

	<b>PAGE</b>
<b>Agency Profile</b> .....	2
<b>Agency Fiscal Page (Gov Rec)</b> .....	7
<b>Change Summary</b> .....	8
<b>Agency Change Items</b>	
⇒ 1%Car Rental Tax Dedicated For Marketing .....	9
⇒ Film Jobs Production Program.....	11
⇒ Operating Budget Reduction .....	12
<b>Federal Funds Summary</b> .....	13
<b>Agency Revenue Summary Fiscal Page</b> .....	14
⇒ Designates that this item is a change item	

## Agency Purpose

The mission of Explore Minnesota Tourism is to promote the state's public and private assets and to facilitate travel to and within the state of Minnesota. The goal is to generate both revenue and jobs across the state. A key sector of Minnesota's economy, tourism in the state is an \$11 billion industry, supporting more than 245,000 leisure and hospitality jobs, which represents 11 percent of private-sector employment. In addition, it generates almost \$700 million in state sales tax revenues, which is 16 percent of Minnesota's sales tax revenues. The economic impacts of travel and tourism are felt in communities in every part of the state, both urban and rural.

Explore Minnesota Tourism, the state's tourism promotion office, works closely with tourism businesses and promotional organizations across the state to attract travelers to Minnesota communities. Explore Minnesota Tourism leverages its resources by generating almost \$7 million in cash and in-kind partnerships. Explore Minnesota Tourism promotes an integrated approach to tourism marketing with other state agencies with a tourism interest, including the DNR, the Minnesota Historical Society, the Minnesota Department of Transportation, and the Minnesota Zoo.

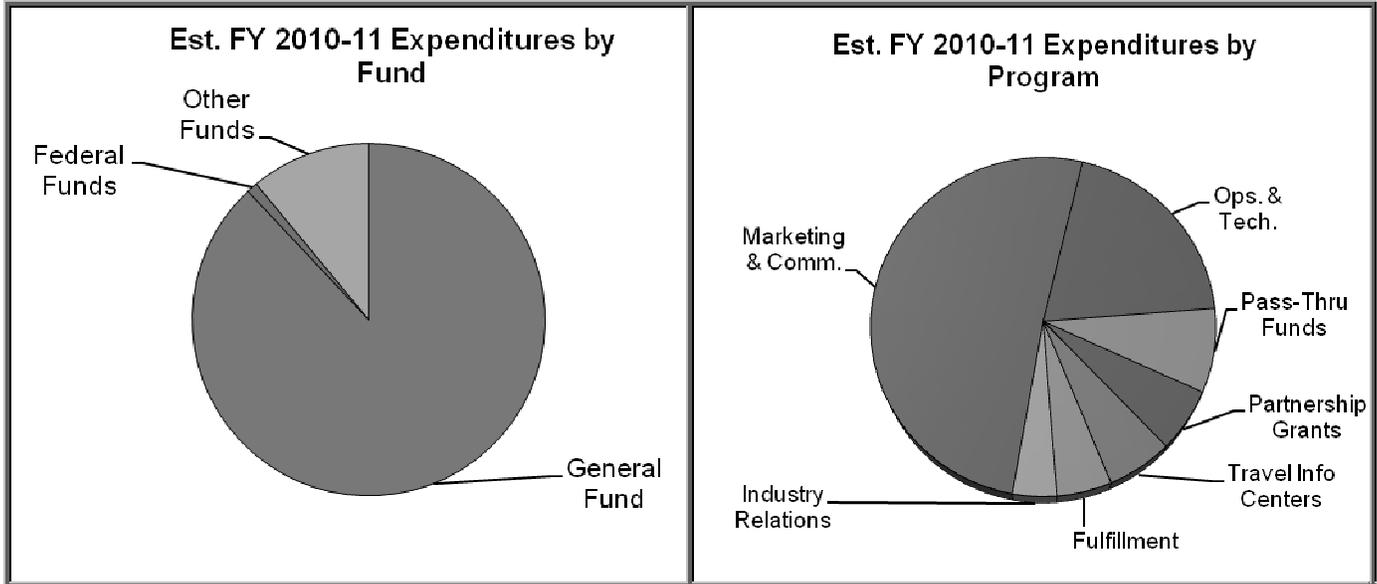
Explore Minnesota Tourism works to maximize the impact of its marketing dollars, in part by extending its reach through public and private partnerships. For every \$1 invested in state tourism marketing generates \$53 in gross sales. Tourism marketing activities result in dollars spent at Minnesota businesses, tax revenues generated for the state and jobs. Tourism marketing dollars add value to the state's capital investment in parks, trails, historic sites, sports venues and other facilities by drawing visitors to these destinations.

