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www.exploreminnesota.com/

AT A GLANCE

Explore Minnesota Tourism is the state’s official tourism promotion agency. Through advertising, marketing, education and other programs, we support the thousands of businesses and organizations that make up Minnesota’s tourism industry.

This industry generates:

SALES

- \$13.6 billion in gross sales
- More than \$37 million a day

JOBS

- 254,400 full- and part-time jobs
- 11% of total private sector employment
- \$4.7 billion in wages

REVENUE

- \$878 million in state sales tax
- 17% of state sales tax revenues

Note: Sales, jobs and revenue data for leisure & hospitality sector, 2014

RETURN ON INVESTMENT

- \$7 in state and local taxes
- \$75 in spending by travelers --for every \$1 invested in state tourism advertising

Source: Longwoods Int'l's "[Minnesota 2015 Tourism Advertising Evaluation and Image Study](#)," 01/20/2016

PURPOSE

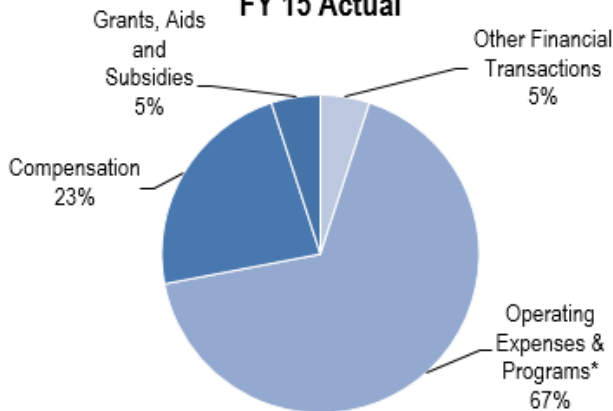
The mission of Explore Minnesota Tourism is to inspire consumers and facilitate their travel to and within Minnesota. We do this by marketing Minnesota tourism, including destinations, lodging, museums, attractions, restaurants, events and outdoor recreation, to consumers.

Through consumer advertising, public relations, publications, websites, social media, international marketing and other efforts, we reach millions of potential travelers each year.

Our work to promote tourism in Minnesota contributes to a **thriving economy that encourages business growth and employment opportunities.**

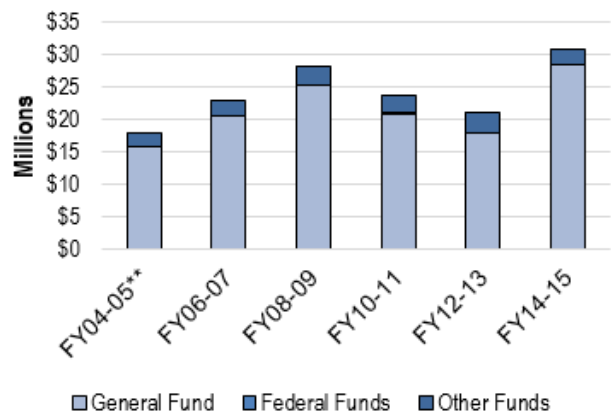
BUDGET

**Spending by Category
FY 15 Actual**



**Explore Minnesota’s Operating Expenses include advertising, marketing, public relations and other tourism promotion efforts.*

Historical Spending



**Various pass-thru funds were appropriated each year, e.g., MN Film Board, Mississippi River Pkwy Commission, St. Louis Co., Shakespeare Festival, Upper MN Film Office, Northern Lights Music Festival and others.*

***Prior to FY05, Tourism was a division of Dept of Trade & Econ Development; spending figures for FY02-03 and 04 are based on MAPS expenditures data*

