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Explore Minnesota Tourism

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www.exploreminnesota.com

AT A GLANCE

Explore Minnesota is the state’s official tourism promotion agency. Through advertising, marketing, education, industry and other programs, it supports the thousands of businesses and organizations that make up Minnesota’s tourism economy. The tourism industry in Minnesota generates:

- Sales: \$16.0 billion in gross sales in 2018.
- Jobs: Nearly 273,000 full- and part-time jobs in 2018, or 11 percent of total private sector employment.¹
- Wages: \$6.1 billion in wages.¹
- Revenue: \$1.04 billion in state sales tax revenue in 2018, or 18 percent of state sales tax revenues.
- Return on Investment: Every \$1 in state tourism advertising results in \$18 in state and local taxes and \$180 in spending by travelers.²

¹: Source: Bureau of Labor Statistics, U.S. Department of Labor, 2018

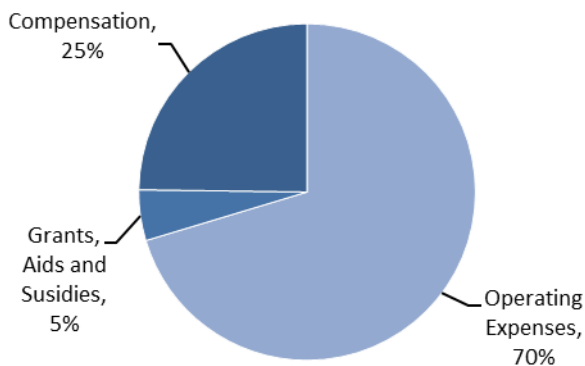
²: Source: January 2020, SMARInsights, [Spring Summer 2019 ROI/Economic Impact Research Study](#)

PURPOSE

The mission of Explore Minnesota Tourism is to inspire consumers and facilitate their travel to and within Minnesota. The agency does this by marketing Minnesota travel products and opportunities to consumers, including communities, lodging, museums, attractions, restaurants, events, and outdoor recreation. Through consumer advertising, public relations, publications, websites, social media, international marketing, and other efforts, Explore Minnesota Tourism reaches millions of potential travelers each year.

BUDGET

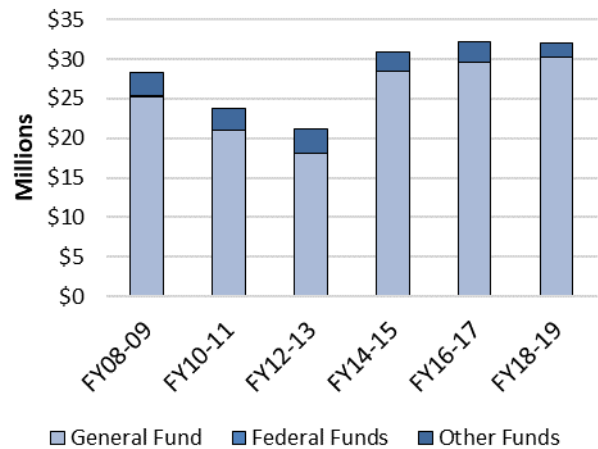
**Spending by Category
FY 2019 Actual**



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

Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Historical Spending is inclusive of pass-through appropriations.

Source: Consolidated Fund Statement

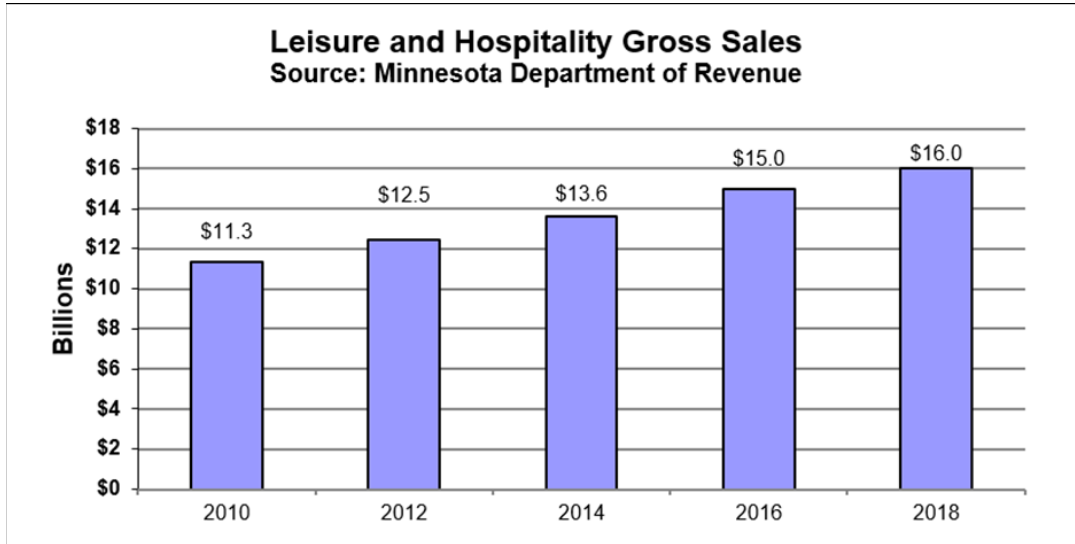
Explore Minnesota Tourism has a total biennial budget in FY20/21 of \$28.4 million in general fund appropriations, and \$1.4 million in revenue through advertising sales and marketing programs. It also partners with public and private organizations to maximize resources and reach more consumers.