While the state's tourism office budget ranks 28<sup>th</sup> nationally, Minnesota is ranked 22<sup>nd</sup> in traveler spending, 18<sup>th</sup> in travel-generated employment, 14<sup>th</sup> in travel-generated payroll and 9<sup>th</sup> in travel-generated tax receipts.

The Explore Minnesota Tourism Council, which provides strategic direction to the agency, represents all major sectors of the tourism industry and its members are appointed by the Governor. Statutory authority for Explore Minnesota Tourism resides at M.S. 116U.05.

### At a Glance

- Leveraged \$7 million in private industry match (cash & in-kind)
- Advertising reaches targeted Midwest markets with TV, radio, direct mail, & online/interactive media
- Achieved high advertising awareness in core markets (from 74 to 88%).
- Ad budgets are extended through marketing partnerships with media, corporations, & others
- PR outreach to media results in free exposure through radio spots, interviews, and travel stories
- Hosts dozens of U.S. and international press writing travel articles about Minnesota
- More than 340 national tour operators offer Minnesota trips
- Minnesota promoted in six overseas markets
- 2.9 million travelers served at Travel Info Centers
- 2.5 million website users
- 190,000 mail, e-mail and phone inquiries
- Awarded 98 grants to communities & organizations for tourism marketing
- Developed marketing campaign directed at Minnesota corporations to promote travel
- Promoting "Meet in Minnesota"
- Developing sports marketing website
- Working with state agencies and tourism industry to develop bicycle tourism
- Supports publication program through advertising revenues and publishing partnerships
- Increasing use of various social media to engage consumers
- Redesigning technology & look of website to benefit consumers and tourism industry
- Provides free exposure through website for approximately 2,300 lodging businesses, 1,800 attractions and 2,200 events



Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/01/2012.

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/01/2012.

**Strategies**

Key strategies of Explore Minnesota Tourism include:

- Develop results-driven advertising and coordinate promotions that market Minnesota as a travel destination.
- Develop local, regional and statewide marketing partnerships to leverage resources and expand marketing reach.
- Provide quality travel information and services that meet consumers’ needs and interests.
- Promote Minnesota as a travel destination for international, group and package travel markets.
- Provide timely tourism research on economic impact, customers, travel trends and marketing effectiveness.
- Provide leadership and unify the industry and state agencies on marketing and tourism initiatives in the state.

**Operations**

To fulfill its mission and achieve its strategic objectives, Explore Minnesota Tourism is organized into three areas: Marketing and Research, Industry Relations and Travel Information Centers, and Operations and Technology.

**Marketing and Research:** Advertising and promotions are strategically targeted to potential travelers, using television and radio, direct mail, select print media, electronic marketing and special promotions such as sweepstakes. Co-op advertising offers the industry a cost-effective way to reach out-of-state markets. A major emphasis is placed on developing partnerships; marketing partnerships extend the reach of Explore Minnesota advertising. The primary markets in the U.S. are in the north central region. International markets include Canada, Japan, China, United Kingdom, Germany, and Scandinavia.

This unit also markets Minnesota to group tour operators, which can bring significant revenue to communities. Research conducted in-house or provided by other sources guides the development of marketing programs.

Media relations, publications and electronic media are all key to Explore Minnesota Tourism marketing. Media relations programs generate positive media coverage of Minnesota travel opportunities and of the state’s tourism industry.

A large photo library provides the media with visual images of the state. A series of publications, many developed through publishing partnerships, promotes Minnesota destinations and activities. This unit also develops content and provides photography for the travel Web site <http://www.exploreminnesota.com>.

**Industry Relations and Travel Information Centers:** This program area is responsible for facilitating two-way communication between Explore Minnesota Tourism and the state's tourism industry. Regional staff located in Brainerd, Duluth, Mankato, Thief River Falls and St. Paul provides marketing assistance to communities and regional tourism associations. Industry relations staff provides leadership in emerging tourism areas, such as developing bicycle tourism and addressing issues related to vacation home rentals.

