannot be clearly split between in- and out-of-state spending. This category includes tourism office staff salaries, visitor center building expenses, and other general expenses. While this spending can be attributed to promoting tourism, it cannot be categorized geographically.

As discussed earlier in this chapter, the differences between counties can be clearly seen in Figure 3.1. While all counties spent more out of state, the counties that contain national parks spent an even greater percentage on out-of-state marketing than the other counties.

We would note that all counties, except for Salt Lake County, reported having spent some funds in the state to promote tourism. In fact, Washington County staff specifically noted that, because most of their convention center business comes from northern Utah, it would be hard for them to stop all in-state advertising.

Significant Portion of Promotional Spending Is Online

Counties' most significant identifiable spending category for promotional expenses is online advertising, which other states verify is also their practice. Figure 3.2 shows the approximate percentage of the in- and out-of-state marketing categories in Figure 3.1 that was spent online. These proportions exclude staffing and operations spending.¹⁷

Figure 3.2 A Significant Portion of Most Counties' Promotion Expenses in 2017 Were for Online Advertising. The online expenses shown in this figure are included in out-of-state advertising in Figure 3.1.

County	Online Spending
Davis	19 %
Garfield	9
Grand	28
Salt Lake	13
Wasatch	4
Washington	11
Wayne	54
Weber	45

Source: Auditor Analysis of County Data

On average, counties spend 17 percent of their promotion dollars on online advertising.

Online advertisements appear in various sites. Although some county data did not specify which sites were used, they included:

- Facebook
- Utah.com
- Various newspapers

These websites both advertise on their own site and can place banner ads on other websites. Other states verify that most of the advertising they are doing is online.

This chapter seeks to inform a policy decision on how to define tourism promotion most effectively. We believe the spending

¹⁷ Like the information in Figure 3.1, these numbers are estimates as counties do not separately track online spending.

Online advertisement comes in many forms on many sites, including social media, like Facebook.

Other states report doing most of their advertising online.

information presented in this chapter can help legislators make an informed decision.

Recommendation

1. We recommend that the Legislature consider the policy question of whether to further detail the definition of county tourism promotion to add spending requirements on in-state vs. out-of-state promotion.

Chapter IV

Changing Report Requirements Could Increase Accountability

The requirement in *Utah Code* for counties to report tourism revenue use is not currently providing intended accountability. Very few counties have submitted the reports. Currently, statute requires the reports to be sent to three recipients. We believe accountability and compliance could increase if the Utah Office of Tourism (UOT) were the principal agency responsible for oversight. Furthermore, additional report changes could increase accountability and yield more useful information.

Reporting Process Does Not Provide Accountability

The original legislative intent of the tourism promotion reporting requirements was to provide accountability. This intent has not been realized, as few counties submitted the required tourism revenue reports. In their current form, reports have not fulfilled their intended purpose as accountability measures.

Accountability Was Intent of Original Reporting Requirement

Deliberations of the 2005 taskforce mentioned in Chapter III led to the requirement that counties provide annual reports to state-level entities on their use of tourism funds. This requirement was created because the Legislature decided to broadly define tourism promotion and require annual reports to account for how the counties decided to use that flexibility.

Leadership involved with the taskforce questioned "...how much [they should] get involved in micromanaging the counties...[and] the determination of the committee was that perhaps [they] shouldn't, but that perhaps [they] should get a report back." Legislators determined in 2006 that "if [they] enable a tax...[they] surely have a responsibility to make sure and understand how that tax is being spent."

Reports are not providing accountability as originally intended.

The requirement to provide annual reports to state-level entities was created because the Legislature decided to broadly define tourism promotion but still wanted counties to be accountable.

The 1996 reporting requirement to engage an independent auditor was repealed in 2016, allowing counties to self-report.

Even prior to this taskforce, the original 1996 tourism revenue reporting requirement functioned as an accountability measure on the local level. *Utah Code* stated:

The legislative body of each county...shall annually engage an independent auditor to perform an audit to verify that transient room tax funds are used only as authorized...and to report the findings of the audit to the county legislative body.¹⁸

This requirement was intended to ensure that transient room tax funds were being used only as authorized. Lawmakers passed legislation in 2006 that retained the requirement for an independent audit but added state entities to the list of report recipients. 2016 legislation repealed the independent audit reporting requirement and allowed counties to self-report; this softened reporting requirements. Multiple county officials expressed surprise that the tourism reports were not being submitted, because they assumed their auditors were doing it.

