



Return on Investment for VISIT FLORIDA

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EXECUTIVE SUMMARY AND COMPARATIVE ANALYSIS

Background and Purpose

Legislation enacted in 2013 and revised in 2014 directs the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to analyze and evaluate state economic development incentive programs on a recurring three-year schedule.¹ EDR is required to evaluate the economic benefits of each program, using project data from the most recent three-year period, and to provide an explanation of the model used in its analysis and the model's key assumptions. Economic Benefit is defined as "the direct, indirect, and induced gains in state revenues as a percentage of the state's investment" – which includes "state grants, tax exemptions, tax refunds, tax credits, and other state incentives."² EDR's evaluation also requires identification of jobs created, the increase or decrease in personal income, and the impact on state Gross Domestic Product (GDP) for each program.

In this report, the program VISIT FLORIDA is under review. The analysis addresses activity occurring in Fiscal Years 2016-17, 2017-18, and 2018-19. This is EDR's third evaluation of this program.³

Explanation of Return-on-Investment

In this report, the term Return-on-Investment (ROI) is synonymous with economic benefit, and is used in lieu of the statutory term. This measure does not address issues of overall effectiveness or societal benefit; instead, it focuses on tangible financial gains or losses to state revenues, and is ultimately conditioned by the state's tax policy.

The ROI is developed by summing state revenues generated by a program less state expenditures invested in the program, and dividing that calculation by the state's investment. It is most often used when a project is to be evaluated strictly on a monetary basis, and externalities and social costs and benefits—to the extent they exist—are excluded from the evaluation. The basic formula is:

$$\frac{(\text{Increase in State Revenue} - \text{State Investment})}{\text{State Investment}}$$

Since EDR's Statewide Model⁴ is used to develop these computations and to model the induced and indirect effects, EDR is able to simultaneously generate State Revenue and State Investment from the model so all feedback effects mirror reality. The result (a net number) is used in the final ROI calculation.

As used by EDR for this analysis, the returns can be categorized as follows:

- **Greater Than One (>1.0)**...the program more than breaks even; the return to the state produces more revenues than the total cost of the incentives.

¹ Section 288.0001, F.S. As of 2020, twenty programs are specified.

² Section 288.005(1), F.S.

³ The previous reports can be found at EDR's website: <http://edr.state.fl.us/Content/returnoninvestment/>

⁴ See the section on the Statewide Model for more details.

- **Equal To One (=1.0)**...the program breaks even; the return to the state in additional revenues equals the total cost of the incentives.
- **Less Than One, But Positive (+, <1)**...the program does not break even; however, the state generates enough revenues to recover a portion of its cost for the incentives.
- **Less Than Zero (-, <0)**...the program does not recover any portion of the incentive cost, and state revenues are less than they would have been in the absence of the program. This typically occurs because taxable activity is shifted to non-taxable activity.

The numerical ROI can be interpreted as return in tax revenues for each dollar spent by the state. For example, a ROI of 2.5 would mean that \$2.50 in tax revenues is received back from each dollar spent by the state.

The basic formula for ROI is always calculated in the same manner, but the inputs used in the calculation can differ depending on the needs of the investor. Florida law requires the return to be measured from the state’s perspective as the investor, in the form of state tax revenues. In this regard, the ROI is ultimately shaped by the state’s tax code.

Overall Results and Conclusions

VISIT FLORIDA’s public marketing spend during this period generated a positive ROI of 3.27. For every dollar spent on VISIT FLORIDA’s marketing efforts, the state of Florida received 3 dollars and 27 cents back in tax revenue. The ROI was projected by using tax revenues generated by visitor spending that is traceable to the marketing efforts of VISIT FLORIDA. The 2021 VISIT FLORIDA ROI was higher than produced by the analysis in 2018, but comparable to the analysis in 2015. [See Table below.]

VISIT FLORIDA ROI Comparison			
	2021 ROI Analysis	2018 ROI Analysis	2015 ROI Analysis
ROI	3.27	2.15	3.21
FY Period Covered	FY 2016-17, FY 2017-18, FY 2018-19	FY 2013-14, FY 2014-15, FY 2015-16	FY 2010-11, FY 2011-12, FY 2012-13
Real State GDP (\$ mill)	\$ 15,853.00	\$ 13,493.50	\$ 11,322.70
Total State Taxes Generated by the Program (\$ mill)	\$ 744.64	\$ 453.20	\$ 343.40
State Payment (\$ mill)	\$ 227.99	\$ 210.50	\$ 115.50

The 2021 ROI clearly benefited from the continued growth in the number of out-of-state visitors to Florida, but this is only a part of the reason for the improvement over 2018. More important to that outcome is the limited increase in state payments to VISIT FLORIDA during this period. While state payments to VISIT FLORIDA increased by \$17.5 million or 8.3 percent relative to the prior three years, the increase in the 2018 analysis relative to 2015 was \$95.0 million or 82.3 percent. This change contrasts with the *annual average* growth of 5.19 percent in the number of out-of-state visitors, which essentially matched the average growth rate for the preceding years. [See following Table.] This is still strong growth. Two other tourism-heavy states, California and New York, had tourism growth rates that

were significantly lower than Florida’s rate during the current review period.⁵ Even though Hawaii’s tourism growth rate came closer to Florida’s rates in 2017, 2018 and 2019, the rate was markedly lower in 2016.⁶

Total Number of Out-of-State Visitors to Florida						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Domestic Visitors	80,338,000	86,891,000	95,524,000	101,201,000	108,414,000	114,513,000
International Visitors	15,305,000	15,493,000	14,422,000	14,541,000	14,507,000	14,515,000
Total Number of Visitors	95,643,000	102,384,000	109,946,000	115,742,000	122,921,000	129,028,000
CY2001-12 Historical Growth Rate: 1.99%	FY2013-16 Average Growth Rate: 5.20%		FY2016-19 Average Growth Rate: 5.19%			

Source: Florida Economic Estimating Conference database maintained by EDR

In addition, the percentage of tourists influenced by marketing rose yet again. The analysis indicated that an average of 59.9 percent of all out-of-state tourists were influenced by tourism marketing during this period of review.⁷ In the prior analyses, marketing influenced about 57.3 percent and 54.5 percent, respectively. This increase is significant, changing the total number of visitors influenced by marketing, as well as the number that is attributed to VISIT FLORIDA.

