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2016-17 Governor's Budget, Explore Minnesota Tourism

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www.exploreminnesota.com

AT A GLANCE

Explore Minnesota Tourism is the state's official tourism promotion agency. Through advertising, marketing, education and other programs, we support the thousands of businesses and organizations that make up Minnesota's tourism industry. This industry generates:

SALES

- \$12.5 billion in gross sales
- More than \$34 million a day

JOBS

- More than 245,000 full- and part-time jobs
- 11% of total private sector employment
- \$4.3 billion in wages

REVENUE

- \$811 million in state sales tax
- 17% of state sales tax revenues
- More than twice the growth of all other industries (2003-2012) * Note: Sales, jobs and revenue data for leisure & hospitality sector, 2012

RETURN ON INVESTMENT

- \$8 in state and local taxes
- \$84 in spending by travelers--for every \$1 invested in state tourism advertising

PURPOSE

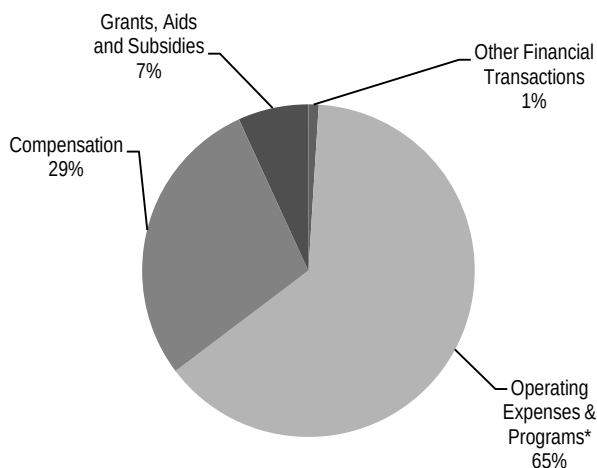
The mission of Explore Minnesota Tourism is to promote and facilitate travel to and within the state of Minnesota. We do this by marketing Minnesota tourism, including destinations, lodging, museums, attractions, restaurants, events and outdoor recreation, to consumers.

Through consumer advertising, public relations, publications, websites, social media, international marketing and other efforts, we reach millions of potential travelers each year.

Our work to promote tourism in Minnesota contributes to a thriving economy that encourages business growth and employment opportunities

BUDGET

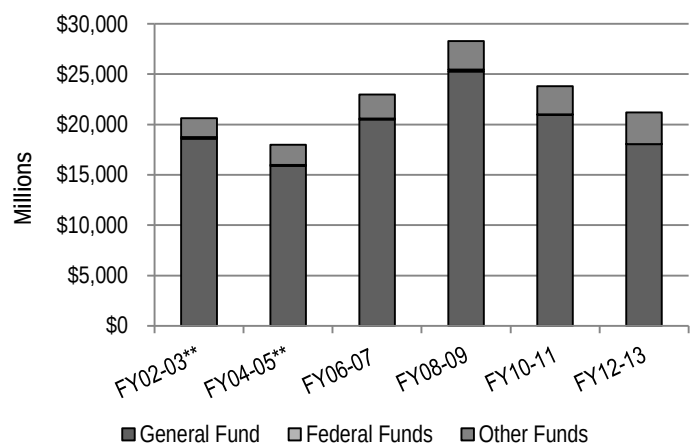
Spending by Category
FY 13 Actual



*Explore Minnesota's Operating Expenses include advertising, marketing, public relations and other tourism promotion efforts.

Source: SWIFT

Historical Spending*



*Various pass-thru funds were appropriated each year, e.g., MN Film Board, Mississippi River Pkwy Commission, St. Louis Co., Shakespeare Festival, Upper MN Film Office and others.

**Prior to FY05, Tourism was a division of Dept of Trade & Econ Development; spending figures for FY02-03 and 04 are based on MAPS expenditures data

Source: Consolidated Fund Statement and MAPS

Explore Minnesota Tourism has a total biennial budget of \$28 million in general fund appropriations, and \$1 million in revenue through advertising sales and marketing programs. We also partner with public and private organizations to maximize resources and reach more consumers. All of our funding is directly used to promote Minnesota tourism businesses.

