PENNSYLVANIA TOURISM

Creating a Sustainable Public - Private Governance Structure and Funding Model for the Pennsylvania Tourism and Hospitality Industry

Situation

Tourism is critical to the economic well-being of Pennsylvania. Hotels and meeting facilities, attractions, cultural institutions, restaurants, tour companies and transportation providers directly employ more than ***495,000 Pennsylvanian***s, with a ***$10.7 billion payroll,*** in approximately ***100,000 predominantly small businesses*** that host visitors who spent more than ***$28 billion in 2007***. That same year, the tourism industry generated ***$2.8 billion in state and local taxes***.

Pennsylvania's tourism industry is a coalition of museums, wineries, golf courses, hotels, restaurants, attractions and many other tourism partners' largely made up of small businesses. The State Tourism Office, county and regional-based destination marketing organizations (DMOs) and regional marketing partners work with these local tourism and hospitality businesses to attract leisure and business travelers to Pennsylvania.

Since creation of the Commonwealth's Tourist Promotion Act of 1962, DMOs have received significant funds from Pennsylvania's General Fund through a matching funds program and, more recently, outright grants. In FY 2001, funding for DMOs and the Pennsylvania Tourism Office to attract visitors grew to $44.2 million. Since that year, combined funding for tourism has plummeted to a low of $10.7 million, the most dramatic reductions having been made in the Commonwealth's Fiscal Year 2010 and 2011 budgets.

A 2009 US Travel Association report on state tourism office budgets ranked Pennsylvania third in total (combined) funding for tourism promotion and third in funding for state tourism office budgets for marketing. Based on FY2010 data compiled for all states, Pennsylvania now ranks 24th for combined tourism funding, and 35th in state tourism office marketing. In recent months, a *"Pennsylvania Roundtable"* has been assembled, comprising leadership of the Pennsylvania Association of Convention and Visitors Bureaus (PACVB), Pennsylvania Tourism and Lodging Association (PTLA) and Pennsylvania Restaurant Association (PRA).

We recognize that it is critical to seek legislative and administration acceptance of Pennsylvania's tourism and hospitality industry as a proactive partner in addressing and solving the Commonwealth's unprecedented budget challenges.

It is also important to achieve industry wide understanding that it cannot look to government to solve all its problems, but must be a partner with government in seeking solutions to them.

PENNSYLVANIA TOURISM

Along with members of the Governor's Tourism Partnership, the Roundtable has been meeting regularly, seeking to develop the organizational and funding structures necessary to return Pennsylvania to a position of dominance in the tough competition for visitor spending.

Principles

The Pennsylvania Roundtable is guided by the following principles in pursuit of its goal:

Advertising and promotion dollars work. Private industry is a part of this process.

Significantly reduce the burden on Pennsylvania's General Fund.

Tourism promotion is an appropriate role for public tourism development funding to be used to promote Pennsylvania business, particularly small business.

Goal

Develop an efficient public private governance of, and adequate (dedicated) funding for unified branding and marketing efforts of the Pennsylvania Tourism Office and the Commonwealth's network of destination marketing organizations and regional marketing partners, in order to enhance and increase the industry's ability to positively impact Pennsylvania's economy.

In Partnership with the Governor's Tourism Partnership Board, the **Pennsylvania Roundtable** represents leadership from the **Pennsylvania Association of Convention and Visitors Bureaus**, the **Pennsylvania Tourism and Lodging Association** and the **Pennsylvania Restaurant Association.**

PA TOURISM & LODGING ASSOCIATION

PACVB

Pennsylvania Restaurant Association

PENNSYLVANIA TOURISM

WHY TOURISM?

In a nutshell... Tourism is critical to the economic well being of Pennsylvania. Hotels and meeting facilities, attractions, cultural institutions, restaurants, tour companies and transportation providers directly employ more than 495,000 Pennsylvanians, with a $10.7 billion payroll, in approximately 100,000 predominantly small businesses that host visitors who spent more than $28 billion in 2007. That same year, the tourism industry generated $2.8 billion in state and local taxes.

Success begets success... A successful tourism industry supports existing companies and jobs, and stimulates development of new ones. It supports ancillary businesses providing goods and services to the more easily recognized tourism and hospitality enterprises: Manufacturers produce bedding and linens for hotels and restaurants. Laundries clean them; Farms provide produce to restaurants. Trucking companies transport it; Banks provide services and financing to tourism and hospitality businesses; Printing companies produce promotional pieces for attractions, menus for restaurants and visitors guides for destination marketing organizations. Advertising agencies and internet marketing firms advise destinations, attractions, restaurants and hotels to help them grow market share.

Tourism is an *Equal Opportunity* economic engine... A successful tourism industry supports jobs for all Pennsylvanians across *all* ethnic, racial and social lines and it does so equally across geographic lines, from the Commonwealth's major urban centers and their suburbs to its vast rural areas so rich with diverse attractions and natural appeal.

Tourism benefits *all* Pennsylvanians... A successful tourism industry generates enough economic impact on and taxes for the Commonwealth's budget to reduce the tax liability of each household by $575 each year.

The source for all economic data is ***Global Insight.*** The source for visitor volume is ***D.K. Shifflet & Associates***

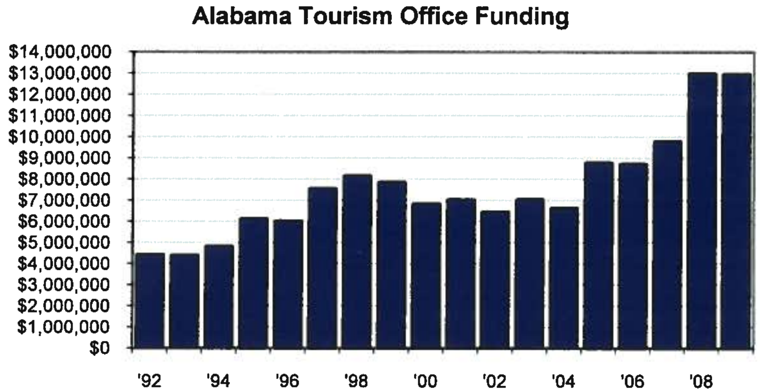
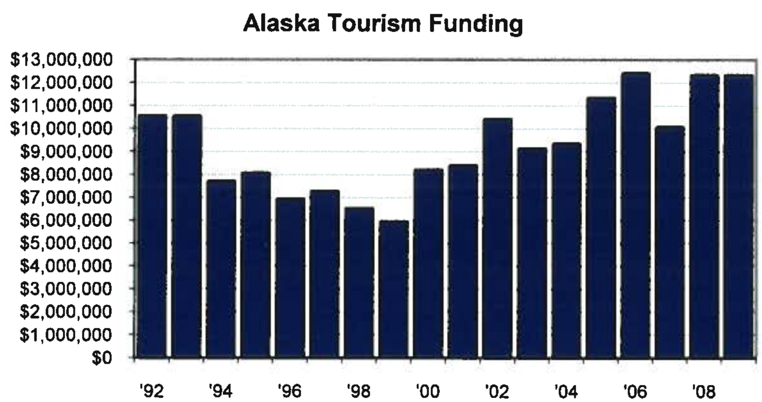
PA TOURISM & LODGING ASSOCIATION

PACVB

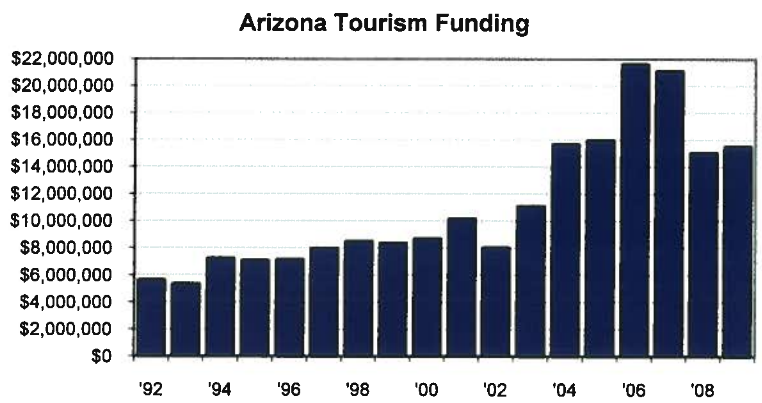
Pennsylvania Restaurant Association

State Tourism Office Funding

Data for FY 1992 through FY 2006 is from the US Travel Association annual survey of state tourism office budgets. Data for fiscal years 2007 – 2009 is provided as available from state executive budgets and appropriation acts. The annual funding amounts exclude allocations for welcome centers and film offices. To the extent possible, all data and information has been verified by each state's tourism office.

State	Total Funding Levels	Funding Source
Alabama		Since 1963, 100% of funding for the Alabama Tourism Department has been derived from the state's hotel room tax. The office receives 25% of the proceeds from the state's 4% Transient Occupancy Tax. The enabling legislation stipulates the funding is to be used exclusively for state travel advertising & travel promotion by the State Bureau of Tourism and Travel from the appropriation made by the legislature. *(The remaining 75% of revenues from the "Transient Occupancy Tax" is deposited into the state's general fund.)*
Alaska		The Alaska tourism office contracts with the Alaska Travel Industry Association (ATIA) for the design and implementation of the state's tourism marketing program. Currently, 70% of ATIA funding is from the state, with a required 30% industry match. Roughly half of the state funding is derived from the vehicle rental tax, first levied in 2004, with enabling legislation that state, "the legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing." The cruise industry provided much of the private match until 2004 when the state imposed a cruise ship tax with the proceeds going to the state general fund. The tourism industry argued the cruise industry's contribution for the industry match would drop significantly. Legislation enacted in 2008 reduced the private match from 50% to 30%, but only until June 30, 2011 – effectively challenging the tourism industry to devise a permanent funding solution. Legislation has been introduced to provide a state tax credit to cruise lines that make voluntary contributions to Alaska's marketing campaign. ATIA estimates the measure would lead to a total budget of $20 million.

Arizona

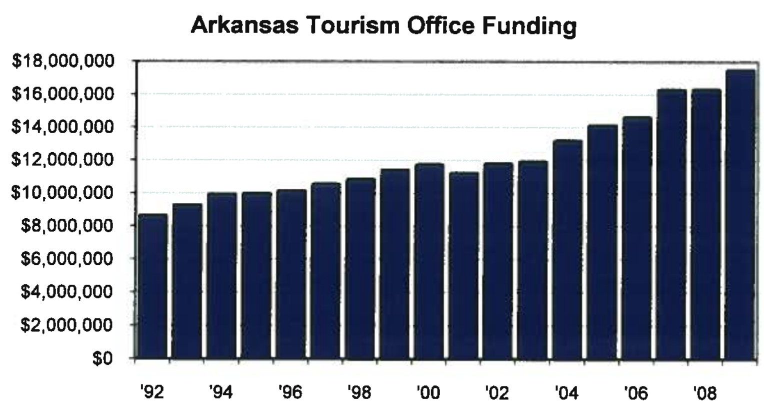


The Arizona Office of Tourism (AZOT) receives funding from three separate funding streams: (1) 8% of gaming revenues; (2) a share of revenues from the Arizona Sports and Tourism Authority; and (3) a dedicated share of revenues from the state's amusement, restaurant, and state bed taxes. There are limitations placed on the first two revenue sources, with the Sports Authority revenues largely a pass-through allocation to Maricopa County for tourism marketing purposes.