VISIT FLORIDA’s overall positive ROI is driven by adding dollars from elsewhere to Florida’s natural economy. In this regard, spending by tourists operates in the same general manner as the export of a product produced in Florida. The more tourists there are, the more “exported” goods and services there are. While the services purchased by tourists add only broadly to the economy, the goods they purchase have the additional ROI-value of being taxable in Florida. These purchases include lodgings at hotels, meals at restaurants, gifts at souvenir shops, tickets to amusement parks and Florida attractions, and car rentals. All these goods are subject to state taxes, most to sales taxes. In addition, car rentals and gasoline purchases are subject to the state’s rental car surcharge and fuel taxes.

The continued strong growth in total visitors and marketing-influenced tourists suggest that VISIT FLORIDA’s marketing is working; however, VISIT FLORIDA’s marketing efforts are just one of the many factors that can contribute to a tourist’s decision to visit Florida.⁸ The other determinants also impact the total tourism level and suggest that VISIT FLORIDA’s role is ultimately limited in its impact. This analysis attempted to allocate credible shares of tourists to VISIT FLORIDA and to each the other factors of tourism demand deemed important to Florida tourism. As a result, the VISIT FLORIDA findings in this report should provide a reasonable estimate of the marketing program’s impact on the Florida economy.

⁵ “California Travel & Tourism, Overview of Key Drivers and Outlook.” Tourism Economics, An Oxford Economics Company, October 22, 2019: 9, 13 & 20. <https://industry.visitcalifornia.com/research/report/california-travel-tourism-forecast-state-2019-october>
<https://www.governor.ny.gov/news/governor-cuomo-announces-record-breaking-numbers-great-new-york-state-fair-attendance-and>

Empire State Development Annual Reports: <https://esd.ny.gov/sites/default/files/ESD-Annual-Report-2019.pdf>
https://esd.ny.gov/sites/default/files/news-articles/Tourism_Required%20Reporting%202018-19_REV_3_22_0.pdf
<https://www.scpartnership.com/wp-content/uploads/2018/04/ESD-2017-Annual-Report.pdf>

⁶ <https://www.hawaiiitourismauthority.org/research/annual-visitor-research-reports/>

⁷ See VISIT FLORIDA Direct Influencer Study Results Table on page 21.

⁸ See “Determinants of Tourism Demand” for an overview of the influential factors on tourism demand.

TOURISM AND FLORIDA

Tourism is one of Florida's oldest and most successful industries, with the industry itself beginning almost immediately after Florida's admission into the Union. Part of Florida's tourism identity has not changed in the intervening 150 years, with mild winters and coastal beaches forming the core of the state's attraction over the years. However, there have been significant transformations. New inventions like air conditioning, better transportation systems, and a larger, wealthier world population have all altered Florida's tourism landscape.

The first visitors to Florida were medical tourists.⁹ Doctors' often prescribed warm weather and clean air to combat consumptive diseases, and a few Florida coastal cities began to advertise themselves as ideal locations to combat illness. St. Augustine and Key West were the epicenters of Florida's medical tourism industry. Yet, the industry was never large due to the hazardous and costly transportation methods that provided the only means of reaching Florida. Further, the perception of Florida as a backcountry wilderness kept many people away.

This all changed in the late 1800s due to two billionaires: Henry Flagler and Henry Plant. Both men invested heavily in railroad construction along Florida's coasts and built resorts along their new coastal rail routes.¹⁰ Henry Flagler's construction of an Atlantic rail route opened up south Florida to sizable numbers of tourists for the first time. Two notable hotels built by them are the Tampa Bay Hotel in Tampa Bay (now University of Tampa) and the Ponce De Leon Hotel in St. Augustine (now Flagler University).¹¹ The resorts tended to attract wealthy Northeasterners who vacationed in Florida during the winter months. The lasting legacies of the two billionaires were the railroad network that opened up Florida's coastal communities to tourism and the shift in perception of Florida to being a tourist mecca.¹²

Florida's modern era of tourism came about in the mid-1900s as a result of multiple developments. First, the rise in household incomes and the decline in working hours led to the expansion of tourism across the United States. The average middle-class family could afford an annual vacation, and Florida became a popular destination.¹³ Second, the construction of the U.S. Highway System and the expansion of the commercial airline industry dramatically lowered transportation costs and made travel to Florida much faster.¹⁴ Finally, the invention and deployment of air conditioning into residential and commercial areas was key as well. It made Florida a year-around tourist destination. In periods prior, the hot temperatures made Florida unappealing during the summer months.¹⁵

The opening of Walt Disney World in 1967 was the defining moment for modern tourism in Florida. Overnight, it changed Orlando's identity from a rural agricultural area to a tourism town. In 1969, the City of Orlando estimated 3.5 million tourists visited the area (most of whom were only passing through

⁹ Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism*. University of Florida Press: 5, 7.

¹⁰ Clark, J. (2014) *A Concise History of Florida*. The History Press: 25.

¹¹ *Ibid*: 77, 86.

¹² Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism*. University of Florida Press: 56.

¹³ Thomas Weiss, "Tourism in America Before World War II." *The Journal of Economic History*, (June 2004).

¹⁴ *Ibid*.

¹⁵ Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism*. University of Florida Press: 102.

on their way to Miami).¹⁶ In 2018, Orlando attracted over 75 million tourists, with tourism being the largest industry in the Central Florida area.¹⁷

The Tourism Industry

Tourism, while often described as an industry, is not an industry as defined by the U.S. Census Bureau’s North American Industry Classification System (NAICS). NAICS defines an industry as a group of businesses that produce a like product or provide a service, classifying them in accordance with the goods and services they produce. In contrast, tourists purchase goods and services across all industries rather than within one specific industry. For example, an average tourist might purchase a plane ticket (air transportation industry), rent a car upon arrival (ground transportation industry), purchase food and clothing (food and retail industries), and stay at a hotel (lodging industry). Therefore, the economic activity called tourism is separately defined by each consumer, based on his or her unique experience preferences rather than on a particular final good or service being sold.