Source: Consolidated Fund Statement

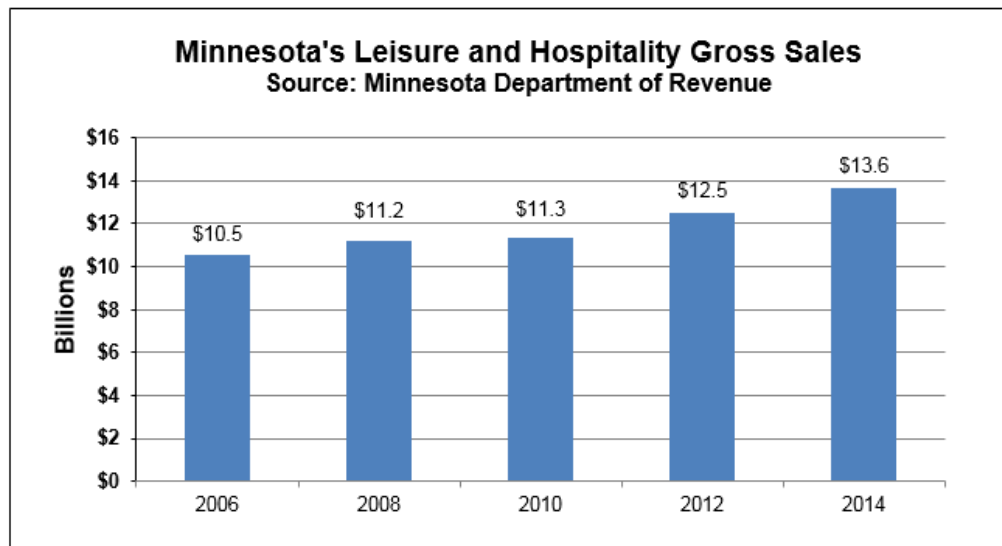
Explore Minnesota Tourism has a total biennial budget in FY16-17 of \$28 million in general fund appropriations, and \$1 million in revenue through advertising sales and marketing programs. We also partner with public and private organizations to maximize resources and reach more consumers. All of our funding is directly used to promote Minnesota tourism businesses.

STRATEGIES

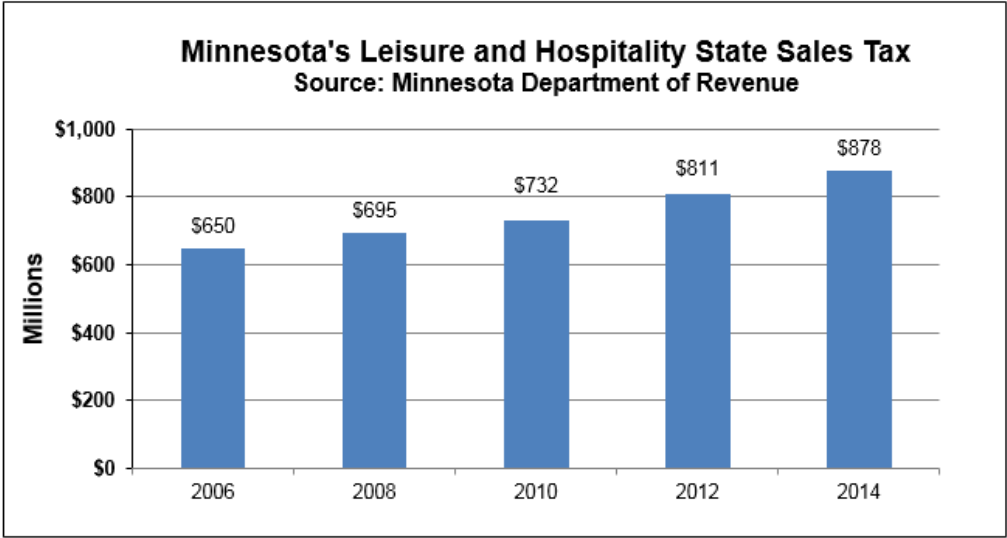
Explore Minnesota Tourism:

- Drives economic vitality by influencing visitation from domestic and international markets, and takes an entrepreneurial approach to invest in public/private partnerships.
- Creates innovative advertising and promotions that market Minnesota as a travel destination.
- Engages consumers via increased digital, social and public relations efforts.
- Delivers excellent customer service and comprehensive travel information in person, online, via phone and printed materials.
- Educates and leads Minnesota’s tourism industry and other state agencies in their efforts to promote travel.
- Provides timely tourism research on economic impact, customers, travel trends and marketing effectiveness.

