

Vermont Joint Fiscal Office

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Memorandum

To: Legislative Joint Fiscal Committee
From: Tom Kavet, Consulting Economist, Joint Fiscal Office
Sara Teachout, Fiscal Analyst, Joint Fiscal Office
CC: Stephen Klein, Joint Fiscal Office,
Stephanie Carter, Department of Tourism and Marketing
Date: November 8, 2002
Re: Act 142 Sec. 263, Review of Travel and Tourism Issues

OVERVIEW, AUTHORIZATION, AND PURPOSE

In the 2002 legislative session, the Legislative Joint Fiscal Office (JFO), with the participation and assistance of the Vermont Tax Department (Tax), was directed to consult with the Department of Tourism and Marketing (VDTM) and review the Department's work with the University of Vermont to evaluate the tax impact of travel and tourism spending. This work and other research required by the legislature was to be developed and available for a special working group to consist of one member who is a representative of the Vermont Travel and Recreation Council chosen by the Council, and the chairs of the following committees: House and Senate committees on Appropriations and on Transportation. This working group is to meet in November and December for the purpose of developing proposals for funding formulas for the Department of Tourism and Marketing. These proposals are to be submitted to the legislature by January 15, 2003. Appendix A contains language from Act 142, Sec. 263 (b) and (c) authorizing this study.

STUDY PROCESS AND PRIMARY CONCLUSIONS

During the summer and fall, JFO staff worked with the assistance of the Tax Department economist, VDTM and representatives from the University of Vermont (UVM) to review relevant tourism research conducted by UVM on behalf of the Department. This involved a review of the broad economic estimates associated with tourism spending in Vermont generated annually by UVM, including survey-based visitation data and the IMPLAN economic input-output model, assumptions used to estimate the tax impact of travel and tourism in Vermont, and an analysis, later formally withdrawn by UVM, of the "return on investment" (ROI) associated with Departmental expenditures.

The principal findings of this review to date are as follows:

- 1) Although a great deal of valuable research and analysis associated with the Vermont tourism industry has been performed by the University of Vermont on behalf of the Vermont Department of Tourism and Marketing, the tax impact analysis associated with this research is limited and does not currently provide reliable estimates for specific state tax impacts. This is due both to methodological issues associated with the application of data from the "Survey of the Vermont Visitor" to the IMPLAN model used in estimating total impacts, and the lack of Vermont-specific tax rates and effective yields in the IMPLAN model. Further research and coordination with Tax Department data and staff would be necessary to develop tax impact estimates that are useable for legislative and policy analysis.
- 2) There is currently no credible analysis that can quantify the return-on-investment of public travel and tourism expenditures to the State of Vermont. Due to significant questions associated with cause and effect as well as lags in the timing of impacts, absent any further Vermont-specific analysis, the State should not assume that incremental public expenditures in this area will necessarily be offset by increased state tax revenues.
- 3) Conceptual differences in key metrics used in the IMPLAN model, and other commonly used data from the Department of Employment and Training (DET), Tax, and other sources, such as "jobs," "employee compensation," "benefits," "wages," and "tax revenues," require caution in interpreting and bridging these differences when using UVM IMPLAN output for analytic and policy considerations.

The Joint Fiscal Office, with assistance from Legislative Council and VDTM, was also required to review VDTM appropriations and spending from fiscal year 2000 through fiscal year 2002, and consider performance measures and benchmarks for department activities. This information has been developed for presentation to the working group. Key findings are:

- 4) Over the past decade, the VDTM budget has experienced substantial growth; however, due to the reliance on one-time funding which has not always been available, year-to-year appropriations have been inconsistent. Over the past three years, funding for VDTM has declined due to the reduction and then elimination of one-time appropriations. VDTM and the Vermont Travel and Recreation Council consider consistent appropriations critical to meeting the tourism and marketing goals of the State.
- 5) The direct impacts of VDTM's activities are difficult to quantify and measure, presenting problems in establishing meaningful benchmarks. Its current mission varies from increasing occupancy rates, visitation duration, providing basic research for the industry, and a goal of marketing the "Vermont Brand." The Department's efforts, along with private sector promotional activities, may produce results beyond direct tourism spending, such as attracting new businesses to Vermont, supporting attendance at Vermont educational institutions, and other indirect benefits.