STRATEGIES

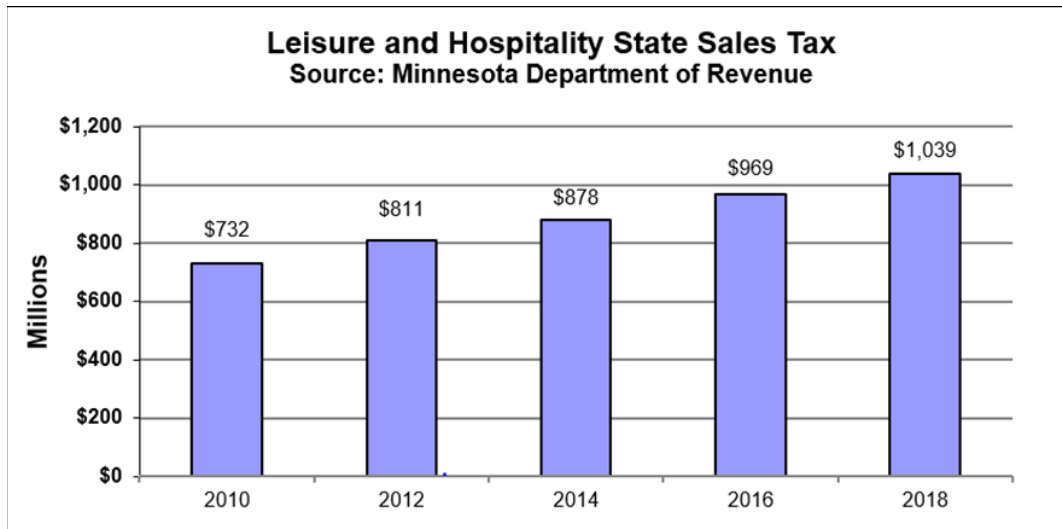
Explore Minnesota Tourism:

- Drives economic vitality by influencing visitation from new and existing domestic and global markets.
- Creates inspirational and differentiating advertising and promotions that market Minnesota as a travel destination, reaching new audiences through highly-targeted marketing tactics.
- Increases consumer reach and engagement through creation of unique content, innovative campaigns and travel information for online, social media and public relations platforms, publications and customer service.
- Engages stakeholders and invests in public/private partnerships to leverage state funding and provide opportunities that support recovery and sustainability for Minnesota's tourism industry and communities.

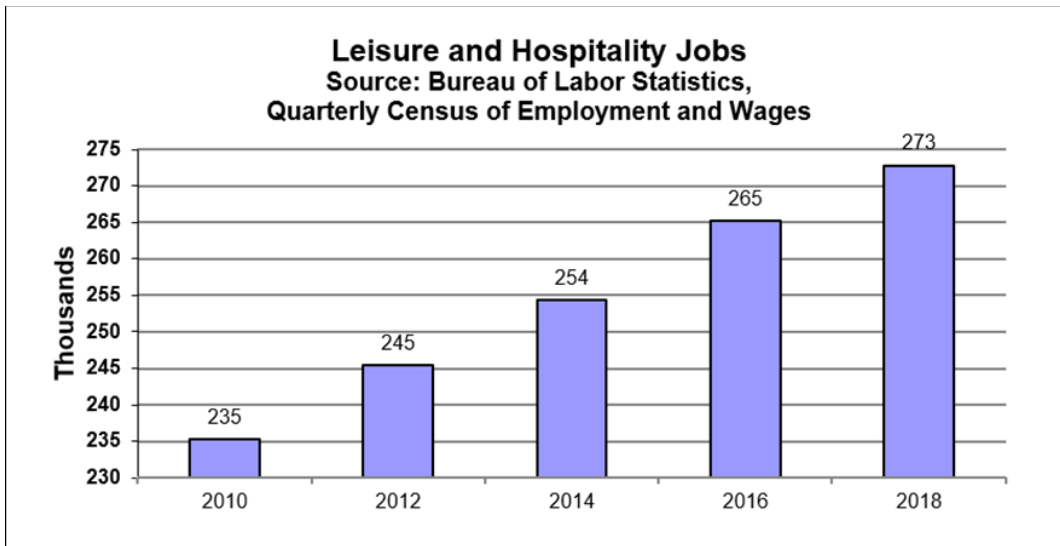
RESULTS



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 to inspire travel to and throughout Minnesota.



Minnesota's leisure and hospitality industry is crucial to the state's economic vitality, accounting for 18% of total state sales tax revenue. This chart represents substantial 42% growth since 2010 compared with 33% growth over the same period for all other industries.



Minnesota’s 273,000 leisure and hospitality jobs accounted for 11% of the state’s total private sector employment in 2018. This represents a 16% increase since the lowest point in 2010.