Few Counties Submit Tourism Revenue Reports

In 2016, 16 of the 29 Utah counties submitted reports to the Governor's Office of Economic Development (GOED) through the Utah Office of Tourism (UOT).¹⁹ By the inception of the audit in July 2018, UOT had received 2017 reports from just 3 of the 29 counties.

*Utah Code*²⁰ currently requires county legislative bodies to submit an expenditure report by categories to the following entities:

- GOED
- County's tourism tax advisory board
- LFA

Except for Salt Lake and Wayne counties, the remaining six counties we reviewed had prepared the 2017 report according to statute, but

In 2016, 16 of the 29 counties submitted required reports. By July 2018, only 3 counties had submitted required reports.

***Utah Code* requires county legislative bodies to submit tourism revenue usage reports to the Utah Office of Tourism and the Office of the Legislative Fiscal Analyst.**

¹⁸ *Utah Code* 1996 17-31-5.5

¹⁹ GOED has designated the Utah Office of Tourism (UOT) to receive these reports.

²⁰ *Utah Code* 17-31-5.5

none had submitted them by July 2018.²¹ Figure 4.1 lists the counties we reviewed and explains whether they submitted the required report.

Figure 4.1 Sample Counties’ Compliance with Reporting Requirements Varied. Compliance rates were higher in 2016 than 2017. These numbers reflect tourism revenue reports received before the audit’s inception in July 2018.

County	2016	2017
Davis	Yes	No*
Garfield	No	No
Grand	Yes	No
Salt Lake	No	No
Wasatch	Yes	No
Washington	Yes	No*
Wayne	Yes	No
Weber	Yes	No*
Count	6/8	0/8

Source: Utah Office of Tourism

* These counties submitted 2017 tourism reports after July 2018.

Figure 4.1 shows the eight counties we sampled during the audit; the three counties that submitted reports to UOT before July 2018 were not among the sampled counties. Since the inception of the audit in July 2018, UOT reports that eight more counties have retroactively submitted their 2017 tourism revenue expenditure reports.

Current Reports Are Not Fulfilling Intended Accountability Purpose

As mentioned, the tourism revenue reporting requirements were initially intended as an accountability measure. However, current county reporting requirements are not providing the intended oversight and accountability functions, not least because they are not being submitted.

Current statute requires that tourism revenue reports show how counties have spent funds for allowed purposes. Figure 4.2 explains what is required by the statute.

County reporting requirements are not providing the intended oversight functions; not least because they are not being submitted.

²¹ The scope of our audit focused on submission to GOED and LFA, the state-level entities; we did not attempt to determine whether the counties had submitted the tourism revenue expenditure reports to their own county’s tourism tax advisory board.

Figure 4.2 Tourism Revenue Expenditure Report Categories Mirror Requirements Detailed in Chapter II. This figure shows the report categories and expenditures added in the 2006 Legislative General Session that must be included in the counties' annual report submission.

Tourism Tax	Required Expenditure Categories
Transient Room Tax (TRT)	Establishing and promoting tourism
	Acquiring or operating convention meeting rooms, visitor information centers, museums, related facilities
	Acquiring or leasing land related to these tourism purposes
	Tourism mitigation costs (4th-6th class counties only)
Tourism, Recreation, Cultural, Convention and Airport Tax (TRCCA)	Payments for bonds issued to cover tourism-related purposes
	Financing tourism promotion
	Development and operation of airport, convention, cultural, recreation, or tourist facilities
	Pledges for repayment of bonds for the airport, convention, cultural, recreation, and tourist facilities

Source: *Utah Code 17-31-5.5*

By including these categories, it appears that the Legislature originally intended to help ensure that counties use TRT and TRCCA funds as required.²²

Compliance Issues Went Unnoticed by Report Recipients. As discussed in Chapter II, compliance with usage requirements was lacking in some instances. For example, Washington County was using and annually reporting the use of TRT funds for its airport bond—a disallowed use—and no one corrected the practice. In this case, reporting did not fulfill the accountability intent because the issue went unnoticed and uncorrected. Restoring compliance checks could help ensure that these infractions do not occur or continue. We therefore recommend that counties comply with statutes and begin consistently submitting these reports.

