### Direct Appropriations by Fund

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</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td>0</td>
<td>0</td>
<td>8,059</td>
<td>8,059</td>
<td>16,118</td>
</tr>
<tr>
<td><strong>Recommended</strong></td>
<td>0</td>
<td>0</td>
<td>7,626</td>
<td>8,626</td>
<td>16,252</td>
</tr>
<tr>
<td><strong>Change</strong></td>
<td>0</td>
<td>0</td>
<td>(433)</td>
<td>567</td>
<td>134</td>
</tr>
<tr>
<td><strong>% Biennial Change from 2004-05</strong></td>
<td>n.m.</td>
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<td></td>
<td></td>
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</tbody>
</table>

### Expenditures by Fund

**Direct Appropriations**
- General: 0 8,909 7,626 8,626 16,252
- Statutory Appropriations:
  - Special Revenue: 0 977 3,000 3,000 6,000
  - Federal: 0 29 0 0 0
- **Total**: 0 9,915 10,626 11,626 22,252

**Expenditures by Category**
- Total Compensation: 0 3,069 2,358 2,433 4,791
- Other Operating Expenses: 0 5,876 7,298 8,223 15,521
- Local Assistance: 0 970 970 970 1,940
- **Total**: 0 9,915 10,626 11,626 22,252

**Expenditures by Program**
- Explore Minnesota Tourism: 0 9,915 10,626 11,626 22,252
- **Total**: 0 9,915 10,626 11,626 22,252

**Full-Time Equivalents (FTE)**
- 0.0 49.9 | 49.9 | 49.9
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>FY 2005 Appropriations</td>
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<td>8,059</td>
<td>8,059</td>
<td>16,118</td>
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<tr>
<td>Technical Adjustments</td>
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<td></td>
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<tr>
<td>Current Law Base Change</td>
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<td>567</td>
<td>567</td>
<td>1,134</td>
</tr>
<tr>
<td>Subtotal - Forecast Base</td>
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<td>8,626</td>
<td>8,626</td>
<td>17,252</td>
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<tr>
<td>Change Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Reduction</td>
<td>0</td>
<td>(1,000)</td>
<td>(1,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Public/Private Enhancement Funding</td>
<td>0</td>
<td>0</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Total Governor’s Recommendations</td>
<td>0</td>
<td>7,626</td>
<td>8,626</td>
<td>16,252</td>
</tr>
</tbody>
</table>

| Fund: SPECIAL REVENUE | Planned Statutory Spending | 977 | 998 | 1,017 | 2,015 |
| Change Items | | | | |
| Public/Private Enhancement Funding | 0 | 2,002 | 1,983 | 3,985 |
| Total Governor’s Recommendations | 977 | 3,000 | 3,000 | 6,000 |

| Fund: FEDERAL | Planned Statutory Spending | 29 | 0 | 0 | 0 |
| Total Governor’s Recommendations | 29 | 0 | 0 | 0 |

### Revenue Change Items

| Fund: SPECIAL REVENUE | Change Items | 0 | 2,002 | 1,983 | 3,985 |
# Explore Minnesota Tourism

**Change Item:** Base Reduction

<table>
<thead>
<tr>
<th>Fiscal Impact ($000s)</th>
<th>FY 2006</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
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</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>($1,000)</td>
<td>($1,000)</td>
<td>($1,000)</td>
<td>($1,000)</td>
</tr>
<tr>
<td>Revenues</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Fund</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Revenues</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Fiscal Impact</td>
<td>($1,000)</td>
<td>($1,000)</td>
<td>($1,000)</td>
<td>($1,000)</td>
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## Recommendation

The Governor recommends a base budget reduction of $1 million per year.

## Background

Explore Minnesota Tourism (EMT) became a separate agency in part to enable it to generate non-state funding from the industry that benefits from its activities. This reduction, along with the Public/Private Enhancement Funding initiative, moves the agency closer to full partnership with the tourism industry.

## Relationship to Base Budget

This reduction represents a 13% reduction to EMT’s operating budget.
## Change Item: Public/Private Enhancement Funding

<table>
<thead>
<tr>
<th>Fiscal Impact ($000s)</th>
<th>FY 2006</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Revenues</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Fund</td>
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<tr>
<td>Expenditures</td>
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<tr>
<td>Revenues</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Net Fiscal Impact</td>
<td>($1,500)</td>
<td>($500)</td>
<td>($500)</td>
<td>($500)</td>
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</tbody>
</table>

### Recommendation

The Governor recommends $1 million for Public/Private Enhancement funding for Explore Minnesota Tourism. This is funding for tourism marketing and is available annually beginning in FY 2007, for private sector contributions received in the previous fiscal year. This incentive appropriation will match private sector contributions that exceed the $4 million match requirement (up to half may be in-kind). The incentive is capped at $1 million per fiscal year.

### Background

This is part of long-term funding strategy to ensure continued growth with reduced dependence on general funds. This strategy is industry driven, rewards innovative partnerships and increases the private sector’s stake in the state’s tourism marketing efforts. It is enhanced funding that builds on private sector involvement in tourism.

Lodging, amusement and recreation, and eating and drinking businesses generate nearly $3.8 billion in state taxes annually. Increased marketing activities will increase travel-related sales and employment in Minnesota and generate additional sales tax revenue.