STRATEGIES

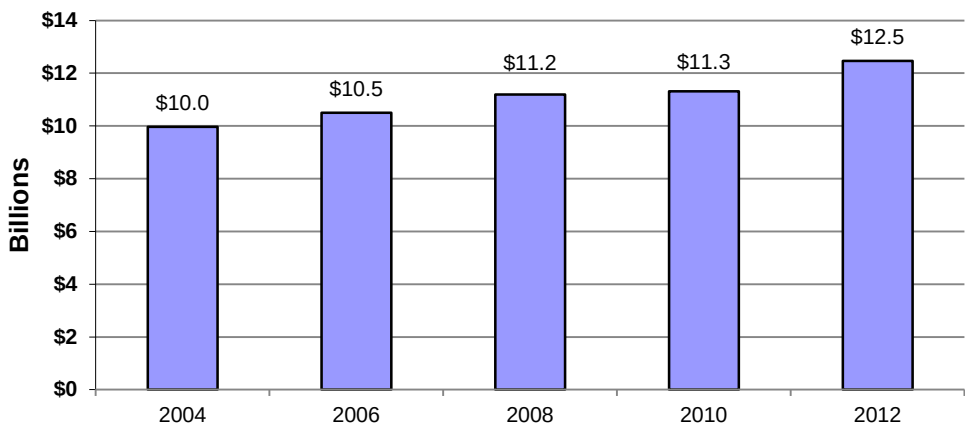
Explore Minnesota Tourism:

- Creates inspiring advertising and promotions that market Minnesota as a travel destination.
- Develops local, regional and statewide partnerships to expand marketing reach.
- Delivers comprehensive travel information in a variety of ways: in person, online, via phone and printed materials.
- Promotes Minnesota as a travel destination for international, group and sports travel markets.
- Provides timely tourism research on economic impact, customers, travel trends and marketing effectiveness.
- Educates and leads Minnesota's tourism industry and other state agencies in their efforts to promote travel.

RESULTS

Leisure and Hospitality Gross Sales

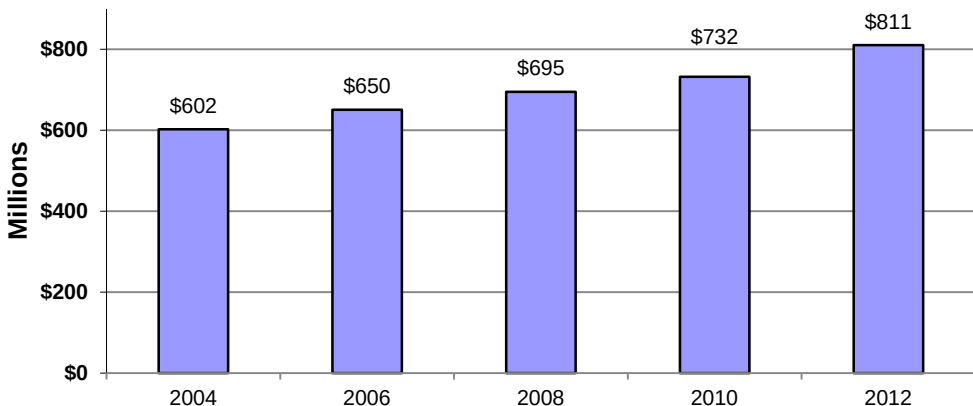
Source: Minnesota Department of Revenue



Minnesota's leisure and hospitality industry is a major provider of tourism services. The increase of gross sales in this sector illustrates the effect of successfully advertising travel to and throughout Minnesota.

Leisure and Hospitality State Sales Tax*

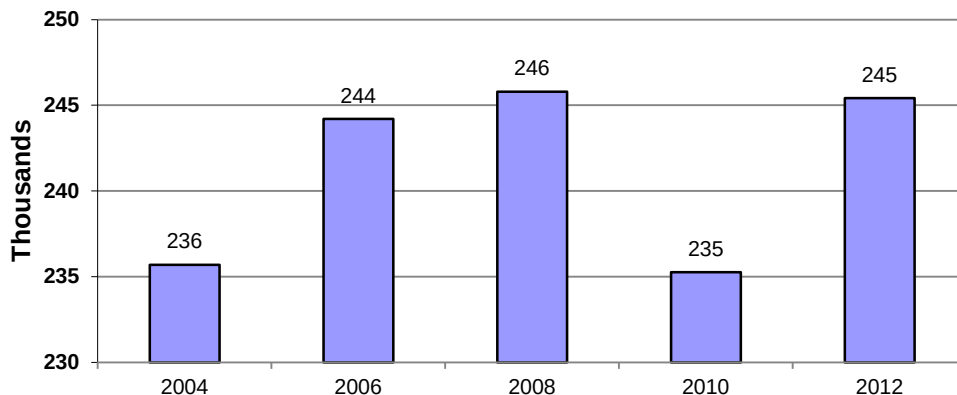
Source: Minnesota Department of Revenue



Minnesota's leisure and hospitality industry is crucial to the state's vitality, accounting for 17% of total state sales tax revenue. *This chart represents substantial 49.1% growth since 2003 (\$543.6 million), compared with 21.5% growth over the same period for all other industries.