RESULTS



Minnesota’s leisure and hospitality industry is a major provider of tourism services. The increase of gross sales in this sector illustrates the effect of successfully advertising travel to and throughout Minnesota.



Minnesota's leisure and hospitality industry is crucial to the state's vitality, accounting for 17% of total state sales tax revenue. This chart represents substantial 35% growth since 2006 compared with 19% growth over the same period for all other industries.



Minnesota's leisure and hospitality jobs account for 11% of total private sector employment in the state. The increase to 254,000 jobs in 2014 brought leisure and hospitality employment well beyond the pre-recession high for the industry.

MS116U.30 (<https://www.revisor.mn.gov/statutes/?id=116U>) provides the legal authority for Explore Minnesota Tourism.

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
1000 - General	14,165	14,296	13,858	15,580	14,248	14,248	18,160	14,360
2000 - Restrict Misc Special Revenue	1,305	1,151	1,325	2,274	1,372	1,372	1,372	1,372
Total	15,470	15,446	15,184	17,854	15,620	15,620	19,532	15,732
<i>Biennial Change</i>				2,122		(1,799)		2,225
<i>Biennial % Change</i>				7		(5)		7
<i>Governor's Change from Base</i>								4,024
<i>Governor's % Change from Base</i>								13

Expenditures by Program

Program: Explore Minnesota Tourism	15,470	15,446	15,184	17,854	15,620	15,620	19,532	15,732
Total	15,470	15,446	15,184	17,854	15,620	15,620	19,532	15,732

Expenditures by Category

Compensation	3,454	3,524	3,590	3,846	4,058	4,090	4,120	4,202
Operating Expenses	11,239	11,113	10,852	12,202	10,828	10,796	14,078	10,796
Other Financial Transactions	40	15	-1	39	39	39	39	39
Grants, Aids and Subsidies	736	794	741	1,767	694	694	1,294	694
Capital Outlay-Real Property			2					
Total	15,470	15,446	15,184	17,854	15,620	15,620	19,532	15,732
Full-Time Equivalents	46.2	45.7	46.5	46.5	46.5	46.5	46.5	46.5

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	517	480	0	260	0	0	0	0
Direct Appropriation	13,988	13,988	14,118	15,321	14,248	14,248	18,160	14,360
Net Transfers	(19)	0	0	0	0	0	0	0
Cancellations	0	172	0	0	0	0	0	0
Expenditures	14,165	14,296	13,858	15,580	14,248	14,248	18,160	14,360
Balance Forward Out	322	0	260	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				978		(943)		3,081
<i>Biennial % Change in Expenditures</i>				3		(3)		10
<i>Gov's Exp Change from Base</i>								4,024
<i>Gov's Exp % Change from Base</i>								14
Full-Time Equivalents	46.0	44.9	45.8	45.8	45.8	45.8	45.8	45.8

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	571	686	806	903	0	0	0	0
Receipts	1,362	1,270	1,422	1,372	1,372	1,372	1,372	1,372
Expenditures	1,305	1,151	1,325	2,274	1,372	1,372	1,372	1,372
Balance Forward Out	627	805	903	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				1,143		(856)		(856)
<i>Biennial % Change in Expenditures</i>				47		(24)		(24)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents	0.1	0.8	0.7	0.7	0.7	0.7	0.7	0.7

Explore Minnesota Tourism

FY18-19 Biennial Budget Change Item

Change Item Title: Expand Awareness of Minnesota to a Global Audience

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	2,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends an additional \$2 million in FY 2018 for Explore Minnesota to invest in increased marketing and promotions to potential visitors, both domestically and abroad. This effort encompasses expanded consumer advertising, public relations, international marketing and social media marketing. This is a one-time appropriation.

