

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	0	0	8,059	8,059	16,118
Recommended	0	0	7,626	8,626	16,252
Change		0	(433)	567	134
% Biennial Change from 2004-05					n.m.
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	0	8,909	7,626	8,626	16,252
Statutory Appropriations					
Special Revenue	0	977	3,000	3,000	6,000
Federal	0	29	0	0	0
Total	0	9,915	10,626	11,626	22,252
 <u>Expenditures by Category</u>					
Total Compensation	0	3,069	2,358	2,433	4,791
Other Operating Expenses	0	5,876	7,298	8,223	15,521
Local Assistance	0	970	970	970	1,940
Total	0	9,915	10,626	11,626	22,252
 <u>Expenditures by Program</u>					
Explore Minnesota Tourism	0	9,915	10,626	11,626	22,252
Total	0	9,915	10,626	11,626	22,252
 Full-Time Equivalent (FTE)	 0.0	 49.9	 49.9	 49.9	

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
<i>Fund: GENERAL</i>				
FY 2005 Appropriations	0	8,059	8,059	16,118
Technical Adjustments				
Current Law Base Change		567	567	1,134
Subtotal - Forecast Base	0	8,626	8,626	17,252
Change Items				
Base Reduction	0	(1,000)	(1,000)	(2,000)
Public/Private Enhancement Funding	0	0	1,000	1,000
Total Governor's Recommendations	0	7,626	8,626	16,252
<i>Fund: SPECIAL REVENUE</i>				
Planned Statutory Spending	977	998	1,017	2,015
Change Items				
Public/Private Enhancement Funding	0	2,002	1,983	3,985
Total Governor's Recommendations	977	3,000	3,000	6,000
<i>Fund: FEDERAL</i>				
Planned Statutory Spending	29	0	0	0
Total Governor's Recommendations	29	0	0	0
<u>Revenue Change Items</u>				
<i>Fund: SPECIAL REVENUE</i>				
Change Items				
Public/Private Enhancement Funding	0	2,002	1,983	3,985

EXPLORE MINNESOTA TOURISM

Change Item: Base Reduction

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)

Recommendation

The Governor recommends a base budget reduction of \$1 million per year.

Background

Explore Minnesota Tourism (EMT) became a separate agency in part to enable it to generate non-state funding from the industry that benefits from its activities. This reduction, along with the Public/Private Enhancement Funding initiative, moves the agency closer to full partnership with the tourism industry.

Relationship to Base Budget

This reduction represents a 13% reduction to EMT's operating budget.

EXPLORE MINNESOTA TOURISM

Change Item: Public/Private Enhancement Funding

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$0	\$1,000	\$1,000	\$1,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	1,500	1,500	1,500	1,500
Net Fiscal Impact	(\$1,500)	(\$500)	(\$500)	(\$500)

Recommendation

The Governor recommends \$1 million for Public/Private Enhancement funding for Explore Minnesota Tourism. This is funding for tourism marketing and is available annually beginning in FY 2007, for private sector contributions received in the previous fiscal year. This incentive appropriation will match private sector contributions that exceed the \$4 million match requirement (up to half may be in-kind). The incentive is capped at \$1 million per fiscal year.

Background

This is part of long-term funding strategy to ensure continued growth with reduced dependence on general funds. This strategy is industry driven, rewards innovative partnerships and increases the private sector's stake in the state's tourism marketing efforts. It is enhanced funding that builds on private sector involvement in tourism.

Lodging, amusement and recreation, and eating and drinking businesses generate nearly \$3.8 billion in state taxes annually. Increased marketing activities will increase travel related sales and employment in Minnesota and generate additional sales tax revenue.

Relationship to Base Budget

This funding mechanism provides the opportunity to increase the annual operating budget by a maximum of 13%.

Key Measures

Explore Minnesota Tourism is currently required to develop public/private partnerships of \$3.5 million. This change increases that requirement to \$4 million. This concept provides a performance incentive for growth and relies on increased industry partnerships to expand the marketing reach. Agreements are developed to establish the value of the partnership and then documented to ensure that the goals are reached. The key measure is the number of non-state dollars in excess of \$4 million raised by EMT.

Alternatives Considered

Additional funding options such as gaming revenues, lodging tax, performance based funding and rental car fees were alternatives that were considered. These and other options to generate funding from non-state sources will be explored through a series of industry outreach meetings held throughout the state in 2005.

Statutory Change: 116U.551 Partnership Incentive Appropriation.