Minnesota Leisure and Hospitality Jobs

Source: Bureau of Labor Statistics,
Quarterly Census of Employment and Wages



Minnesota's leisure and hospitality jobs account for 11% of total private sector employment in the state. The result of 245,000 jobs in 2012 was close to the prerecession high, and preliminary results for 2013 point toward exceeding that mark.

MS116U.30 (<https://www.revisor.mn.gov/statutes/?id=116U>) provides the legal authority for Explore Minnesota Tourism.

Expenditures By Fund

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY13	FY14	FY15	FY16	FY17	FY16	FY17
1000 - General	8,570	9,465	14,165	14,309	13,988	13,988	14,053	14,118
2000 - Restricted Misc Special Rev	1,685	1,463	1,305	1,812	1,185	1,185	1,185	1,185
3000 - Federal	0	19	0	0	0	0	0	0
Total	10,256	10,947	15,470	16,121	15,173	15,173	15,238	15,303
<i>Biennial Change</i>				10,388		(1,245)		(1,050)
<i>Biennial % Change</i>				49		(4)		(3)
<i>Governor's Change from Base</i>								195
<i>Governor's % Change from Base</i>								1

Expenditures by Program

Program: Explore Minnesota Tourism	10,256	10,947	15,470	16,121	15,173	15,173	15,238	15,303
Total	10,256	10,947	15,470	16,121	15,173	15,173	15,238	15,303

Expenditures by Category

Compensation	3,074	3,164	3,454	3,641	3,758	3,773	3,823	3,903
Operating Expenses	6,376	7,068	11,239	11,504	10,539	10,525	10,539	10,525
Other Financial Transactions	19	30	40	81	81	80	81	80
Grants, Aids and Subsidies	787	685	736	895	795	795	795	795
Total	10,256	10,947	15,470	16,121	15,173	15,173	15,238	15,303

Full-Time Equivalents

45.9	45.6	46.2	47.7	47.7	47.7	47.7	47.7
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(Dollars in Thousands)

1000 - General

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	931	1,153	517	322				
Direct Appropriation	8,729	8,725	13,988	13,988	13,988	13,988	14,053	14,118
Net Transfers	0	0	(19)	0				
Expenditures	8,570	9,465	14,165	14,309	13,988	13,988	14,053	14,118
Balance Forward Out	1,089	413	322					
<i>Biennial Change in Expenditures</i>				10,438		(497)		(302)
<i>Biennial % Change in Expenditures</i>				58		(2)		(1)
<i>Gov's Exp Change from Base</i>								195
<i>Gov's Exp % Change from Base</i>								1
FTEs	45.9	45.6	46.0	46.7	46.7	46.7	46.7	46.7

2000 - Restricted Misc Special Rev

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In	728	500	571	627				
Receipts	1,457	1,435	1,362	1,185	1,185	1,185	1,185	1,185
Net Transfers		(1)						
Expenditures	1,685	1,463	1,305	1,812	1,185	1,185	1,185	1,185
Balance Forward Out	500	472	627					
<i>Biennial Change in Expenditures</i>				(31)		(748)		(748)
<i>Biennial % Change in Expenditures</i>				(1)		(24)		(24)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
FTEs			0.1	1.0	1.0	1.0	1.0	1.0

3000 - Federal

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13	FY 14	FY15	FY16	FY17	FY16	FY17
Balance Forward In			0					
Receipts	0	19	0	0	0	0	0	0
Expenditures	0	19	0	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				(19)		0		0
<i>Biennial % Change in Expenditures</i>				(100)		0		0
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

3000 - Federal

Explore Minnesota Tourism

FY16-17 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	65	130	130	130
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	65	130	130	130
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding for compensation related costs associated with the delivery of agency services. This amount represents an annual increase of 1.8% for General Fund compensation costs.

Rationale/Background:

Each year, compensation costs rise due to labor contract settlements, and changes in employer-paid contributions for insurance, FICA, Medicare, retirement, and other factors. Absorbing this increase in compensation costs within existing agency base appropriations results in reduced staffing and/or reduced non-compensation spending.

Proposal:

The Governor recommends increasing agencies' general fund budgets for employee wage and benefit costs by 1.8% per year for FY 2016-17. Agencies were instructed to include a 1.8% increase to total compensation each year in their base budgets, based upon the compound annual compensation spending rate increase per FTE over the last ten years for executive branch employees. This recommendation is intended to allow agencies to maintain their current level of agency operations.

For non-General Fund direct appropriated funds, the Governor's budget recommendations also include an adjustment of 1.8% per year, where the amount can be supported by the source of revenue.

Results:

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public.

Statutory Change(s):

N.A.