



Fiscal Year | **2013**

TOURISM DEVELOPMENT ANNUAL REPORT

DEAR TOURISM INDUSTRY PARTNERS:

Pursuant to Section 5 of Chapter 471 Acts of 1997 (HB 685), I am pleased to present the Fiscal Year 2013 Maryland Tourism Development – Fund Annual Report (Annual Report).

Each year, the Maryland Tourism Development Board (Board) and the Department of Business and Economic Development (Department) report on the impact the travel and tourism industry has on Maryland's economy. As someone who has been involved in the Maryland tourism industry for more than 20 years, I know firsthand the economic impact visitors have on my bottom line.

This year's annual report highlights the economic impact of Maryland's tourism industry from the recently released *Economic Impact of Tourism in Maryland – Calendar Year 2012 Tourism Satellite Account* report from Tourism Economics, a leading tourism industry research firm. The Tourism Satellite Account reported more than **\$14.9 billion** in visitor spending and more than **\$2 billion** in State and local taxes.

Economic Impact and Advertising Effectiveness are generally reported by **calendar** year; all other metrics in the Annual Report are Fiscal Year 2013 (July 2012–June 2013).

Another measurement highlighted in the Annual Report is the sales tax code performance formula, a direct result of the passage of the Tourism Promotion Act of 2008. Eight key tourism tax codes are tracked, reported and considered in calculating future tourism budgets. Comparisons, by county, of Fiscal Year 2012 and Fiscal Year 2013 codes are included in this report. The Board is also now mandated to submit a report, in cooperation with the Maryland Association of Destination Marketing Organizations (MDMO), on the effectiveness of mandatory funding and the passage of the Tourism Promotion Act in increasing visitor attendance and visitor spending in Maryland. We've included the content of that report in this Annual Report, and will continue to do so in the future.

While the results of a Tourism Satellite Account are only available on an annual basis, many performance metrics—including the tourism tax codes, are available on a more frequent basis. Recognizing the importance of more timely information, the Department's Office of Tourism Development (OTD) distributes an electronic *Tourism Monitor*, which reports tourism trends and key performance metrics on a monthly basis. Included in the Annual Report is a year-end recap of the *Tourism Monitor*, including the metrics tracked in the Department of Budget & Management's Managing for Results (MFR) program and the StateStat performance reporting system.

As a small business owner, I scrutinize every aspect of business with an eye toward return on investment. In order to ensure that we were being the most effective steward of the Maryland Tourism Development Board Fund, the Board commissioned a leading market research company that specializes in tourism advertising effectiveness studies, Strategic Marketing and Research, Inc. (SMARI), to measure the recognition and effectiveness of OTD's 2012 advertising placements. SMARI found that OTD's return on invested advertising dollar compared favorably to other state studies; you'll find further details on this study in the Annual Report. **I am pleased to report that the efforts of the OTD in 2012 delivered a powerful return on investment of \$4.79 in State sales tax for every dollar invested in tourism funding.**

I am proud of the work of the Board and the OTD, and the positive impact that the tourism industry has on our State and its citizens.

Sincerely,

GREG SHOCKLEY CHAIR > *Maryland Tourism Development Board*
OWNER > *Shenanigan's Irish Pub, Ocean City*

TOURISM: A REVENUE GENERATOR

THE TRAVEL AND TOURISM ECONOMY AND ITS IMPACT IN MARYLAND

Measuring the tourism industry is somewhat difficult, as the industry is not measured in standard economic accounting systems. Most industries are accounted via the supply-side: businesses are categorized into North American Industry Classification System (NAICS) codes and surveyed about jobs, revenues and costs.

But tourism is a demand-side activity: the focus is on what the traveler buys before and during a trip. As a result, tourism touches many industries.

This year's Annual Report reflects the data collected by a Tourism Satellite Account (TSA) -- the emerging industry standard now being used by other progressive and competitive states, as well as the U.S. Travel Association.