The third funding source provides dedicated funding to AZOT. The office receives 3.5% of revenues from the state's 5.5% room tax; 3% of revenues from the state's 5.6% amusement tax; and 2% of revenues from the state's 5.6% restaurant tax – with the proceeds deposited in a dedicated tourism fund. Although state law requires that proceeds from this fund can only be used to market the state, the governor and legislature have authorized "sweeps" from the fund with revenues from the fund going to the general fund.

Prior to 2004, the office was largely funded by general fund appropriations and revenues from the bed tax.

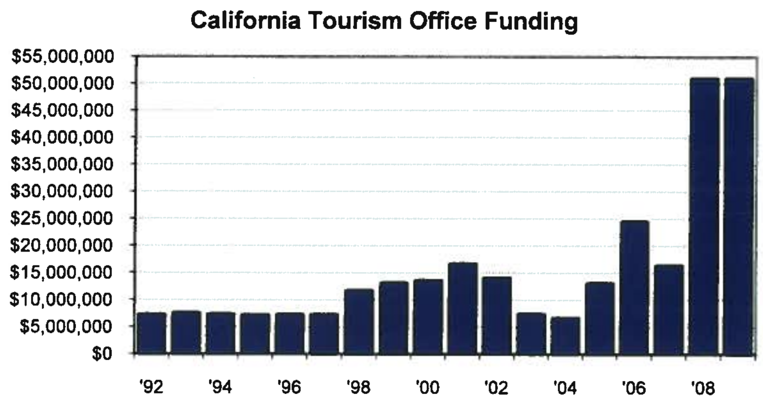
Arkansas



The Arkansas Tourism Division is funded by: (1) general fund revenue that pays for staff, a portion of management and operations, a portion of matching grants for local promotion, retirement/relocation promotion, and a small portion of advertising and (2) a 2% Tourism Tax that pays for some staffing, fulfillment costs, a portion of matching grants for local promotion, a major portion of advertising and the web site. The 2% Tourism Tax is imposed on tourist-related industries: campgrounds, hotel/motel and other transient lodging, rentals of watercraft & accessories (life jacket or cushion, water skis, or oars/paddles), and admission fees to tourist attractions. The Tourism Tax provides roughly 80% of the Tourism Division's annual funding.

The 2% gross receipts tax on tourist-related businesses was established in 1989 (Act 38) with the creation of the Tourism Development Trust Fund and funded by the 2% tax.

California

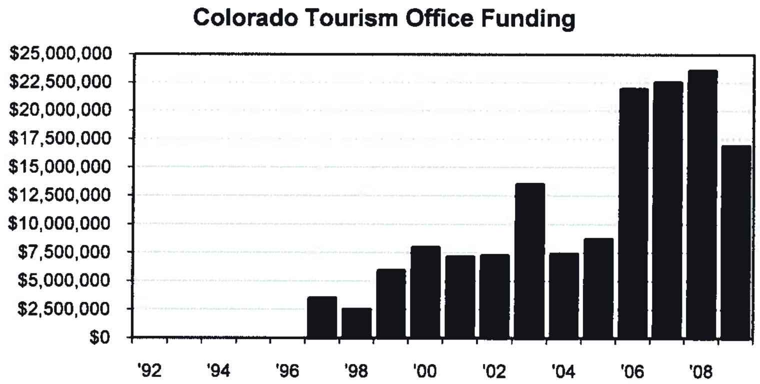


The California Travel and Tourism Commission (CTTC) is a private, non-profit corporation authorized through legislation adopted in 1995 as the official entity marketing and promoting the state. CTTC is funded by a mandatory self-assessment on businesses that derive at least 1% of their annual gross receipts from travel and tourism and have at least $1 million in total gross receipts. The statutorily mandated assessment requires businesses subject to the assessment to pay $650 per $1 million of their gross receipts derived from travel and tourism, with passenger car rental companies required to pay 2.5% for rentals at airports and hotels.

Every 6 years, the self-assessment payment system is subject to a referendum vote by businesses subject to the self-assessment. The initial referendum was in 1997. The legislation was amended in 2006 to substantially increase revenues by subjecting passenger car rentals to the separate and higher 2.5% levy and raising the general assessment rate to $650 per $1 million in gross receipts from the measure's original $450 per $1 million for the other travel-related businesses. The assessment for the latter category of businesses is capped at $250,000.

California also maintains a state tourism office, which acts primarily to bill and collect the assessment revenues that fund the CTTC. The assessment staff is funded through the state, but then reimbursed by the commission. The office also manages the state welcome centers. The state contributes $937,000 in general fund money that goes directly to the commission and is specifically designated for marketing.

Colorado

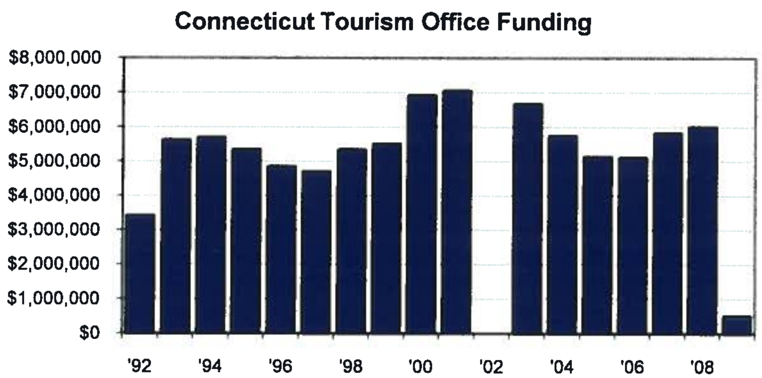


Colorado did not fund the tourism office from FY92 to FY96.

The Colorado Tourism Office is funded by revenues from the state gaming fund, subject to the annual appropriation process. In 2006, legislation was enacted providing $19 million in funding to the tourism office through a transfer from the limited gaming fund to the travel and tourism promotion fund, with annual increases tied to Colorado's general rate of inflation. With the downturn in the economy, the law has been amended removing the requirement for guaranteed funding and annual increases.

In 1993, Colorado's state tourism office was abolished when the office lost its funding source, i.e., a 0.2% tourism tax on lodging, restaurant meals, and vehicle rentals. The tourism tax was subject to re-authorization in 1993 under a sunset provision in the tax's 1983 enabling legislation. Legislators re-authorized the tourism tax in 1993, but the tax was subject to voter referendum under a new requirement that the imposition of any new tax must be ratified by the voters. The referendum failed and without the dedicated funding source, the Colorado tourism office was abolished until 2000 when legislation was enacted re-establishing the office.

Connecticut

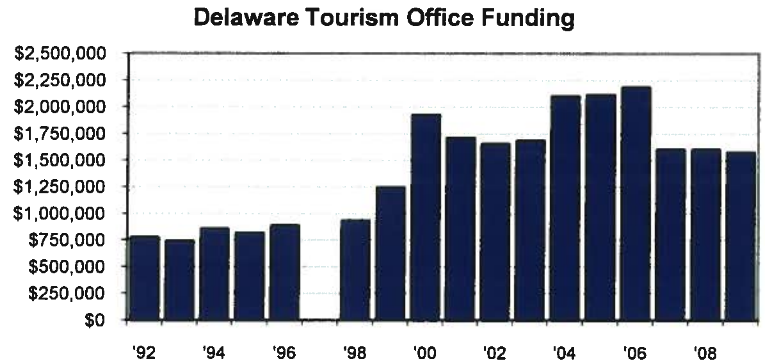


Connecticut did not respond to annual survey for FY 2002.

Prior to 2003, the Connecticut Tourism Office was part of the Department of Economic & Community Development with about 25% of the office's revenues from the state general fund and the remainder from a $1 per day car rental charge. In 2003, the tourism office was abolished and functions transferred to the newly created Commission on Culture & Tourism with funding derived solely from the general fund. Revenues from the car rental tax are now deposited in the general fund.

For FY 2009-10, the commission received only $1 (one dollar) for statewide marketing. Any funding the office received FY 2009-10 is distributed by the commission to the state's tourism districts ($1.8 million) and specified tourism regions ($200,000), for personnel costs, and the state's welcome centers. As part of the larger Commission on Culture & Tourism, the tourism office has managed to keep its website functioning, albeit with few updates, etc., and avoid some staff reductions since job duties encompass both culture and tourism.

Delaware

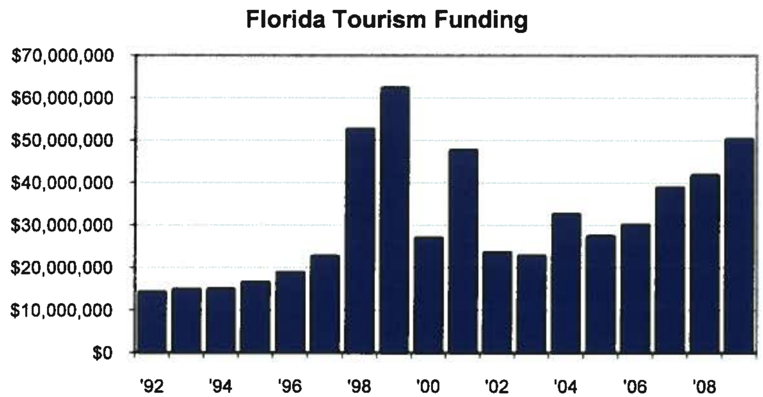


Delaware did not respond to annual survey for FY 1997.

The Delaware Tourism Office is funded through a transfer equal to 1/8th of the gross proceeds from the state's 8% Public Accommodations Tax. The transfer was authorized under legislation enacted in 2000. Prior to 2000, the office was funded through an annual general fund appropriation.

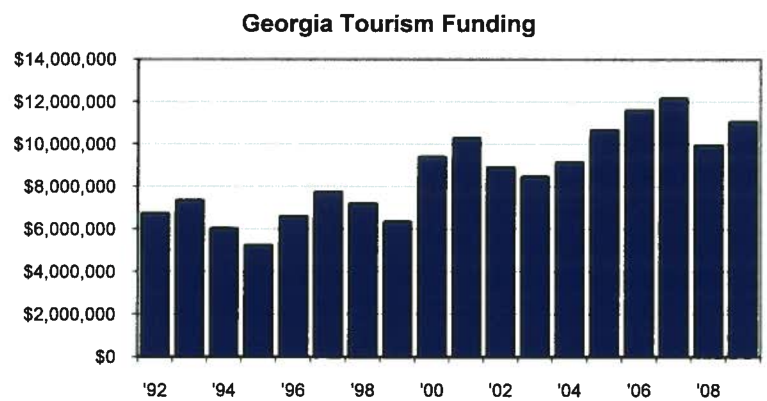
For FY 2009-10, legislation was enacted capping the transfer to the Delaware Tourism Office at $1.7843 million. Funding was cut for personnel (-8%), several special events and the Main Street program (-50%), and for the grants/matching grants program (-75%). However, funding for statewide marketing was unchanged.