- 6) As is the case in many departments of State government, VDTM could benefit from consistent performance measures which can be analyzed over time. These measures, tied to a departmental mission, need to be developed and used consistently so as to provide measures of program success. Such measures and goals should be: 1) objectives over which the Department's activities have a predominant or direct influence; 2) goals that are specific and central to the primary function of the Department; and 3) measures which are clear and consistently applied over time.

SECTION I – ACT 142, SEC. 263 (b) - REVIEW

THE TAX IMPACTS OF TOURISM SPENDING IN VERMONT

UVM, under contract with VDTM, has performed a wide range of research and analysis associated with tourism in Vermont. This research has been original and detailed, and proven to be of great value to the industry in understanding key characteristics of visitors to Vermont and public policy issues that may influence tourism. This work has benefited the State tourism industry by providing ongoing, basic market data and analysis that supports marketing, sales, strategic planning, and other promotional activities for VDTM and private sector firms selling to Vermont tourists.

Much of the UVM analysis stems from original survey-based research, in which a sample of about 3,700 Vermont visitors is mailed a detailed questionnaire requesting expenditure data and other information associated with "pleasure" trips to Vermont taken during the past year. About 1,500 of these surveys are returned with useable information. Data from these surveys are then expanded to an estimate of the total universe of Vermont visitors and entered into an economic input-output model (IMPLAN) to derive aggregate economic impact estimates.

The primary purpose of this analysis, however, has not been to estimate tax impacts of tourism in the State. As a result, tax impact data published as a part of the most recent UVM tourism review are lacking in precision and are not useable for purposes of legislative policy analysis. The data are not based on Vermont-specific tax rates or tax sources, but on national averages provided as default values in the IMPLAN model. UVM researchers acknowledge that IMPLAN does not recommend using the tax impact numbers for specific state or local analyses. Given the potential error in both the aggregate survey-based data and the absence of Vermont specific tax information in the model, we concur with this judgment.

In addition, the aggregate economic information generated by the IMPLAN model should be interpreted with caution. Basic concepts, such as "jobs," "employee compensation," "benefits," "wages," and "tax revenues," generated by the IMPLAN model differ from commonly used data from DET, Tax, and other State sources.

For example, the UVM IMPLAN model estimates a direct impact from domestic tourism spending on "jobs" in Vermont to be 63,279 in 2001, while DET reports only 56,130 total

"jobs" in all major tourism-related, but not exclusively tourism-derived, sectors (air transportation, food and beverage stores, gas stations, clothing and accessory stores, general merchandise retailers, scenic and sightseeing transportation, art/entertainment/recreation, accommodation, and food and drinking places). Detailed technical descriptions of some of these conceptual differences are available from JFO upon request; however, caution is recommended in interpreting and bridging these differences when using IMPLAN output for analytic and policy considerations.

In general, research to date suggests the aggregate inputs to the IMPLAN model may be excessively high and the default tax rates used may be excessively low. This may yield tax impact estimates that appear "reasonable," but only by virtue of these offsetting errors. Further analysis is necessary to evaluate and develop estimates that can be useful measurements of the fiscal impacts of this important industry sector.

It is estimated that an additional 3 to 6 months of elapsed time (contingent upon the availability of UVM personnel) and approximately 200 hours of Tax and JFO staff time would be required to perform this work.

RETURN ON INVESTMENT

One of the most widely-used claims in support of additional VDTM funding is that the State fiscal return on investment (ROI) of a dollar spent on travel and tourism promotion exceeds any such incremental expenditure. At the outset of this review, UVM presented a report containing such an analysis at the request of VDTM, showing returns on investment equal to the ratio of total tourism spending to the Departmental budget. Subsequently, the report was formally withdrawn, with general agreement that this approach is neither credible nor supported by any empirical data.

Of note, in none of the Consensus JFO and Administration revenue forecasting analyses for meals and rooms, gasoline, or sales and use tax revenues over the past six years have VDTM appropriations or expenditures been cited or considered as a significant influencing variable. Many other factors, such as the weather, the economy, international events, private sector promotional expenditures, relative fuel and transportation costs, and existing natural or manmade attractions all generally exert more pronounced influences on tourism expenditures than do State promotional activities.

The legislature may choose to fund future research in this area; however, meaningful ROI analysis is complex and relatively expensive. It is recommended that if any future ROI analysis is performed, it be conducted in a manner that ensures integrity and independence in the final product. However, without such further Vermont-specific analysis, the State should not assume that incremental public expenditures for travel and tourism promotion result in any near-term revenue offsets.