While it is not possible to examine the industry as a whole, evaluations can look at the various industries most commonly linked to tourism. A majority of these industries are in the leisure and hospitality sector of the Florida economy. The leisure and hospitality industry is a service-providing sector that consists of two subsectors: the arts, entertainment, and recreation industry group (NAICS 71) and the accommodation and food services industry group (NAICS 72).¹⁸

The leisure and hospitality industry has a significant impact on Florida’s Gross Domestic Product (GDP) and total employment within the state. A breakdown of the industry can be found in the table below. In total, the leisure and hospitality industry is responsible for about 7 percent of Florida’s GDP.¹⁹ The Bureau of Labor Statistics (BLS) estimates that Florida’s leisure and hospitality industry employed approximately 1.4 million people in Florida in 2018. This represents about 13 percent of all jobs in Florida.²⁰

Gross Domestic Product and Employment in Florida's Leisure and Hospitality Industry 2018				
Florida	GDP (In Millions of Current Dollars)	GDP (Percentage)	Employment (In Thousands)	Employment (Percentage)
Total Private industries	935,080	100.0%	11,274	100.0%
Leisure and Hospitality Industry	63,838	7.0%	1,447	12.8%
Subsector				
Performing arts and Sport Industry	7,007	0.8%	164	1.5%
Amusement and Recreation Industries	10,032	1.1%	207	1.8%
Accommodation	16,264	1.8%	206	1.8%
Food services and Drinking places	30,534	3.4%	870	7.7%

Source: U.S. Bureau of Economic Analysis

¹⁶ *Ibid*: 122.

¹⁷ Visit Orlando (May 10, 2019) “Orlando Announces Record 75 Million Visitors, Solidifies Ranking as No. 1 U.S. Travel Destination.” <https://www.globenewswire.com/news-release/2019/05/10/1821626/0/en/Orlando-Announces-Record-75-Million-Visitors-Solidifies-Ranking-as-No-1-U-S-Travel-Destination.html>

¹⁸ U.S. Bureau of Economic Analysis, “Industries at a Glance: Leisure and Hospitality.” www.bls.gov.

¹⁹ U.S. Bureau of Economic Analysis, “Gross Domestic Product (GDP) by State and Industry (millions of current dollars).” (November 23, 2020). www.bea.gov.

²⁰ U.S. Bureau of Labor Statistics, “State and Area Employment, Hours, and Earnings.” (November 23, 2020). www.bls.gov.

The leisure and hospitality industry also proved to be a resilient part of Florida's economy, recovering more quickly from the Great Recession than other parts of the economy. In particular, tourism-related jobs grew the fastest among all jobs in Florida. For example, the Accommodation & Food Services employment sector is large, and until the coronavirus pandemic, had been growing faster than overall employment in the state. This industry sector is closely related to the health of Florida's tourism industry that reached almost 130 million visitors in FY 2018-19, an increase of 5 percent over FY 2017-18.

However, the discussion above provides only a rough approximation of the benefits of the tourism industry to Florida's economy. It is unrealistic to attribute all of Florida's leisure and hospitality industry to out-of-state tourists, because Florida residents are consumers of these services as well. Even if Florida received zero out-of-state tourists, the state would still have a leisure and hospitality industry (although on a much smaller scale).

This proxy for all impacted industries also fails to account for the indirect and induced effects of out-of-state tourism. An indirect effect is defined as the changes in employment, income and output by industries that provide goods and services to tourism-related industries. One example is a food manufacturing plant that hires additional employees to fulfill a food order placed by Walt Disney World. An induced benefit is defined as the increase in sales due to household spending from income earned in a tourism-related industry. An example is a homebuilder selling houses to employees of a Miami Beach hotel. Both of these examples demonstrate how out-of-state tourism impacts industries outside the leisure and hospitality industry.

Tourism Impact Studies

A wide array of studies have measured the economic impact of tourism on Florida. Most of them were limited to the impact of tourism on a specific Florida county or region of Florida, and they were typically performed or commissioned by a local destination marketing organization (DMO).²¹ This class of studies generally follows a similar methodology. First, the studies estimate the total number of tourists who visited the area. Second, the studies determine how much each tourist spent and where the money was spent. Some of the more advanced studies will then estimate the indirect and induced effects of the spending. Even more detailed studies will estimate the amount of jobs created and taxes generated by the spending.

As a class, these studies have produced vastly different results. Some of the notable and more recent examples include a Greater Miami Convention & Visitors Bureau estimate that the Miami area attracted 16.3 million overnight tourists in 2019, adding approximately \$16.3 billion to the local economy.²² A Hillsborough County study found that 9.7 overnight visitors in 2019 added about \$3.3 billion to the local economy.²³ A 2015 Jacksonville study estimated that visitors spent about \$2 billion dollars and

²¹ The Florida Statutes [s. 288.923(2)(c), F.S.] define a county destination marketing organization as "public or private agency that is funded by local option tourist development tax revenues under s. 125.0104, or local option convention development tax revenues under s. 212.0305, and is officially designated by a county commission to market and promote the area for tourism or convention business or, in any county that has not levied such taxes, a public or private agency that is officially designated by the county commission to market and promote the area for tourism or convention business."

²² Greater Miami Convention & Visitors Bureau, "2019 Visitor Industry Overview", (2020): 3, 8-9. Seventy-five percent were international and domestic out of state visitors. https://www.miamiandbeaches.com/Miami/media/GMCVB-Corporate/Research%20Statistics/2019_Visitor_Industry_Overview_051320.pdf

²³ Tourism Economics, "Economic Impact of Tourism in Hillsborough County, 2019": 17. <https://static1.squarespace.com/static/5a26e699a9db09544e1cb940/t/5f07314669f7521d85f16d4b/1594306889423/Hillsborough+County+2019+Economic+Impact+Report.pdf>

