

PERFORMANCE
INSPIRATION
HISTORY
ADVENTURE
CHARM
RELAXATION
DISCOVERY
FUN
CREATION
CITY

Maryland of **PLENTY**

FISCAL YEAR 2010

Tourism Development Annual Report

PUBLISHED BY THE MARYLAND TOURISM DEVELOPMENT BOARD
AND THE MARYLAND OFFICE OF TOURISM

Dear Tourism Industry Partners:

I am pleased to present the FY 2010 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 2009 Tourism Satellite Account—a methodology that is now used by the Office of Travel & Tourism Industries (OTI), the World Tourism Organization and the U.S. Travel Association.

Economic impact is generally reported by calendar year; all other metrics in the Annual Report are FY 2010 (July 2009–June 2010). As the U.S. Travel Association recently reported, 2009 was one of the worst years on record for the tourism industry, with a national decline in visitor spending of 8.8 percent.

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 are tracked, reported and considered in calculating future tourism budgets. Comparisons, by county, of FY 2010 and FY 2009 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 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.

Each month, the Office of Tourism posts the above-referenced Tourism Monitor in the About Maryland Tourism section of visitmaryland.org. You'll find other helpful tourism reports here as well, including the FY 2011 Tourism Marketing and Development Plan. The Marketing Plan includes a Destination Situation Analysis that offers more detail on how Maryland's tourism industry outpaced national trends in FY 2010. Maryland outperformed both the national and regional trends in many key

metrics, including leisure/hospitality jobs, hotel rooms sold and visitor volume.

Additionally, the Destination Situation Analysis provides robust Visitor Profile and Target Audience definitions as well as the results of the recent Maryland Byways Marketing Research. The results of this research will guide the development of an integrated marketing campaign promoting byways as the routes to travel for Maryland's tri-commemoration multi-year celebration.

This information should be helpful to the small businesses that comprise 96 percent of the tourism industry in Maryland. The Marketing Plan and the monthly snapshot provided by the Tourism Monitor provide data and marketing analysis that many small businesses would normally not be able to afford.

As a small business owner, I scrutinize every aspect of business with an eye toward return on investment. In FY 2010, the state invested \$6.77 million in general funds for the Office of Tourism Development and Maryland Tourism Development Board combined budgets. The Comptroller reported that the formula utilized in the Tourism Promotion Act generated \$329 million in State sales tax revenues for that year. I am proud to say that the efforts of the Maryland Office of Tourism in FY 2010 delivered a powerful return on investment of \$48 in State sales tax for every dollar invested in tourism funding.

Despite trying economic times and decreasing financial resources, the Office of Tourism continued to increase the number of unique Web visitors, advertising-generated inquiries and public relations exposure. I am proud of the work of the Maryland Tourism Development Board and the Maryland Office of Tourism. I thank you for all that you do in promoting the positive impact that the tourism industry has on our State and its citizens.

Sincerely,

Greg Shockley, Chairman
Maryland Tourism Development Board
Owner, Shenanigan's Irish Pub, Ocean City



*The Office of Tourism launched a new consumer-driven advertising campaign in Fiscal 2010—"Maryland of..."
—which highlights the variety of experiences and destinations Maryland has to offer.*



FISCAL YEAR 2010

Tourism Development Annual Report

Tourism: A Revenue Generator

THE TRAVEL AND TOURISM ECONOMY AND ITS IMPACT IN MARYLAND

Measuring the tourism industry is somewhat difficult because 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.

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 (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 \$14.3 billion in 2009.

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.

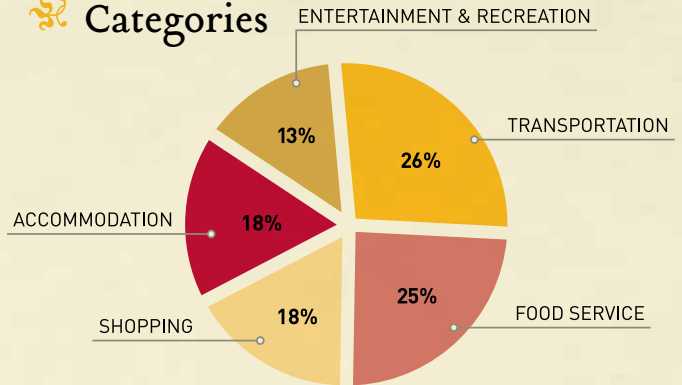
\$13.7 BILLION IN VISITOR SPENDING IN 2009

Maryland tourists and travelers spent \$13.7 billion on travel expenses in 2009. Transportation and food account for the largest share of visitor spending, followed by spending on lodging, shopping and entertainment. Total spending declined 5.5 percent from 2008. It is important to note that the U.S. Travel Association reported a national decline of 8.8 percent.

Visitor Spending (\$ Mil)	2007*	2008	2009	% change 08-09
Transportation	3,598	3,802	3,588	(5.6%)
Food Service	3,483	3,585	3,363	(6.2%)
Accommodation	2,434	2,526	2,510	(0.6%)
Shopping	2,708	2,697	2,445	(9.4%)
Entertainment and Recreation	1,804	1,836	1,746	(4.9%)
TOTAL	14,027	14,445	13,651	(5.5%)

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

Visitor Spending Categories



MORE THAN 134,000 DIRECT TOURISM JOBS WITH A PAYROLL OF \$3.8 BILLION

According to Global Insight, tourism is the eighth largest private sector employer in the State, supporting 134,662 direct full-time equivalency jobs in 2009 in leisure and hospitality, retail, transportation and other service sectors. This amounts to close to seven percent of non-farm state employment in 2009. For these employees, tourism jobs provided \$3.8 billion in wages and salaries in 2009.

