



Keeping Arizona's Tourism Industry Competitive

- Arizona has already lost significant ground in its visitor market, with direct visitor spending dropping by approximately \$2 billion when compared to levels just two years ago. While part of this is a function of the overall economy, it is more significantly impacted by the gains achieved by other more well funded competitors. Arizona visitors are being lured away and other states are capturing the economic benefits that could be accruing to Arizona.
- This drop in spending has meant 17,000 fewer direct jobs are now supported by the industry and these impacts grow to 30,000 jobs when secondary impacts are considered. State and local tax revenues have also experienced a decline of approximately \$167 million annually.
- Arizona has strong competitive advantages in this key export industry and like other states around the county, it could use these advantages to attract visitors and their spending, lessening the economic challenges facing the state.
- Tourism has been a "Blue Chip" industry for Arizona, bringing new spending into the state, supporting jobs and generating state and local tax revenues. The visitor industry is projected to grow in 2010 and support 90,000 new jobs nationally. Tourism can continue its "Blue Chip" role for Arizona, but it must aggressively compete to convince prospective visitors to choose the state. It is critical to recognize that investing in the tourism industry can generate spending, jobs and taxes in the near term, very few other industry segments have this type of immediate return opportunity.
- There are a wide variety of states that are aggressively investing in tourism, recognizing the role it can play in helping to mitigate economic challenges. California is the most significant competitor to Arizona and is investing \$48 million this fiscal year to convince potential Arizona visitor's to choose their state. This is 3.5 times the resources Arizona is currently spending to market the state.
- If the Formula Funded portions of AOT's budget are redirected, this key competitor will possess almost 9 times the resources of Arizona and continued erosion in this key export industry can be expected.
- If these resources are redirected, Arizona's current visitor industry declines will continue, with a prospective reduction of \$1.6 billion in direct visitor spending, 27,000 fewer direct and secondary jobs supported and \$113 million of lost direct state and local tax generation.
- As stated by Elliot D Pollack & Company when they investigated these facts, *"To summarize, it is our opinion that the proposed reduction is Arizona Office of Tourism marketing monies will result in a decline in tax collections well in excess of the amount of redirected funds. This is one area of public policy where government action could produce an immediate and positive (or negative) economic result. Policymakers need to tread very lightly on this matter."*