This unit provides personalized travel planning assistance to travelers on the road at ten travel information centers around the state. Some of the information centers are operated as partnerships with private-sector community organizations. Explore Minnesota also partners with approximately 60 affiliate travel information centers in communities across the state to provide Minnesota tourism information to travelers.

Industry relations staff facilitates interagency partnerships, develops educational programs, coordinates the Governor's Fishing Opener event and monitors public policy issues that may affect tourism in Minnesota.

Grants are awarded to nonprofit tourism organizations to maximize state and local marketing resources. This unit also manages advertising sales for the Web site and the Travel Guide.

**Operations and Technology Services:** This unit maintains the extensive database of accommodations, attractions, and events information that is the foundation of the travel Web site and a customized travel planning service. Tourism businesses and organizations can include information in this database free of charge or can enhance their listings by paid participation, providing the tourism industry an effective channel for reaching consumers.

This unit provides personalized travel planning assistance to prospective travelers through the in-house Contact Center in St. Paul. Travel counselors in the center respond to consumer inquiries by phone, mail and e-mail. The Distribution Center handles shipping and receiving functions at EMT, fulfilling thousands of requests for travel information.

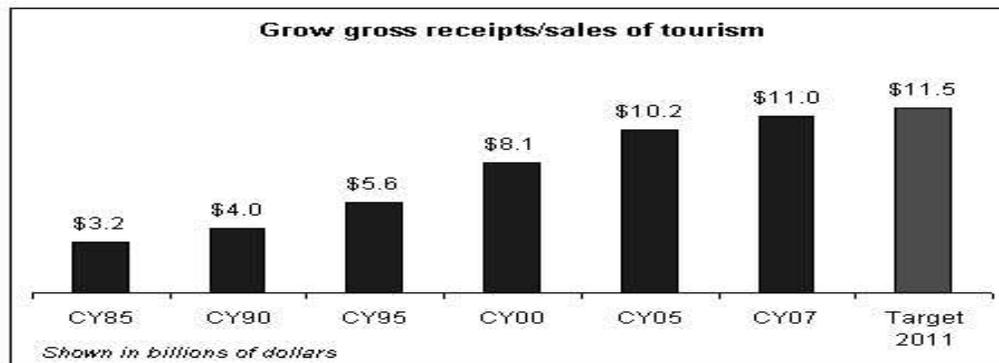
This unit is also responsible for administrative, financial and personnel functions of the office.

**Key Activity Goals & Measures**

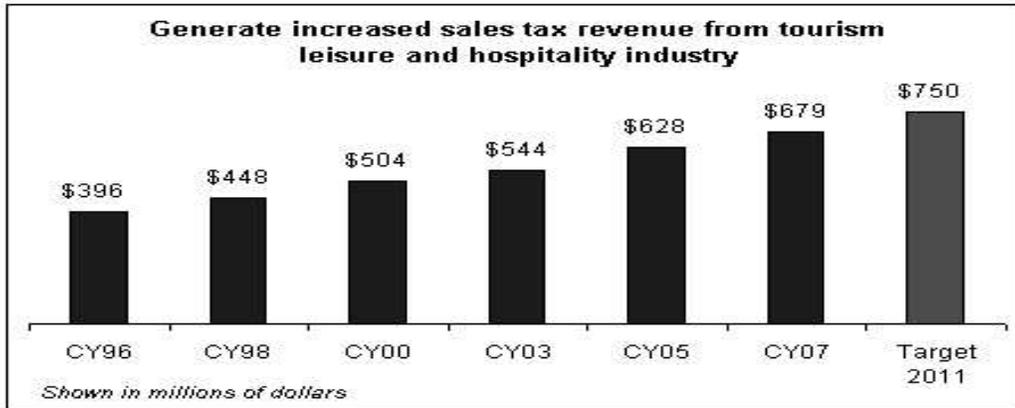
\*Unless noted, all data is from calendar year 2008, which is the most recent year complete data was available.