Rationale/Background:

The leisure and hospitality sector contributes \$13.6 billion in annual gross sales, supports nearly 255,000 full- and part-time jobs and generates \$878 million in state sales tax each year. A total of 11% of all private sector employment and nearly 17% of all state sales taxes is generated from this industry.

Over the period of 2004 to 2014, Minnesota's leisure and hospitality sales grew 37% to \$13.6 billion. But this trajectory falls short of the Tourism Council's goal to grow Minnesota tourism to a \$20 billion industry by 2020. A significant barrier is the growing competition from other states, increasing our need to expand and deepen our market penetration to raise awareness of the diverse vacation opportunities that exist in Minnesota. Losing market share and drawing a smaller pool of travelers limits Minnesota's opportunity to grow the revenue and jobs that tourism generates.

Proposal:

Increasing travel to and within Minnesota is the ultimate mission and goal of Explore Minnesota. Additional investment in expanded marketing and communications efforts, both domestically and abroad, would allow Explore Minnesota to attract a wider and more diverse group of travelers to our state, thereby increasing leisure and hospitality sales, sales tax and jobs for Minnesotans statewide.

State tourism advertising is a national conversation, with each state's budget reported by the U.S. Travel Association on an annual basis. For FY15-16, the average provisional state tourism budget was \$20.1 million. Some of our neighboring states' budgets were significantly higher than that, including Michigan at \$33 million and Illinois at \$30.3 million. Missouri received a 62.5% budget increase to catapult them to 11th highest state with a budget of \$20.8 million. By comparison, Explore Minnesota ranked 21st with a FY15-16 budget of \$14.1 million, well below the national average and putting Minnesota at a disadvantage to attract travelers and their tourism dollars.

Every year without additional funding is a lost opportunity to attract new and returning visitors to Minnesota. This funding will increase Minnesota's brand awareness through key tactics including national television advertising, aggressive public relations, enhanced social media marketing, and deeper penetration into key international markets such as China and Western Europe.

Results:

An increased investment in domestic and international tourism marketing, public relations and social media efforts will contribute to an increase in leisure and hospitality sales, sales tax and jobs, which in turn contributes to a better quality of life for residents and a better vacation experience for visitors. Increased revenue to the state also allows for investment in other priorities that

influence the quality of life in Minnesota. These impacts increase our leverage as a state in other areas of economic development.

In order to measure the success of our efforts, Explore Minnesota includes a variety of metrics within its marketing and communications plans that measure whether or not we move the needle on consumer awareness and engagement, media interest, group sales, and international visitation.

Explore Minnesota contracts annually with a market research firm to determine the return on investment of our advertising efforts on an annual basis. Most recently, the firm (Longwoods International) found that the 2015 spring-summer advertising campaign generated 3.2 million incremental trips and \$337.4 million in incremental spending. In addition, more than 2.6 million people who did not visit Minnesota in 2015 intended to do so in the next year. With additional funding, an incremental return on investment would be the primary measure of domestic advertising success.

Statutory Change(s):

N/A

Explore Minnesota Tourism

FY18-19 Biennial Budget Change Item

Change Item Title: Maximize Emerging Technology and Website Initiatives

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	1,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,000	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$1 million in FY 2018 for Explore Minnesota to invest in the state's tourism marketing website, developing highly engaging digital content and making targeted system updates. This is a one-time appropriation.

Rationale/Background:

ExploreMinnesota.com has consistently produced strong results that align with the mission and goals of Explore Minnesota. In FY 2016, ExploreMinnesota.com attracted more than 4.5 million unique visitors, generated approximately 1.3 million referrals to Minnesota tourism businesses, and more than 1 million views of Travel Ideas (articles).

As new technologies continue to emerge and consumer digital preferences evolve, the state must be forward-thinking. This effort would allow Minnesota to modernize website and social media content by developing a robust library of engaging, web-friendly videos that deliver an engaging and immersive presentation of Minnesota's rich ethnically and geographically diverse travel and tourism experiences.