Explore Minnesota Tourism’s advertising campaigns generate millions of Minnesota trips that would not otherwise take place. The spring/summer 2019 campaign generated 2.36 million incremental person-trips. The impact of this travel included \$708.6 million in travel spending in Minnesota and \$69.4 million in state and local taxes. Every dollar Explore Minnesota invested in the campaign resulted in \$180 in travel spending and \$18 in state and local taxes; the return on investment for Explore Minnesota’s spring/summer 2019 campaign was 180:1 for travel spending and 18:1 for state and local taxes. *Source: Strategic Marketing and Research Insights, January 2020*

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

Explore Minnesota Tourism

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
<u>Expenditures by Fund</u>								
1000 - General	14,833	15,361	10,674	18,399	14,344	14,344	14,434	14,523
2000 - Restrict Misc Special Revenue	1,155	659	657	507	567	550	567	550
Total	15,988	16,021	11,331	18,906	14,911	14,894	15,001	15,073
Biennial Change				(1,771)		(432)		(163)
Biennial % Change				(6)		(1)		(1)
Governor's Change from Base								269
Governor's % Change from Base								1

Expenditures by Program

Explore Minnesota Tourism	15,988	16,021	11,331	18,906	14,911	14,894	15,001	15,073
Total	15,988	16,021	11,331	18,906	14,911	14,894	15,001	15,073

Expenditures by Category

Compensation	3,782	3,969	3,957	3,847	4,001	4,153	4,089	4,329
Operating Expenses	10,592	11,262	6,802	13,820	10,183	10,014	10,185	10,017
Grants, Aids and Subsidies	1,604	781	572	1,237	725	725	725	725
Other Financial Transaction	10	9	0	2	2	2	2	2
Total	15,988	16,021	11,331	18,906	14,911	14,894	15,001	15,073

Full-Time Equivalent

	45.85	47.28	44.61	44.61	43.10	41.00	43.10	41.00
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(Dollars in Thousands)

	Actual FY18	Actual FY19	Actual FY20	Estimate FY21	Forecast Base		Governor's Recommendation	
					FY22	FY23	FY22	FY23
1000 - General								
Balance Forward In		1,053	326	4,055				
Direct Appropriation	15,669	14,332	14,404	14,344	14,344	14,344	14,434	14,523
Cancellations		0						
Balance Forward Out	835	24	4,055					
Expenditures	14,833	15,361	10,674	18,399	14,344	14,344	14,434	14,523
Biennial Change in Expenditures				(1,121)		(385)		(116)
Biennial % Change in Expenditures				(4)		(1)		(0)
Governor's Change from Base								269
Governor's % Change from Base								1
Full-Time Equivalents	45.45	47.28	44.61	44.61	43.10	41.00	43.10	41.00

2000 - Restrict Misc Special Revenue

Balance Forward In	793	701	979	874	537	470	537	470
Receipts	1,051	854	551	170	500	550	500	550
Balance Forward Out	688	895	873	537	470	470	470	470
Expenditures	1,155	659	657	507	567	550	567	550
Biennial Change in Expenditures				(650)		(47)		(47)
Biennial % Change in Expenditures				(36)		(4)		(4)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.40							

(Dollars in Thousands)

	FY21	FY22	FY23	Biennium 2022-23
Direct				
Fund: 1000 - General				
FY2021 Appropriations	14,344	14,344	14,344	28,688
Forecast Base	14,344	14,344	14,344	28,688
Change Items				
Operating Adjustment		90	179	269
Total Governor's Recommendations	14,344	14,434	14,523	28,957
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	507	567	550	1,117
Forecast Base	507	567	550	1,117
Total Governor's Recommendations	507	567	550	1,117
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	170	500	550	1,050
Total Governor's Recommendations	170	500	550	1,050

Explore Minnesota Tourism

FY 2022-23 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Fund					
Expenditures	0	90	179	179	179
Revenues	0	0	0	0	0
Other Funds					
Expenditures	0	0	0	0	0
Revenues	0	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	90	179	179	179
FTEs	0	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$90,000 in FY 2022 and \$179,000 in each subsequent year from the general fund to maintain the current level of service delivery at Explore Minnesota Tourism.

This represents a 1 percent change to Explore Minnesota Tourism’s overall general fund appropriation.

Rationale/Background:

The operating increases recommended in FY 2022 and FY 2023 fund a portion of the projected cost increases in the upcoming biennium. Each year, the cost of doing business rises—including growing costs for employer-paid health care contributions and other salary and compensation-related costs. Other operating costs, like rent and lease, fuel and utilities, IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year without enacted increases.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. To manage costs, most agencies find ways to become more efficient with existing resources.

Proposal:

The Governor recommends increasing agency operating budgets to support the delivery of current services. This increase is below the assumed level of inflation, acknowledging continued efficiencies achieved by Explore Minnesota Tourism. For Explore Minnesota Tourism, this funding will cover expected and anticipated employee compensation growth, known cost increases in rent and IT services.

Results:

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