SECTION II – ACT 142, SEC. 263 (c) - REVIEW

APPROPRIATIONS AND EXPENDITURE HISTORY

VDTM annual budgets from the previous 10 years are shown in Table 1. Base appropriations have risen over this period, even after adjustment for inflation, from about \$2 million in FY 1993 to \$5 million in FY 2003 (on a nominal dollar basis). Funding levels did not increase consistently over this period; the Department reached its highest funding level in FY 2000 at \$6.885 million and has seen a deterioration of revenues from that point. In large part this revenue reversal is due to the availability of one-time funding in FY 1999 – FY 2002 which is now not present. In 1994, Vermont enacted language in session law describing the intent for a portion of the Department of Tourism and Marketing's budget to be tied to the rooms and meals tax.¹ The formula designated 75% of the increase in meals and rooms tax revenues, as calculated from the prior fiscal year, to the Department of Tourism and Marketing. A portion of this allocation, 25%, was to be dedicated to the Department of Fish and Wildlife. The potential increase was to be capped at \$2 million annually. This funding formula, however, was never followed exactly and has been modified several times.

The FY 1995 appropriation included \$1million to “jump start” the marketing program, which was reduced to \$908,442 after rescissions. In FY 1996, the first year of implementation of the formula, the Department received \$1,048,785 as a rooms and meals tax allocation, of which \$208,946 was transferred to Fish and Wildlife. In FY 1997, an additional \$1,560,000 was appropriated to the Department for the FY 1998 budget, in tandem with the increase in the meals and rooms tax rate implemented as a part of Act 60. As a technical correction to Act 60 in Act 71 of FY 1999, this \$1,560,000 was kept in the General Fund for tourism and marketing use, before the remaining 20% was dedicated to the newly-created Education Fund. Since FY 2000, funding for the Tourism and Marketing Department has remained relatively flat at the \$5 million level, which includes the continued allocation of \$1,560,000 from meals and rooms tax revenue. Additional appropriations have not made specific reference to the rooms and meals tax.

The key components of FY 2003 VDTM expenditures, shown in Table 2, are as follows: 39% advertising and other marketing, 22% administration, and 15% regional grants. In the three-year period from FY 2000 to FY 2002, one-time funds were used to strengthen marketing efforts. VDTM also has several interdepartmental transfers contained within the budget. For example, a portion of the FY 2003 budget is passed-through to Fish and Wildlife (\$248,000), Forests and Parks (\$33,848), and Agriculture (\$33,840). As is the case with all state agencies that benefited from the mid-1990's surpluses, VDTM is struggling to budget within its base level appropriations.

¹ Appendix B contains the statutory language referenced which pertains to dedicated Tourism and Marketing appropriations.

Table 1

Department of Tourism and Marketing - Appropriations
10-Year Appropriations History

	FY 1993	FY 1994	[1] FY 1995	[2] FY 1996	[3] FY 1997	[4] FY 1998	[5] FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF	2,171,673	1,849,431	2,809,416	3,808,844	3,604,422	5,164,422	4,914,036	4,949,229	4,890,363	4,682,757	4,756,463
TF		68,475	221,250								
SF	20,000	19,599	19,600	23,500	34,000	34,850	35,850	35,850			50,000
Interdepartmental Transfers									587,900	435,434	250,000
Total Base*	2,191,673	1,937,505	3,050,266	3,832,344	3,638,422	5,199,272	4,949,886	4,985,079	5,478,263	5,118,191	5,056,463
% change		-11.6%	57.4%	25.6%	-5.1%	42.9%	-4.8%	0.7%	9.9%	-6.6%	-1.2%
One-Time Appropriations							1,900,000	1,000,000	510,000	760,000	
TOTAL	2,191,673	1,937,505	3,050,267	3,832,344	3,638,422	5,199,272	6,849,886	5,985,079	5,988,263	5,878,191	5,056,463
% change		-12%	57%	26%	-5%	43%	32%	-13%	0%	-2%	-14%
All General Fund Appropriations (in millions)											
	656.8	642.7	689.1	729.7	720.9	800.7	782.2	860.4	881.2	872.1	880.0
% change		-2.2%	7.2%	5.9%	-1.2%	11.1%	-2.3%	10.0%	2.4%	-1.0%	0.9%
Interdepartmental Pass-throughs											
				FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Fish & Wildlife				208,946	198,752	588,752	588,752	602,000	602,000	501,600	248,000
Forests & Parks										45,600	33,840
Agriculture							25,000		100,000	45,600	33,840

