

Tourism & Visitor Data 2010p

Direct spending of \$17.7 billion generated:
152,200 direct jobs, \$4.9 billion direct earnings,
\$2.5 billion in local, state and federal tax
revenues

Direct Travel Spending Indices

Direct Travel Spending in Arizona (Billions)

- 2000 14.20
- 2001 13.40
- 2002 13.30
- 2003 14.70
- 2004 15.90
- 2005 17.60
- 2006 18.70
- 2007 19.10
- 2008 18.50
- 2009 16.40
- 2010p 17.70

Local, State & Federal Tax Revenue Generated (Millions)

- 2000 1,882
- 2001 1,859
- 2002 1,926
- 2003 2,122
- 2004 2,275
- 2005 2,483
- 2006 2,645
- 2007 2,719
- 2008 2,590
- 2009 2,375
- 2010p 2,498

Travel Employment in Arizona

Direct Travel Employment in Arizona (Thousands)

- 2000 163.30
- 2001 153.30
- 2002 148.20
- 2003 158.20
- 2004 163.50
- 2005 169.90
- 2006 173.40
- 2007 171.50
- 2008 169.00
- 2009 156.00
- 2010p 152.20

Competition for Tourism Dollars

- Arizona's tourism industry is being negatively impacted by the aggressive marketing of other more well funded competitors and this is worsening Arizona's Economic situation
 - Arizona experienced \$2.0 billion in reduced direct annual visitor spending levels from those achieved just 24 months ago and an associated reduction of \$167 million in state and local taxes

Arizona is Losing Market Share

- Arizona is not just being impacted by difficult economic conditions, it is losing an all important measure – market share
 - Other states have greater tourism marketing resources and are successfully attracting visitors that historically have chosen Arizona
 - If Arizona had been able to maintain the market share it had in 2005, Arizona would generate an additional \$2.3 billion in annual direct spending and would support an additional 39,000 direct, indirect and induced Arizona jobs.

Funding the AZ Office of Tourism

- Diverting \$14 million in formula funding resources to uses outside tourism plays into our competitors hands and limits the ability for the industry to play a key role in stimulating near term job support and tax generation.
 - The resulting lack of ability to promote the Arizona travel market will lead to a further reduction in travel spending of \$1.6 billion, with approximately \$1.0 billion of the total lost in the short term (seven months or less)
 - Arizona can therefore expect the loss of up to 27,000 jobs as competitors gain market share.
 - The state will forgo approximately \$113 million in state and local taxes captured by competitor destinations.

With full formula funding for the Arizona Office of Tourism of \$14 million (FY 2011) we project the following results:

- % allocated to advertising & marketing purposes – 2/3rd (\$9.38 million)
- Direct spending generated per advertising/marketing dollar - \$180
- % of overnight visitors traveling within 7 months of advertising – 63%
- State taxes generated per dollar advertising/marketing – up to \$8.08
- Visitor spending needed to support one job - \$59,635
- New spending generated by advertising/marketing - \$1.58 billion
- New state taxes generated by advertising/marketing \$113 million
- Arizona jobs created by new visitor spending – 26,600

Data from Arizona Office of Tourism, Longwoods International and Dean Runyan Associates

Funding Components

- The Arizona Office of Tourism receives three buckets of money
 - Arizona Gaming compact revenues (c.\$5.0 million)
 - Proposition 302 (Year 2000 Stadium ballot proposition) funds which normally are distributed to Maricopa County destination marketing organizations aka convention and visitors' bureaus (\$5.0 million of which 50% was not distributed to DMO's but retained by AOT for fiscal 2011 and 2012)
 - Formula funding – a small percentage of hotel, restaurant and amusement taxes that are dedicated to AOT promotional activities (\$14.0 million all of which was swept into the general fund in fiscal 2011 and 2012)

Utilization of AOT Funding

- Most of the money from formula funding is used for advertising/marketing in programs designed to maximize visitor penetration
- Significant funds are used to provide grants for local and regional rural DMO's and CVB's who otherwise have little or no funding for promotional activities
- A small amount is used for AOT operations to manage the above referenced programs

Proposition 302 Funds

- Maricopa county area DMO's need support for promoting visitor and tourism activity.
- Conventions and special events are under heavy competition from locations around the country.
- In 2011 the Legislature authorized the new Arizona Commerce Authority to spend up to \$25 million as a commonly referred to "deal closing fund" for bringing jobs to Arizona
- Allowing all Prop 302 funds to go to Maricopa area DMO's and full funding of the Arizona Office of tourism WILL HAVE THE SAME BENEFICIAL EFFECT!

Legislative Initiatives

- In a recent survey of the members of the Arizona Tourism Alliance and the Arizona Hotel and Lodging Association ALL respondents said that the number one need for the industry is
 - to resume full formula funding for the Arizona Office of Tourism and the flow of funding to the Maricopa County area DMO's

- # Legislative Initiatives

- In addition concepts such as the Tourism Infrastructure Districts currently used in several states and . . .
- . . . Something perhaps like H2475: STATE CAPITOL RESTORATION; RECAPTURE DISTRICTS (introduced in 2010 and 2011 by Representative David Gowan
- Speaker Tobin is looking into the possibility of an Arizona Tourism Authority
- Senator Al Melvin has initiated an Arizona Legislative Tourism Caucus

A Word About

. Immigration

The Arizona tourism industry is the second largest economic engine in the state.
It doesn't make economic sense to allow it to lose market share to other states.
It doesn't make sense to allow it to lose jobs.
It doesn't make sense to allow it to sacrifice significant tax contributions at state, county and municipal levels

By allowing formula funding to resume, restoring Prop 302 funds and with some creative ideas we can maximize market share, save and create thousands of jobs and produce millions of dollars of tax revenue.