Reporting has not fulfilled accountability intent. For example, some instances of disallowed usage by counties went unnoticed and uncorrected.

²² These approved uses are discussed in Chapters II and III of this report.

Single Oversight Entity Should Be Designated

The requirement to submit reports to multiple recipients could be confusing counties because there is no established oversight entity tasked with receiving reports and ensuring compliance. It is common practice in other states to submit tourism revenue reports to a state tourism body. Ideally, one state entity should be designated as the statutory oversight entity, and UOT is in the best position to receive county tourism revenue reports and provide education and oversight.

Counties Appear Confused About Designated Reporting Entities

Several of the eight sampled counties reported submitting tourism revenue expenditure reports to the Office of the State Auditor (OSA). OSA said that the tourism revenue reports could potentially be arriving with the Comprehensive Annual Financial Reports (CAFRs), but they have not reviewed any tourism funding report that may have been included.

After a review of CAFRs submitted by the eight reviewed counties, we found that three of the eight counties had submitted tourism expenditure reports with the CAFRs for both 2016 and 2017. Designating UOT as the principal oversight entity could reduce this confusion.

Other States Require Reporting To State Tourism Body

At least two surrounding states, Montana and Idaho, require their tourism regions to submit annual marketing plans for approval to either the state office of tourism or a tourism marketing board appointed by the governor.²³ These reports not only contain the plan for the upcoming year, but also achievements and activities for the previous year. Going further, Montana requires its tourism regions to submit quarterly financial reports and submit to a yearly invoice audit by the state office of tourism.

While additional scrutiny is a legislative policy decision, we believe that designating UOT as the primary oversight agency will contribute

²³ These reports are briefly discussed in Chapter II.

3 of the 8 sampled counties had submitted their reports to the Office of the State Auditor with the annual CAFRs.

Other states require their tourism regions to submit annual marketing plans for approval to state-level entities.

We believe that designating UOT as the principal oversight entity will improve oversight.

to increased compliance with the reporting requirement. This step would contribute to the goal of county accountability.

UOT in Best Position To Provide Oversight

The legislation that was passed as a result of the 2005 tourism taskforce required counties to submit reports to UOT and LFA to provide accountability, but the statute contained no enforcement language. We believe that designating UOT as the principal oversight entity and requiring counties to submit tourism revenue reports to UOT will improve oversight. Counties reported having sent their reports to OSA but indicated that there was some confusion as to the official oversight entity. Surrounding states require extensive reporting to their state tourism offices. We recommend that UOT be designated as the principle oversight entity and the primary recipient of county tourism revenue use reports.

While designating one state entity as the principle oversight entity can contribute to improving accountability, this step will likely not be enough to assure county compliance with revenue usage requirements. Other changes that could be made to the compliance report will be addressed in the following sections of the chapter.

Reports Could Provide Accountability with Changes

Because state entities are not required to check for compliance and the independent audit requirement has been repealed, the Legislature may want to consider changing the reports to ensure accountability and statutory compliance. Changes could include follow up by designated recipients if reports are not submitted or adding elements to the reports that could make them more useful in decision making.

No Follow Up Required of Report Recipients

Utah Code does not require any follow up from designated recipients, nor does it have any enforcement mechanism. The statutory responsibility for submitting tourism revenue expenditure reports is assigned to the counties.

Changes such as requiring UOT to follow up with counties regarding report submission could further assure accountability and statutory compliance.

Because 2016 legislation²⁴ brought increased attention to the issue, in 2017, UOT began looking into the lack of county compliance with reporting requirements.

First, UOT contacted LFA, which reported that their personnel had not received reports from counties and reported no attempts to follow up with counties. Second, UOT created a report template to make it easier for counties to comply. And third, UOT sent these templates to the clerk/auditors in each of the 29 counties. Despite having received some reports in response, UOT management mentioned that counties have not always been responsive to their requests.

Even though report submission to UOT and LFA has been required since 2006, neither entity has any record of receiving tourism revenue expenditure reports from 2006 to 2016. Even if they were receiving reports, UOT and LFA have not been tasked with ensuring compliance, only with receiving reports. Because of their statutory roles, these entities do not check for compliance or enforce accountability. When making this potential oversight change, the Legislature can choose from a spectrum of options as to how involved they would like to be. Options range from only designating UOT as the primary recipient, to reviewing provided information for compliance, to following up if reports are not submitted, to possible consequences of noncompliance. We recognize this could have an impact on UOT's resources.

