



Tourism Development Annual Report Fiscal Year 2008

Published by The Maryland Tourism Development Board and The Maryland Office of Tourism

Dear Tourism Industry Partners:

I am pleased to present the *FY 2008 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 close to 20 years, I know firsthand the economic impact visitors deliver to our great State.

This year's annual report reflects new measurement systems. Maryland now is tracking the importance of our industry through a Tourism Satellite Account (TSA) — a new methodology that is backed by the U.S. Office of Travel and 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.

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. In our very accountable world, it is most important that the Office of Tourism have the most transparent methodology, direct comparisons to other industry accounts (like technology or manufacturing, for example) and a more universal way to define the industry. The TSA answers these needs.

Another new measurement 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 will be tracked, reported and considered in calculating future tourism budgets. Comparisons, by county, of Fiscal 2008 and Fiscal 2007 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* this past 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 and Management's Managing for Results (MFR) program and the new 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 2009 Tourism Development and Marketing Plan*.

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 visitor volume data. A more robust Visitor and Trip Profile report will be available in the About Maryland Tourism section of the visitmaryland.org web site shortly.

The Tourism Satellite Account reported more than **\$13.6 billion** in visitor spending and more than **\$1.7 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,

David Meloy, Chairman
Maryland Tourism Development Board
President, Merit Hotel Group

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 Travel Industry 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 tourism expenditures tallied \$14.9 billion in 2007, an increase of 3.5 percent over 2006.

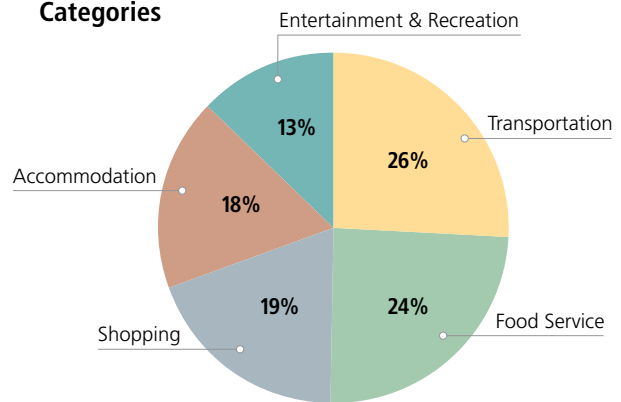
While this broader definition is important to track from a comparability standpoint, the key industry statistics will focus on **visitor spending** – the spending in Maryland by visitors on travel purchases, and will not include construction, investment or government spending.

\$13.6 billion in visitor spending in 2007

Maryland tourists and travelers spent \$13.6 billion on travel expenses in 2007. Transportation and food account for the largest share of visitor spending, followed by spending on shopping, lodging, and entertainment. Total spending increased 2.9 percent over 2006.

Visitor Spending (\$millions)	2005	2006	2007	% change 06-07
Transportation	3,268	3,451	3,535	2.4%
Food Service	3,132	3,295	3,345	1.5%
Shopping	2,354	2,477	2,599	4.9%
Accommodation	2,194	2,303	2,408	4.6%
Entertainment and Recreation	1,652	1,715	1,743	1.6%
Total	12,600	13,241	13,630	2.9%

Visitor Spending Categories



More than 140,000 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 140,984 direct full-time equivalency jobs in 2007 in leisure and hospitality, retail, transportation, and other service sectors. This amounts to more than five percent of non-farm state employment in 2007. For these employees, tourism jobs provided \$3.8 billion in wages and salaries in 2007.

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

In 2007, visitor spending generated more than \$1.7 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 and 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: 41,000 more unique web visitors experienced visitmaryland.org in FY2008 than in FY2007, despite lower advertising expenditures and a soft economy.

	FY2007	FY2008	% Change
Number of unique web visitors:	1,140,522	1,181,989	3.6%

Advertising-generated inquiries: Inquiries from every source (print and television advertising, internet requests, reader reply cards) continue to decline. This reflects an overall travel industry trend, as more and more travelers use the web to gather travel information. However, advertising still inspired nearly 330,000 inquiries for more information.

	FY2007	FY2008	% Change
Number of advertising-generated inquiries:	524,029	328,855	(37.2%)

Public relations efforts: Public relations activities – press outreach, familiarization tours, and visiting journalists – generated more than \$4 million in advertising value for Maryland tourism products and services, an increase of 183 percent over the prior year.

	FY2007	FY2008	% Change
Travel Media Exposure:	\$1,516,768	\$4,293,834	183%



Maryland enacts a new way to measure tourism's impact

With the passage of the Tourism Promotion Act in 2008, the Office of Tourism now 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 will be 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 percent

to 6 percent effective January 3, 2008, an adjustment is made to allow an apples-to-apples comparison. As the Fiscal 2008 to Fiscal 2007 comparison details below, the tourism industry saw significant growth in several key categories. Actual revenues were up 13 percent, but after adjusting for the sales tax growth, they did not achieve the 3 percent growth needed to qualify for additional funding.

