



Tourism Development Annual Report Fiscal Year 2009

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Dear Tourism Industry Partners:

As the recently elected chair of the Maryland Tourism Development Board, I am pleased to present the *FY 2009 Tourism Development Annual Report*, a key function that the Maryland Tourism Development Board is mandated to perform.

Each year we report the impact that the travel and tourism industry contributes to 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 deliver to our great State.

This year's annual report highlights the economic impact of Maryland's tourism industry from the recently released *Global Insight 2008 Tourism Satellite Account*—a methodology that is backed by the U.S. Office of Travel & Tourism Industries (OTTI) and the World Tourism Organization. TSA is the emerging industry standard now being used by other progressive and competitive states, as well as the Travel Industry Association.

Another measurement highlighted in the Annual Report is the direct result of the passage of the Tourism Promotion Act of 2008 and its performance-based formula. Eight key tourism tax codes have been chosen by the Comptroller's Office, which are tracked, reported and considered in calculating future tourism budgets. Comparisons, by county, of Fiscal 2009 and Fiscal 2008 codes are included in this report.

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 Office of Tourism launched an electronic Tourism Monitor last year, reporting 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.

Reviewing trend data such as this is even more important in these challenging economic times. The Office of Tourism posts the Tourism Monitor each month in the About Maryland Tourism section of visitmaryland.org. You'll find other helpful tourism reports here as well, including the FY 2010 Tourism Development and Marketing Plan. The Marketing Plan includes a Destination Situation Analysis which offers more detail on how Maryland's tourism industry outpaced national economic trends in Fiscal 2009 with increases in hotel rooms sold, business travel and leisure travel versus the prior year. The Marketing Plan also now includes a robust Visitor Profile and Target Audience definition, which had been included in the Annual Report in previous years.

Given this more frequent electronic performance tracking, as well as the desire to reduce our carbon footprint, we've limited the scope of the Annual Report to key economic impact measures and Office of Tourism performance measures.

The Tourism Satellite Account reported close to **\$14.5 billion** in visitor spending and close to **\$1.8 billion** in state and local taxes. I look forward to working with the Maryland Tourism Development Board and all of you in promoting the positive revenue impact our industry has on our State and its citizens.

Sincerely,

Greg Shockley, Chairman

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 via 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.

Currently, only the 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 (so important in several areas of the state), capital investment, outbound resident purchases and government spending—not just visitor spending. This broader measurement is referred to as **tourism expenditures**. The TSA reported that Maryland's total tourism expenditures tallied \$15.8 billion in 2008, an increase of 3.2 percent over 2007.

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 construction, investment or government spending.

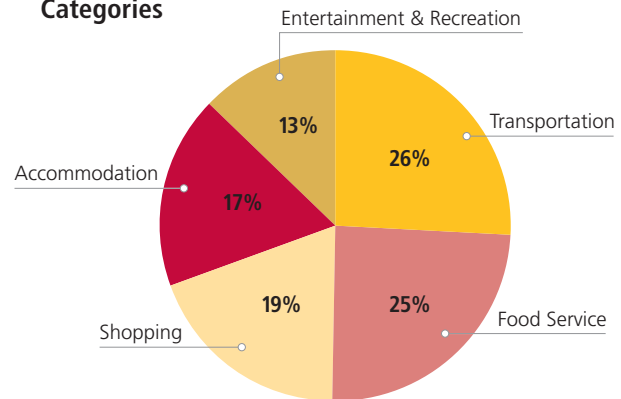
\$14.5 billion in visitor spending in 2008

Maryland tourists and travelers spent \$14.5 billion on travel expenses in 2008. Transportation and food account for the largest share of visitor spending, followed by spending on shopping, lodging, and entertainment. Total spending increased 3.2 percent over 2007.

Visitor Spending	2006	2007*	2008	% change 07-08
(\$millions)				
Transportation	3,451	3,586	3,815	6.4%
Food Service	3,295	3,483	3,585	2.9%
Shopping	2,477	2,707	2,694	-0.5%
Accommodation	2,303	2,434	2,526	3.8%
Entertainment and Recreation	1,715	1,804	1,836	1.8%
Total	12,600	14,014	14,455	3.2%

*Updated to reflect latest data available. Source: Global Insight Tourism Satellite Account

Visitor Spending Categories



More than 146,000 direct tourism jobs with a payroll of \$4 billion

According to Global Insight, tourism is the eighth largest private sector employer in the state, supporting 146,228 direct full-time equivalency jobs in 2008 in leisure and hospitality, retail, transportation, and other service sectors. This amounts to close to seven percent of non-farm state employment in 2008. For these employees, tourism jobs provided \$4 billion in wages and salaries in 2008.

Visitor spending is an important revenue generator for state and local governments

In 2008, visitor spending generated close to \$1.8 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.

Office of Tourism Development performance measurements

The performance of the Office of Tourism Development (OTD) is tracked against a variety of different measures, through the Department of Budget & Management's Managing for Results (MFR) system as well as State Stat.

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 from potential visitors.

Three performance measures are tracked against this objective:

Number of unique web visitors: 300,000 more unique web visitors experienced visitmaryland.org in FY2009 than in FY2008, despite lower advertising pressure and a soft economy.

	FY2008	FY2009	% Change
Number of unique web visitors:	1,181,989	1,493,041	26.3%

Advertising-generated inquiries: OTD receives requests for travel kits in response to print, radio and TV advertising. In FY 2009, responses to print advertising were down 11 percent; comparably, the print advertising budget had been reduced by 36 percent. The broadcast advertising budget was reduced by 57 percent, correlating to inquiries being down 59 percent. Requests for travel kits continue to decline from every source (print and broadcast advertising, internet requests, reader reply cards). This reflects an overall travel industry trend, as more and more travelers use the web to gather travel information.