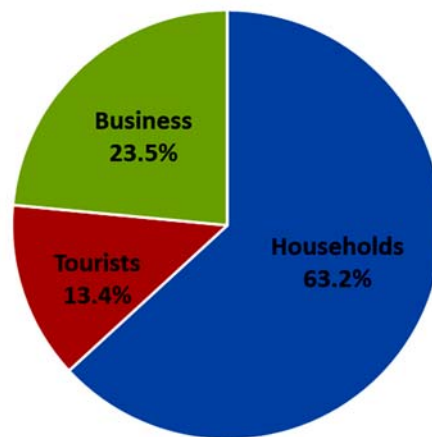
sustained more than 30,400 area jobs.²⁴ A 2012 study of Palm Beach County estimated that 1.7 million people visited the county’s beaches and spent \$81.9 million dollars during their visit.²⁵

A recent report commissioned by VISIT FLORIDA looked at the economic impact of out-of-state visitors to Florida in 2018.²⁶ The study estimated that out-of-state tourists spent nearly \$94 billion dollars and supported more than 1.5 million jobs in Florida.²⁷ The study also estimated that out-of-state tourist spending increased by a total of 18 percent over the past 5 years.²⁸ The major industries impacted by the spending were: food and beverage, recreation, lodging, and transportation-related services. The report estimated that tourism spending generated over \$12 billion dollars in state and local taxes.²⁹

In an independent study, the Office of Economic and Demographic Research performed an empirical analysis to identify the sources of the state’s sales tax collections. In Fiscal Year 2017-18, sales tax collections provided \$24.14 billion dollars to Florida’s total General Revenue collections. Of this amount, 13.4 percent (\$3.2 billion) is attributable to purchases made by tourists.³⁰ [See Table and Graph below.]

**Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2017-18, By Source**

FY 2017-18: Contributions to General Revenue From Sales Tax Collections (with CST) By Source (\$ Billions)		
Category	Total Amount	Percentage
Households	\$15,244.16	63.2%
Tourists	\$ 3,223.96	13.4%
Business	\$ 5,670.58	23.5%
Total	\$ 24,138.70	100.0%



²⁴ Tourism Economics, “The Economic Impact of Tourism in Jacksonville, FL”, (June 2016): 2, 11. The report also stated that nearly 70% of all visitor spending came from overnight visitors, and domestic visitors comprise 93% of all visitor spending. https://s3.amazonaws.com/visitjax-2018/craft-images/files/2015_economic_impact_report.pdf

²⁵ William Stronge, “Economic Impact of Beach Tourism: Florida and Palm Beach County.” (2013). <https://www.fsbpa.com/13AnnualConfPresentations/StrongeW.pdf>

²⁶ “Picking up the Pace: Florida’s Tourism Performance Jumps into a Higher Gear: The 2018 Contribution of Travel & Tourism to the Florida Economy,” Rockport Analytics, <https://www.visitflorida.org/media/30679/florida-visitor-economic-large-impact-study.pdf> The study did not estimate VISIT FLORIDA’s marketing impact; but rather, the general economic impact of out-of-state tourism in Florida.

²⁷ *Ibid*: 4.

²⁸ *Ibid*: 11.

²⁹ *Ibid*: 15.

³⁰ *State of Florida Long-Range Financial Outlook, fiscal years 2021-22 through 2023-24*, September 10, 2020: 5. http://edr.state.fl.us/Content/presentations/long-range-financial-outlook/3YearPlanLBCPresentationFall2020_9-10-20.pdf

THE DETERMINANTS OF TOURISM DEMAND

The previous section discusses the economic impact of tourism, but it does not give the reasons why out-of-state tourists visit Florida. In this section, the analysis explores the determinants of out-of-state tourism demand. Tourism demand is defined as the aggregate total of persons who travel to a tourist destination. Determinants of tourism demand are the significant factors that induce the individuals to travel to a particular destination. Each decision to visit Florida can be attributed to one or several factors. For example, a Pennsylvania family decides to visit Tampa Bay because the wife recently received a raise at work, the children want to vacation near a beach, the father is an avid baseball fan, and a VISIT FLORIDA web advertisement highlighted great hotel deals in the Clearwater area. In this scenario, personal economic health, Florida's beaches, Spring Training and VISIT FLORIDA were all factors that led to this family's decision to visit Florida.

The first part of this section focuses on broad determinants of tourism demand. These issues affect tourism demand across the world, including Florida. The second part focuses on unique drivers of tourism demand in Florida.

The Broad Determinants of Tourism Demand

Income

Income is the greatest universal determinant of tourism demand. Rising incomes were the primary reason for the expansion of the tourism industry after World War II and are still a factor today.³¹ Most recently, rising incomes in China led to an explosion in Chinese tourists coming to the United States before worsening trade relations and the onset of the pandemic.³²

The relationship between income and tourism is straightforward. Rising incomes lead individuals to spend more on discretionary goods and services. Tourism is a discretionary good. As incomes rise, tourism demand increases. When incomes fall, tourism demand drops.

For this reason, income is the most widely-used explanatory variable in the academic studies of tourism demand.³³ Almost all studies find a significant, positive relationship between income and total tourist visitors. It is such a strong factor that the literature review failed to find a single study which did not include some proxy for income in the analysis. Further, a meta-analysis study found tourism demand to be highly responsive to changes in income.³⁴ The study estimated that every increase in incomes of one percent leads to a 1.74 percent increase in North American travel abroad. The analysis also found that different cultures react differently, but always positively, to higher incomes. For example, Asian countries, on average, increased international travel by 4.45 percent for every one percent increase in income. On the other hand, South American countries are less responsive to income. For every one percent increase in South American income, international travel increased by only 0.28 percent.³⁵

³¹ Thomas Weiss, "Tourism in America Before World War II." *The Journal of Economic History*, June 2004.