The agency's primary goals and measures are:

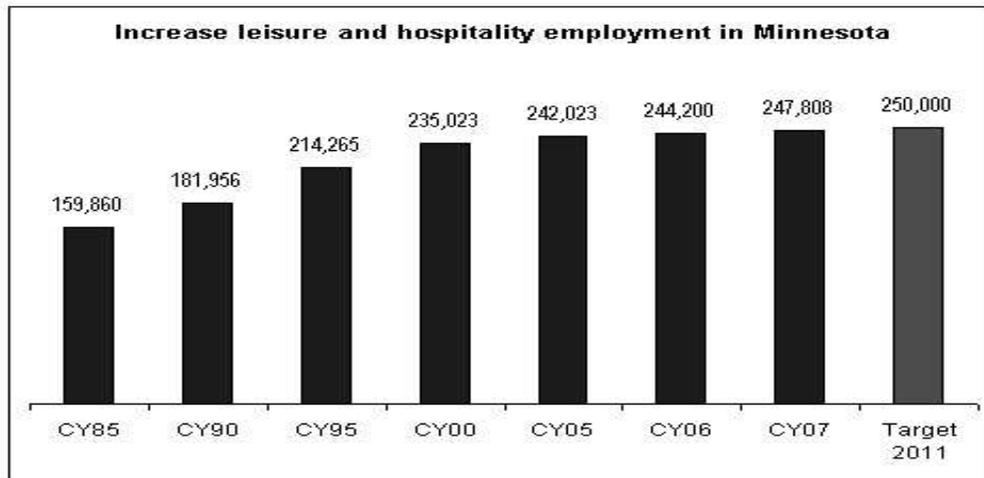
1. Increase the number of resident and nonresident travelers in the state.  
Estimated # of travelers: 39 million (FY 2008)
2. Grow gross receipts/sales of tourism in Minnesota.  
Leisure & hospitality gross sales: \$11.2 billion



- 3. Generate increased state and local sales tax revenue from tourism.  
Sales tax revenues from leisure & hospitality: \$695 million

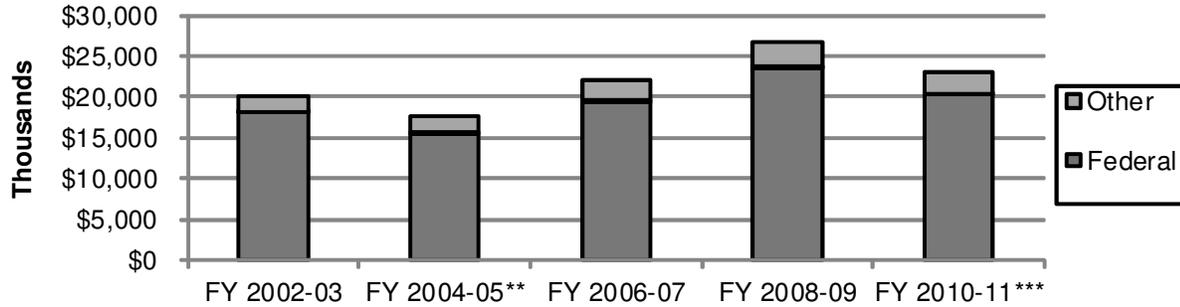


- 4. Increase leisure and hospitality employment in Minnesota.  
Number of leisure & hospitality jobs: 245,788  
Wages: \$4 billion



**Budget Trends Section**

**Total Expenditures by Fund**



*Pass-thru funds were appropriated via Explore Minnesota Tourism to MN Film Bd., Mississippi River Pkwy Commission, St. Louis Co., and others.*

\*\* Prior to FY 2005, Tourism was a division of Trade & Economic Development

\*\*\* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/10/2010.

**External factors and trends:**

In the past couple of years, the travel industry in Minnesota, as well as across the country, has taken a hit as the economy kept many consumers from traveling. Those who do travel are very budget-conscious, and spend less while they travel. The industry has now begun to slowly recover. Explore Minnesota Tourism developed its marketing programs to address recent tourism trends, including closer-to-home vacations, last-minute trip planning, shorter getaways, and consumer demand for deals and good values. It has also adjusted its marketing to take advantage of the great increase of online travel planning and the interest in social marketing and e-newsletters to receive travel information. Another factor impacting Minnesota tourism is strong competition among states, with Explore Minnesota Tourism ranking 28<sup>th</sup> in size of state tourism office. And today, competition for travel dollars is not just the neighboring state; it is global, as consumers consider destinations around the globe.