We recommend the Legislature consider designating UOT as the primary oversight entity for county tourism revenue usage. UOT should be officially responsible for these reports, though other entities could receive tourism revenue reports for informational purposes.

We recommend the Legislature consider designating UOT as the official oversight entity for county tourism revenue usage.

²⁴ Senate Bill 164: Local Government Modifications

UOT supports a reporting requirement as an accountability measure to better assure that tourism revenue is used appropriately.

State Entities Do Not Use Reports to Make Decisions

Discussions with UOT management revealed that their personnel did not use the tourism revenue expenditure reports in decisions where tourism spending information could have been relevant, such as with county applications for cooperative marketing program grants. Legislative intent—expressed in committee meetings—does not support the idea that reporting requirements were implemented to assist in state tourism promotion planning. However, UOT does support a reporting requirement as an accountability measure because functioning oversight measures will more likely assure that funds are used according to statute.

LFA reports not having used these reports for any purpose. LFA does not participate in state tourism promoting and is not required to follow up with counties regarding report submission, and thus, has only recently worked with UOT to obtain reports from 2016 through 2017. Because state entities have not checked for compliance and the independent audit requirement has been repealed, the Legislature may want to consider additional reporting requirements to ensure that a compliance check exists.

Changes to Oversight of Tourism Revenue Usage Could Make Reports More Useful

In addition to making accountability changes to the reporting process listed previously, changes to report content could increase their usefulness to the state and counties. Reporting requirements could be changed to include the following:

- Deadline for report submission
- UOT report to the Legislature on county compliance
- Additional spending metrics such as in-state versus out-of-state spending

Some county clerk/auditors and other finance personnel told us that a required deadline would help them remember to submit reports. Because the statute regarding reporting compliance does not include deadlines or other enforcement mechanisms, county compliance has not occurred until recent efforts by UOT. Even these efforts have fallen short of assuring majority compliance.

Changes to the content of the report, such as deadlines and added metrics, could make them more useful to the state and counties.

UOT officials also indicated that they could report to the Legislature regularly about county compliance. Additionally, management from both UOT and the Utah Tourism Industry Association suggested that local public meetings regarding tourism revenue usage may further assure compliance with statutory spending allowances.

While accountability checks underpin current reporting requirements, additional information could prove useful in planning and decision-making for state tourism promotion. For example, if the Legislature is interested in these reports providing information on in-state versus out-of-state tourism promotion spending (as discussed in Chapter III), additional metrics could be mandated. If implemented, these additional metrics could help inform the policy decisions discussed in Chapters II and III.

Recommendations

1. We recommend that counties comply with TRT and TRCCA statute (*Utah Code* 17-31-5.5) and begin consistently submitting tourism revenue usage reports.
2. We recommend that the Legislature consider designating the Utah Office of Tourism as the primary oversight entity and the principal recipient of county tourism revenue usage reports.
3. We recommend that the Legislature consider modifying statute to require the Utah Office of Tourism to follow up, educate, and enforce compliance with submission of county tourism reports.
4. We recommend that the Legislature consider adding and clarifying additional report oversight to bolster revenue usage compliance.
5. We recommend that the Legislature consider adding reporting metrics that clearly disclose specific types of tourism promotion spending, such as in-state and out-of-state promotion efforts.

Appendices

Appendix A Counties Have Multiple Sources of Tourism Funding

State statute allows sources of funding other than the county Transient Room Tax (TRT)²⁵ to support county tourism promotion and tourism mitigation efforts. The main source of county tourism revenue—aside from the TRT—is the Tourism, Recreation, Cultural, Convention, and Airport Tax (TRCCA). These taxes are collected primarily on car rentals and restaurant sales.