CODE	FY 2008 Actual	FY2008 at 5% Rate	Tourism Factor	FY2008 Base	FY2007 Base	% Growth
108 Restaurants, Lunchrooms, Delicatessens - WO/BWL	\$262.0	\$239.4	33%	\$79.8	\$76.7	4.1%
111 Hotels, Motels Selling Food - W/BWL	\$33.4	\$30.7	100%	\$30.7	\$28.9	6.1%
112 Restaurants and Nite Clubs - W/BWL	\$185.0	\$169.3	33%	\$56.4	\$55.1	2.4%
306 General Merchandise	\$110.9	\$101.9	5%	\$5.1	\$4.7	7.8%
407 Automobile, Bus and Truck Rentals	\$63.6	\$58.7	90%	\$52.8	\$56.6	-6.7%
706 Airlines - Commercial	\$0.2	\$0.2	50%	\$0.1	\$0.0	144.7%
901 Hotels, Motels, Apartments, Cottages	\$76.8	\$70.5	100%	\$70.5	\$65.4	7.8%
925 Recreation and Amusement Places	\$6.2	\$5.7	50%	\$2.8	\$2.8	2.5%
TOTAL	\$738.1	\$676.3		\$298.2	\$290.3	2.7%

Source: Bureau of Revenue Estimates

County Comparisons

We will be tracking these eight tourism tax codes on a monthly basis and reporting them in the *Tourism Monitor*. In addition, we are working with the Comptroller's Office to report the tax codes by county on a monthly basis as well. The chart below details the actual tourism code collections along with the totals adjusted

for the tourism factor. The sales tax growth adjustment is NOT reflected in these figures, which are pulled from a different source than the codes above. As a reminder, non-adjusted statewide tourism sales tax code growth was 13 percent.

Tourism Sales and Use Tax Codes by County -- Not Adjusted for Sales Tax Increase From Comptroller's Revenue Accounting Division Summary by Subdivision and Business Activity reports

County	FY 2007 Total Collections in Tourism Codes	FY 2008 Total Collections in Tourism Codes	% Change	FY2007 Adjusted for Tourism Factor	FY 2008 Adjusted for Tourism Factor	% Change
Allegany	7,065,738	7,994,066	13.1%	3,177,334	3,504,091	10.3%
Garrett	3,583,429	4,293,556	19.8%	2,095,343	2,386,496	13.9%
Washington	14,298,717	17,528,109	22.6%	6,145,355	6,442,434	4.8%
Western Region	24,947,884	29,815,731	19.5%	11,418,031	12,333,021	8%
Frederick	21,169,618	24,094,636	13.8%	8,756,522	9,632,059	10.0%
Montgomery	105,052,013	117,204,232	11.6%	47,152,321	52,012,646	10.3%
Prince George's	76,395,640	89,401,320	17.0%	33,582,771	41,640,392	24%
Capital Region	202,617,271	230,700,188	13.9%	89,491,614	103,285,097	15.4%
Anne Arundel	75,116,771	86,097,080	14.6%	34,699,074	40,197,761	15.8%
Baltimore City	71,194,109	81,402,590	14.3%	36,799,829	42,745,328	16.2%
Baltimore County	91,353,691	101,959,808	11.6%	37,327,222	39,955,475	7%
Carroll	10,816,870	12,515,803	15.7%	3,966,842	4,552,377	14.8%
Harford	20,936,941	23,517,661	12.3%	8,495,998	9,569,060	12.6%
Howard	32,854,978	36,774,806	11.9%	13,504,147	14,476,521	7.2%
Central Region	302,273,360	342,267,748	13.2%	134,793,114	151,496,522	12.4%
Calvert	5,982,103	6,812,807	13.9%	2,568,519	3,021,211	17.6%
Charles	13,925,083	15,328,158	10.1%	5,436,879	5,968,299	9.8%
St Mary's	10,353,871	11,020,617	6.4%	3,840,230	4,018,694	4.6%
Southern Region	30,261,057	33,161,582	9.6%	11,845,628	13,008,204	9.8%
Caroline	1,143,767	1,303,317	13.9%	513,765	535,129	4.2%
Cecil	6,962,378	8,133,800	16.8%	2,966,968	3,383,990	14.1%
Dorchester	3,690,625	3,915,719	6.1%	2,535,436	2,798,861	10.4%
Kent	1,445,129	1,636,664	13.3%	578,336	675,663	16.8%
Queen Anne's	4,787,062	5,412,601	13.1%	1,827,760	1,990,705	8.9%
Somerset	968,224	897,212	-7.3%	323,145	301,892	-6.6%
Talbot	6,322,610	6,858,518	8.5%	3,247,408	3,593,371	10.7%
Wicomico	12,571,921	14,009,877	11.4%	4,842,876	5,317,452	9.8%
Worcester	29,782,655	30,868,045	3.6%	19,987,457	20,117,931	0.7%
Eastern Shore	67,674,371	73,035,753	7.9%	36,823,152	38,714,994	5.1%

Department of Business and Economic Development

Address as of January 20, 2009: World Trade Center • 401 East Pratt Street • Baltimore, Maryland 21202
410-767-3400 • 1-877-209-5883 • www.visitmaryland.org

Martin O'Malley, Governor • Anthony G. Brown, Lt. Governor • David W. Edgerley, Secretary • Clarence T. Bishop, Deputy Secretary
Division of Tourism, Film and the Arts • Hannah Lee Byron, Assistant Secretary
Office of Tourism • Margot A. Amelia, Executive Director

The FY 2008 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.