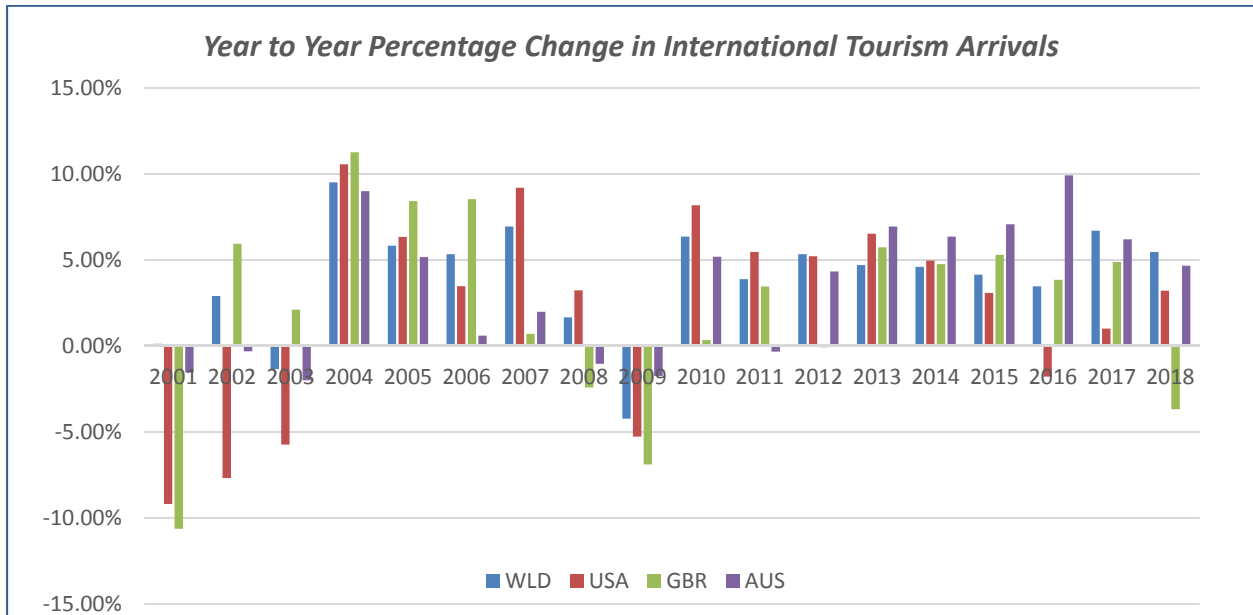
³² Kelly Craighead, "U.S.-China Tourism Year 2016." *International Trade Administration Tradeology*, (December 1, 2016). <https://blog.trade.gov/2016/12/01/u-s-china-tourism-year-2016/>. Notably, the volume of Chinese tourist peaked in 2017, and has dipped significantly in 2020. <https://www.statista.com/statistics/214813/number-of-visitors-to-the-us-from-china/>

³³ Jana Vencovska, "The Determinants of International Tourism Demand." *Charles University in Prague, Bachelor Thesis*, (2013/2014): 15.

³⁴ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research*. Vol.22. 1995.

³⁵ *Ibid*: 10.

The most common proxy for income is Gross Domestic Product (GDP). Gross Domestic Product has historically been highly correlated with income. The graph below demonstrates the relationship between tourism and GDP.³⁶ During periods of a global GDP economic recession (2002, 2009) international tourism fell. During periods of consistent positive GDP growth (2004-2007, 2010-2018), international tourism grew.



Price Level

The tourism industry is a competitive marketplace. In this regard, Florida competes with other states and foreign countries for tourists. For example, a tourist in Canada wants to vacation at a beach. Florida has many options (Miami, Tampa Bay, Key West), but other attractive options exist outside of Florida, like Jamaica or Hawaii. One way a tourist can select among options is through price. Will the Florida vacation be cheaper, similar or more expensive than the alternative vacation? If the price difference is substantial, then it might become the determining factor.

The academic research generally includes a price variable whenever tourism demand is modeled. The most-widely used variable is the Consumer Price Index (CPI). CPI is a price-level measurement of a market basket of consumer goods. CPI's are widely-available (at both the state and country-level) and can be cross compared. Several studies using CPI as a proxy for price have found that it is a factor in tourism demand.³⁷

Another proxy for price is transportation costs. Transportation costs, like airplane fares, can be the most costly vacation-related purchase and—because of that—play an outsized role in the decision of where to travel. A 1994 meta-analysis study found that every one percent increase in transportation costs led

³⁶ Compiled from data from The World Bank, International Tourism, Number of Arrivals, 2000-2018. https://data.worldbank.org/indicator/ST.INT.ARVL?end=2018&name_desc=false&start=1995&view=chart

³⁷ C.L Morley, "The Use of CPI for Tourism Prices in Demand Modelling." *Tourism Management*. Vol.15. 1994. & Jeffrey A. Rosensweig, "Elasticities of Substitution in Caribbean Tourism." *Journal of Development Economics*. Vol 29. July 1988.

to international travel decreasing by 0.85 percent.³⁸ One study of U.S. tourism and gasoline prices found a negative relationship between the two. As oil prices go up, tourism demand goes down.³⁹ Since Florida attracts a large number of international tourists and domestic tourists from the Northeast who spend a considerable amount on either airline tickets or gasoline to travel here, transportation costs can disproportionately impact Florida relative to other destinations. In particular, Florida’s out-of-state tourism is likely more sensitive to transportation costs than other states where tourism demand is more regionally-based.⁴⁰

Exchange Rate

Exchange rates are a component of price level. However, exchange rates are so important to tourism demand that many researchers include a separate variable for them when modeling tourism demand.⁴¹ One study argued that tourists are more aware of exchange rates than any other price factors.⁴² In addition, the relative volatility of exchange rates is a necessary consideration whenever an international tourist is planning a trip. Most studies have found a strong and significant relationship between exchange rate fluctuations and tourism demand.⁴³

International tourists represented about 11 percent of all the out-of-state tourists in Florida during the review period. A majority of these tourists are impacted by the exchange rates. If the U.S. dollar appreciates in value, the price of a Florida vacation increases. If the U.S. dollar depreciates in value, the price of a Florida vacation decreases. The top 4 origin markets for international visitors to Florida and their exchange rate fluctuations relative to the U.S. dollar during the review period are identified in the table below.⁴⁴ The table clearly shows the high volatility in costs facing international tourists wanting to travel to Florida. For example, in 2019, it cost an Argentinian tourist 42 percent more to purchase one U.S. dollar than in 2018. This massive depreciation of their currency impacts any Argentinian’s decision to travel to Florida.