**Contact**

**Explore Minnesota Tourism**  
 Office of the Tourism Director: (651) 757-1844  
<http://www.industry.exploreminnesota.com>  
<http://www.exploreminnesota.com>

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2012-13
	FY2010	FY2011	FY2012	FY2013	
<b><u>Direct Appropriations by Fund</u></b>					
<b>General</b>					
Current Appropriation	10,464	9,190	9,190	9,190	18,380
<b>Recommended</b>	<b>10,464</b>	<b>9,190</b>	<b>9,928</b>	<b>8,928</b>	<b>18,856</b>
Change		0	738	(262)	476
% Biennial Change from 2010-11					-4.1%
<b><u>Expenditures by Fund</u></b>					
<b>Direct Appropriations</b>					
General	11,237	9,713	9,928	8,928	18,856
<b>Statutory Appropriations</b>					
Miscellaneous Special Revenue	994	2,007	3,914	4,314	8,228
Federal	36	20	0	0	0
<b>Total</b>	<b>12,267</b>	<b>11,740</b>	<b>13,842</b>	<b>13,242</b>	<b>27,084</b>
<b><u>Expenditures by Category</u></b>					
Total Compensation	3,435	3,414	3,152	3,228	6,380
Other Operating Expenses	6,227	7,304	8,668	8,992	17,660
Local Assistance	2,605	1,022	2,022	1,022	3,044
<b>Total</b>	<b>12,267</b>	<b>11,740</b>	<b>13,842</b>	<b>13,242</b>	<b>27,084</b>
<b><u>Expenditures by Program</u></b>					
Explore Minnesota Tourism	12,267	11,740	13,842	13,242	27,084
<b>Total</b>	<b>12,267</b>	<b>11,740</b>	<b>13,842</b>	<b>13,242</b>	<b>27,084</b>
<b>Full-Time Equivalents (FTE)</b>	<b>50.0</b>	<b>48.2</b>	<b>43.7</b>	<b>43.7</b>	

<i>Dollars in Thousands</i>				
	FY2011	Governor's Recomm.		Biennium
		FY2012	FY2013	2012-13
<b>Fund: GENERAL</b>				
FY 2011 Appropriations	9,190	9,190	9,190	18,380
<b>Technical Adjustments</b>				
Operating Budget Reduction		(2)	(2)	(4)
<b>Subtotal - Forecast Base</b>	<b>9,190</b>	<b>9,188</b>	<b>9,188</b>	<b>18,376</b>
<b>Change Items</b>				
Film Jobs Production Program	0	1,000	0	1,000
Operating Budget Reduction	0	(260)	(260)	(520)
<b>Total Governor's Recommendations</b>	<b>9,190</b>	<b>9,928</b>	<b>8,928</b>	<b>18,856</b>
<b>Fund: MISCELLANEOUS SPECIAL REVENUE</b>				
Planned Statutory Spending	2,007	1,314	1,314	2,628
<b>Change Items</b>				
1%Car Rental Tax Dedicated for Marketing	0	2,600	3,000	5,600
<b>Total Governor's Recommendations</b>	<b>2,007</b>	<b>3,914</b>	<b>4,314</b>	<b>8,228</b>
<b>Fund: FEDERAL</b>				
Planned Statutory Spending	20	0	0	0
<b>Total Governor's Recommendations</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>

## EXPLORE MINNESOTA TOURISM

Change Item: 1%Car Rental Tax Increase Dedicated for Marketing

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Revenues	\$2,600	\$3,000	\$3,100	\$3,300
Transfer Out	2,600	3,000	3,100	3,300
Special Revenue Fund				
Transfer In	2,600	3,000	3,100	3,300
Expenditures	2,600	3,000	3,100	3,300
Net Fiscal Impact	\$0	\$0	\$0	\$0

### Recommendation

The Governor recommends a 1% increase in the tax on car rentals to be dedicated to Minnesota tourism marketing and promotion. A 1% tax increase is estimated to generate \$2.6 million or more per year to support statewide tourism marketing. The majority of Minnesota car rental revenues are captured at Minneapolis-St. Paul (MSP) airport, and beyond the MSP airport, most additional collections are within the metro area. The impact would be that most of the new tourism marketing revenue would come primarily from out of state visitors.