* after budget adjustment and/or rescissions

[1] FY 1995 \$1,000,000 increase to "jump start" the marketing program

[2] FY 1996 \$1,048,785 from rooms and meals increase (minus \$208,235 to Fish and Wildlife)

[3] FY 1997 no meals and rooms tax increase

[4] FY 1998 \$1,560,000 of meals and rooms tax rate increase in Act 60

[5] FY 1999 \$1,560,000 of meals and rooms tax dedicated to tourism and marketing in Act 71

Prepared by JFO

Table 2

Department of Tourism and Marketing - Expenditures
4-Year Expenditure Summary

	FY 2000	FY 2001	FY 2002	FY 2003
Contracted Advertising Agency Services (website design, ad design, public relations, intellectual property, media buying)	\$348,115	\$407,401	\$403,400	\$325,000
Advertising (print, television, direct mail & radio)	\$1,652,765	\$998,588	\$1,074,424	\$585,000
Other Marketing	N/A	\$2,122,449	\$2,934,173	\$1,960,779
Block Grants to Regions	\$807,000	\$1,066,000	\$907,027	\$738,070
Research	\$29,752	\$230,104	\$236,479	\$171,000
Administration (salaries & benefits)	\$748,502	\$884,266	\$1,042,239	\$1,129,540
Other (IT annual charges-ERF, phones, rent, supplies)	N/A	\$102,807	\$96,849	\$147,074
Total Spending	\$3,586,134	\$5,811,615	\$6,694,591	\$5,056,463
Advertising and Marketing % of Total	78.3%	79.1%	79.5%	71.4%
Research % of Total	0.8%	4.0%	3.5%	3.4%
Administration & Other % of Total	20.9%	17.0%	17.0%	25.2%

Source: VDTM
Prepared by JFO

DEPARTMENT OF TOURISM AND MARKETING BENCHMARKS

Vermont, as is the case in a number of other states, has recently begun to employ more extensive use of benchmarks in the state budgeting process. The Department of Tourism and Marketing, along with all other state agencies, has submitted benchmarks in its executive budget submissions. The inconsistency and nature of VDTM's performance indicators, as presented in the most recent FY 2002 and FY 2003 budgets, however, provides little basis for comparative analysis. Due to the statewide elimination of Form 4, FY 2002 outcomes were not followed-up and reviewed in the FY 2003 budget.

Two years ago, in the FY 2002 budget submission, the Department defined and identified "three key and critical indicators to monitor overall results and impacts." These were:

- 1) To work with the private sector to ensure increases in the sales of rooms and meals;
- 2) To increase the average length of stay of our visitors; and
- 3) To increase the average statewide occupancy rate.²

The Department measures the increases in the sales of rooms and meals through meals and rooms tax collections. Meals and Rooms tax revenues were \$77.4 million in FY 1998, \$86.9 million in FY 1999, \$92.0 million in FY 2000, \$97.2 million in FY 2001 and \$99.2 million in FY 2002, reflecting a steady increase during good economic times. While this is a positive signal, there are several inherent difficulties in using meals and rooms taxes as a "cause and effect" type benchmark:

- A portion of the revenue from the meals (especially) and rooms tax is paid by Vermont residents and, therefore, does not reflect only tourist activity.
- The measure, as proposed, does not include a "normal" or baseline growth rate for the meals and rooms tax, above which might be considered "extraordinary growth," possibly attributable to some activity undertaken by the Department.
- General economic conditions and other critical external factors (such as weather) are not accounted for.
- Revenue from this source has increased every year except one (1994) since 1978.
- Tax revenues (held constant for increases in the rate) may not reflect additional rooms or meals sold, but merely an increase in prices.

² FY 2002 Executive Budget submission, Form 4.

The second Departmental benchmark, "increasing the average length of visitor stay," is measured by UVM's annual *Survey of the Vermont Visitor*. The Department maintains a stated goal of increasing this measure from the baseline of 3.2 nights in 1998 to 4.0 nights at the end of 2001. There are several issues which arise, however, when examining this performance measure:

- The question in the visitor survey used to calculate the average length of stay has changed between 1998 and 2001. In 1998 the survey asked "How many nights did you spend in Vermont on your trip(s)?"; in 1999 and 2000 the question was changed to "Considering all of your Vermont visits, how many total nights did you spend in Vermont?"; and in 2001 the survey, "What was the total number of nights you spent in Vermont?" was used by season. While the survey questions have been refined in order to obtain more precise answers, they add inconsistency to the performance indicator used in the budget. At the very least, the differences should be clearly noted when presenting them for an evaluation of performance.
- The calculation of the average length of stay is not consistent in the yearly survey reports. Some included all nights stayed in Vermont over multiple trips per year while in others a per-trip average was reported. In some of the reports the calculation include only visitors who stay at least one night, but in 2001 it included visitors who did not spend a night. The FY 2002 budget submission did not specify which measure would be used or that there were different possible measures.