Currency Exchange Fluctuation: The Annual Percent Change in the Cost of One U.S. Dollar						
Country	Currency	2015	2016	2017	2018	2019
Canada	Canadian Dollar	14%	4%	-2%	-4%	2%
United Kingdom	Pound	7%	12%	5%	-8%	4%
Brazil	Real	29%	5%	-9%	9%	7%
Argentina	Peso	12%	37%	11%	39%	42%

Source: Annual Exchange Rates, Internal Revenue Service

³⁸ Geoffrey I. Crouch, “A Meta-Analysis of Tourism Demand.” *Annals of Tourism Research*. Vol.22. 1994:10.

³⁹ Kate Walsh and Cathy A. Enz, “The Impact of Gasoline Price Fluctuations on Lodging Demand for US Brand Hotels.” *Cornell University School of Hotel Administration Collection*. Vol.12. 2004.

⁴⁰ For example, Iowa’s annual tourism report does not even report international tourism numbers. Instead, the annual report focuses entirely on domestic visitor rates and spending. Similarly, North Dakota’s annual report focuses heavily on visitors who originate from bordering states.

⁴¹ Christine Lim, “A Meta-Analytic Review of International Tourism Demand.” *Journal of Travel Research*. Vol.37. 1999.

⁴² J. Artus, “An Econometric Analysis of International Travel.” *International Monetary Fund Staff Papers*. 1972.

⁴³ Geoffrey I. Crouch, “A Meta-Analysis of Tourism Demand.” *Annals of Tourism Research*. Vol.22. 1994:10.

⁴⁴ International Revenue Service, “Yearly Average Exchange Rates for Converting Foreign Currencies into U.S. Dollars.” www.irs.gov.

Friends and Relatives

Studies have estimated that visiting friends and relatives (VFR) accounts for a large share of all tourism across the world.⁴⁵ A United Nations report estimated that 27 percent of international tourists travelled to visit friends and relatives, for religious reasons and pilgrimages, and health treatment.⁴⁶ For some specific countries, these rates are even higher. Australia has VFR rates of over 45 percent for certain states within that country.⁴⁷ VISIT FLORIDA's Direct Influencer Study lists "Visiting Family & Friends" as the second highest ranking reason for visiting Florida.⁴⁸

In terms of the economy, researchers typically do not value VFR tourism as strongly as other forms of tourist demand. This occurs for several reasons.⁴⁹ First, VFR-related tourists tend, on average, to spend less than non-VFR tourists. Many goods and services traditionally purchased by tourists will be provided instead by their friends or relatives (i.e. lodging, food). Second, VFR tourists are already influenced and, therefore, not as responsive to tourism marketing or other policy actions. However, this is not to say that VFR tourists are completely unaffected by the other tourism determinants. On average, VFR tourists stay longer and spend more in attractive destination markets than regular markets. For example, a VFR tourist will stay longer and spend more in Orlando than in a non-tourist city like Akron, Ohio.

The Unique Determinants of Tourism Demand in Florida

Florida Beaches, a Natural Brand

Beaches have always been Florida's iconic brand. One of the original selling points 150 years ago, they continue to attract out-of-state visitors to Florida today. A 2017 survey of local DMOs conducted by EDR asked: "What makes Florida attractive to tourists?" The most popular response was beaches. While total beach visitation rates do not exist, hotel and motel data provide us a reasonable proxy for the popularity of beaches and their impact on Florida's tourism economy. In 2020, 71 percent of all registered lodgings in Florida were located in coastal Florida counties.⁵⁰ Furthermore, removing the theme park-laden Central Florida region (Osceola and Orange Counties) increases that percentage to 84.2 percent of all lodgings. This percentage is a significant indicator of the relationship between beaches and Florida tourism.

Academic research into the topic of beaches and tourism demand finds an overwhelmingly positive relationship. One study found that beaches underpin many coastal economies around the world.⁵¹ Over the past 30 years, the study found a shift in U.S. coastal economies from traditional maritime

⁴⁵ Richard Gitelson and Deborah Kerstetter, "The Influence of Friends and Relatives in Travel Decision-Making." *Journal of Travel & Tourism Marketing*. Vol.3. 1994.

⁴⁶ United Nations World Tourism Organization, "UNWTO Tourism Highlights: 2015 Edition." *United Nations*, 2015: 4. <https://www.e-unwto.org/doi/epdf/10.18111/9789284416899>

⁴⁷ Dr. Sarah Gardiner and Dr. Noel Scott, "Australian Tourism Demand for Domestic Travel Experiences: Insights for the Gold Coast." *Griffith Institute for Tourism Research Report Series*, Report No.7. August 2015.

⁴⁸ "VISIT Florida Direct Influencer Study, 2017-18," VISIT FLORIDA, 2019.

⁴⁹ Elisa Backer, "VFR Travelers – Visiting the Destination or Visiting the Hosts?" *Asian Journal of Tourism and Hospitality Research*, Vol. 2(1). April 2008.

⁵⁰ Thirty-four of Florida's 67 counties are coastal counties. Registered lodgings include hotels, motels, apartments, bed and breakfasts, vacation rentals and timeshares. Retrieved from the Public Records Center, Florida Department of Business and Professional Regulation, November 3, 2020.

⁵¹ Y.L. Kein, J.P. Osleeb and M.R. Viola, "Tourism-Generated Earnings in the Coastal Zone." *Journal of Coastal Research*, Vol.20. 2004.

activities to beach tourism. Another study found that “sandy beaches” are a strong determinant of both international and domestic tourists.⁵² A 2010 study of Florida beaches found that beach quality has a dramatic, positive impact on the local tourism economic sector.⁵³

Theme Parks

Central Florida has four of the 10 busiest theme parks in the world.⁵⁴ The Magic Kingdom at Walt Disney World is number one worldwide, attracting over 20.96 million visitors in 2019.⁵⁵ The Themed Entertainment Association (TEA) estimates that the eight major theme parks in Florida recorded almost 89 million admissions in 2019.⁵⁶ [See Table below.] The identification of Florida with theme parks began in 1967 with the opening of Disney World. The subsequent expansion of Disney and the opening of competitor parks established the Central Florida region as a theme park destination. Today, Florida’s theme parks and resorts gross over \$15.4 billion in revenue annually.⁵⁷ The 2019 Visit Florida report estimated that 33 percent of all domestic out-of-state tourists visit the Central Florida region.⁵⁸

