DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT:
Maryland Tourism Development Board Fund Report
October 1, 2012

Pursuant to the Economic Development Article §4-216(d), on or before October 1 of each year beginning in 2012, the Department of Business & Economic Development (Department), in cooperation with the Maryland Tourism Development Board (Board) and the Maryland Association of Destination Marketing Organizations (DMO's), will report on the effectiveness of mandatory funding and the tourism tax increment in increasing visitor attendance and visitor spending in Maryland.

Another mandated report is published and submitted annually by December 1, which covers both the impact that the travel and tourism industry contributes to Maryland's economy, as well as the performance of the Office of Tourism Development's (OTD) marketing activities. Therefore, this October 1 report will focus on the outcomes of the Tourism Promotion Act of 2008 – mandatory funding and the tracking of sales and use tax revenues collected on the retail sale of tourist-oriented goods as services, as determined by the Comptroller, in FY 2012.

Maryland Tourism Development Board Mandatory Funding

According to the Economic Development Article §4-216 the Governor shall include in the annual budget bill a proposed General Fund appropriation to the Maryland Tourism Development Board Fund in the amount not less than $6M. The Budget Reconciliation Act of 2011 required the Governor to appropriate $5 million to the Board in FY 2011 and FY 2012.

Economic Development Article §4-214 requires the Board to provide grants to DMO's for the purpose of attracting visitors to the State. For FY 2011 the grant(s) should total $2.35M and for FY 2012 and thereafter the grant(s) should total $2.5M. The Board did grant $2.35M and $2.5M, respectively, to the 25 destination marketing organizations.

Each Maryland County, Ocean City and the City of Baltimore are eligible for a County Cooperative Grant from the Board, which grants directly to the County-recognized DMO. Grants are allocated based on Grantee's advertising and marketing expenses spent attracting visitors to the State, as well as the tourism tax revenues generated in their jurisdiction.

Tourism Tax Increment

The passage of the Tourism Promotion Act of 2008 enacted a new potential funding source based on the tourism sector's growth year over year. This funding formula provides another quantitative, policy-backed way to report the impact that visitor spending has on sales revenue in Maryland. Eight sales tax codes are tracked and multiplied by a tourism factor – the amount deemed attributable to visitor spending – by the Comptroller. The Board qualifies for additional funding if this tourism tax increment exceeds three percent of the tourism tax revenues from the previous year.

The Bureau of Revenue Estimates recently reported actual tourism expenditures of $389.2 million for FY 2012; after adjusting for the sales tax rate increase on the sale of alcohol, these revenues totaled $377.5 million. Tourism revenues increased 5.0 percent, well above the three percent growth threshold, and the qualifying tourism tax increment is $3,573,000 for FY 2014. Without adjusting for the alcohol sales tax rate increase the Board would have qualified for $9,425,000.

SALES TAX CATEGORY	TOTAL SALES TAX REVENUES ($)			Tax Factor	TOURISM TAX REVENUES ($)			
	FY 2012 w/alcohol increase	**FY 2012 w/out alcohol increase**	**FY11**		**FY 2012 w/alcohol increase**	**FY2012 w/out alcohol increase**	**FY11**	**Growth w/out alcohol increase**
111 Hotels, Motels Selling Food	$43.5	$42.4	$41.4	100%	$43.5	$42.4	$41.4	2.5%
901 Hotels, Motels, Apartments, Cottages	$89.8	$88.7	$84.1	100%	$89.8	$88.7	$84.1	5.5%
108 Restaurants, Lunchrooms, Delis	$314.9	$310.3	$291.3	33%	$105.0	$103.4	$97.1	6.5%
112 Restaurants and Night Clubs	$245.9	$222.3	$211.2	33%	$82.0	$74.1	$70.4	5.2%
306 General Merchandise	$153.7	$153.4	$141.1	5%	$7.7	$7.7	$7.1	8.7%
407 Auto, Bus and Truck Rentals	$64.4	$64.4	$62.6	90%	$58.0	$58.0	$56.4	2.9%
706 Airlines - Commercial	$0.3	$0.3	$0.3	50%	$0.2	$0.2	$0.1	32.3%
925 Recreation and Amusement Places	$6.0	$5.9	$6.0	50%	$3.0	$2.9	$3.0	(2.3%)
Tourism Tax Categories Subtotal	**$918.7**	**$887.8**	**$837.9**		**$389.2**	**$377.5**	**$359.5**	**5.0%**
All Sales Tax Categories Subtotal	$4,079.1		$3,898.0					

Across the State, county to county, no matter the region, visitor spending makes a significant impact. The following chart details actual tourism expenditures for Maryland's 23 counties and Baltimore City, broken out by geographic region.