Proposal:

All other states have tourism marketing websites. Minnesota's is often touted as among the best, with a rich database of Minnesota businesses and events. Keeping pace with emerging technologies is important to a marketing agency such as Explore Minnesota. The impact on doing so would keep Minnesota competitive in the tourism promotion efforts in the nation, and even globally.

This project will increase statewide participation in the Explore Minnesota website by investing in targeted improvements to the key support system. These upgrades would provide Minnesota tourism businesses with new and improved ways to manage their free data on ExploreMinnesota.com and provide new content management capabilities to the Explore Minnesota staff that manage ExploreMinnesota.com.

An investment in technology will also improve the usability of ExploreMinnesota.com for visitors with visual or other disabilities by investing in accessibility improvements. This will ensure compliance with current standards and best practices that have been introduced, recognized or changed since the launch of the website in April 2014.

This funding would create targeted content for non-English speaking visitors, making the website and, by extension, the state more welcoming and user-friendly for international visitors and non-English speaking domestic visitors.

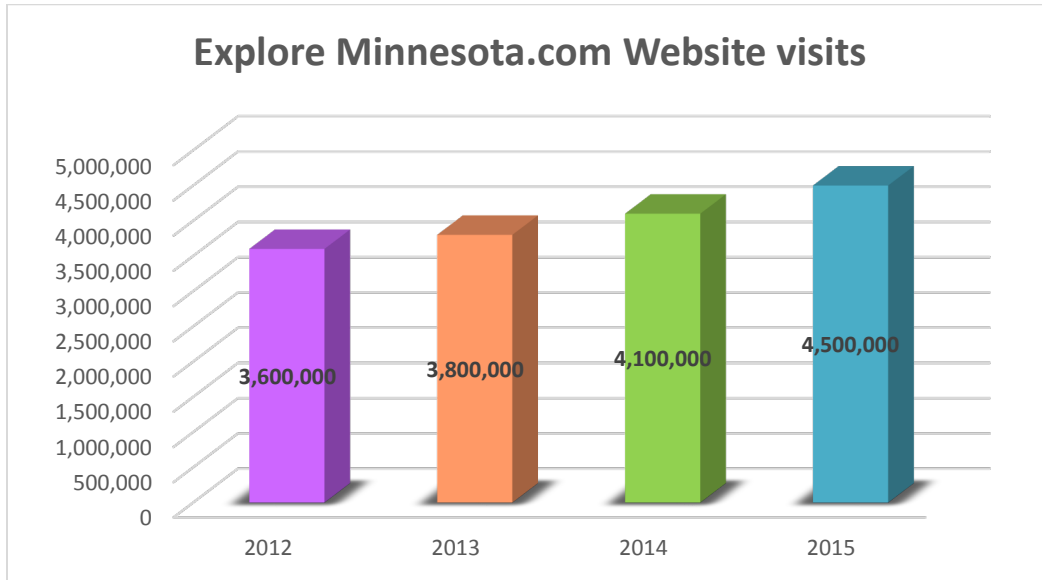
Results:

Increased travel to and within Minnesota is the ultimate mission and goal of Explore Minnesota. Wider inclusion of all possible types of businesses, organizations, events, and recreational opportunities would individually benefit those participants and their communities, and on a bigger scale, would positively impact the state from an economic perspective through sales tax revenues and job creation.

The return on investment for state tourism marketing has historically been about \$6 for every \$1. Investment in technology for tourism marketing may not be a directly measurable, but would be a component of the overall marketing programs.

The number of customers served through our website and other electronic information delivery is measurable, and Explore Minnesota also conducts return-on-investment and customer satisfaction surveys on a regular basis. The Department of Revenue also provides Leisure and Hospitality Gross Sales, State Sales Tax and Jobs which can also be used as a measuring stick for continuous marketing effectiveness.

