



Martin O'Malley Governor

Anthony G. Brown Lt. Governor

Dominick E. Murray Secretary

Robert L. Walker Deputy Secretary

October 1, 2014

The Honorable Thomas V. Mike Miller, Jr.  
President, Maryland Senate  
State House, H-107  
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch  
Speaker, Maryland House of Delegates  
State House, H-101  
Annapolis, Maryland 21401-1991

Re: Maryland Tourism Development Board Fund Report

Dear President Miller and Speaker Busch:

Pursuant to Economic Development Article §4-216(d), the Department of Business and Economic Development (Department) is pleased to submit the Maryland Tourism Development Board Fund Report.

We look forward to your review of this report and will be happy to furnish any additional information that is needed. If we can be of further assistance, or if you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Murray".

Dominick E. Murray  
Secretary

Enclosure

# **Annual Report**

Maryland Tourism Development Board Fund Report

Economic Development Article §4-216(d)

Submitted by:

The Maryland Department of  
Business and Economic Development

**October 1, 2014**

DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT:  
Maryland Tourism Development Board Fund Report  
October 1, 2014

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 and services, as determined by the Comptroller, in FY 2014.

**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 an 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 not less than \$2.5M. The Board did grant \$2.35M and at least \$2.5M, respectively, to the 25 destination marketing organizations in FY 2012, FY2013 and FY 2014.

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

### **Tourism Tax Increment**

The passage of the Tourism Promotion Act of 2008 enacted the potential for enhanced funding appropriations based on the tourism sector's growth year over year. This funding formula provides a quantitative, policy-backed way to report the impact that visitor spending has on sales tax 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 adjusted tourism expenditures of \$401.3 million for FY 2014, an increase of 2.4 percent from FY2013, outperforming the growth of overall sales tax categories by 14 percent. Seven of the eight performance measures saw increases in FY 2014, with the only decline associated with sales tax category 111, "Hotels, Motels Selling Food (with beer, wine and liquor license)". The 3.1 percent decrease in this one category directly correlates to the government shutdown in October 2013, with the following counties most impacted: Anne Arundel (Fort Meade – down 7.7 percent); Montgomery (NIH, etc. – down 9 percent) and Prince George's (Joint Base Andrews Naval Air Facility, etc. – down 8.5 percent). The total revenues for all categories amounted to more than \$959 million, of which more than \$401 million is directly attributed to tourism sales.

SALES TAX CATEGORY	TOURISM TAX REVENUES (\$ IN MILLIONS)					
	ATTRIBUTABLE TO VISITOR AND NON-VISITOR SPENDING		Tax Factor	ATTRIBUTABLE TO VISITOR SPENDING		Percent change
	FY 2014	FY2013		FY 2014	FY2013	
111 Hotels, Motels Selling Food w/BWL	\$41.5	\$42.8	100%	\$41.5	\$42.8	(3.1%)
901 Hotels, Motels, Apartments, Cottages	\$94.4	\$91.8	100%	\$94.4	\$91.8	2.9%
108 Restaurants, Lunchrooms, Delis	\$337.2	\$323.7	33%	\$112.4	\$107.9	4.2%
112 Restaurants and Night Clubs w/BWL	\$249.8	\$247.0	33%	\$83.3	\$82.3	1.1%
306 General Merchandise	\$165.2	\$156.6	5%	\$8.3	\$78	5.5%
407 Auto, Bus and Truck Rentals	\$64.6	\$62.4	90%	\$58.1	\$56.2	3.5%
706 Airlines - Commercial	\$0.4	\$0.3	50%	\$0.2	\$0.1	28.4%
925 Recreation and Amusement Places	\$6.4	\$6.1	50%	\$3.2	\$3.1	5.2%
<b>Tourism Tax Categories Subtotal</b>	<b>\$959.5</b>	<b>\$930.7</b>		<b>\$401.3</b>	<b>\$392.0</b>	<b>2.4%</b>
All Sales Tax Categories Subtotal	\$4,206.6	\$4,119.1				2.1%

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

County	FY 2014 Tourism Sales Tax Revenue	FY 2013 Tourism Sales Tax Revenue	% Change
Allegany	\$4,267,214	\$3,859,737	10.6%
Garrett	3,191,705	3,114,991	2.5%
Washington	7,046,400	7,179,852	(1.9%)
<b>WESTERN REGION</b>	<b>\$14,505,319</b>	<b>\$14,154,580</b>	<b>2.5%</b>
Frederick	12,067,159	11,632,595	3.7%
Montgomery	67,555,878	66,848,893	1.1%
Prince George's	53,358,655	52,408,296	1.8%
<b>CAPITAL REGION</b>	<b>\$132,981,692</b>	<b>\$130,889,784</b>	<b>1.6%</b>
Anne Arundel	60,449,395	58,424,967	3.5%
Baltimore City	49,512,266	48,658,337	1.8%
Baltimore County	42,845,646	42,053,485	1.9%
Carroll	\$5,439,968	\$5,315,291	2.3%
Harford	\$10,316,653	\$9,976,513	3.4%
Howard	\$16,479,011	\$16,037,307	2.8%
<b>CENTRAL REGION</b>	<b>\$185,042,937</b>	<b>\$180,465,900</b>	<b>2.5%</b>
Calvert	\$3,015,770	\$2,814,993	7.1%
Charles	\$6,726,310	\$6,988,488	(3.8%)
St. Mary's	\$4,457,282	\$4,372,429	1.9%
<b>SOUTHERN REGION</b>	<b>\$14,199,363</b>	<b>\$14,175,910</b>	<b>0.2%</b>
Caroline	\$551,739	\$566,678	(2.6%)
Cecil	\$3,976,458	\$3,735,045	6.5%
Dorchester	\$2,730,426	\$2,752,924	(0.8%)
Kent	\$877,198	\$886,202	(1.0%)
Queen Anne's	\$2,707,113	\$2,569,058	5.4%
Somerset	\$377,548	\$376,551	0.3%
Talbot	\$4,007,833	\$4,048,525	(1.0%)
Wicomico	\$5,547,247	\$5,263,089	5.4%
Worcester	\$25,144,920	\$24,474,031	2.7%
<b>EASTERN SHORE</b>	<b>\$45,920,482</b>	<b>\$44,672,103</b>	<b>2.8%</b>

### **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 36.1 million domestic travelers in 2013<sup>1</sup>, an increase of 2.2 percent from 2012 and an increase of 33 percent from 2007's 27.2 million visitors. In particular, leisure travel to Maryland is on the upswing, growing 1.0 percent from 2012 and 40 percent since 2007.

Maryland's 33 percent increase in overall visitors – representing an additional 8.9 million visitors in 2013 versus 2007 – was substantially greater than the 17.2 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 13.3 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 commissioned advertising effectiveness studies on OTD 2011 and 2012 efforts. Based upon actual advertising expenditures of \$2.8 million from January 2011 through December 2012, each \$1 spent on OTD advertising generated more than \$178 in incremental visitor spending, more than \$5 in state sales tax and close to \$25 in state and local taxes. The ad spending also supported more than 4,700 new jobs – that's one new job for every \$595 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.

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<sup>1</sup> *\*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.*