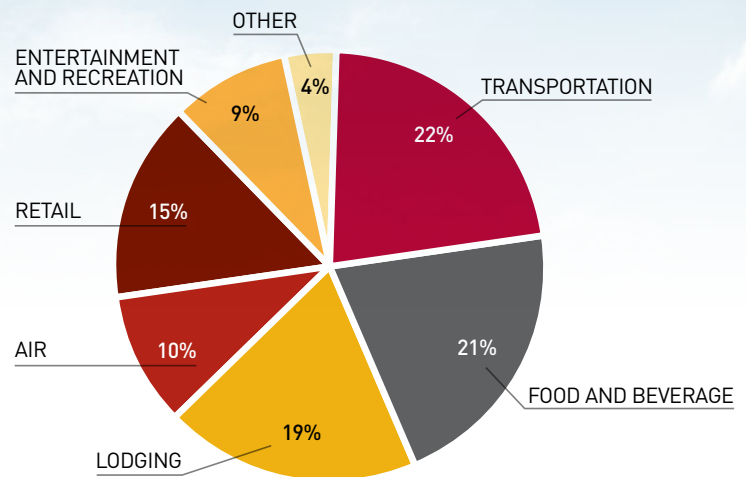
A TSA provides measurements of tourism that are designed to be consistent with the System of National Accounts, which facilitates inter-industry comparisons. It also includes a wider view of tourism demand, such as second home activity, capital investment, and government spending -- not just visitor spending. This broader measurement is referred to as the tourism economy. The latest TSA conducted by Tourism Economics, an Oxford Economics company, reported that Maryland's total tourism economy generated \$15.9 billion in 2012.

While this broader definition is important to track from a comparability standpoint, the key industry statistics will focus on visitor spending -- the spending in Maryland by visitors on travel purchases, and will not include capital investment or government spending.

\$14.9 BILLION IN VISITOR SPENDING IN 2012

Maryland tourists and travelers spent \$14.9 billion on travel expenses in 2012. Local transportation, food and beverage, and lodging each represent about 20 percent of tourism industry sales. Retail closely follows, representing 15 percent of direct industry sales. Total spending increased 4.5 percent over 2011. Visitor spending has grown by more than four percent for three straight years -- and expanded more than 17 percent since the recession.

VISITOR SPENDING CATEGORIES



Economic Impact Study: Tourism Economics

MORE THAN 135,000 DIRECT TOURISM JOBS WITH A PAYROLL OF \$4.5 BILLION

Tourism is the 10th largest private sector employer in the State, supporting 135,741 direct full-time equivalency jobs in 2012 in leisure and hospitality, retail, transportation, and other sectors impacted by visitor spending. For these employees, tourism jobs provided \$4.5 billion in wages and salaries in 2012.

VISITOR SPENDING IS AN IMPORTANT REVENUE GENERATOR FOR STATE AND LOCAL GOVERNMENTS

In 2012, visitor spending generated more than \$2 billion in State and local taxes, including income taxes from the wages of industry employees, sales taxes for tourism goods and services, hotel occupancy taxes, property taxes, and other corporate taxes.

VISITOR SPENDING (IN MILLIONS)

	2010	2011	2012	% CHANGE 2011-12
TRANSPORTATION	\$2,789.6	\$3,174.6	\$3,317.8	4.5%
FOOD & BEVERAGE	\$2,755.7	\$2,856.3	\$3,063.3	7.2%
LODGING	\$2,616.7	\$2,721.2	\$2,888.6	6.2%
RETAIL	\$1,934.8	\$2,083.8	\$2,201.1	5.6%
AIR	\$1,439.0	\$1,533.3	\$1,536.3	0.2%
ENTERTAINMENT AND RECREATION	\$1,117.0	\$1,206.4	\$1,271.7	5.4%
OTHER	\$608.1	\$672.0	\$629.4	(6.3%)
TOTAL	\$13,261.0	\$14,247.5	\$14,908.4	4.6%
PERCENT CHANGE	4.4%	7.4%	4.6%	

OFFICE OF TOURISM DEVELOPMENT PERFORMANCE MEASUREMENTS

The performance of the OTD is tracked against a variety of different measures, through the Department of Budget & Management's Managing for Results (MFR) system as well as StateStat. ➦ One of OTD's key goals is to influence prospective visitors in targeted markets to plan a trip to Maryland. Marketing activities are then developed with the objective of increasing Web visits and quality leads for potential visitors. ➦ All performance measures were estimated to decline in Fiscal Year 2013, given that there was no special event planned on the magnitude of the Fiscal Year 2012 Star-Spangled Sailabration War of 1812 Bicentennial launch event. Only two of these measures saw a decline from Fiscal Year 2012, and all three performance measures were up significantly from Fiscal Year 2011 results: unique web visitors were up 28 percent; advertising-generated inquiries were up 37 percent; and travel media exposure was up 43 percent. This positive performance was thanks in part to the Federal Scenic Byways reimbursable funds that have been allocated to online, print and television advertising in fiscal years 2012 and 2013. OTD will utilize the last of these grant funds in Fiscal Year 2014. Unfortunately, this federal funding source is no longer available.