Florida

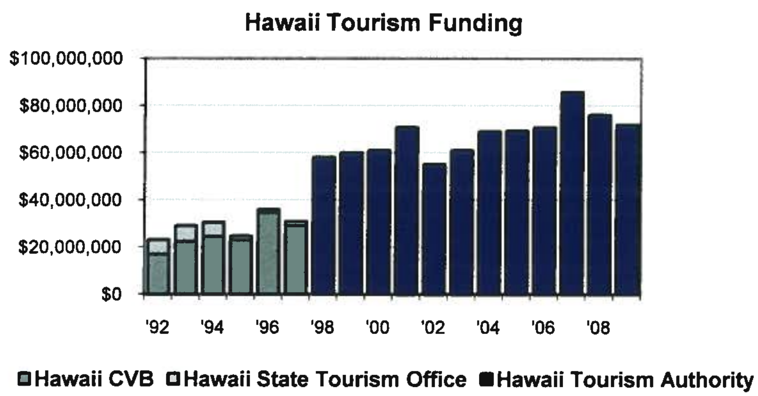
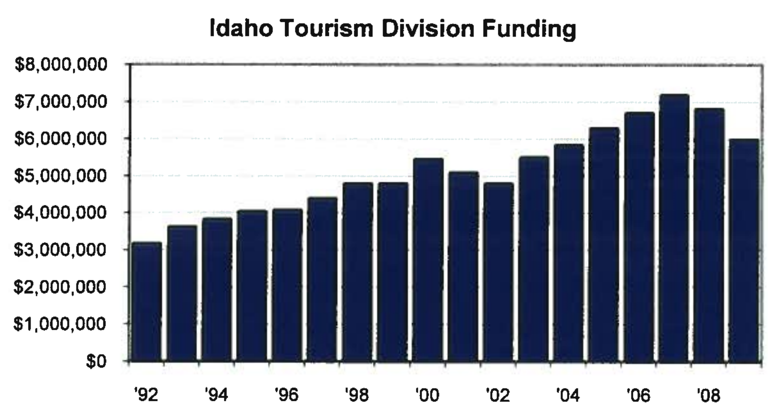


Visit Florida (officially known as the Florida Tourism Industry Marketing Corporation) is a private, non-profit corporation created in 1996 by legislation that made Visit Florida responsible for the state's tourism marketing and promotion program. Visit Florida has three main funding streams: (1) revenues from 15.75% of the $2 per day rental car surcharge; (2) an annual general fund appropriation: and (3) a $1 to $1 industry match. The initial legislation stipulated the industry match was to be strictly a cash match. Legislation enacted in 1999 authorized VIST FLORIDA to count in-kind contributions, fees for services, and coop advertising in addition to cash in meeting the industry's match requirement.

Georgia

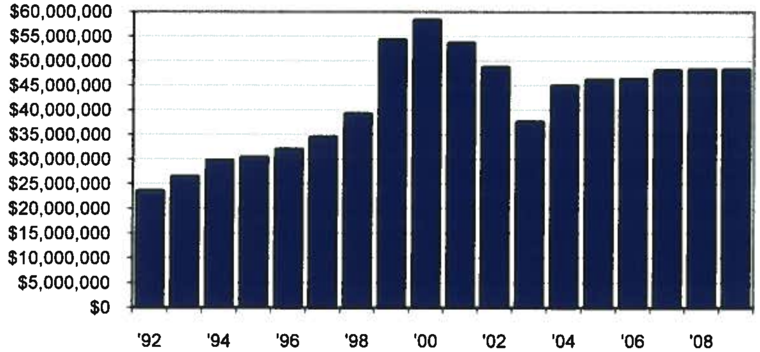


The Georgia Tourism Division is funded by an annual general fund appropriation.

Hawaii		The Hawaii Tourism Authority (HTA) is funded by a share of revenues from the state's Transient Accommodations Tax (TAT). The HTA receives 34.2% of collections from a base tax rate of 7.25%. On July 1, 2009, the tax rate rose to 8.25% and is scheduled to increase to 9.25% on July 1, 2010, with both increases scheduled to sunset on June 30, 2015. Revenues from these two increases are deposited into the state's general fund. The HTA was created through legislation enacted in 1998, based on recommendations from the governor's Economic Revitalization Task Force and supported by the state's hotel industry. The HTA essentially replaced the privately run, but publicly funded (through an annual appropriation from the state's general fund) Hawaii Visitors & Convention Bureau. The 1998 legislation increased the TAT rate from 6% to 7.25% and dedicated 37.9% of the tax revenues to the newly created Tourism Special Fund (TSP) "for tourism promotion and visitor industry research." Legislation adopted in 2002 redirected 5.3 percentage points of the 37.9% TSP allocation to the newly established Transient Accommodations Tax Trust Fund to protect against shortfalls in the TSP when the annual transfer to the special fund was below $63.292 million. The trust fund was abolished in 2005 in legislation that also increased HTA's share to the current 34.2% and diverted TAT revenues to the general fund for the first time since 1998 when the allocation mechanism was established. The 1998 legislation also specifies 44.8% of TAT revenues go to specific Hawaii counties and 17.3% to a convention center fund.
Idaho		The Idaho Division of Tourism is funded by a 2% lodging tax levied on Idaho hotels, motels, & private campgrounds. Legislation mandates that 50% of the funds (less administrative costs) are to be used for a regional travel grant program and the remaining 50% (less administrative costs) "for the promotion and development of statewide travel and convention programs." In practice, 45% of the funding is used for the statewide marketing program, 45% for the regional grant program, and 10% for the administration of the tourism division. The lodging tax was authorized in 1979. A 1988 proposal by the "Multi-Tourism Industry Task Force" sought to broaden the tax base to other tourism-related goods & services, reduce the rate to 0.5%, and allocate 75% of the proceeds to the statewide tourism program and 25% for regional grants. The proposal was not adopted.

Illinois

Illinois Tourism Office Funding



The Illinois Bureau of Tourism is funded by revenues from the state's 6% lodging tax. The bureau receives 21% of the proceeds from the lodging tax through a transfer from the state's general fund to the Tourism Promotion Fund.

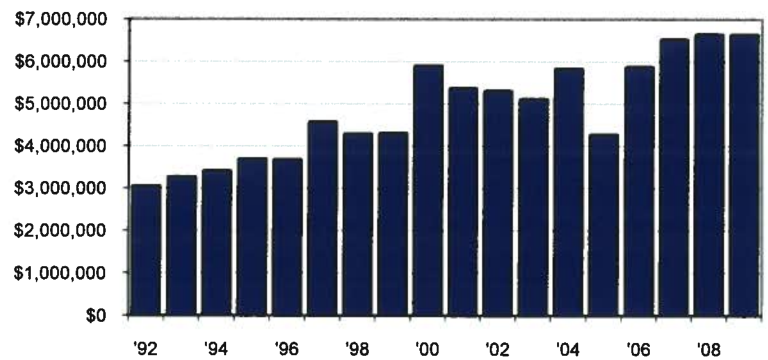
Illinois law mandates that 33.5% of hotel tax revenues are to be used for statewide and local tourism and convention promotion. (The remaining 66.5% of revenues go to the state's general fund.) The 33.5% is allocated as follows: 13 percentage points of the 33.5 are for the statewide tourism promotion program and 8 percentage points for the statewide domestic advertising program; 4.5 percentage points are provided to the International Tourism Fund, which is divided among local CVBs; and 8 percentage points to the Local Tourism & Convention Bureau Grant Program.

In practice, there have been a number of years when less than the full amount has been allocated for tourism promotion, with money "swept" from the fund and used for non-tourism-related purposes. For FY 2009-10, the office is receiving the same level of funding as in the prior year, despite $30 million being swept from the tourism promotion fund to the state's general revenue fund.

When the Tourism Promotion Fund was first authorized in 1979 following a recommendation from the Advisory Committee on Tourism, the state tourism office received 10% of bed tax receipts.

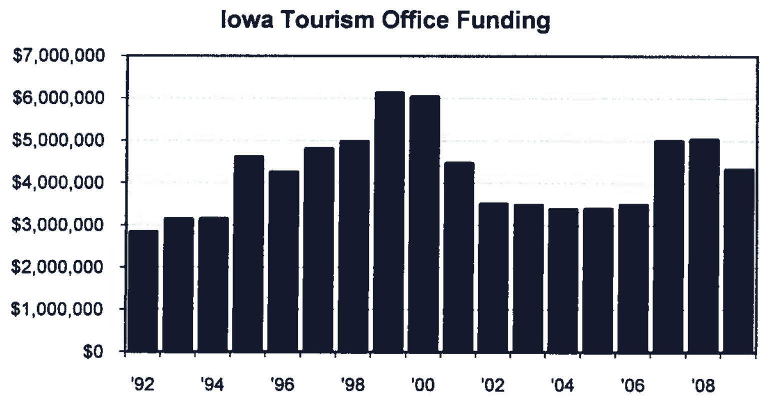
Indiana

Indiana Tourism Office Funding



Approximately 70% of funding for the Indiana Office of Tourism funding is provided through an annual appropriation from the state's general fund, with roughly 25% derived from revenues from publications and 5% from coop advertising and the state's tourism Website.

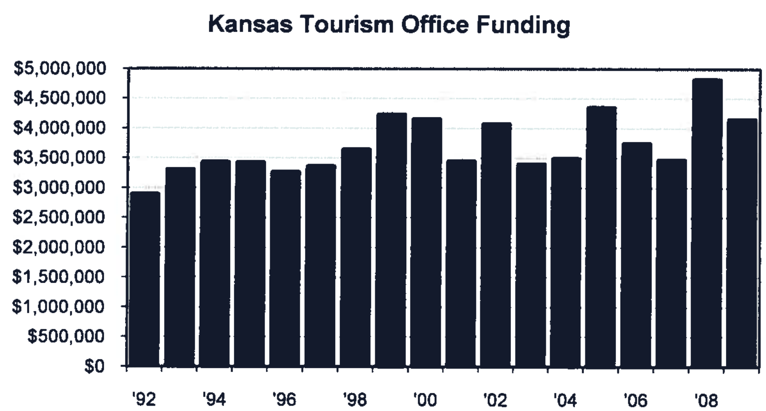
Iowa



The Iowa Tourism Office is largely funded by an annual appropriation from the state's general fund. Effective FY 2007-08, legislation was enacted allocating a portion of revenues from the state's gaming tax to be used for regional tourism marketing. The FY2009-10 budget capped this allocation at $958,000.