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

In 2009, visitor spending generated close to \$1.6 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 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 from potential visitors.

Three performance measures are tracked against this objective:

Maryland of **PLENTY**

ADVENTURE
CHARM

NUMBER OF UNIQUE WEB VISITORS

Nearly 300,000 more unique Web visitors experienced visitmaryland.org in FY 2010 than in FY 2009, despite lower advertising pressure and a soft economy.

	FY 2008	FY 2009	FY 2010	% change 09-10
Number of unique web visitors:	1,181,989	1,493,041	1,774,423	18.8%

ADVERTISING-GENERATED INQUIRIES

OTD receives requests for travel kits in response to print, radio and TV advertising. In FY 2010, responses to print advertising were up six percent; while the print advertising budget had been reduced by nine percent. The broadcast advertising budget was reduced by 31 percent, correlating to inquiries being down 0.2 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.

	FY 2008	FY 2009	FY 2010	% change 09-10
Number of advertising-generated inquiries:	68,184	57,750	60,859	5.4%
Number of travel kits ordered via website:	40,405	36,191	33,062	[8.6%]

PUBLIC RELATIONS EFFORTS

Public relations activities—press outreach, familiarization tours, and visiting journalists—generated more than \$13.2 million in advertising value for Maryland tourism products and services, an increase of more than 100 percent over the prior year.

	FY 2008	FY 2009	FY 2010	% change 09-10
Travel Media Exposure:	\$4,293,834	\$6,596,346	\$13,232,644	100.6%



Tourism Sales Tax Revenues

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. As the FY 2010 to FY 2009 comparison details below, the tourism industry saw significant growth in several key categories, despite the economic climate. Tourism sales tax revenues did not achieve the percent growth needed to qualify for additional funding.

CODE	FY 2009 Actual	FY 2010 Actual	Tourism Factor	FY 2009 Adjusted	FY 2010 Adjusted	% Growth
108 Restaurants, Lunchrooms, Delicatessens—WO/BWL	\$286.8	\$282.2	33%	\$95.6	\$94.1	(1.6%)
111 Hotels, Motels Selling Food—W/BWL	\$37.8	\$38.5	100%	\$37.8	\$38.5	1.7%
112 Restaurants and Nightclubs—W/BWL	\$198.1	\$200.5	33%	\$66	\$66.8	1.2%
306 General Merchandise	\$124.9	\$136.2	5%	\$6.2	\$6.8	9.0%
407 Automobile, Bus and Truck Rentals	\$59.5	\$44.6	90%	\$53.6	\$40.1	(25.2%)
706 Airlines—Commercial	\$0.2	\$0.3	50%	\$0.1	\$0.1	32.1%
901 Hotels, Motels, Apartments, Cottages	\$83.1	\$79.9	100%	\$83.1	\$79.9	(3.8%)
925 Recreation and Amusement Places	\$7.6	\$5.2	50%	\$3.8	\$2.6	(31.2%)
TOTAL (In Millions)	\$798.1	\$787.4		\$346.3	\$329.0	(5.0%)



COUNTY COMPARISONS

We track these eight tourism tax codes on a monthly basis and report them in the Tourism Monitor. We report the tax codes by county on a quarterly basis as well. The chart below details the county tourism code collections adjusted for the Comptroller's tourism factor. Four counties grew their tourism revenues during this economic downturn—Montgomery, Kent, Somerset and Worcester.



TOURISM SALES & USE TAX CODES BY COUNTY *Adjusted for Tourism Factor*

County	FY 2009 Tourism Sales Tax Codes	FY 2010 Tourism Sales Tax Codes	% Change
Allegany	\$3,672,111	\$3,305,066	(10%)
Garrett	\$2,620,661	\$2,513,526	(4.1%)
Washington	\$6,980,531	\$6,738,314	(3.5%)
WESTERN REGION	\$13,273,303	\$12,556,906	(5.4%)
Frederick	\$10,104,832	\$9,699,697	(4%)
Montgomery	\$54,393,002	\$59,329,243	9.1%
Prince George's	\$52,279,024	\$48,096,827	(8%)
CAPITAL REGION	\$116,776,858	\$117,125,767	0.3%
Anne Arundel	\$41,294,416	\$36,615,026	(11.3%)
Baltimore City	\$41,793,129	\$39,759,858	(4.9%)
Baltimore County	\$41,750,443	\$36,682,898	(12.1%)
Carroll	\$4,866,616	\$4,466,477	(8.2%)
Harford	\$10,241,994	\$8,786,770	(14.2%)
Howard	\$14,924,176	\$13,805,164	(7.5%)
CENTRAL REGION	\$154,870,774	\$140,116,193	(9.5%)
Calvert	\$3,129,940	\$3,042,136	(2.8%)
Charles	\$6,819,333	\$6,637,643	(2.7%)
St Mary's	\$4,275,846	\$4,205,954	(1.6%)
SOUTHERN REGION	\$14,225,119	\$13,885,733	(2.4%)
Caroline	\$549,379	\$493,633	(10.1%)
Cecil	\$3,609,436	\$3,256,088	(9.8%)
Dorchester	\$2,570,080	\$2,514,935	(2.1%)
Kent	\$731,613	\$763,171	4.3%
Queen Anne's	\$2,172,690	\$2,058,129	(5.3%)
Somerset	\$321,075	\$330,917	3.1%
Talbot	\$3,651,974	\$3,240,162	(11.3%)
Wicomico	\$5,409,946	\$4,824,237	(10.8%)
Worcester	\$20,910,618	\$20,949,849	0.2%
EASTERN SHORE	\$39,926,811	\$38,431,120	(3.7%)

Source: Comptroller of Maryland

DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT

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

Christian Johansson, 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

The FY 2010 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.