In fiscal year 2016, ExploreMinnesota.com attracted more than 4.5 million unique visitors, generated approximately 1.3 million referrals to Minnesota tourism businesses, and more than 1 million views of Travel Ideas (articles).



Detailed reports on the performance of ExploreMinnesota.com are communicated on a regular basis to the Governor’s Tourism Council at quarterly meetings, and to the tourism industry through an electronic newsletter.

Paid advertisers on the site are also provided with analytics and metrics related to the website’s activity and engagement levels, as well as direct sales leads.

Statutory Change(s):

N/A

Explore Minnesota Tourism

FY18-19 Biennial Budget Change Item

Change Item Title: Reinstate Explore Minnesota's carry forward authority in FY 2018

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	250	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends in FY 2018 to provide authority for Explore Minnesota to carry forward unexpended funds from the first year of the biennium, FY 2018, into the second year, FY 2019. This cost to the general fund is estimated to be \$250,000 that would otherwise cancel. These funds will be used for tourism marketing efforts. This is a one-time authorization.

Rationale/Background:

The seasonal economy plays a significant role in how Explore Minnesota operates. Historically, it's been the agency's business practice to reserve funds in the spring/summer seasons to take advantage of seasonal marketing opportunities at the height of tourism season and to prepare for unforeseen marketing events. These major advertising opportunities and marketing purchases such as media buys change often to address annual variations that come with fluctuations in the tourism industry such as the weather and economy. This funding flexibility will help Explore Minnesota to be more nimble later in FY 2018, helping the agency to best serve the state's tourism economy.

Explore Minnesota offers a partnership grant program to about 100 communities throughout the state. Often, these grants are not fully utilized, and the unspent portions are returned too late to be used at the agency for marketing and advertising, unless the appropriation allows for carryforward into the following fiscal year.

Proposal:

This funding flexibility from FY 2018 to FY 2019 would enable Explore Minnesota to maintain financial responsiveness for time sensitive marketing efforts in the peak of Minnesota tourism's summer season. These funds will be used for tourism marketing.

Results:

Explore Minnesota Tourism has demonstrated that its advertising investments return benefits to the state many times over (Longwoods International, 2012, 2013, 2014 and 2015 advertising evaluation studies). This carry forward authorization will result in increased tourism marketing in order to generate travel and associated spending, taxes, income and jobs.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Traveler spending returned per \$1 invested in Explore Minnesota Tourism advertising	\$68	\$75	2014; 2015
Quality	Direct state and local taxes returned per \$1 invested in Explore Minnesota Tourism advertising	\$6	\$7	2014; 2015
Quality	Income earned by Minnesota workers through traveler spending, for every \$1 invested in Explore Minnesota Tourism advertising	\$22	\$17	2012; 2014
Quality	Minnesota jobs directly generated per \$1,000 invested in Explore Minnesota Tourism advertising	1.01	0.76	2012; 2014

Statutory Change(s):

N/A

Explore Minnesota Tourism

FY18-19 Biennial Budget Change Item

Change Item Title: Major New Event Development

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	600	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	600	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$600,000 in FY 2018 to secure major events in Minnesota. This funding continues support of a pilot program that was first funded in the 2016 Legislative Session. State funding would be available to successful applicants for up to 1/3 of total cash expenditures for a bid, or for event operation. Because major events require considerable lead time to plan and execute, this appropriation is available until June 30, 2021. This appropriation is one-time.

Rationale/Background:

This program began as a pilot project following funding in the 2016 Legislative Session. Potential sporting and consumer event hosts are approaching multiple state agencies and cities with increasing frequency for support in meeting their funding needs to bring new events to their community. As one example, the availability of this funding played a role in the decision by the X Games to come to Minnesota.

Minnesota stands to benefit from these kinds of events in terms of increased visitors, sales, and taxes, as well as promotion of Minnesota's image as a vibrant and economically healthy destination. While both state tourism and economic development agencies are interested in supporting these kinds of events, the State does not currently have a coordinated program or strategy to evaluate and fund requests. Without some mechanism to address this need, it is likely that Minnesota will lose out on many events and their potential economic benefits. This proposal seeks to continue funding for this economic development initiative in the FY18-19 biennium.