### Rationale

Currently, Minnesota's tourism office budget ranks 28<sup>th</sup> nationally. Minnesota is ranked 22<sup>nd</sup> in traveler spending, 18<sup>th</sup> in travel generated employment, 14<sup>th</sup> in travel generated payroll and 9<sup>th</sup> in travel-generated tax receipts. Regional competitors including Wisconsin, South Dakota, Illinois, Michigan and Montana outspend Minnesota. To be competitive in generating out-of-state visitors, there is a need for increased funding for marketing and promotion. This strategy provides a direct link between travel-generated spending and funding for travel marketing. Funding generated will go directly into marketing and promotion programs and activities. The current advertising budget for Explore Minnesota is about \$3 million. An additional \$3 million annually would allow a significant increase in these efforts to reach both in-state and out-of-state markets.

Tourism contributes greatly to the Minnesota economy. The leisure and hospitality industry has \$11 billion in annual sales and employs more than 243,000 people (nearly 11% of total private sector employment). Almost \$700 million in sales taxes is collected on those sales, accounting for 17% of Minnesota's sales tax revenues.

The proposed effective date would be July 1, 2011. Adjustments would need to be made with the Department of Revenue due to programming, notification to rental companies, a change to printed materials and changes in accounting to track and report the tax. Operationally, many states and cities across the country impose relatively high taxes and fees on car rentals. Beyond this, additional taxes and fees are imposed at major airports across the country. In Minnesota, the majority of car rental revenues are captured at the MSP airport.

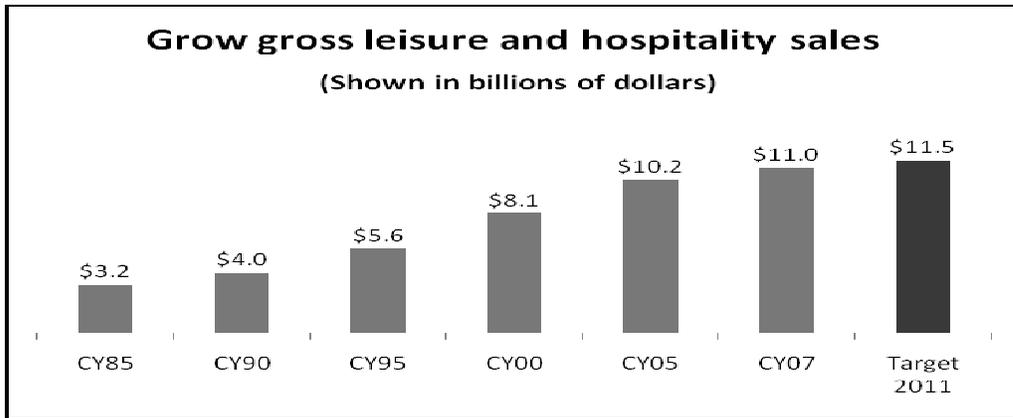
### Key Goals and Measures

The agency's primary goals and measures are:

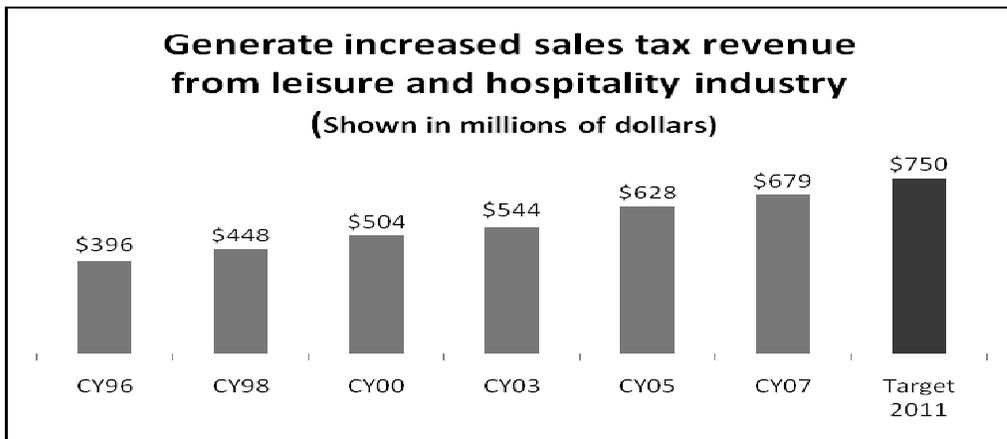
1. Increase the number of resident and nonresident travelers in the state.  
Estimated # of travelers: 39 million
2. Grow gross receipts/sales in Minnesota.  
Leisure & hospitality gross sales: 2008 - \$11.2 billion