THREE PERFORMANCE METRICS ARE TRACKED AGAINST THIS OBJECTIVE:

NUMBER OF UNIQUE WEB VISITORS

OTD increased its online advertising budget 17 percent to offset the expected decline in FY 2013 performance measures, after the high volumes driven by Sailabration. In FY 2013, the number of unique web visitors to VisitMaryland.org grew 9 percent; the overall decline in unique web visitors was driven by a reduction of 420,000 in traffic to War of 1812/Sailabration websites.

	FY 2011	FY 2012	FY 2013	%CHANGE 2012-13
VISITMARYLAND.ORG	1,371,930	1,527,389	1,665,713	9.0%
VISITMD.MOBI MOBILE SITE		118,486	45,762	(61.4%)
1812/SAILABRATION WEB SITE(S)	17,706	495,269	67,499	(86.4%)
TOTAL TRAFFIC TO ALL WEBSITES	1,389,636	2,141,144	1,778,974	(16.9%)
ONLINE ADVERTISING BUDGET	\$457,140	\$488,677	\$572,925	17.2%

Google Analytics data

ADVERTISING-GENERATED INQUIRIES

OTD receives request for travel kits in response to print, radio, outdoor, electronic and TV advertising. OTD increased its advertising budget for traditional media (print, radio, outdoor and TV) by 36 percent to offset the expected decline in FY 2013 performance measures, after the high volumes driven by Sailabration. This strategy paid off, with increases in both the number of advertising-generated inquiries from traditional media (up 22.9 percent) and website requests for travel kits (up 43.9 percent.) The advertising budget for traditional media (print, radio, outdoor and TV) increased by 36 percent while overall media spending increased 30.7 percent.

	FY 2011	FY 2012	FY 2013	% CHANGE 2012-13
NUMBER OF ADVERTISING GENERATED INQUIRIES	39,018	44,314	54,460	22.9%
NUMBER OF TRAVEL KITS ORDERED VIA WEBSITE	21,550	19,904	28,649	43.9%
TOTAL NUMBER OF TRAVEL REQUESTS	60,568	64,218	83,109	29.4%
PRINT, RADIO, TV, OUTDOOR AD BUDGET	\$557,405	\$1,244,582	\$1,693,000	36.0%
TOTAL ADVERTISING BUDGET	\$1,014,545	\$1,733,260	\$2,265,925	30.7%

PUBLIC RELATIONS EFFORTS

Public relations activities – press outreach, familiarization tours, and visiting journalists – generated \$13.7 million in advertising value for Maryland tourism products and services. Travel media exposure only declined by \$1.7 million from the previous year – and Sailabration had accounted for more than \$7 million in advertising equivalency in FY 2102.

	FY 2011	FY 2012	FY 2013	% CHANGE 2012-13
TRAVEL MEDIA EXPOSURE	\$9,576,094	\$15,378,375	\$13,696,468	(10.9%)

USING RESEARCH TO ENSURE ADVERTISING EFFECTIVENESS

The OTD strives to make informed decisions regarding advertising placements and expenditures. Following the 2012 Maryland of _____ campaign, the Board commissioned a leading market research company, Strategic Marketing and Research, Inc. (SMARI) to measure the recognition and effectiveness of OTD's 2012 advertising placements. SMARI found that OTD's return on invested advertising dollar compared favorably to other studies – and was, in fact, one of the highest returns on each dollar that they have ever measured compared to other destinations.

The study concluded that OTD-placed advertisements that included the Maryland of _____ images and content generated \$317 million in visitor spending and \$44.4 million in State and local taxes. 265,067 trips to Maryland can be attributed to this campaign. These trips supported 2,925 jobs.

One dollar spent on the Maryland of _____ campaign by the OTD returned \$160 dollars in visitor spending, more than \$22 in State and local revenue, and nearly \$5 in State sales tax revenue.

One new tourism job was supported for every \$680 in OTD advertising.

Given the high return on investment for the Maryland of _____ advertisements, the Board has allocated \$750,000 of the additional \$1 million appropriated to the Board Fund in Fiscal Year 2014 to media buys targeting prospective visitors.