The proceeds from the TRCCA tax can be used for some of the same purposes as the TRT; specifically, TRCCA funds are restricted to the following purposes:

- Financing tourism promotion
- Development and operation of airport, convention, cultural, recreation, or tourist facilities
- Pledges for repayment of bonds for the airport, convention, cultural, recreation, and tourist facilities

In addition to collecting on car rentals and restaurant sales, TRCCA taxes include:

- TRCCA Transient Room Tax
 - This tax can only be assessed by a county of the first class (Salt Lake County is the only first-class county in Utah).
 - A first-class county may assess a tax of up to 0.5 percent on transactions related to tourist accommodations and similar services.²⁶
 - A first-class county must expend at least \$450,000 each year from the revenue generated by this tax to fund a marketing and ticketing system. After which, the remaining funds are subject to the same usage restrictions as the other taxes included in the TRCCA Tax Act.
 - The marketing and ticketing system is designed to:
 - Promote tourism in ski areas within the county to out-of-state markets
 - Combine the sale of ski-lift tickets with tourist accommodations like hotels, motels, etc.

²⁵ The county Transient Room Tax (TRT) is discussed in the bulk of the audit.

²⁶ *Utah Code 59-12-103(1)(i)*

- TRCCA Short Term Leasing Population (Car Rental)
 - In addition to the 3 percent vehicle rental tax, an additional 4 percent tax is imposed on short-term rentals of motor vehicles.
 - The revenues collected from the vehicle rental taxes are subject to the same usage restrictions as the other taxes included in the TRCCA Tax Act.

The other tourism taxes available for use are not controlled by counties, and include:

- State Transient Room Tax
 - The state TRT (not to be confused with the county TRT) was enacted in 2017 and assesses a 0.32 percent tax on the same transactions as the county transient room tax, but the revenues are deposited in state accounts and are not remitted to the counties. State TRT assesses a tax on amounts charged for tourist home, hotel, motel, or trailer court accommodations and services.
 - The tax commission collects the state TRT and deposits 6 percent—not exceeding \$300,000—of the revenue collected into the Hospitality and Tourism Management Education Account created to fund the Hospitality and Tourism Management Career and Technical Education Pilot Program. The rest of the revenue generated by the state TRT is deposited into the Outdoor Recreation Infrastructure Account to fund the Outdoor Recreational Infrastructure Grant Program.
- Municipality Transient Room Tax
 - Municipalities may assess a tax of not to exceed 1 percent on transactions related to tourist accommodations and similar services. The collecting municipality can use the revenue generated from the municipal TRT for general fund purposes.
 - In addition to the 1 percent municipal tax, an additional 0.5 percent can be assessed by a municipality in order to repay bonds or other debts, subject to specific conditions.

Appendix B Transient Room Tax Revenue Growth

TRT Revenue Growth for 29 Counties from Fiscal Year 2013 to 2017. These numbers differ slightly from those in the bulk of the report because the Tax Commission operates on fiscal years, while counties operate on calendar years.

County	2013	2014	2015	2016	2017	Total
Beaver	\$206,729	\$212,049	\$217,002	\$266,638	\$263,990	\$1,166,409
Box Elder	199,620	225,522	240,420	288,415	334,875	1,288,854
Cache	412,189	424,226	473,071	535,198	587,185	2,431,869
Carbon	243,330	265,440	228,428	248,768	240,846	1,226,811
Daggett	65,919	78,543	79,042	93,331	131,670	448,506
Davis	1,033,439	1,187,005	1,366,480	1,478,698	1,635,939	6,701,560
Duchesne	91,931	103,843	103,932	65,482	71,839	437,028
Emery	309,251	316,917	385,598	401,344	441,016	1,854,125
Garfield	1,199,912	1,351,962	1,503,246	1,673,708	1,890,975	7,619,801
Grand	2,095,866	2,999,112	3,571,789	4,033,651	4,664,987	17,365,406
Iron	954,067	939,013	1,086,494	1,226,917	1,439,944	5,646,436
Juab	77,255	78,763	85,205	83,648	88,600	413,470
Kane	1,371,061	1,452,512	1,796,176	1,939,608	2,496,471	9,055,828
Millard	115,074	118,364	116,005	154,551	138,630	642,624
Morgan	4,204	4,260	6,098	5,182	9,523	29,268
Piute	18,968	23,516	23,988	25,892	21,430	113,794
Rich	149,402	150,074	178,032	236,573	270,259	984,340
Salt Lake	12,985,113	13,819,842	15,114,103	16,557,592	18,320,878	76,797,528
San Juan	530,765	562,504	648,632	719,941	886,186	3,348,029
Sanpete	90,263	90,261	95,269	105,905	105,282	486,980
Sevier	424,783	438,787	467,462	517,052	540,200	2,388,283
Summit	6,167,472	6,722,331	7,357,092	8,521,207	9,473,023	38,241,125
Tooele	290,753	307,252	350,048	372,742	416,098	1,736,893
Uintah	884,872	862,654	786,412	532,727	504,638	3,571,303
Utah	2,219,316	2,414,635	2,677,719	3,022,713	3,367,105	13,701,490
Wasatch	1,270,597	1,401,805	1,423,479	1,548,326	1,864,285	7,508,491
Washington	4,015,746	4,557,105	5,361,861	6,058,978	7,141,002	27,134,692
Wayne	233,055	243,120	276,445	340,292	456,139	1,549,052
Weber	1,093,258	1,091,245	1,204,359	1,456,256	1,597,837	6,442,956
Total	\$38,754,212	\$42,442,663	\$47,223,886	\$52,511,338	\$59,400,852	\$240,332,950