Theme Park Attendance in Florida					
Amusement Park	2015	2016	2017	2018	2019
Disney World Magic Kingdom	20,492,000	20,395,000	20,450,000	20,859,000	20,963,000
Epcot	11,798,000	11,712,000	12,200,000	12,444,000	12,444,000
Animal Kingdom	10,922,000	10,844,000	12,500,000	13,750,000	13,888,000
Hollywood Studios	10,828,000	10,776,000	10,772,000	11,258,000	11,483,000
Islands of Adventure	8,792,000	9,362,000	9,549,000	9,788,000	10,375,000
Universal Studios	9,585,000	9,998,000	10,198,000	10,708,000	10,922,000
Sea World - Orlando	4,777,000	4,402,000	3,962,000	4,594,000	4,640,000
Busch Gardens - Tampa	4,252,000	4,169,000	3,961,000	4,139,000	4,180,000
Total Attendance	81,446,000	81,658,000	83,592,000	87,540,000	88,895,000
Source: 2015-2019 AECOM Global Attractions Attendance Report					

Theme parks are strong determinants of tourism demand because they offer goods and services that have limited substitutability. Even though there are competing theme parks across the United States and the world, some theme park rides or services are only available in Orlando. The companies controlling these theme parks have a great interest in promoting their Florida locations. The major theme parks advertise heavily across the world to attract tourists.

⁵² Laura Onofri and Paulo Nunes, “Beach ‘lovers’ and ‘greens’: A Worldwide Empirical Analysis of Coastal Tourism.” *Ecological Economics*, Vol.88. 2013.

⁵³ Yehuda Klein and Jeffrey Osleeb, “Determinants of Coastal Tourism: A Case Study of Florida Beach Counties.” *Journal of Coastal Research*, 2010.

⁵⁴ “TEA/AECOM 2019 Theme Index and Museum Index: The Global Attractions Attendance Report 2019.” *Themed Entertainment Association (TEA)*, 2019: 12.

<https://aecom.com/wp-content/uploads/documents/reports/AECOM-Theme-Index-2019.pdf>

⁵⁵ *Ibid.*

⁵⁶ *Ibid*: 35.

⁵⁷ The revenue estimate was based on a review of the annual reports of Disney, Comcast Universal (corporate owner of Universal Studios), and the Sea World Corporation.

⁵⁸ Share of Visitors by Destination Region, 2018-2019 Visitor Study, VISIT FLORIDA.

The Cruise Line Industry

Florida has the largest domestic cruise industry in the United States.⁵⁹ In 2019, over 18 million passengers embarked from one of Florida’s seaports on a cruise.⁶⁰ [See Table below.] It is likely that the majority of these passengers were out-of-state visitors.⁶¹ While much of the visitor’s spending occurs onboard the ship or at port-of-calls, most out-of-state tourists will spend additional days in Florida either before or after the cruise.⁶²

Total Cruise Passengers at Florida Seaports (2012-2019)								
Port	2012	2013	2014	2015	2016	2017	2018	2019
Port Miami	3,774,452	4,078,529	4,939,062	4,915,576	4,980,284	5,340,559	5,552,075	6,823,816
Port Canaveral	4,004,283	3,986,994	4,193,005	4,168,666	4,248,296	4,526,626	4,841,003	4,885,314
Port Everglades	3,757,320	3,600,636	4,001,354	3,773,386	3,826,415	3,863,662	3,870,342	3,892,215
Port Tampa Bay	974,259	854,260	888,343	867,114	813,800	960,901	1,043,329	1,149,289
Port of Key West	906,068	832,887	800,752	804,624	696,224	818,866	865,909	913,323
JAXPORT	390,852	371,263	363,994	366,021	392,822	177,417	199,899	194,665
Palm Beach	341,004	345,827	364,829	350,932	502,876	432,585	462,674	449,457
Total	14,148,238	14,070,396	15,551,339	15,246,319	15,460,717	16,120,616	16,835,231	18,308,079

Source: Florida Ports Council

⁵⁹ “Contribution of the International Cruise Industry to the U.S Economy in 2018,” Cruise Lines International Association, August 2019, p. 45. <https://cruising.org/-/media/research-updates/research/contribution-of-the-international-cruise-industry-to-the-us-economy-2018.ashx>

⁶⁰ Florida Ports Council, “Florida’s Seaports: High Performance 2017/2021”, *Florida Seaport Transportation and Economic Development Council*, April 10, 2017, pp. 47-48. <https://s3.amazonaws.com/fla-ports-resources/2017-2021-Seaport-Mission-Plan.pdf>

Florida Ports Council, “Pathway to Prosperity 2019/2023.” *Florida Seaport Transportation and Economic Development Council*, May 2, 2019, pp. 38-39. https://smhttp-ssl-63157.nexcesscdn.net//wp-content/uploads/2019-2023-FLPorts_Ports_SMP-web.pdf

Florida Ports Council, “Focused on the Future 2020/2024.” *Florida Seaport Transportation and Economic Development Council*, June 23, 2020, pp. 40-41. https://fla-ports-resources.s3.amazonaws.com/2020-08-27_FLPorts_Ports_SMP_spreads-v6.pdf

⁶¹ This is based on the concentration of U.S. cruise ports in Florida and research on the volume of cruise passengers arriving to the ports via air. See “Contribution of the International Cruise Industry to the U.S Economy in 2018,” Cruise Lines International Association, August 2019: 45. <https://cruising.org/-/media/research-updates/research/contribution-of-the-international-cruise-industry-to-the-us-economy-2018.ashx>;

Martin Associates, “The 2016 Economic Impact of Port Canaveral”, *Canaveral Port Authority*, March 20, 2013: 26. https://www.portcanaveral.com/PortCanaveral/media/Publications/canaveral_impact_report_2016_FINAL.pdf; and

Martin Associates, “The 2012 Economic Impact of Port Canaveral”, *Canaveral Port Authority*, March 20, 2013: 27. https://www.portcanaveral.com/PortCanaveral/media/Publications/2012-Impact-Study_1.pdf

⁶² *Ibid.*

STATE-SPONSORED ADVERTISING AND TOURISM

The previous section identified the many of the significant determinants of tourism demand. Another determinant is tourism marketing by local, state and national Destination Marketing Organizations (DMOs).