The third outcome is "to increase the statewide occupancy rate from 38% in October 1998 to 41.6% within two years." While the sample is very small, between 33 and 50 establishments surveyed monthly in FY 2002, the data appear to be gathered in a consistent manner over time. Yet there is an inherent difficulty in assessing performance when the comparative numbers are not equivalents.

- The baseline occupancy rate of 38.0% was the average from the 12-month period between October 1997 and September 1998, although this is not indicated in the budget. The fiscal year average for the baseline measure was actually 36.0%. The data presented for FY 1999 (40.8%) and FY 2000 (40.9%) are the fiscal year averages (July to June), although this was also not specified. Lastly, the fiscal year average for 2002 dropped to 38.7%, but was not carried forward into the FY 2003 budget submission. In order for this to be a meaningful measurement, the data should reflect the same time period, either annually or for specific target months (shoulder season, for example).

In the FY 2003 Executive Budget Submission, each agency of government chose one program to highlight as a pilot project for performance-based budgeting. Within the Tourism and Marketing budget, the Marketing and Promotional Team (MAP) was selected for this project. Four performance measures were chosen to evaluate the savings and value associated with this project:

FY 2003 Executive Budget Submission

Performance Measure	Actual FY 2001	Target FY 2002	Target FY 2003
1. Discounted Vendor Rates (through contract)	\$250,000	\$275,000	\$300,000
2. Intellectual Property Videography	N/A	\$26,000	\$52,000
3. Intellectual Property Photo Images	N/A	\$50,000	\$125,000
4. Public Relations (advertising equivalent value)	\$69 million	\$73 million	\$75 million

The above measures, however, are for all MAP partners across state government and are not specific to the Department of Tourism and Marketing. Therefore, comparative data with which to assess the Target FY 2002 outcomes has yet to be assembled from the various agencies. To date, none of these outcomes has been used to assess this program's performance.

In the future, Tourism and Marketing should focus on a few important performance indicators that are:

- 1) Goals over which the Department's activities have a predominant or direct influence,
- 2) Goals that are specific and central to the primary function of the Department, and
- 3) Goals and measures which are clear and consistently applied over time.

There is considerable question as to whether any of the current VDTM benchmarks meet the above standards. As illustrated below, however, even among those states with performance-based budgeting, few have performance indicators that are directly attributable to the relatively small public promotional expenditures for tourism.

PERFORMANCE-BASED BUDGETING IN OTHER STATES

Several other states have adopted performance-based budgeting and have implemented performance measures and standards for all state government programs. In few cases have these measures been consistently applied and found useful over time. The states of Florida, Texas, Louisiana, and New Mexico all include performance indicators for tourism and marketing in their budgets (comprehensive examples are in Appendix C).

- Florida adopted performance-based budgeting in 1994 as a pilot program, with full implementation in 2002. Performance measures for every agency appear in the budget signed by the Governor. VISIT FLORIDA is supported by a private-public partnership between the Florida Commission of Tourism and the state. Over time, private sector funding is expected to match the state contribution. There are 18 performance measures for VISIT FLORIDA in the Fiscal Year 2002-2003 budget.
- In Texas, performance measures also appear in the state budget. Tourism is part of the Department of Economic Development and performance is measured with three benchmarks specified in the budget: number of consumer inquiries; number of rural and border communities assisted; and a somewhat crude measure of return on investment.

- Louisiana also has a general system of evaluating performance for the Department of Culture, Recreation, and Tourism.³ Some of the measurements used include: dollars spent by visitors to state; visitor spending per advertisement dollar; and number of visitors to welcome centers and cost per visitor of welcome centers.
- New Mexico has several outcomes defined for each of the major programs within the Tourism Department (marketing, promotion, outreach, the state magazine, and “New Mexico clean and beautiful”) and summarizes these over three fiscal years. Some of the measures used are: domestic tourism market share; number of outreach activities to communities; and the magazine circulation rate, among others.