2012 ADVERTISING CAMPAIGN

MEDIA BUDGET	\$1,988,518
INCREMENTAL TRIPS GENERATED	265,067
VISITOR SPENDING	\$317 MILLION
STATE SALES TAX GENERATED	\$9.5 MILLION
STATE/LOCAL TAX GENERATED	\$44.4 MILLION
ADDITIONAL JOBS	2,925
VISITOR SPENDING per ad dollar	\$159.56
STATE SALES TAX REVENUE per ad dollar	\$4.79
STATE AND LOCAL TAX REVENUE per ad dollar	\$22.34

2,925 NEW JOBS,
EQUALING ONE JOB FOR EVERY \$680 IN ADVERTISING

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. In Fiscal Year 2013, the U.S. Travel Association reported that Maryland's tourism budget was \$10.4 million -- \$9.1 million in general funds and \$1.3 million in special and reimbursable funds generated by the Board through advertising sales as well as the Federal Highway Administration Scenic Byways grant award. The amount allocated to domestic advertising and sales promotion was \$2.6 million. The states that compete most heavily with Maryland – which have similar beach, urban, cultural heritage or mountain destinations – have historically had larger advertising and sales promotion budgets and have targeted the same prospective visitors: in Fiscal Year 2013, both Virginia and North Carolina allocated more than \$5.8 million to domestic advertising and sales promotion, in comparison to Maryland's \$2.6 million.

In order to combat this disparity, OTD began to refocus marketing efforts in 2008, targeting 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. The new marketing campaign connected with consumers on an emotional level and aided in Maryland attracting 35.4 million domestic travelers in 2012, an increase of 2.9 percent from 2011 and an increase of 30 percent from 2007's 27.2 million visitors. Maryland saw growth in leisure, as well as both day trips and overnights. Maryland outperformed national trends, and led the region with the largest percent growth in the leisure and overnight segments, according to an annual national survey of U.S. travelers conducted by D.K. Shifflet and Associates, a leading travel industry research firm. In comparison to 2007 visitor volume, Maryland realized more growth than any state in the region, both overall and in the leisure segment.

Maryland's 30 percent increase – representing an additional 8.2 million visitors from 2007 to 2012 – was substantially greater than the 9.2 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 19.1 percent since 2007, outperforming national and regional leisure travel trends during this challenging economic climate.

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



TOURISM SALES TAX REVENUES OUTPERFORM OVERALL RETAIL SALES TAX COLLECTIONS

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 reported actual tourism expenditures of \$392 million for FY 2013; after adjusting for the sales tax rate increase on the sale of alcohol, these revenues totaled \$381.4 million. Adjusted tourism revenues increased 1.0 percent, outperforming the growth of overall sales tax categories. Five of the eight performance measures saw increases in FY 2013, with slight decreases in Hotels, Motels Selling Food (with beer, wine and liquor license) by 1.3 percent; Automobile, Bus and Truck Rentals by 3.2 percent; and Airlines-Commercial by 14.3 percent. These three categories are associated more with business travel, and anecdotal evidence from Southern Maryland and Anne Arundel County raises concerns about the impact of sequestration on government travel.

SALES TAX CATEGORY		TOTAL SALES TAX REVENUES (\$)				TAX FACTOR	ADJUSTED TOURISM TAXES (\$)		
		FY 2013 WITH ALCOHOL INCREASE	FY 2013 WITHOUT ALCOHOL INCREASE	FY 2012 WITH ALCOHOL INCREASE	FY 2012 WITHOUT ALCOHOL INCREASE		FY 2013 WITHOUT ALCOHOL INCREASE	FY 2012 WITHOUT ALCOHOL INCREASE	GROWTH WITHOUT ALCOHOL INCREASE
111	HOTELS, MOTELS SELLING FOOD <i>w/BWL</i>	\$42.8	\$41.9	\$43.5	\$42.4	100%	\$41.9	\$42.4	(1.3%)
901	HOTELS, MOTELS, APARTMENTS, COTTAGES	\$91.8	\$91.0	\$89.8	\$88.7	100%	\$91.0	\$88.7	2.5%
108	RESTAURANTS, LUNCHROOMS, DELIS	\$323.7	\$317.1	\$314.9	\$310.3	33%	\$105.7	\$103.4	2.2%
112	RESTAURANTS AND NIGHTCLUBS <i>w/BWL</i>	\$247.0	\$227.4	\$245.9	\$222.3	33%	\$75.8	\$74.1	2.3%
306	GENERAL MERCHANDISE	\$156.6	\$156.2	\$153.7	\$153.4	5%	\$7.8	\$7.7	1.8%
407	AUTOMOBILE, BUS AND TRUCK RENTALS	\$62.4	\$62.4	\$64.4	\$64.4	90%	\$56.2	\$58.0	(3.2%)
706	AIRLINES — COMMERCIAL	\$0.3	\$0.3	\$0.3	\$0.3	50%	\$0.1	\$0.2	(14.3%)
925	RECREATION AND AMUSEMENT PLACES	\$6.1	\$5.9	\$6.0	\$5.9	50%	\$3.0	\$2.9	1.1%
TOURISM TAX CATEGORIES SUBTOTAL		\$930.7	\$902.1	\$918.7	\$887.8		\$381.4	\$377.5	1.0%
ALL SALES TAX CATEGORIES SUBTOTAL		\$4,126.8		\$4,095.7					0.76%