The Iowa tourism office is within the state's Department of Economic Development (DED). Generally, the office's funding is part of the DED's annual appropriation, with the tourism office's funding level at the discretion of DED's director.

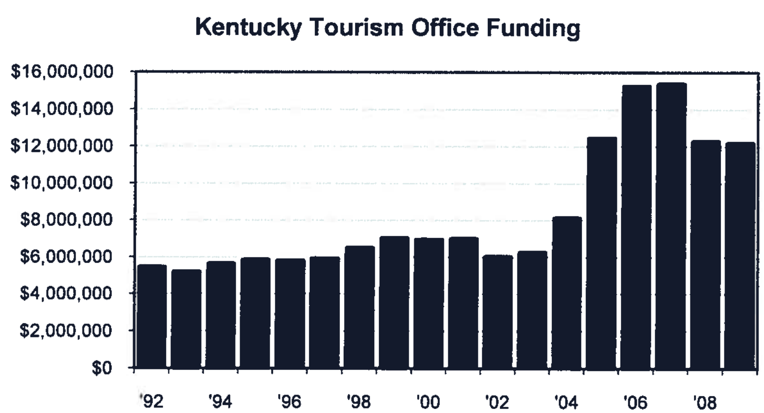
Kansas



The Kansas Travel and Tourism Development Division relies on a combination of funding sources to pay for its operations. Revenues from the state gaming revenues fund (i.e., lottery receipts) through a transfer to the state's Economic Development Initiatives Fund (EDIF) serve as the division's largest source of funding. Other revenue sources include subscriptions to *KANSAS!* Magazine and general promotion sales. In addition, industry co-op marketing programs and shared dollars from the Kansas Dept of Transportation have helped the division maintain its budget through recent cuts.

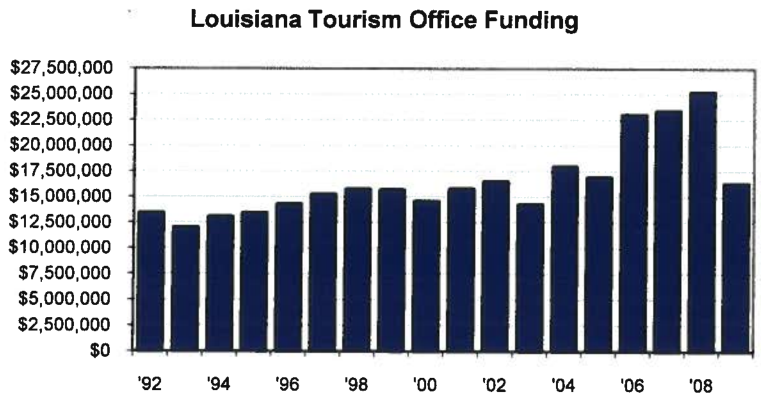
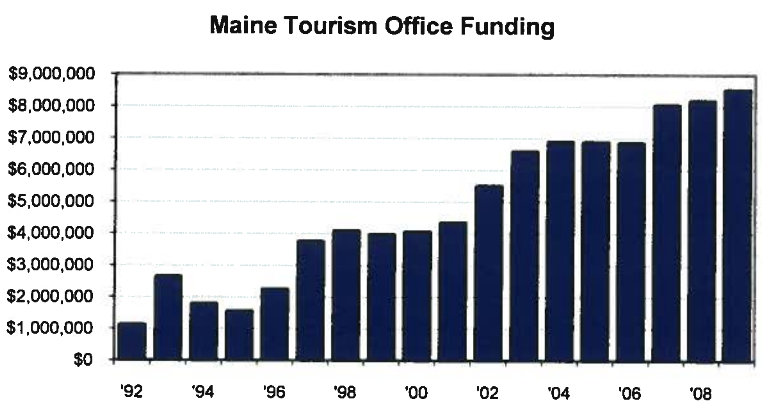
The division's EDIF allocation is determined through the annual appropriation process. The division has not received funding from the state's general fund for operations since FY 1988 when the division first received revenues from the state lottery.

Kentucky

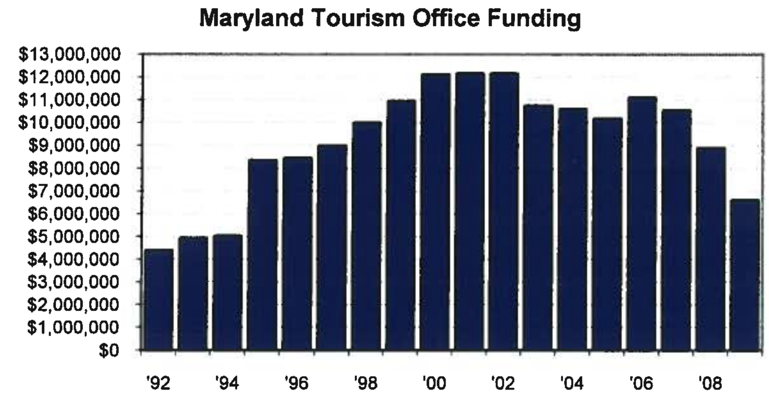


The Kentucky Department of Travel is funded by a 1% transient room tax, an appropriation from the state's general fund, and private sector contributions.

The 1% transient room tax was authorized under legislation enacted in 2005 that also created the Tourism, Meeting and Convention Fund "that shall be used for the sole purpose of marketing and promoting tourism in the Commonwealth." The department receives approximately 36% of the funding allocated from the fund, with the remainder provided to the local (52%) and regional (12%) matching funds program.

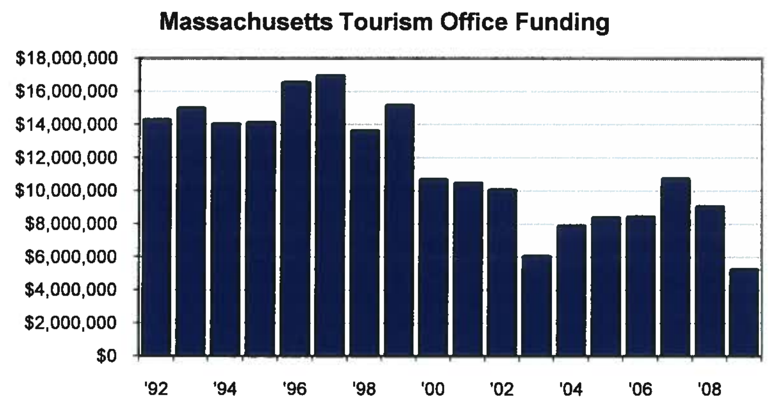
Louisiana		The Louisiana Office of Tourism receives 100% of its funding from the 0.03% Louisiana Tourism Promotion District sales and use tax. The 0.03% sales tax, established in 1990, is levied on all goods and services subject to the state's 3.97% general sales and use tax. The enabling legislation created a special taxing district with boundaries coterminous with those of the state of Louisiana and mandates that the proceeds are to be used strictly for tourism promotion, with a limitation that only 10% of funds provided to the department for media advertisement can be used for in-state advertisement. Prior to 2007, there was a cap on the amount of funding that could be used each year for tourism promotion, with the last cap set at $18.7 million. Legislation enacted in 2007 removed the cap such that the only limitation on the amount of funds provided for tourism is legislative/gubernatorial approval.
Maine		Since FY 2003, the Maine Office of Tourism has been funded by revenues from the state's lodging and restaurant sales tax through a transfer of revenues from the Tourism Marketing Promotion Fund (TMPF). Each fiscal year, the fund receives an allocation equal to 5 of the 7 percentage points of the lodging and restaurant tax. Prior to 2003, the office was funded through an annual appropriation from the state's general fund. Under legislation adopted in June 2009, the rate of the lodging and restaurant tax was raised from 7% to 8.5% as part of a larger tax reform package. The legislation increased the TMPF's share to 6.0 of the 8.5 percentage points. In November, Maine residents collected enough signatures to stop implementation of the law authorizing the tax reform package, subjecting the measure to a voter referendum in June 2010. Maine's governor and legislature are examining options to close the budgetary shortfall arising from this action.

Maryland



The Maryland Office of Tourism Development's funding is derived solely from an annual general fund appropriation. The office's FY 2009-10 budget has been reduced three times since the budget was enacted ($1.1 million cut to Tourism Board in July 2009, $0.5 million cut for local Destination Marketing grants in August 2008, and another $1.0 million cut to Tourism Board funds in November 2009. In addition, the state has closed five of its ten welcome centers.

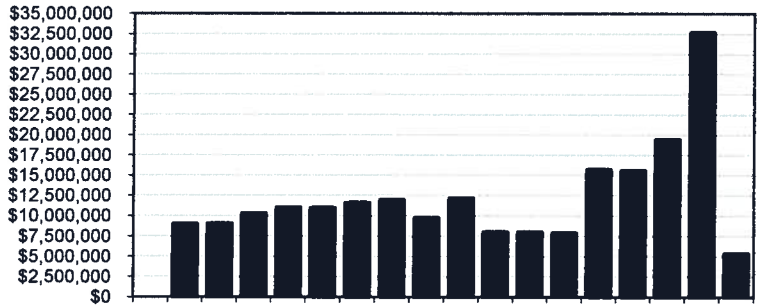
Massachusetts



The Massachusetts Office of Travel and Tourism (MOTT) is funded by an annual appropriation from the general fund. The office is supposed to receive 40% of the revenues from the Massachusetts Tourism Fund (MTF), with MTF revenues derived from 35% of the proceeds from the state's Room Occupancy Excise Tax. In practice, MOTT's funding for several years has been through an annual general fund appropriation. The mandated funding for MTF was formally suspended in FY2008-09.

Michigan

Michigan Tourism Office Funding



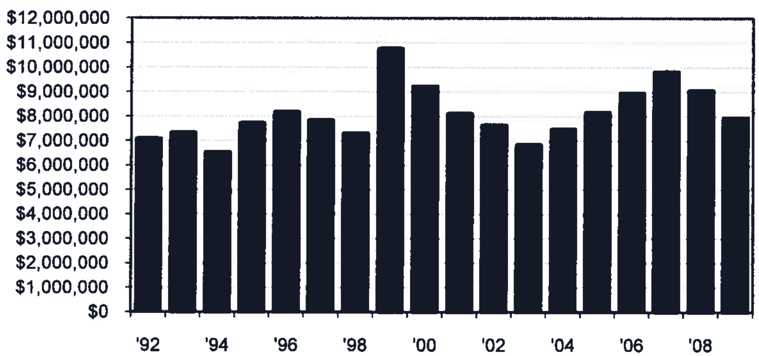
Michigan's tourism office (Travel Michigan) is usually funded through a line item appropriation from the state's general fund. In 2008, Michigan refinanced its outstanding 2006 tobacco securitization bonds at a lower interest rate, devoting the proceeds and providing a one-time $47.5 million infusion to the Michigan Promotion Program for FY2007-08 and FY2008-09. That funding stream is now exhausted and the state's 2009-10 budget provides $5.4 million for the state tourism office.