Recent performance audits in Hawaii, Arizona, and Louisiana were all very critical of the performance measures used by their tourism and marketing programs. While they found fault with the indicators, each report conceded that measuring the direct impact of tourism and marketing efforts is difficult.

FUNDING SOURCES

Almost half of the states appropriate from the general fund for tourism and marketing activities without dedicated taxes or set formulas. In the remaining states, tourism is funded through a combination of general funds, a variety of dedicated tax revenues, and funding formulas. A few states have separate tourism funds where dedicated “tourism taxes” on businesses and industries that benefit directly from tourism marketing are deposited. State lodging taxes are the most common source of dedicated revenue, but revenues from car rentals, restaurant sales, recreation sales, and lottery revenues are all earmarked to support tourism efforts. A few states supplement their budgets with advertising sales on state tourism websites and publications, welcome center fees, and souvenir sales. Some examples of the variety of tourism funding strategies follow:

Alabama dedicates 25% of the revenues from the state’s 4% lodgings tax to the Bureau of Travel & Tourism; the remaining 75% is deposited into the general fund. This is the only source of funding for tourism.

Arizona bases the general fund appropriation on a dedicated tax formula: the appropriation equals 3.5% of the revenues from the hotel tax; 3.0% of the revenues from amusement taxes; and 2.0% of the revenues from restaurant taxes. The percentages are based on revenues from the *previous* fiscal year, not forecast revenues.

In **California**, businesses that benefit from tourism and marketing are taxed at a rate of \$450 per \$1 million of travel and tourism revenue or 90 cents per \$2,000 of travel-generated

³ The auditor reviewed performance measures for the marketing program for Louisiana in March 2001 and had several criticisms of their validity. These included multiple definitions of “visitor,” questionable methodologies for some research, and economic impact numbers which reflect the efforts of the entire state tourism industry, not only the Department.

sales. This revenue contributes 56% of the budget and general fund makes up the remaining 44%. This is the result of a 1995 “California Tourism Marketing Act” which passed a referendum in 1997.

Connecticut has a Tourism Fund with revenues from the \$1 per rental/per day rental car tax and statewide room occupancy tax collections. These funds support the state tourism office (along with some general fund revenues) as well as 11 tourism districts and 5 related entities.

Hawaii has the largest tourism budget in the country. The funding from this comes from the state’s 7.25% Transient Accommodations Tax (TAT). Of these revenues, 37.9% or \$60+ million annually is earmarked for tourism.

Missouri identified tourism-generated tax revenue, through 17 SIC codes, and a portion of the growth in revenue from these sources is dedicated to tourism. The funding formula is half of any increase in tax revenue from tourism, above a “normal” 3% growth level. The budget is limited to a \$3 million per year increase. Additionally, the pre-existing appropriation from the general fund is eliminated gradually, at a rate of 10% per year, over a 10 year period. Many states have used Missouri as a model for funding.

Oregon dedicates revenues from the state lottery to several programs, including 21% to economic development which includes tourism.

Texas determines the amount for the annual general fund appropriation by the 6% state hotel occupancy tax. Normal funding is 1/2 of 1% of the occupancy tax. The legislature makes the final decision concerning the funding level.

The chart in Appendix C shows the funding source used in all 50 states. In addition, the funding formula used to allocate a dedicated revenue is also included. A number of states have explored dedicating revenues for their tourism budgets; however, tough economic times and tight budgets are tempering legislative efforts in this area.

APPENDIX A

Study authorization and purpose:

Act No. 142, Sec. 263

(b) The joint fiscal office, with the participation and assistance of the Vermont tax department, shall consult with the department of tourism and marketing and review the department's work with the University of Vermont to evaluate the tax impact of travel and tourism spending. Based on this review, the joint fiscal office shall present to the joint fiscal committee at its November meeting any protocol or findings it can make as to the state revenue implications of appropriations for travel and tourism marketing.

(c) The joint fiscal office, with assistance of the legislative council and from the department, shall review travel and tourism department appropriations and spending from fiscal year 2000 through fiscal year 2002, and shall consider performance measures and benchmarks for department activities. This review shall be completed by November 1, 2002. Based on this review and the findings made in subsection (b) of this section, there is created a special working group to consist of one member who is a representative of the Vermont travel and recreation council chosen by the council, and the chairs of the following committees: house and senate committees on appropriations and on transportation. The joint fiscal office and the legislative council shall provide staff support to the working group. The working group shall meet in November and December to consider proposals for funding formulas for the department of tourism and marketing. A report and any funding formula developed, shall be submitted to the house clerk, the secretary of the senate and the secretary of administration on or before January 15, 2003, for consideration in the 2003 legislative session.