Agency Purpose

The mission of Explore Minnesota Tourism (EMT) is to promote and facilitate increased travel to and within the state of Minnesota by increasing nonresident travel, stimulating travel in-state by Minnesota residents and sustaining and growing travel related sales. EMT markets Minnesota in North America and internationally as a travel destination to consumers, tour operators, group tours and travel agents, promotes coverage of Minnesota by domestic and international travel media, and initiates, develops, and coordinates activity with travel industry buyers and sellers. EMT leverages its resources by generating over \$3.5 million in cash and in-kind partnerships.

EMT previously was the Office of Tourism and a division of the Department of Employment and Economic Development (DEED). Effective 7-1-04, the legislature transferred all of the duties to EMT. At the urging of the Minnesota tourism industry, a separate state entity for tourism was created to facilitate more industry partnerships. An Explore Minnesota Tourism Council representing a diverse statewide tourism sector groups was created.

Funding for research, communications, rent and operations are added to EMT's base from DEED for the biennium ending 6-30-07. Statutory authority for EMT resides at M.S. 116U.05.

At A Glance

- ◆ Travel and tourism in Minnesota generates over \$8.9 billion to Minnesota's economy each year.
- ◆ State and local tax revenue from tourism totals \$1.1 billion: dollars that can be used for education, health care, roads, and the environment
- ◆ The leisure and hospitality industry provides over 230,000 jobs throughout the state of Minnesota. It is expected to grow by 19.2% by 2010.
- ◆ Every dollar invested in tourism marketing provides a return of investment of \$4.60 in new state and local taxes, \$20.40 in wages, and \$53.00 in gross sales.
- ◆ Minnesota hosts more than 24 million travelers each year.

Core Functions

To fulfill its mission and achieve its strategic objectives, EMT is organized into three areas: Advertising and Marketing, Operations and Consumer Services, and Industry Relations.

Advertising and Marketing: This area includes advertising and promotions directed to potential travelers. EMT uses a variety of advertising tactics involving print media, television and radio, direct mail, electronic and partnership marketing. The primary market is the 12-state North Central Region, which generates about 83% of Minnesota's U.S. visitors. Public relations and media relations efforts are conducted to generate positive media coverage of Minnesota travel opportunities. The EMT also engages in consumer shows, and publishing partnerships. This area also markets Minnesota as a travel destination to international markets, group tour operators, and travel agents. Marketing targets are North America tour operators and international markets including Canada, Japan, the United Kingdom, Germany, and Scandinavia.

Operations and Consumer Services: This unit handles customer inquiries and provides travel information to travelers and potential travelers. EMT Contact Center handles inquiries via the phone, fax and Internet in response to consumer advertising programs. Travel information is delivered person-to-person to visitors at highway Travel Information Centers located throughout the state. EMT operates six, and five are operated by local tourism organizations in partnership with EMT. An extensive database maintained by this unit includes detailed information on approximately 2,600 accommodations, 1,700 attractions, and 2,500 events. The database is available to consumers through exploreminnesota.com and through travel counselors using Journey, the customized travel planning service. This unit also tracks indicators of travel levels and performance measures of EMT programs.

Industry Relations: Industry Relations is responsible for facilitating two-way communication between EMT and the state's tourism industry, facilitating organizational and interagency partnerships, special events, and providing community based marketing assistance. This unit also monitors public policy issues that may affect tourism in Minnesota. Regional staff are located in Brainerd, Duluth, Mankato, and Thief River Falls, as well as St. Paul. Explore Minnesota Tourism awards grants and enters into tourism-related marketing partnerships with non-profit tourism organizations to maximize both state and local resources to generate non-residents travel expenditures

within Minnesota and to retain travel dollars from Minnesotans within the state. All grants and marketing partnerships must meet established criteria and include matching fund requirements and performance measures.

Key Measures

	CY 2002	CY 2003	CY 2004
Number of travelers to Minnesota (thousands trips per year)	24,397	24,871	25,801
Sales in Minnesota generated by travelers (billions)	8.9	9.2	9.6
Employment in leisure and hospitality industry (thousands)	229	233	235

*Targets

Budget

Explore Minnesota Tourism has a General Fund budget of \$8.1 million in FY 2005. Annual special revenue funds total approximately \$1.0 million.

Contact

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Dollars in Thousands

	Actual FY2004	Budgeted FY2005	Governor's Recomm. FY2006 FY2007		Biennium 2006-07
<i>Non Dedicated Revenue:</i>					
Total Non-Dedicated Receipts	0	0	0	0	0
<i>Dedicated Receipts:</i>					
Departmental Earnings:					
Special Revenue	0	842	2,922	2,923	5,845
Grants:					
Federal	0	29	0	0	0
Other Revenues:					
Special Revenue	0	35	35	35	70
Total Dedicated Receipts	0	906	2,957	2,958	5,915
Agency Total Revenue	0	906	2,957	2,958	5,915