



**STATE OF VERMONT**  
LEGISLATIVE JOINT FISCAL OFFICE

Memorandum

To: Senate Appropriations Committee

From:  Stephen Klein, Joint Fiscal Office

Date: April 1, 2015

Re: Senate 138, Section 40: TOURISM AND MARKETING INITIATIVE

This provision raises three areas of concern:

**1. It represents an expenditure of \$510,000 in FY 2016 which the committee will need to account for in the budget process.**

The language appropriates 15% of the difference between the FY 2016 forecasts for rooms and meals in July 24, 2014 and January 20, 2015. These are:

July 24, 2014	\$151.5 million
January 20, 2015	\$154.9 million
Difference	\$ 3.4 million
@ 15%	\$ \$510,000

In that the dates have passed and this is one-time language, this should be struck from the bill and if the appropriation is to be made, it should be added to the budget by the Appropriations Committee in that Committee's budget deliberation process.

**2. Generally, the practice of contingent spending of revenues sources should be used sparingly or not at all.**

The only contingent spending of revenue sources now place is the provision of amounts over 125% of the estate tax being deposited in the higher education trust fund. This was to circumvent reliance on essentially one-time events.

The General Fund revenue base is made up of a variety of sources which respond to different aspects of economic activity. Together they make the growth rate of the General Fund the forecast it is. If individual sources are capped or spent prior to reaching the General Fund, it weakens the revenue expectation of the Fund overall.

**3. On a policy basis the relationship between Department of Tourism and Marketing Travel and Tourism spending and the revenue change in a particular time period is limited or non-existent.**

As Tom Kavet pointed out in his memorandum on the House Economic Development bill (attached): "Since 2005, T&M expenditures have dropped 38% while Meal and Rooms revenues have increased by 26% .... This is most likely due to the fact that taxpayer-financed T&M advertising for the industry is a small fraction of private advertising in this sector. Current taxpayer-financed advertising expenditures for the tourism sector are estimated to represent a mere 3% of total industry advertising expenditures."

While the choice to increase Tourism and Marketing spending may have a positive rationale, its linkage to Rooms and Meals receipts is not sufficiently supported by data.

S.138

Introduced by Committee on Economic Development, Housing and General Affairs

Tourism and Marketing \* \* \*

Sec. 40. TOURISM AND MARKETING INITIATIVE

(a) Of the amount by which the meals and rooms tax revenue for fiscal year 2016 projected at the January 20, 2015, Emergency Board meeting exceeds the fiscal year 2016 projection for the meals and rooms tax at the July 24, 2014, Emergency Board meeting, up to 15 percent, but not more than \$750,000.00, is appropriated to the Agency of Commerce and Community Development to promote economic development strategies targeted to prospective employers and employees outside the State:

(1) to emphasize Vermont's long history of innovation, including agricultural, business, and technical innovation, product design, and entrepreneurship; and

(2) to promote Vermont as both a great place to live and a great place to do business.

(b) The Agency of Commerce and Community Development may contract with a private marketing firm located in Vermont to carry out the brand initiative pursuant to this section.