APPENDIX B

Department of Tourism and Marketing Funding Language in Statute

1994 Act No. 210, Sec. 39a.

(a) The general assembly recognizes that an increase in tourism in Vermont will increase state revenues as well as jobs. Other states which have aggressively marketed their travel and tourism industries have reaped economic benefits. It is essential that Vermont increase its marketing efforts in order to maintain its tourism revenue base and to increase that base in the future. Finally, it is recognized that the state's fish and wildlife resources are an important element in Vermont's marketability as a travel and recreation destination.

(b) It is the intention of the general assembly to use a portion of the funds collected under chapter 225 of Title 32 to increase the marketing efforts of Vermont as a travel and recreation destination.

(c) For fiscal year 1996, and for each fiscal year thereafter until June 30, 2005, in addition to any other funds appropriated to the department of travel and tourism, it is the intention of the general assembly that an amount equal to 75 percent of the excess of the amount collected during the immediately preceding fiscal year from meals and rooms tax rate of seven percent or greater over the amount collected during the prior fiscal year shall be appropriated to the department of travel and tourism to effect the purposes of this act. The additional amount appropriated shall not exceed \$2,000,000.00 annually.

(d) It is also the intention of the general assembly that for fiscal year 1996 and each fiscal year thereafter until June 30, 2005, 25 percent of the additional monies appropriated to the department of travel and tourism pursuant to subsection (c) of this section shall be transferred to the department of fish and wildlife.

(e) The department of travel and tourism shall report annually on or before January 15, beginning in 1995, to the general assembly regarding the marketing efforts undertaken by the department and the results achieved.

1997 Act No.60, Sec.98.

(b) Tourism and marketing. There is appropriated from the general fund for fiscal year 1998 to the Department of Tourism and Marketing the sum of \$1,560,000.00, which shall be used by the department for marketing, and of which \$100,000.00 shall be expended for the "Market Vermont" program and \$40,000.00 shall be expended for the Vermont film commission.

1998 Act No. 71, Sec. 68.

(5) Twenty percent of the revenues raised by the tax imposed by chapter 225 of Title 32 on meals, rooms and alcoholic beverages, less an annual amount equal to \$1,560,000.00 which shall remain in the general fund dedicated to the purposes of promotion of tourism and marketing.

APPENDIX C

50-State Tourism Funding Comparison		
State	Funding Source(s)	Formula
Alabama	4% Lodgings Tax	75% to General Fund 25% to Bureau of Travel & Tourism
Alaska	General Fund	Alaska contracts with ATIA (Alaska Travel Industry Association) to conduct the tourism marketing program. In FY01 and FY02 the funding was 70% State 30%, ATIA; in FY03 the State contribution decreased to 40% by statute.
Arizona	General Fund	GF Appropriation based on tax formula: 3.5% from hotel taxes 3.0% from amusement taxes 2.0% from restaurant taxes percentages based on revenues from <i>previous</i> fiscal year
Arkansas	2% Parks & Tourism Tax, Sales tax and General Fund	Tourism Tax is on hotels, motels, marina rentals, and attractions. 1/8 of 1 cent sales tax is dedicated to tourism.
California	Marketing Act 56% and General Fund 44%	CA passed a "Marketing Act" in 1995 which passed referendum in 1997. CA taxes businesses that benefit from tourism and marketing at a rate of \$450 per \$1 million of travel and tourism revenue, or 90 cents per \$2,000 of travel-generated sales.
Colorado	General Fund	CO utilizes revenue from advertising sales in the Official State Vacation Guide and for the tourism website to support the tourism and marketing budget - \$1.6 million in FY01.
Connecticut	General Fund & Tourism Fund The statutes also provide for the funding of the following entities: · Capital City Economic Development Authority (90% of the room occupancy tax from Hartford); · Greater Hartford Arts Council (10% of the room occupancy tax from Hartford); · New Haven Coliseum Authority (75% of the room occupancy tax from New Haven) · Stamford Center for the Arts (75% of the room occupancy tax from Stamford); and · Maritime Center Authority (75% of the room occupancy tax from Norwalk.)	Rental car surcharge; \$1 per rental/per leasing day and: CT Statute §32-305 provides for the funding of 11 tourism districts and five related entities. All of Connecticut's 169 municipalities are participants in this program. A portion of the \$61.7M in room occupancy tax collections are distributed to the tourism districts and related entities based upon a statutory formula. The monies are used to promote tourism at the state and regional levels. The amounts remitted to the 11 tourism districts and related entities are computed based upon the following considerations, and are allocated to the district in which the municipality is located: - 1.5% of the gross receipts from hotel room rentals in towns with populations of less than 65,000; - 3.5% of the gross receipts from hotel room rentals in towns with populations of 65,000 but less than 75,000. Also, the receipts of the town with the most tourist attractions will be computed at this percentage; and - 4.5% of the gross receipts from hotel room rentals in towns with populations of 75,000 or more.