# EXPLORE MINNESOTA TOURISM

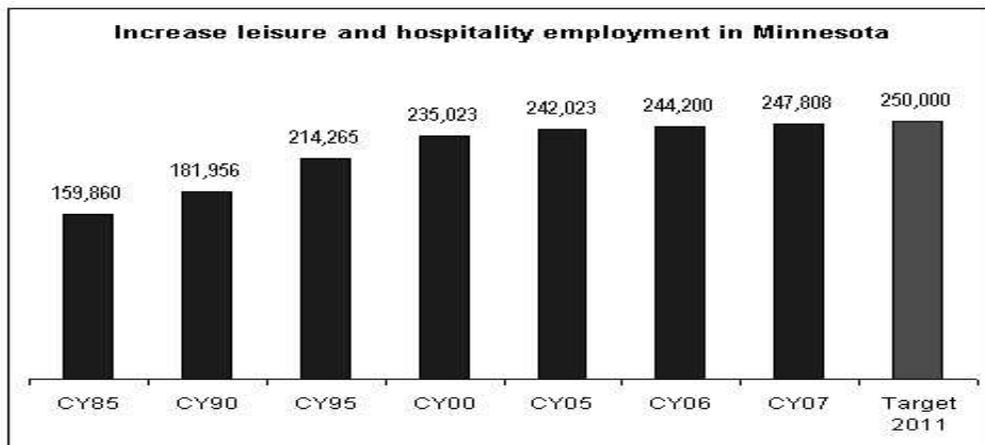
Change Item: 1% Car Rental Tax Increase Dedicated for Marketing



3. Generate increased state and local sales tax revenue.  
Sales tax revenues from leisure & hospitality: 2008 - \$695 million



4. Increase leisure and hospitality employment in Minnesota.  
Number of leisure & hospitality jobs: 2008 - 245,788  
Wages: 2008 - \$4 billion



**Statutory Change:** M.S. 297A.64 Rental motor vehicle tax

# EXPLORE MINNESOTA TOURISM

## Change Item: Film Jobs Production Program

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	\$1,000	0	0	0
Net Fiscal Impact	\$1,000	0	0	0

### Recommendation

The Governor recommends a one-time appropriation in FY2012 to the Minnesota Film & TV Board, in the amount of \$1 million to fund the "Snowbate" jobs production program.

### Rationale

The Minnesota Film and TV Board is a full-service film commission dedicated to creating jobs and economic growth by promoting and supporting the state's production industry through the following efforts:

1. Attract production to Minnesota through the Snowbate incentive program, a 15 to 20% rebate on eligible Minnesota expenditures.
2. Market Minnesota's extensive talent and crew base and production infrastructure in the online Minnesota Production Guide.
3. Facilitate the production process with location services and crew and equipment referrals.
4. Develop and sustain relationships with independent producers and location decision-makers at major studios and networks nationwide.

### Key Goals and Measures

(From <http://mnfilmtv.org/>)

Snowbate, Minnesota's Film Jobs Production Program, is a reimbursement of 15% to 20% of Minnesota production expenditures. The incentive is available to feature films, national television or internet programs, commercials, music videos and documentaries.

#### Summary of projects that have been reimbursed or are in process (24)

Estimated # of MN Jobs created by projects reimbursed or in process since July 1, 2010:	35 FTE
Estimated Total MN Expenditures:	\$6,099,126.67
Estimated MN Film Production Jobs Reimbursements	\$831,197.55

#### Summary of projects that are pending (4)

Estimated MN Expenditures - Pending Projects	\$985,888.78
Estimated Total MN expenditures, all certified projects	\$7,085,015.45

**Statutory Change:** Not Applicable

# EXPLORE MINNESOTA TOURISM

Change Item: Operating Budget Reduction

Fiscal Impact (\$000s)	FY 2012	FY 2013	FY 2014	FY 2015
General Fund				
Expenditures	(\$260)	(\$260)	(\$260)	(\$260)
Net Fiscal Impact	(\$260)	(\$260)	(\$260)	(\$260)