Michigan's tourism industry is supporting a package of bills that would provide a permanent funding stream for tourism, using a combination of funding from: (1) a temporary $2.50 per day or part of day on passenger car rentals at airports and other transportation facilities, hotels/motels, and convention centers – expiring on September 30, 2014; and (2) any "tourism-generated increase" in sales and use tax revenues. Revenues would be deposited in a newly created Michigan Promotion Fund with stipulations that only 25% of the Fund could be used to promote business development. The fund would be capped at $40 million plus annual inflation, with any excess revenue reverting to the state's general fund.

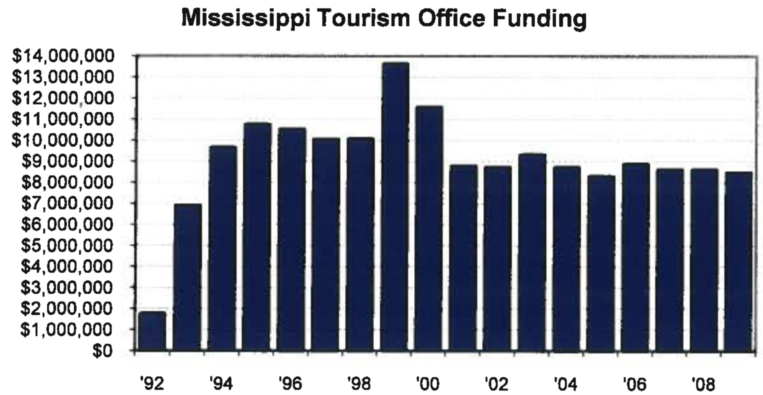
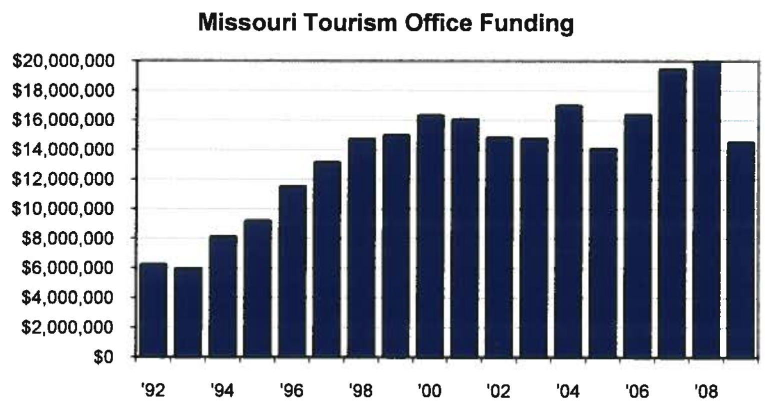
The Michigan House passed all but the measure authorizing the $2.50 per day assessment on car rentals on December 17, 2009. The Senate has yet to act on the proposed legislation. After not acting on the bill authorizing the $2.50 per day car rental assessment in December, the House re-referred the measure back to the committee on Tourism, Outdoor Recreation and Natural Resources on January 21, 2010.

Minnesota

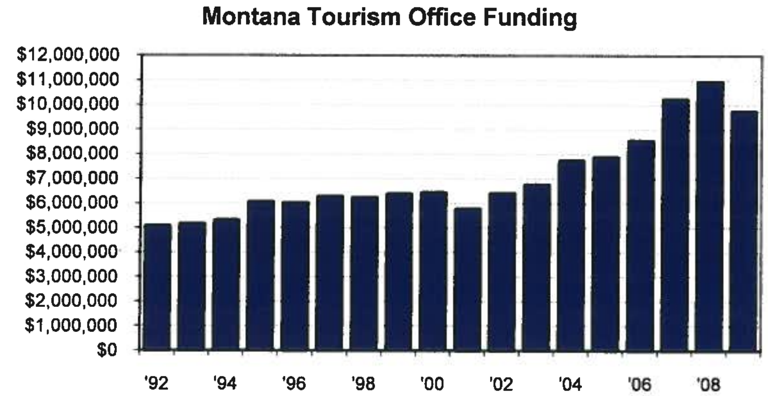
Minnesota Tourism Office Funding



Minnesota's tourism office funding is derived from an annual general fund appropriation.

Mississippi		The Mississippi Division of Tourism is funded by an annual general fund appropriation.
Missouri		The Missouri Division of Tourism is funded by an annual general fund appropriation. Under legislation adopted in 1993 and effective July 1, 1994, the division's funding is determined by a formula that takes into account the annual increase in state sales tax revenues from 17 travel-related SIC codes. Under the formula, the division's annual appropriation is equal to the prior year's funding level plus half of any increase in total sales tax revenue from the 17 SICs above 3 percent (considered the "normal "growth rate for tourism), up to a maximum increase in funding of $3 million. To minimize the issue of delinquent tax submissions and to accommodate the appropriation process, there is a three-year lag in determining the annual increase, with sales tax collections from three years ago compared with the collections from four years ago. Funding is appropriated annually from the Missouri General Fund to the Tourism Supplemental Revenue Fund – a special fund maintained in the state's treasury solely for the use by Missouri tourism division. The division has not always received the full amount of funding that would be expected based on the formula. Theoretically, the funding level should never be less than what was appropriated for the prior year. However, due to economic constraints, the division has not always received the full amount of funding and, in FY2009-10, the division's funding has been cut twice with the revenues diverted back to the state's general fund.

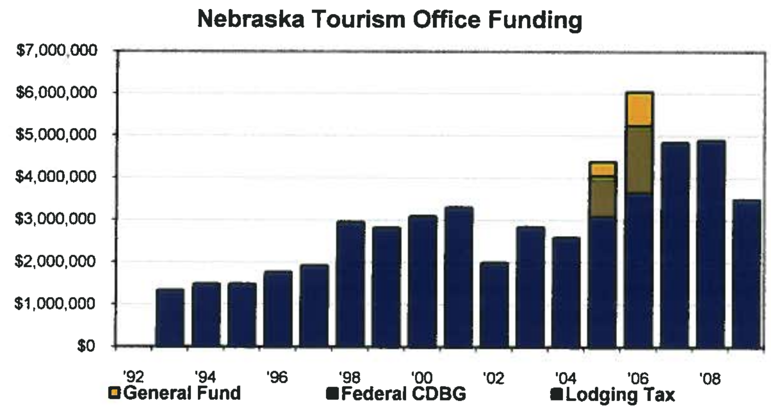
Montana



Nearly 100% of funding for the Montana Office of Tourism is derived from the state's 4% Lodging Facility Use Tax. The office receives 67.5% of proceeds from the tax after deducting revenue department collection costs and $400,000 for the Montana Heritage Commission. The office must allocate 22.5% of its tax revenues among the state's 6 regional tourism corporations. *(In 2003, the state imposed an additional 3% Lodging Facilities Sales Tax with the proceeds going to the state general fund.)*

The Lodging Facility Use Tax was established in 1987. The legislation requires 67.5% of revenues (less the mandated deductions) "to be used directly by the department of commerce" for tourism promotion. The law further states that 22.5% of the department's allocation is "to be distributed to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total collected statewide."

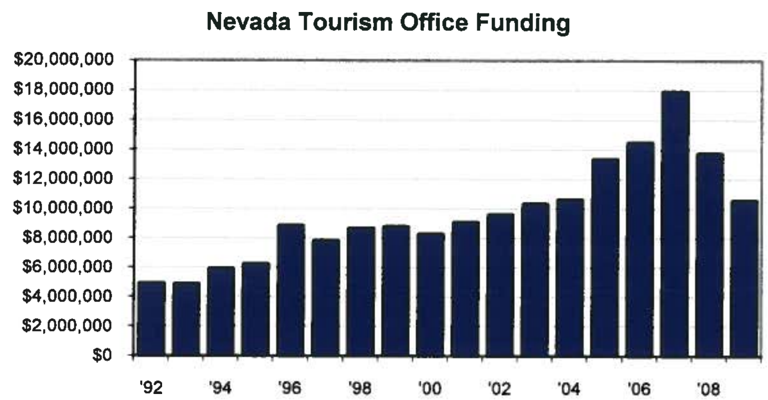
Nebraska



Funding for the Nebraska Travel and Tourism Division is largely derived from the state's 1% hotel occupancy tax. Between 2005 and 2008, an additional $350,000 to $500,000 was provided annually from the general fund for the Tourism Advantage Matching Grant Program. That program was discontinued in FY2008-09. Also beginning in 2005, the tourism office has been using federal CDBG funds for tourism development projects.

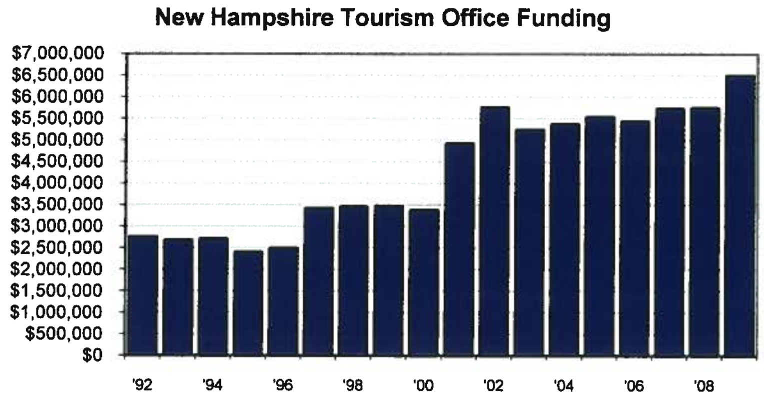
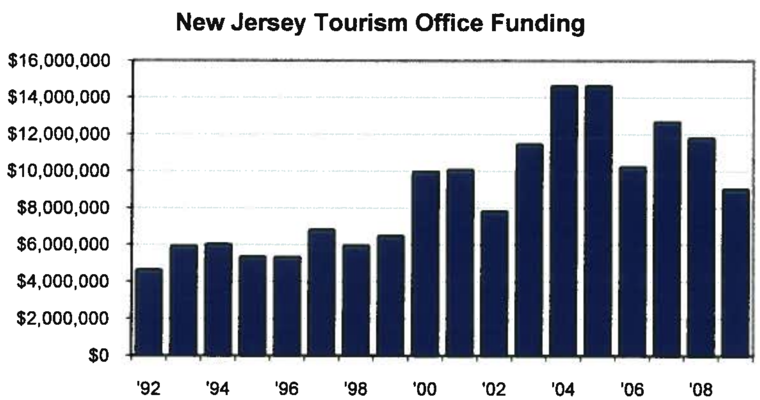
The 1% hotel occupancy tax was established in 1980 under the Nebraska Visitors Development Act that created the State Visitors Promotion Cash Fund "to generally promote, encourage, and attract visitors to and within the State of Nebraska and enhance the use of travel and tourism facilities within the state." The definition of "hotel" is broad and includes B&Bs, inns, campgrounds, lodging houses, etc., as well as hotels and motels.