Delaware	8% Public Accommodations Tax and General Fund	12.5% dedicated to tourism
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State	Funding Source(s)	Formula
Florida	Rental Car Surcharge - \$2/day	15.8% of tax dedicated to tourism. Tourism is supported by a private-public partnership between the Florida Commission of Tourism and the State. VISIT FLORIDA is a direct service company for the 28 private sector member Commission. Over time the private sector is expected to match the state contribution.
Georgia	General Fund	
Hawaii	7.25% Transient Accommodations Tax (TAT)	37.9% of the total revenue from the TAT is earmarked to create a Tourism Special Fund for tourism-related activities. This fund is estimated to be approximately \$60 million annually.
Idaho	2% Lodging Tax	
Illinois	6% Lodging Tax	35% dedicated to tourism
Indiana	General Fund Publication Sales (incl. online sales)	
Iowa	General Fund	
Kansas		
Kentucky	General Fund	
Louisiana	4% State Sales Tax	30% dedicated to tourism
Maine	General Fund	
Maryland	General Fund	
Massachusetts	5.7% Lodgings Tax - MA Tourism Fund	35% for 3 agencies; <i>MOTT receives 40% of this amount</i>
Michigan	General Fund	
Minnesota	General Fund	
Mississippi	General Fund	
Missouri	Missouri Tourism Fund: 17 SIC-identified tax revenue sources	1/2 of any increase in tax revenue above a normal 3% growth level; General Fund is reduced by 10% a year over 10 years
Montana	4% Accommodations Tax	\$400,000 - Montana Heritage Preservation Fund 67.5% - Department of Commerce (Tourism) 1% - Montana Historical Society 2.5% - Montana Travel Research Program (university) 6.5% - Department of Fish, Wildlife and Parks 22.5% - regional nonprofit tourism corporations unless that particular city-county area collects in excess of \$35,000 in proceeds annually
Nebraska	1% State Lodgings Tax	
Nevada	1% Lodgings Tax	
New Hampshire	General Fund	
New Jersey	General Fund	
New Mexico	General Fund	
New York	General Fund	Upstate New York Tourism Council funded from state General Fund, in an amount based on additional sales tax revenues generated by the expanded Carousel Center Mall in Syracuse

State	Funding Source(s)	Formula
North Carolina	General Fund	
North Dakota	General Fund	
Ohio	General Fund	
Oklahoma	General Fund - 60% of budget 1% Tourism Promotion Tax - 37%	Tourism Promotion Tax is applied on the gross receipts of rooms, meals, motor vehicle rentals, tour bus and sightseeing tickets, and admissions to private tourist attractions
Oregon	Lottery	63% Education 21% Economic Development (Tourism) 15% Parks & Natural Resources 1% Problem Gambling Treatment Fund
Pennsylvania	General Fund	
Rhode Island	General Fund	
South Carolina	5% admissions tax (recreation and entertainment)	41% of the revenue is generated from golf.
South Dakota	8% Gaming Tax 1% Promotion Tax	40% of Gaming Tax and 100% of Promotion Tax to Tourism
Tennessee	6% Sales tax receipts Gas tax receipts	
Texas	General Fund	Appropriation amount determined by the 6% State Hotel Occupancy Tax. Normal funding is 1/2 of 1% of the occupancy tax. Legislature makes final determination.
Utah	General Fund	
Vermont	General Fund	
Virginia	General Fund	
Washington	General Fund	
West Virginia	Lottery	4% to Tourism; 13 other dedicated agencies
Wisconsin	General Fund (73%) Gaming Revenue (27%)	
Wyoming	General Fund	

Source: 2001-2002 Survey of U.S. State and Territory Tourism Office Budgets, TIA and state tourism websites

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