Source: Utah State Tax Commission

TRT Revenue Percentage Growth Year-to-Year from Fiscal Year 2013 to 2017.

Each year's percentage growth is calculated using the previous year as a baseline. The 2013 baseline is not shown as the percentage change between the first two years is represented in 2014.

County	2014	2015	2016	2017	5-year growth
Beaver	3 %	2 %	23 %	-1 %	28 %
Box Elder	13	7	20	16	68
Cache	3	12	13	10	42
Carbon	9	-14	9	-3	-1
Daggett	19	1	18	41	100
Davis	15	15	8	11	58
Duchesne	13	0	-37	10	-22
Emery	2	22	4	10	43
Garfield	13	11	11	13	58
Grand	43	19	13	16	123
Iron	-2	16	13	17	51
Juab	2	8	-2	6	15
Kane	6	24	8	29	82
Millard	3	-2	33	-10	20
Morgan	1	43	-15	84	127
Piute	24	2	8	-17	13
Rich	0	19	33	14	81
Salt Lake	6	9	10	11	41
San Juan	6	15	11	23	67
Sanpete	0	6	11	-1	17
Sevier	3	7	11	4	27
Summit	9	9	16	11	54
Tooele	6	14	6	12	43
Uintah	-3	-9	-32	-5	-43
Utah	9	11	13	11	52
Wasatch	10	2	9	20	47
Washington	13	18	13	18	78
Wayne	4	14	23	34	96
Weber	0	10	21	10	46

Source: Utah State Tax Commission

Agency Response



Utah Governor's Office of
Economic Development

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Gary R. Herbert | Governor
Spencer J. Cox | Lieutenant Governor
Q. Val Hale | Executive Director
Vicki Varela | Managing Director

March 27, 2019

Kade R. Minchey, CIA, CFE
Auditor General
Office of the Legislative Auditor General
P.O. Box 145315
Salt Lake City, UT 84114-5315

Mr. Minchey:

SUBJECT: Utah Office of Tourism Response to A Performance Audit of Counties' Use of Tourism Promotion Funding

Thank you for providing the exposure draft of your office's report titled *A Performance Audit of Counties' Use of Tourism Promotion Funding*. We reviewed the report and appreciate the time invested by the audit team to understand and clearly explain how TRT revenues are to be spent and the efforts made to determine if counties are complying.

We agree with the recommendation to have the Utah Office of Tourism, Film and Global Branding be the primary oversight entity. Based on questions we receive, we believe there is some confusion about how counties are allowed to spend TRT funds. If our office is selected to provide oversight, we will need to educate the counties and spend a significant amount of time following-up to ensure that reports are submitted on time.

The Legislature may want to consider the consequences counties will face if they fail to comply with the spending requirements and/or if they fail to submit the report detailing their spending. One possibility is to require counties to be compliant in order to be eligible to apply for cooperative marketing matching funds from the Tourism Marketing Performance Fund.

We collaborate regularly with county tourism offices throughout the state, and believe that most will strive to be compliant. We look forward to assisting in the manner determined by the Legislature. We appreciate the support the Legislature has shown for our industry and look forward to continued success.

Best regards,

Vicki Varela
Managing Director
Utah Office of Tourism, Film and Global Branding



Utah Governor's Office *of*
Economic Development

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Gary R. Herbert | Governor
Spencer J. Cox | Lieutenant Governor
Q. Val Hale | Executive Director
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