Nevada

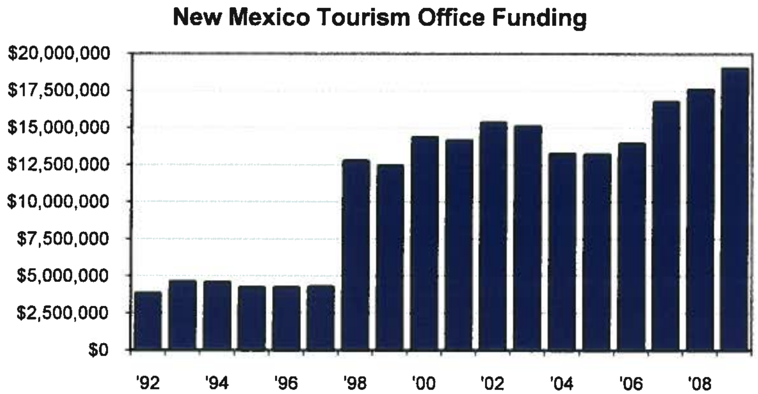


The Nevada Commission on Tourism (NCOT) budget is almost totally funded by revenues from an allocation of 3/8th of a 1 percent lodging tax. The lodging tax revenues that fund NCOT are deposited in the state's Fund for Tourism Promotion. The remaining 5/8th of the 1 percent lodging tax remain in the city or county in which the tax was collected. Both the fund and the Commission were established in 1983. About 1% of the commission's funding is derived from conference registration fees.

The FY 2009-10 budget mandates that $2,334,563 from the tourism promotion fund be diverted to the state general fund.

New Hampshire		The New Hampshire Division of Travel and Tourism Development has traditionally been funded by an appropriation from the state's general fund. Starting in FY2011-12, the division's funding will be derived from an allocation of the state's Meals and Rooms Tax. On June 30, 2009, legislation was enacted raising the rate of the state's Meals and Rooms Tax from 8% to 9% and broadening the tax base to include campgrounds, effective July 1, 2009. The legislation allocates 3.15% of the net income from the tax to the division. As noted above, the division's funding will be derived from the tax starting in FY 2011-12. The state increased the Division's annual general fund appropriation for FY 2009-10 and FY 2010-11 by $700,000 each year, such that the total appropriation in those two years will approximate the division's estimated increased funding level once it is funded by the Meals and Rooms Tax.
New Jersey		As of July 1, 2003, 100% of funding for the New Jersey Division of Tourism is to be derived from the state's hotel/motel tax. The law stipulates that 40% of revenue collected, or a combined minimum of $28.2 million, must be used to fund cultural project grants through the NJ State Council on the Arts and NJ Historical Commission, and advertising and promotion in the Division of Travel and Tourism and the NJ Cultural Trust. In practice, the division's level of funding is largely determined through the usual appropriation process between the governor and state legislature. If the statutorily minimum amount is not appropriated in any fiscal year, then no later than 10 days after the enactment of the annual appropriations act, the Director of the Division of Tourism is to notify each person required to collect the tax that the tax is to no longer be paid or collected. However, this "poison pill" provision can be overridden by legislation suspending this provision.

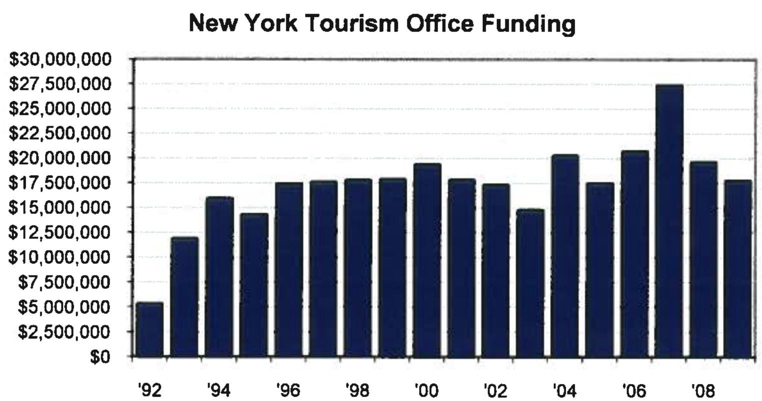
New Mexico



Approximately 75% of funding for the New Mexico Tourism Department is derived from an annual appropriation from the state general fund and designated transfers from other state funds (e.g., for litter control – a responsibility of the tourism office). The remaining funding is provided by the office's "Enterprise Fund," with revenues derived from advertising sales and subscriptions for New Mexico Magazine and from the sale of advertising and souvenirs at the state's welcome centers.

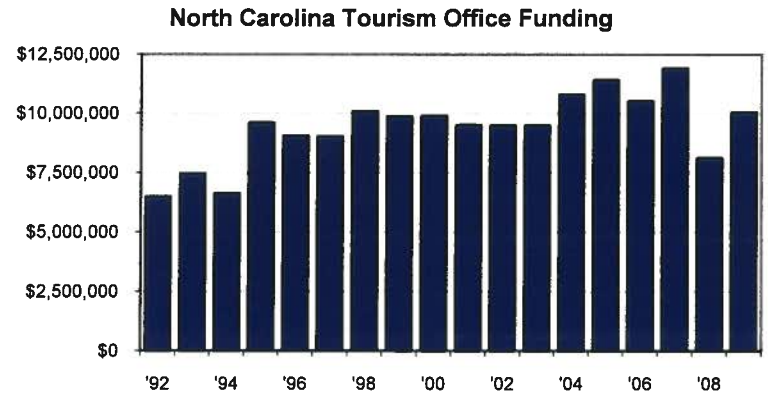
In December 2009, the New Mexico Tourism Department with tourism industry support delivered a proposal to the state legislature for a 0.25% tax on restaurant and banquet meals, with the proceeds dedicated to tourism marketing. The office's annual marketing budget is $2.6 million and a 0.25% restaurant tax is expected to generate approximately $6.25 million annually.

New York



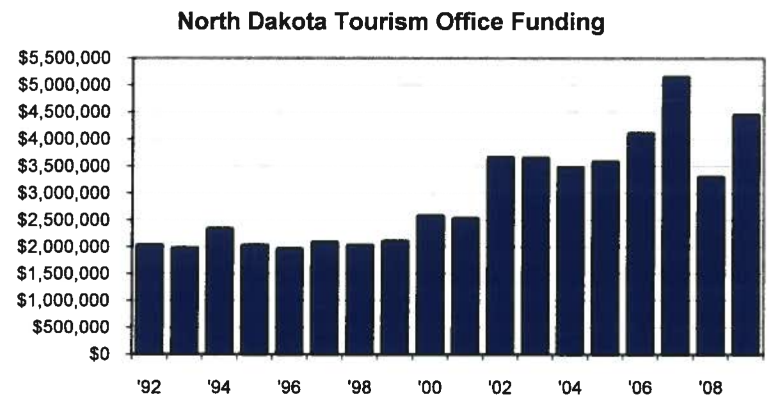
New York state's tourism office is funded by an annual general fund appropriation.

North Carolina



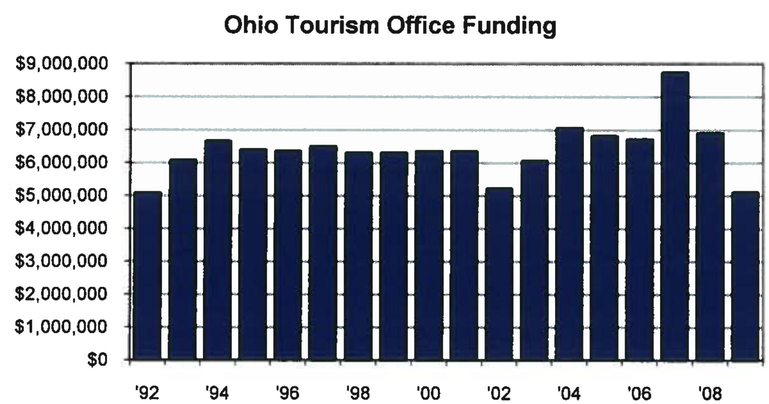
The North Carolina Division of Tourism, Film and Sports Development is funded by an annual appropriation from the state's general fund. The division's funding was reduced in both FY2008-09 and FY2009-10 from the initial appropriation.

North Dakota

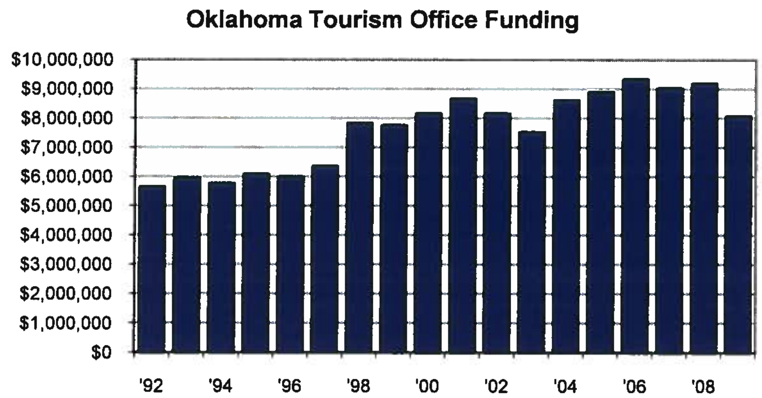


The North Dakota Tourism Department is funded by an appropriation from the state's general fund.

Ohio

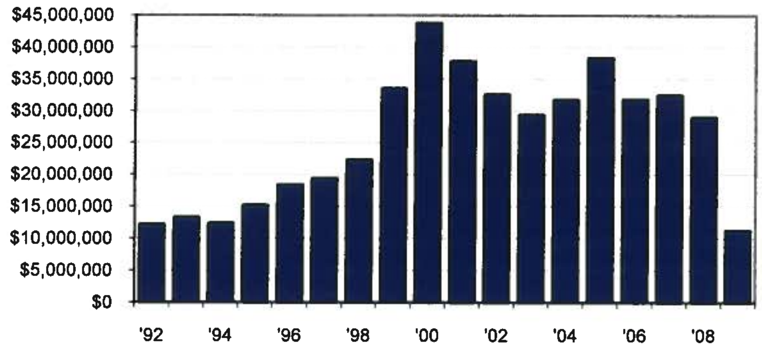


The Ohio Division of Travel and Tourism (Discover Ohio) is funded by annual appropriation from the state's general fund. In FY 2009-10, the division was funded by a $400,000 appropriation from the state's general fund and $4.7 million from an unclaimed funds line earmarked for Department of Development Marketing Initiatives. The division's funding is zeroed out for the upcoming fiscal year (2010-11) with a mandate from the Governor to develop a new public/private funding model for state tourism marketing and promotion that does not rely on annual general fund appropriations.