Since FY 2007, sales tax revenues attributable to tourism have grown 31.4 percent, far outperforming the 19.7 percent growth of overall sales tax collections. These tourism revenues now account for more than 9 percent of all sales tax collections.



TOURISM REVENUE GROWTH FAR OUTPACES OVERALL SALES TAX COLLECTIONS

	OVERALL SALES TAX COLLECTIONS	ADJUSTED TOURISM TAX CODES	% OF TOTAL
FY 2007	\$3,447.9 BILLION	\$290.3 MILLION	8.4%
FY 2008	\$3,748.9 BILLION	\$298.2 MILLION	7.95%
FY 2009	\$3,851.8 BILLION	\$346.3 MILLION	8.99%
FY 2010	\$3,761.9 BILLION	\$342.0 MILLION	9.09%
FY 2011	\$3,898.0 BILLION	\$359.5 MILLION	9.22%
FY 2012	\$4,095.7 BILLION*	\$377.5 MILLION	9.22%
FY 2013	\$4,126.9 BILLION*	\$381.4 MILLION	9.24%
% GROWTH FY 07-FY 13	19.7%	31.4%	10%

** Includes alcohol tax increase*



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.

TOURISM SALES & USE TAX CODES BY COUNTY — ADJUSTED FOR TOURISM FACTOR

COUNTY	FY 2013 TOURISM SALES TAX REVENUE WITH ALCOHOL INCREASE	FY 2012 TOURISM SALES TAX REVENUE WITH ALCOHOL INCREASE	% CHANGE
ALLEGANY	\$3,859,737	\$3,595,947	7.3%
GARRET	3,114,991	2,930,133	6.3%
WASHINGTON	7,179,852	7,329,570	(2.0%)
WESTERN REGION	\$14,154,580	\$13,855,650	2.2%
FREDERICK	11,632,595	11,035,475	5.4%
MONTGOMERY	66,848,893	67,059,516	(0.3%)
PRINCE GEORGE'S	52,408,296	52,268,538	0.3%
CAPITAL REGION	\$130,889,784	\$130,363,529	0.4%
ANNE ARUNDEL	58,424,967	57,437,083	1.7%
BALTIMORE CITY	48,658,337	47,407,142	2.6%
BALTIMORE COUNTY	42,053,485	41,531,480	1.3%
CARROLL	5,315,291	5,242,876	1.4%
HARFORD	9,976,513	10,054,163	(0.8%)
HOWARD	\$16,037,307	15,802,252	1.5%
CENTRAL REGION	\$180,465,900	\$177,474,996	1.7%
CALVERT	2,814,993	3,073,123	(8.4%)
CHARLES	6,988,488	7,058,775	(1.0%)
ST. MARY'S	4,372,429	4,552,976	(4.0%)
SOUTHERN REGION	\$14,175,910	\$14,684,874	(3.5%)
CAROLINE	\$566,678	\$572,415	(1.0%)
CECIL	\$3,735,045	\$3,825,334	(2.4%)
DORCHESTER	\$2,752,924	\$2,962,648	(7.1%)
KENT	\$886,202	\$888,454	(0.3%)
QUEEN ANNE'S	\$2,569,058	\$2,458,920	4.5%
SOMERSET	\$376,551	\$358,056	5.2%
TALBOT	\$4,048,525	\$3,946,045	2.6%
WICOMICO	\$5,263,089	\$5,334,838	(1.3%)
WORCESTER	\$24,474,031	\$23,719,185	3.2%
EASTERN SHORE	\$44,672,103	\$44,065,895	1.4%

DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT

World Trade Center • 401 East Pratt Street • Baltimore, Maryland 21202 • 410-767-3400 • 1-877-209-5883 • www.visitmaryland.org

MARTIN O'MALLEY, Governor

DOMINICK E. MURRAY, Secretary of the Department of Business & Economic Development

HANNAH LEE BYRON, Assistant Secretary of the Division of Tourism, Film and the Arts

MARGOT A. AMELIA, Executive Director of the Office of Tourism