Proposal:

This proposal is for \$600,000 to develop or secure major new events. State funding would be made available for up to 1/3 of total cash expenditures (up to a maximum amount per grant) for a bid, or for event operation. A minimum of 25% of the program funds would be reserved for use in Greater Minnesota for the first nine months of the program year; any location would be eligible for the remaining three months of program year, pending the availability of funds.

Eligible applicants could include: legally organized non-profit event or tourism organizations; colleges and universities; and major facilities (facilities with staff; hosting responsibility and history of hosting major events). All applicants must demonstrate coordination with area tourism or economic development organizations, including a letter of support from the CVB or chamber, references from events rights holders and vendors.

Criteria for eligible events would include: For biddable/sponsored events: Open to the public; overall attendance; and/or PR/destination awareness potential; length of event; overnight travel; number of years the event will be in the state; time of year/available capacity; new to the state (not in Minnesota within previous three years); economic impact; risk management plan and meaningful programming from diverse racial, ethnic and linguistic groups. Similar criteria would be applied to first time homegrown events, based on an assessment of achievability.

Ineligible events would include events with fundraising beyond the operating budget of the event as a purpose, political events, meetings & conventions, events that have received other state funding or appropriations.

Bid Funds

Up to \$24,000 per event would be available to help defray the cost of bid or sponsorship fees. To receive grant funding, applicants would be required to demonstrate a strong history of event success based on well-defined criteria (e.g., number of participants, spectators, room pick up, economic impact, infrastructure, media coverage, sport infrastructure, volunteer base, risk management). In instances in which more than one Minnesota destination is competing for the same event, only the winning bidder would be eligible to receive a state grant to offset its bid costs. Minimum eligible funding for a bid request would be \$1,000.

Operating Funds

A maximum of \$100,000 per event would be available for hosting/operating a major event. Funding could be used for operating and promotional expenditures as well as to offset direct state services, such as traffic control. Minimum eligible funding for an operating request would be \$5,000.

In limited cases, a maximum of up to \$200,000 per event would be available for hosting/operating an event that is determined by Explore Minnesota Tourism to be of much more significant size and scale. Criteria would include minimum of 7500 room nights; multi-day; regional impact; documented significant economic and PR impact.

Maximum state funding would not exceed 1/3 of the event's total cash budget. Explore Minnesota Tourism would establish requirements for payback to the state (proportionate to state investment) if a grant-funded event generated revenue over expenses. Returned funds would be placed in a revolving account to fund future bids and events.

Because major events require considerable lead time to plan and execute, this funding would be available until June 30, 2021.

Results:

This is a new program for Minnesota. Applications for these grants require the grantee to report on specific performance measures after the event, in order for the state to assess the success of this pilot program. These measurements will include:

- Direct visitor spending and tax impacts of the event
 - Length of event
 - Event attendance in person- day counts
- Lodging (Rooms rented at a lodging establishment both event attributed and non-event attributed)
- Media Outreach (state, multi-state regional, and national/international)
- Support for the event /committed finances (reported cash and In-kind match)

If the event has been held in another state previously, applicants are required to provide historical economic impact of the event. In addition, applications will be given a scoring preference based on their focus on with diverse racial, ethnic and linguistic groups. Detailed reports on the performance of this grant program are communicated on a regular basis to the Governor's Tourism Council at quarterly meetings, and to the tourism industry through an electronic newsletter.

Statutory Change(s):

N/A

Explore Minnesota Tourism

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	62	112	112	112
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	62	112	112	112
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$62,000 from the general fund in FY 2018 and \$112,000 in FY 2019 and each year thereafter to maintain the current level of service delivery at Explore Minnesota Tourism.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For Explore Minnesota Tourism this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public.

Statutory Change(s):

N.A.