Oklahoma		The Oklahoma Tourism & Recreation Department has received a small portion (0.33%) of the state sales and use tax to fund its operations beginning in FY 2007-08. This funding stream replaced the state Tourism Tax (a 1/10 of 1% gross receipts tax on businesses in 14 identified tourism-related industries) that had funded the office starting in 1987. The tourism tax was initially widely supported by the state's tourism industry because prior to the measure's enactment, the state did not have a tourism promotion budget. The tourism tax was repealed in 2007 with strong support from the state's restaurant industry, which felt it had shouldered an unfairly large share of the tax burden. The 2007 law allocates 0.93% of state sales and use tax revenues for tourism-related activities, with 36% of that amount placed in the Oklahoma Tourism Promotion Revolving Fund and 64% in the Oklahoma Tourism Capital Improvement Revolving Fund (used primarily for capital improvement projects in the state's park system). The 36% of 0.93% allocation translates into the tourism department receiving 0.33% of the state sales and use tax. This funding stream is at least 10% above what the office would be receiving under the previous tourism tax.
Oregon		The Oregon Tourism Commission is semi-independent and funded solely by a 1% statewide tax on lodging. The Commission receives all proceeds from this tax, with the exception of administrative costs retained by the state revenue department. Legislation stipulates 80% of revenues are to be used to fund state marketing programs – with a focus on out-of-state and international markets, and 15% distributed to regional cooperative tourism marketing programs in a proportion that reflects each region's collections. The Commission and the dedicated 1% statewide lodging tax were established in 2004 under legislation enacted in 2003. Prior to 2004, the state tourism office received funding from an annual appropriation.

Pennsylvania

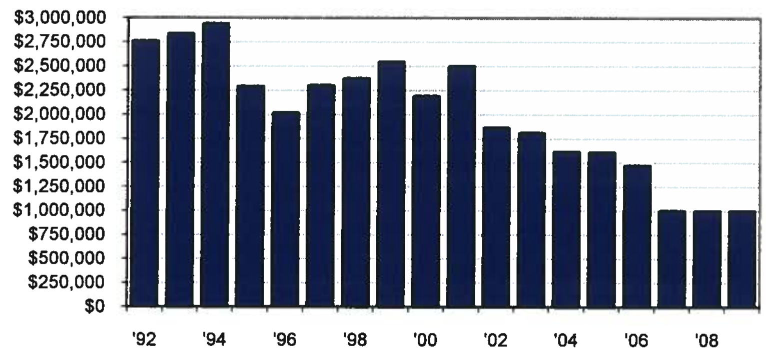
Pennsylvania Tourism Office Funding



The Pennsylvania Tourism Office is funded by annual appropriation from the state's general fund. It should be noted that roughly half of the office's annual appropriation is distributed to regional and local tourism promotion entities in the form of grants.

Rhode Island

Rhode Island Tourism Office Funding



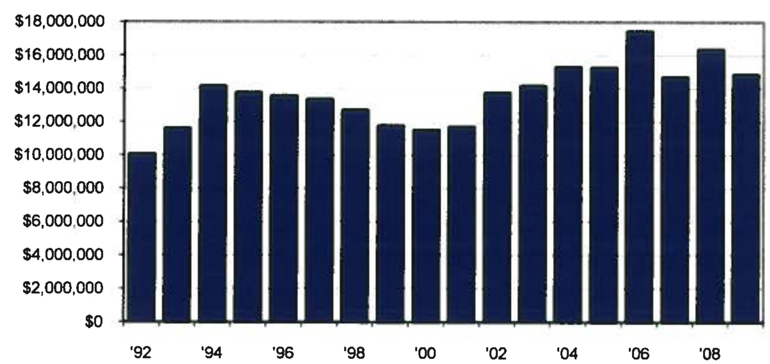
The Rhode Island Tourism Office is funded by an annual appropriation from the state's general fund.

For FY1991-92 to FY 1996-97, the office was funded by a combination of revenues from the state's hotel tax (65%); general fund appropriation (20%), and a transfer from the state port authority (15%). During this period, tourism received hotel tax revenues equal to 1.35 percentage points of the state's 5% lodging tax.

Since 1997, the office has been funded by an annual general fund appropriation with the office's allocation included in the annual appropriation for the Rhode Island Economic Development Corporation. The office's general fund appropriation has declined 82% since 1997.

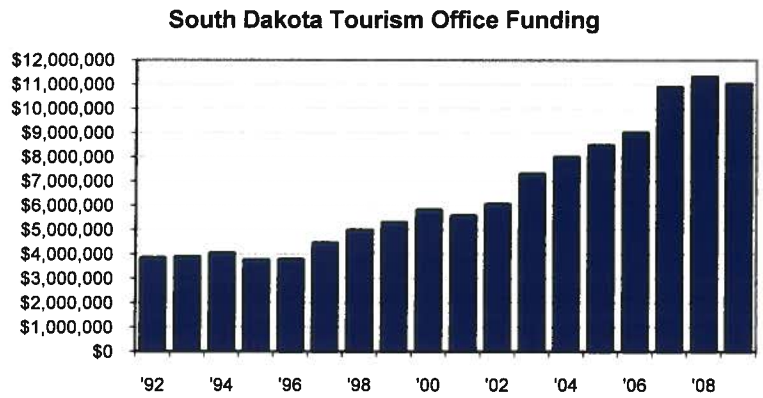
South Carolina

South Carolina Tourism Office Funding



The South Carolina tourism office funding is largely derived from an annual appropriation from the state general fund.

South Dakota

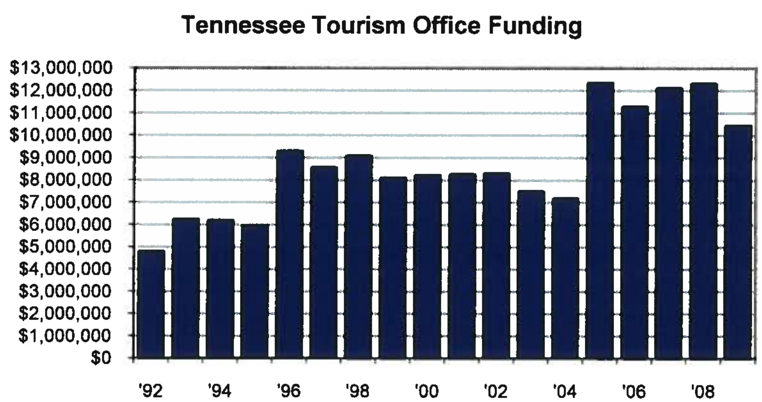


In recent years, the South Dakota Office of Tourism has been funded by a combination of revenues from the state's general fund, tourism tax, and gambling tax. There was no general fund appropriation in FY2009-10.

Prior to 1994, the South Dakota tourism office was funded solely by an annual general fund appropriation. In 1994, legislation was enacted transferring 40% of revenues from the South Dakota Gaming Commission Fund to the newly created Tourism Promotion Fund. A 1% Tourism Tax was first enacted in 1995. The tax is imposed year-round on lodging establishments, campgrounds, motor vehicle and recreational equipment rentals, recreational services, spectator events and visitor attractions; and during the months of June-September on "visitor-intensive businesses," e.g., souvenir and gift shops, jewelry, leather goods or pottery shops, bookstores, and other primarily retail establishments that cater to the traveling public.

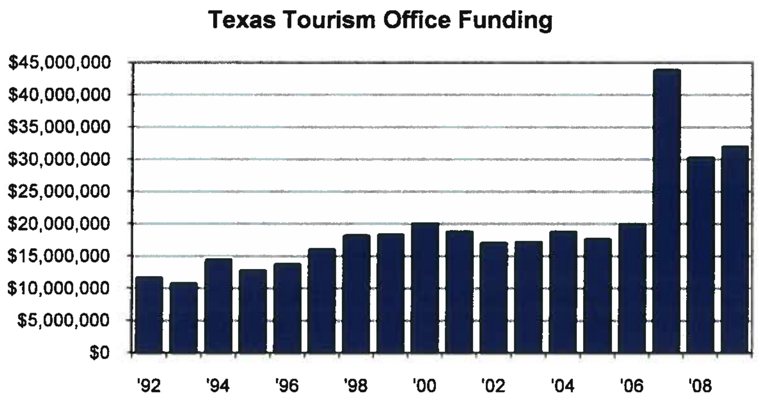
The tax rate was raised to 1.5% between July 1, 2009 and June 30, 2011 with the proceeds dedicated to the Archeological Research Center, the South Dakota Arts Council, and for tourism promotion.

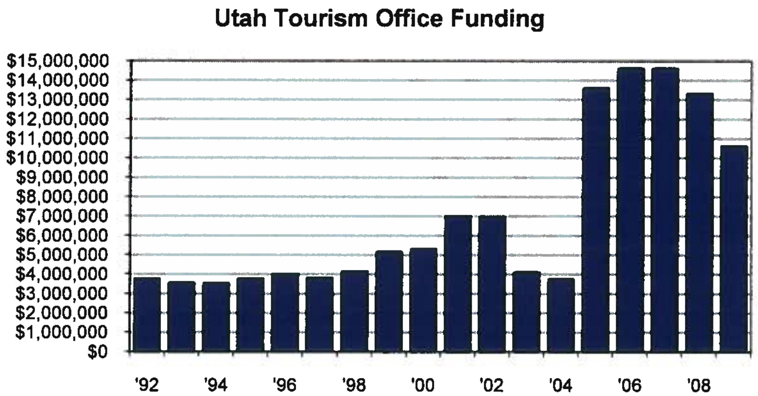
Tennessee



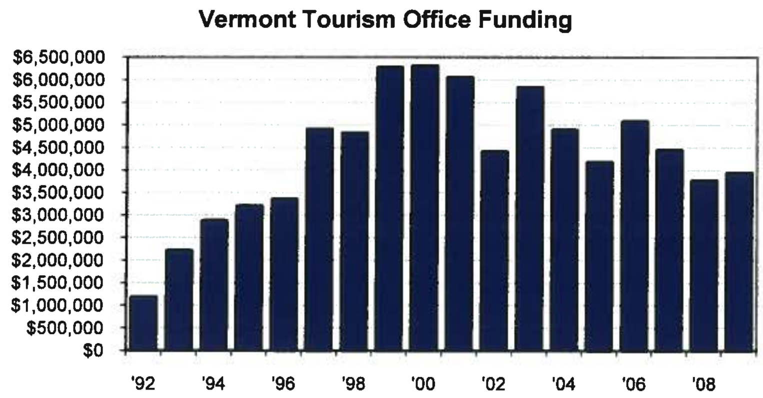
The Tennessee Department of Tourist Development is funded by an annual appropriation from the state general fund.