County	FY 2012 Tourism Sales Tax Revenue with alcohol increase	FY 2011 Tourism Sales Tax Revenue	% Change
Allegany	$3,595,947	$3,380,667	6.4%
Garrett	2,930,133	$2,702,940	8.4%
Washington	7,329,570	$6,822,661	7.4%
WESTERN REGION	**$13,855,650**	**$12,906,268**	**7.4%**
Frederick	11,035,475	$10,020,992	10.1%
Montgomery	67,059,516	$64,314,882	4.3%
Prince George's	52,268,538	$49,012,387	6.6%
CAPITAL REGION	**$130,363,529**	**$123,348,260**	**5.7%**
Anne Arundel	57,437,083	$52,871,791	8.6%
Baltimore City	47,407,142	$42,110,826	12.6%
Baltimore County	$41,531,480	$38,285,763	8.5%
Carroll	$5,242,876	$4,700,122	11.5%
Harford	$10,054,163	$9,576,229	5.0%
Howard	$15,802,252	$14,720,681	7.3%
CENTRAL REGION	**$177,474,996**	**$162,265,411**	**9.4%**
Calvert	$3,073,123	$2,956,807	3.9%
Charles	$7,058,775	$6,905,455	2.2%
St. Mary's	$4,552,976	$3,978,151	14.4%
SOUTHERN REGION	**$14,684,874**	**$13,840,413**	**6.1%**
Caroline	$572,415	$554,266	3.3%
Cecil	$3,825,334	$3,415,322	12.0%
Dorchester	$2,962,648	$2,582,163	14.7%
Kent	$888,454	$704,309	26.1%
Queen Anne's	$2,458,920	$2,117,762	16.1%
Somerset	$358,056	$362,896	-1.3%
Talbot	$3,946,045	$3,402,929	16.0%
Wicomico	$5,334,838	$5,056,238	5.5%
Worchester	$23,719,185	$21,849,942	8.6%
EASTERN SHORE	**$44,065,895**	**$40,045,826**	**10.0%**

Maryland's Tourism Marketing Works in Attracting More Visitors

The OTD has been a highly effective steward of the Board marketing funds, particularly during recent budget reductions. Beginning in 2008, marketing efforts were refocused on the key feeder markets of Washington, D.C., Philadelphia and Baltimore, with year-round advertising based on new consumer research that helped crystalize key messaging. These efforts are paying off, with Maryland welcoming 34.4 million domestic travelers in 2011, an increase of 6.8 percent from 2010 and an increase of 26 percent from 2007’s 27.2 million visitors. Growth has occurred in all segments – both business and leisure, as well as both day trips and overnights.

Maryland’s 26.4 percent increase – representing an additional 7.2 million visitors from 2007 to 2011 – was substantially greater than the 8.1 percent increase the United States saw during that same time period. Maryland’s increase in visitation was significantly greater than the performance of other mid-Atlantic states. Maryland has increased market share 16.9 percent since 2007, outperforming national and regional leisure travel trends during this challenging economic climate.

To further illustrate how Maryland’s tourism efforts deliver a powerful return on investment, the Board recently commissioned an advertising effectiveness study on OTD 2011 efforts. Using the advertising expenditures of $830,000 from January through December 2011, each $1 spent on OTD advertising generated more than $220 in incremental visitor spending, more than $6 in state sales tax and more than $31 in state and local taxes. The ad spending also supported more than 1,800 new jobs – that’s one new job for every $458 in advertising.

The OTD works closely with the local tourism offices, both individually as well as through the Maryland Association of DMO’s, on a variety of product development and marketing programs. New partner marketing and cooperative advertising opportunities were developed in FY 2011 in response to the larger grant pool. Working collaboratively with a unified message makes everyone’s marketing dollars go further.

While tourism tax code revenue is tracked monthly to help gauge visitor spending, visitors are measured by an annual national survey of U.S. travelers conducted by D.K. Shifflet and Associates, a leading travel industry research firm.