## Recommendation

The Governor recommends a reduction of \$260,000 in FY 2012 and \$260,000 in FY 2013 to the Explore Minnesota Tourism General Fund operating budget. The Governor intends that Explore Minnesota Tourism should focus its operating funds on maintaining its highest priority services. The agency's priority is the marketing of the state's tourism opportunities. Tourism marketing affects the state's economy in many ways, including generating increased state and local sales tax revenues as well as jobs in the leisure & hospitality industry.

This proposal represents a 3% reduction to Explore Minnesota Tourism's base General Fund forecast budget.

## Rationale

Explore Minnesota Tourism's total base forecast general fund operating budget is \$9.188 million for FY 2012 and \$9.188 million for 2013 and includes amounts budgeted for tourism marketing efforts. Explore Minnesota Tourism is proposing to reduce operating expenditures and positions during the FY 2012-13 biennium. Specifically, Explore Minnesota Tourism will reduce operating budgets as follows:

- Salary and benefits savings will be achieved through the agency's Early Retirement Incentive program. Three positions under this program will remain unfilled, resulting in \$148,000 in reduced costs, and a 2.4 FTE reduction.
- Salary and benefits savings will be achieved through other staff retirements and existing vacancies, resulting in an additional \$99,000 in reduced costs and a 2.0 FTE reduction.
- A \$13,000 reduction to professional/technical information technology contracting costs will be applied during the 2012-13 biennium.

Our agency's early retirement incentive, along with other retirements and vacant positions, will result in savings of \$247,000 per year by not filling vacancies at current levels or at all, reassigning duties, eliminating some programs, decreasing or eliminating public relations programs, group tour promotion, and grants program support.

Additionally, Explore Minnesota Tourism will reduce its spending on professional/technical information technology contracting by \$13,000, by absorbing some related duties in house. Explore Minnesota Tourism also continues to strive for increased advertising revenues to offset technology development and other costs related to tourism marketing programs.

**Statutory Change:** Not Applicable

**Narrative**

Explore Minnesota Tourism has been awarded a grant to receive funds from the Federal Highway Administration for the marketing of officially designated Scenic Byways.

The current grant was awarded in June, 2008, in the amount of \$90,000. The grant requires a 20% State match. Funds are available until expended on eligible Scenic Byways marketing initiatives. Through the end of SFY10, Explore Minnesota Tourism has used approximately \$70,000 of the existing grant. The remaining \$20,000 is available for marketing projects during SFY2011.

Typical projects that make use of these funds include website development work to enhance the exposure and availability of Scenic Byways information for the traveling public; direct mail campaigns to promote travel along the Byways; and related promotional print materials, such as a Scenic Byways guidebook/brochure.

Federal Award Name + Brief Purpose	New grant	Required state match/MOE? Yes/No		SFY 2010 Revenues	SFY 2011 Revenues	Estimated SFY 2012 Revenues	Estimated SFY 2013 Revenues
		Match	MOE				
Scenic Byways Marketing Program	N	Y	N	36	20	0	0

# EXPLORE MINNESOTA TOURISM

# Agency Revenue Summary

*Dollars in Thousands*

	Actual FY2010	Budgeted FY2011	Governor's Recomm. FY2012   FY2013		Biennium 2012-13
<b><i>Non Dedicated Revenue:</i></b>					
<b>Total Non-Dedicated Receipts</b>	0	0	0	0	0
<b><i>Dedicated Receipts:</i></b>					
<b>Departmental Earnings:</b>					
Miscellaneous Special Revenue	976	1,267	1,267	1,267	2,534
<b>Grants:</b>					
Federal	36	20	0	0	0
<b>Other Revenues:</b>					
Miscellaneous Special Revenue	49	47	47	47	94
<b>Total Dedicated Receipts</b>	<b>1,061</b>	<b>1,334</b>	<b>1,314</b>	<b>1,314</b>	<b>2,628</b>
<b>Agency Total Revenue</b>	<b>1,061</b>	<b>1,334</b>	<b>1,314</b>	<b>1,314</b>	<b>2,628</b>