For FY 2009-10, the legislature added $3.5 million to the governor's initial request of $8,441,400.

Texas		Funding for the Texas Office of the Governor tourism office is derived from revenues from the state's 6% hotel occupancy tax. Texas law mandates the tourism office is to receive revenues at a rate of one-half of one percent of the hotel occupancy tax "for media advertising and other marketing activities of the Tourism Division." In FY2007-08, the office received a one-time infusion of funds. The allocation for FY2009-10 is based on projected hotel occupancy tax revenues. If revenues fall below the projected amount, the office's funding will be reduced to the level that reflects collections. The tourism office has received funding from the hotel occupancy tax since FY 1987-88. The Texas Department of Transportation also has a relatively large budget for tourism promotion with revenues derived from the State Highway Fund – Gasoline Tax. The funding is typically $ 6 million to $8 million annually, once costs for the operation of the state's welcome centers is deducted.

Utah		The Utah Office of Tourism is funded by an annual appropriation from the state's general fund. Under legislation enacted in 2005, the level of funding is supposed to be determined according to a formula that largely modeled Missouri's tourism funding formula. However, that system has been suspended for FY2009-10. The 2005 legislation created the Tourism Marketing Performance Account program that models Missouri's tourism funding program. The office's funding is determined by a formula that takes into account the annual increase in state sales tax revenues from 21 travel-related NAICs codes. Under the formula, the office's annual appropriation is equal to the prior year's funding level plus half of the growth in total sales tax revenue from the 21 NAICs above 3 percent (considered the "normal "growth rate for tourism), up to a maximum annual increase in funding of $3 million. To minimize the issue of delinquent tax submissions and to accommodate the appropriation process, there is a two-year lag in determining the annual increase, with sales tax collections from two years ago compared with the collections from three years ago. The Tourism Marketing Performance (TMP) Account (TMP), a restricted account within the general fund, was seeded with a $10 million allocation from the state's general fund with the stipulation the general fund allocation would be reduced by $1 million each year and replaced with the sales tax revenues. Theoretically, the office's funding should never be less than what was received in the prior year. However, the legislation was amended in 2009 requiring that for FY2009-10, $6 million in the TMP Account be transferred to the state's general fund. When the legislation was enacted, the TMP Account funding was in addition to the office's annual $3.9 million annual appropriation.

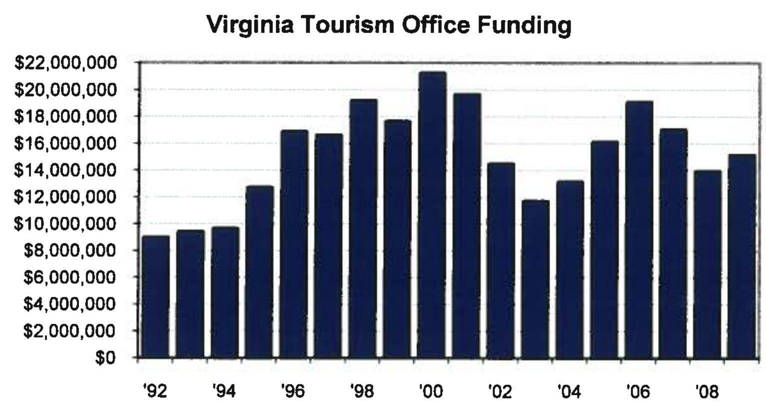
Vermont



Vermont's Department of Tourism and Marketing is funded by an annual state appropriation. The budget figures shown in the accompanying chart do not include nearly $900,000 in funding from the state's Enterprise Fund for *Vermont Life,* the state's official magazine that is produced by the state tourism office.

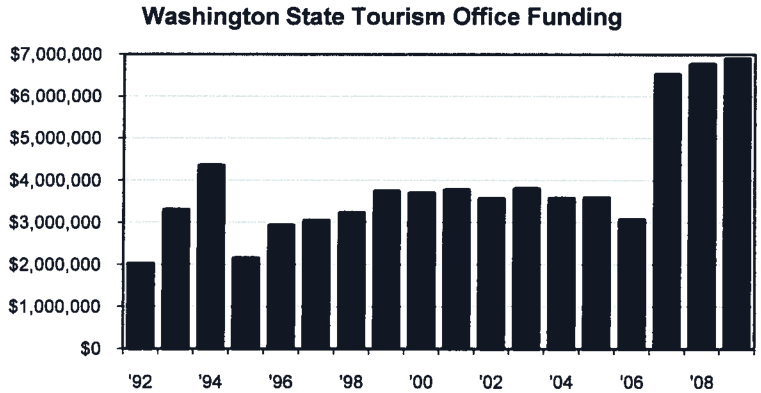
For FY2009-10, the tourism office's general fund appropriation was $149,000 less than that of the previous fiscal year. The tourism office received an appropriation of $500,000 in additional funding from the federal American Recovery & Reinvestment State Fiscal Stabilization Fund - Government Services Fund, but it is unclear whether those funds will remain with the department or be re-allocated for non-tourism uses:. In December 2009, $180,243 of the office's operating budget was rescinded from the FY2009-10 general fund appropriation.

Virginia



The Virginia Tourism Authority is largely funded by an appropriation from the state's general fund. The Authority received an increase in funding for the 2004-2007 period with the increase earmarked for the Jamestown 400th Anniversary Commemoration.

Washington



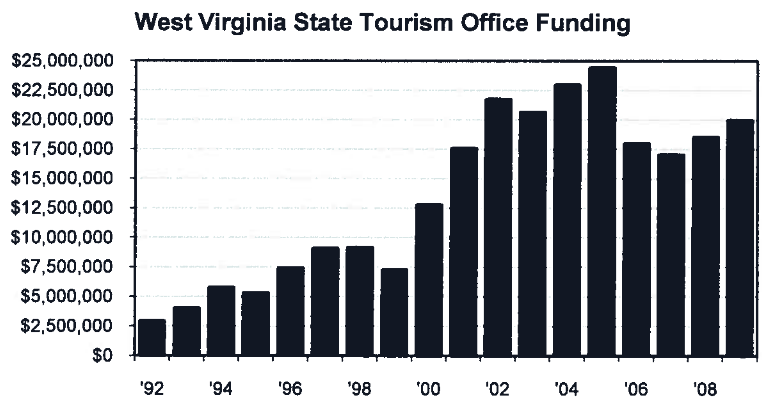
The Washington State Tourism Commission is funded by moneys transferred from the state convention and trade account to the tourism enterprise account and a required private industry match of 25% in FY08-09, 50% in FY09-10, and 100% match in FY10-11. The match can be in form of cash contributions, advertising equivalency, or in-kind contributions with the latter determined by the Commission. The legislature voted to suspend the transfer for the 2009 and 2010 fiscal years – a move the governor vetoed.

The Washington State Tourism Commission and the tourism enterprise account were established under legislation enacted in April 2007. The legislation stipulates that expenditures from the tourism enterprise account can be used "only for the purposes of expanding and promoting the tourism industry in the state of Washington."

The tourism enterprise account is funded through an annual transfer from the state convention and trade account, with the transfer capped at $4 million annually. The legislation also created the tourism development and promotion account, funded by an annual $500,000 transfer from the convention and trade account and used to help fund the Commission's grant program and market the state in conjunction with the 2010 Winter Olympics, which are being held in nearby Vancouver, British Columbia.

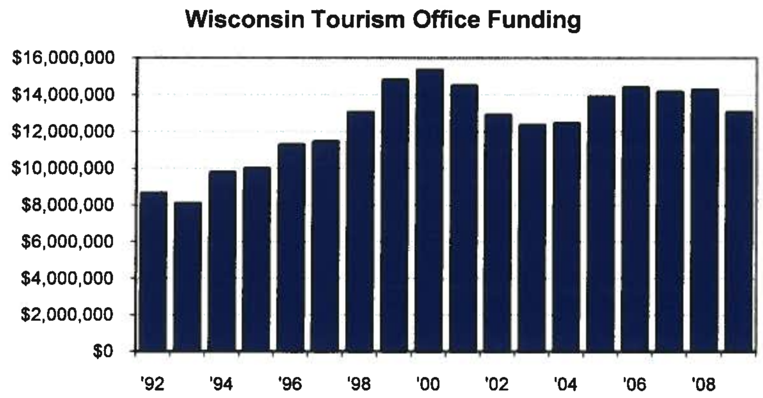
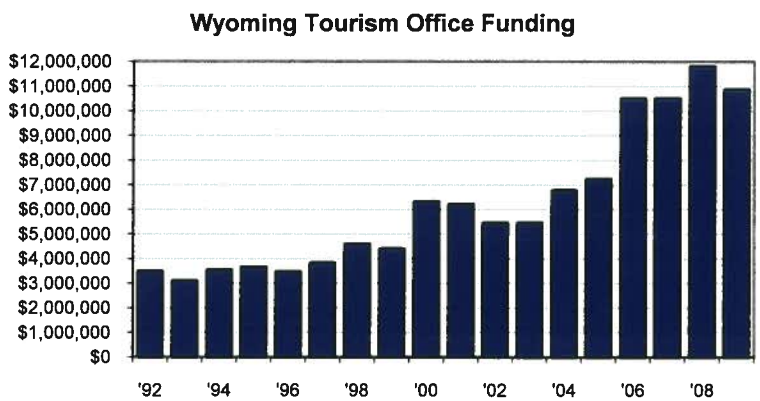
Prior to the 2008-09 fiscal year, the Washington state tourism office was funded by an annual appropriation from the state's general fund.

West Virginia



The West Virginia Division of Tourism is funded by an annual appropriation from the Education, Arts, Sciences, and Tourism – Debt Service Fund, which in turn is funded from proceeds from the state lottery. Under the enabling legislation, the tourism division receives an appropriation from the debt service fund after all debt service obligations have been paid. The division also receives funding for a matching grants program (i.e., the Matching Advertising Partnership Program) funded by proceeds from the racetrack video lottery program. Legislation mandates that 3% of proceeds from the video lottery program be allocated to the Tourism Promotion Fund. The matching grants program receives 1.375 percentage points of the 3 percentage point allocation

Lottery proceeds have funded the tourism division since 1990, while proceeds from the video lottery program have funded the matching grant program since 1995.

Wisconsin		The Wisconsin Department of Tourism budget is derived from a combination of tribal gaming revenue, a 2% tax on vehicle rentals (total tax is 5%), and general purpose revenue. This combination of funding started in FY2006. The tourism department has a base expenditure authority of $9.1 million annually from tribal gaming revenue and $2.2 million from the transportation fund (vehicle rental tax). The department has seen a reduction in their budget beginning in FY2008 and continuing through FY2011. Prior to FY1999, Wisconsin's tourism office funding was largely derived from the general purpose revenue fund.
Wyoming		The Wyoming Travel and Tourism office is funded by an appropriation from the state's general fund. The office's budget in FY2009-10 has been reduced by $970,300 since the budget was initially enacted.