### Relationship to Base Budget

This funding mechanism provides the opportunity to increase the annual operating budget by a maximum of 13%.

### Key Measures

Explore Minnesota Tourism is currently required to develop public/private partnerships of $3.5 million. This change increases that requirement to $4 million. This concept provides a performance incentive for growth and relies on increased industry partnerships to expand the marketing reach. Agreements are developed to establish the value of the partnership and then documented to ensure that the goals are reached. The key measure is the number of non-state dollars in excess of $4 million raised by EMT.

### Alternatives Considered

Additional funding options such as gaming revenues, lodging tax, performance-based funding and rental car fees were alternatives that were considered. These and other options to generate funding from non-state sources will be explored through a series of industry outreach meetings held throughout the state in 2005.

Agency Purpose

The mission of Explore Minnesota Tourism (EMT) is to promote and facilitate increased travel to and within the state of Minnesota by increasing nonresident travel, stimulating travel instate by Minnesota residents and sustaining and growing travel related sales. EMT markets Minnesota in North America and internationally as a travel destination to consumers, tour operators, group tours and travel agents, promotes coverage of Minnesota by domestic and international travel media, and initiates, develops, and coordinates activity with travel industry buyers and sellers. EMT leverages its resources by generating over $3.5 million in cash and in-kind partnerships.

EMT previously was the Office of Tourism and a division of the Department of Employment and Economic Development (DEED). Effective 7-1-04, the legislature transferred all of the duties to EMT. At the urging of the Minnesota tourism industry, a separate state entity for tourism was created to facilitate more industry partnerships. An Explore Minnesota Tourism Council representing a diverse statewide tourism sector groups was created. Funding for research, communications, rent and operations are added to EMT’s base from DEED for the biennium ending 6-30-07. Statutory authority for EMT resides at M.S. 116U.05.

Core Functions

To fulfill its mission and achieve its strategic objectives, EMT is organized into three areas: Advertising and Marketing, Operations and Consumer Services, and Industry Relations.

Advertising and Marketing: This area includes advertising and promotions directed to potential travelers. EMT uses a variety of advertising tactics involving print media, television and radio, direct mail, electronic and partnership marketing. The primary market is the 12-state North Central Region, which generates about 83% of Minnesota’s U.S. visitors. Public relations and media relations efforts are conducted to generate positive media coverage of Minnesota travel opportunities. The EMT also engages in consumer shows, and publishing partnerships. This area also markets Minnesota as a travel destination to international markets, group tour operators, and travel agents. Marketing targets are North America tour operators and international markets including Canada, Japan, the United Kingdom, Germany, and Scandinavia.

Operations and Consumer Services: This unit handles customer inquiries and provides travel information to travelers and potential travelers. EMT Contact Center handles inquiries via the phone, fax and Internet in response to consumer advertising programs. Travel information is delivered person-to-person to visitors at highway Travel Information Centers located throughout the state. EMT operates six, and five are operated by local tourism organizations in partnership with EMT. An extensive database maintained by this unit includes detailed information on approximately 2,600 accommodations, 1,700 attractions, and 2,500 events. The database is available to consumers through exploreminnesota.com and through travel counselors using Journey, the customized travel planning service. This unit also tracks indicators of travel levels and performance measures of EMT programs.

Industry Relations: Industry Relations is responsible for facilitating two-way communication between EMT and the state’s tourism industry, facilitating organizational and interagency partnerships, special events, and providing community based marketing assistance. This unit also monitors public policy issues that may affect tourism in Minnesota. Regional staff are located in Brainerd, Duluth, Mankato, and Thief River Falls, as well as St. Paul. Explore Minnesota Tourism awards grants and enters into tourism-related marketing partnerships with non-profit tourism organizations to maximize both state and local resources to generate non-residents travel expenditures.
within Minnesota and to retain travel dollars from Minnesotans within the state. All grants and marketing partnerships must meet established criteria and include matching fund requirements and performance measures.

**Key Measures**

<table>
<thead>
<tr>
<th></th>
<th>CY 2002</th>
<th>CY 2003</th>
<th>CY 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of travelers to Minnesota (thousands trips per year)</td>
<td>24,397</td>
<td>24,871</td>
<td>25,801</td>
</tr>
<tr>
<td>Sales in Minnesota generated by travelers (billions)</td>
<td>8.9</td>
<td>9.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Employment in leisure and hospitality industry (thousands)</td>
<td>229</td>
<td>233</td>
<td>235</td>
</tr>
</tbody>
</table>

*Targets

**Budget**

Explore Minnesota Tourism has a General Fund budget of $8.1 million in FY 2005. Annual special revenue funds total approximately $1.0 million.

**Contact**

John F. Edman, Director
Explore Minnesota Tourism
121 East 7th Place
Saint Paul, Minnesota 55101

Phone: 651-296-4783
Fax: 651-296-7095
E-mail: John.Edman@state.mn.us
### Non Dedicated Revenue:

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### Dedicated Receipts:

#### Departmental Earnings:

- **Special Revenue**  
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<td>2,922</td>
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#### Grants:

- **Federal**  
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<td>29</td>
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#### Other Revenues:

- **Special Revenue**  
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#### Total Dedicated Receipts  

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### Agency Total Revenue  

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