	FY2008	FY2009	% Change
Number of advertising-generated inquiries:	68,184	57,750	(15.3%)
Number of travel kits ordered via web site:	40,405	36,191	(10.4%)

Public relations efforts: Public relations activities—press outreach, familiarization tours, and visiting journalists—generated more than \$6.5 million in advertising value for Maryland tourism products and services, an increase of more than 53 percent over the prior year.

	FY2008	FY2009	% Change
Travel Media Exposure:	\$4,293,834	\$6,596,346	53.6%



Tourism Tax Revenues outperform overall retail sales tax collections

With the passage of the Tourism Promotion Act in 2008, the Office of Tourism has a potential new 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 tourism has on sales revenue in Maryland. Eight tax codes are tracked and multiplied by a tourism factor—the amount deemed attributable to tourism—by the Comptroller of Maryland. Since the sales tax rate was increased from 5% to 6% effective January 3, 2008, an

adjustment is made to allow an apples-to-apples comparison. As the Fiscal 2009 to Fiscal 2008 comparison details below, the tourism industry saw significant growth in several key categories, despite the economic climate. Before adjusting for any sales tax increase, tourism sales tax revenues were up 8.1 percent but, after adjusting for the sales tax increase, they did not achieve the 3 percent growth needed to qualify for additional funding. Adjusted tourism codes performed more than twice as well as all adjusted sales tax collections, which declined 5.5 percent.

CODE	FY 2009 Actual	FY2009 at 5% Rate	Tourism Factor	FY2009 Base	FY2008 Base	% Growth
108 Restaurants, Lunchrooms, Delicatessens - WO/BWL	\$286.8	\$241.2	33%	\$80.4	\$79.8	0.8%
111 Hotels, Motels Selling Food - W/BWL	\$37.8	\$31.8	100%	\$31.8	\$30.7	3.8%
112 Restaurants and Nite Clubs - W/BWL	\$198.1	\$166.7	33%	\$55.6	\$56.4	-1.5%
306 General Merchandise	\$124.9	\$105.1	5%	\$5.3	\$5.1	3.1%
407 Automobile, Bus and Truck Rentals	\$59.5	\$50.1	90%	\$45.1	\$52.8	-14.7%
706 Airlines - Commercial	\$0.2	\$0.2	50%	\$0.1	\$0.1	-7.4%
901 Hotels, Motels, Apartments, Cottages	\$83.1	\$69.9	100%	\$69.9	\$70.5	-0.8%
925 Recreation and Amusement Places	\$7.6	\$6.4	50%	\$3.2	\$2.8	12.1%
TOTAL (In Millions)	\$798.1	\$671.4		\$291.3	\$298.2	-2.3%

Source: Bureau of Revenue Estimates

County Comparisons

We track these eight tourism tax codes on a monthly basis and report them in the Tourism Monitor. In addition, we are working with the Comptroller's Office to report the tax codes by county on a quarterly basis as well. The chart below details

the tourism code collections adjusted for the increase in sales tax as well as the tourism factor. Two counties grew their tourism revenues during this economic downturn—Charles and Prince George's.

Tourism Sales & Use Tax Codes by County—Adjusted for Sales Tax Increase and Tourism Factor

County	FY 2008 Adjusted Tourism Codes	FY 2009 Adjusted Tourism Codes	% Change
Allegany	3,216,103	3,088,975	-4.0%
Garrett	2,206,546	2,204,497	-0.1%
Washington	5,900,164	5,872,013	-0.5%
Western Region	11,322,813	11,165,485	-1.4%
Frederick	8,815,937	8,500,170	-3.6%
Montgomery	47,562,030	45,755,314	-3.8%
Prince George's	37,705,384	43,977,039	16.6%
Capital Region	94,083,351	98,232,523	4.4%
Anne Arundel	36,846,920	34,736,802	-5.7%
Baltimore City	39,300,179	35,156,319	-10.5%
Baltimore County	36,583,691	35,120,412	-4.0%
Carroll	4,165,207	4,093,790	-1.7%
Harford	8,769,171	8,615,550	-1.8%
Howard	13,239,051	12,554,195	-5.2%
Central Region	138,904,219	130,277,068	-6.2%
Calvert	2,771,618	2,632,901	-5.0%
Charles	5,447,802	5,736,413	5.3%
St Mary's	3,675,546	3,596,835	-2.1%
Southern Region	11,894,966	11,966,149	0.6%
Caroline	492,276	462,136	-6.1%
Cecil	3,101,330	3,036,252	-2.1%
Dorchester	2,583,922	2,161,947	-16.3%
Kent	622,600	615,432	-1.2%
Queen Anne's	1,833,094	1,827,664	-0.3%
Somerset	276,710	270,088	-2.4%
Talbot	3,322,128	3,072,035	-7.5%
Wicomico	4,874,131	4,550,839	-6.6%
Worcester	18,946,348	17,589,982	-7.2%
Eastern Shore	36,052,539	33,586,375	-6.8%

Source: Comptroller of Maryland

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Martin O'Malley, Governor • Anthony G. Brown, Lt. Governor

Christian Johansson, Secretary of the Department of Business and 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

The FY 2009 Tourism Development Annual Report, published by the Maryland Department of Business and Economic Development's Office of Tourism, is available free upon request, as well as online in the About Maryland Tourism section of visitmaryland.org.