VISIT FLORIDA is Florida's official Destination Marketing Organization.⁶³ VISIT FLORIDA's mission is to promote and drive visitation to and within the state of Florida. It strives to establish Florida as the number one travel destination in the world.⁶⁴ It promotes tourism through industry relations, marketing, branding, new product development, promotions, public relations, sales, and visitor services, both domestically and internationally. Among its activities, VISIT FLORIDA:

- Conducts domestic and international marketing activities;
- Administers domestic and international advertising campaigns;
- Conducts research on tourism and travel trends;
- Manages the state's welcome centers; and
- Administers several reimbursement grant programs.⁶⁵

VISIT FLORIDA also partners with businesses, destinations, and local DMOs throughout the state.⁶⁶ Altogether, VISIT FLORIDA serves more than 13,000 tourism industry businesses.⁶⁷

State funding for VISIT Florida was \$76 million per year during the three year review period. For the three-year periods, the increase in state payments was 8.3 percent from FYs 2013-14 through 2015-16, and 97.4 percent from FYs 2010-11 through 2012-13.⁶⁸ The U.S Travel Association reports the average amount of state tourism funding was \$21 million in FY 2018-19.⁶⁹ The states with more heavily concentrated tourism industries tend to have larger amounts of state tourism funding. For example, the marketing budgets in FY 2017-18 for California, Hawaii and New York were \$120 million, \$82 million, and \$70 million, respectively.⁷⁰

⁶³ The Florida Tourism Industry Marketing Corporation, which operates under the name VISIT FLORIDA, is a statutorily created Direct-Support Organization (DSO) of Enterprise Florida, Inc. (EFI). See s. 288.1226, F.S. Pursuant to s. 288.923, F.S., the Division of Tourism Marketing within EFI contracts with VISIT FLORIDA to execute tourism promotion and marketing services for the state. EFI appoints thirty-one tourism-industry-related members representing all geographic areas of the state to the DSO's Board of Directors. Functioning as division staff, VISIT FLORIDA must develop a four-year marketing plan, which is annually reviewed and approved by the EFI board of directors.

⁶⁴ <https://www.visitflorida.org/about-us/what-we-do/>

⁶⁵ <https://oppaga.fl.gov/ProgramSummary/BackPageDetail?programNumber=6112&backPageNumber=05>

⁶⁶ For a directory of Florida's 55 DMOs, see <https://dos.myflorida.com/cultural/info-and-opportunities/resources-by-topic/cultural-tourism-toolkit/directory-of-florida-direct-marketing-organizations-dmos/> & https://www.fadmo.org/index.php?option=com_mcsearchresults&view=search&uuid=db960a2c-c501-4bf6-91d9-a299122b16e8#/

⁶⁷ As reported in VISIT Florida's Annual Report, Fiscal Year 18-19: 5.

<https://www.visitflorida.org/media/84139/yearinreview2019.pdf>

⁶⁸ VISIT Florida is also required to match the state appropriation with private funding in the form of cash contributions, fees for services, cooperative advertising and in-kind contributions. See s. 288.1226(6), F.S.

⁶⁹ Funding may be exclusively from public sources, or a combination of public and private sources.

https://www.ustravel.org/sites/default/files/media_root/document/Research_Fact-Sheet_STO-Infographic.pdf

⁷⁰ As reported in VISIT FLORIDA's 2019-20 Marketing Plan Overview, 2019: 27.

<https://www.visitflorida.org/media/84139/yearinreview2019.pdf>

In general, the academic research has been positive regarding the effectiveness of state-sponsored tourism advertising. A majority of the studies have concluded that state-sponsored tourism advertising can be a determining factor in a tourist's decision to visit. The academic research has measured advertising effectiveness through two separate methodological approaches. The first approach is through conversion studies. Conversion studies measure the percentage or probability that tourists will visit a destination after being exposed to DMO advertising of that destination. The second approach measures the statistical relationship between total visitor levels and state DMOs' spending.

Of the two methods, conversion studies are more widely used. The earliest academic study looked at the effectiveness of state DMO advertising in magazines.⁷¹ The study sampled individual households that had requested state travel information from coupons clipped from magazine adverts. The researchers calculated a benefit-to-cost ratio of \$32.78 across 8 magazine advertisements. Later studies have followed similar methodologies, while expanding the analysis to cover DMO advertising effectiveness across different media channels, like television and radio. These studies have also returned positive results, but the economic impact has varied significantly between the studies.⁷² This could be due to empirical differences in the quality of the advertisement or the media channel itself—or to methodological inadequacies involving the overall study.

The chief criticism of these studies has been the inadequacy of the conversion methodology.⁷³ The original 1974 study was criticized for upwardly biased results.⁷⁴ Subsequent studies have improved the methodology, but have not completely controlled for issues related to inadequate sample sizes, the inclusion of individuals already planning on traveling to the destination, low survey response rates and recall bias. Later studies in the 1980s and 1990s better controlled for these biases by introducing larger sample sizes, factoring out individuals already planning on traveling to the destination and by increasing the response rates of participants.⁷⁵ Even with all of these improvements, one prominent academic concluded that conversion rates fail to answer the fundamental question of whether DMO advertising was the *deciding* factor in the individual's visit to the state.⁷⁶ The researcher insists that conversion studies are only helpful in comparing the performance of different DMO advertisements.

Nevertheless, conversion studies are the primary tool used by state DMOs to measure marketing effectiveness. These studies are usually performed by private consulting groups to determine the effectiveness of specific DMO advertising campaigns. The reports generally do not measure the effectiveness of the entire state DMO budget. Typically, the methodology requires analyzing advertising awareness among targeted groups and extrapolating how the incremental increase in awareness translates into additional trips to the DMO's state. One such company, OmniTrak Marketing Group, estimates the impact by taking the difference of trips to the state between the ad-aware and ad-

⁷¹ Arch Woodside and David Reid, "Tourism Profiles Versus Audience Profiles: Are Upscale Magazines Really Upscale?" *Journal of Travel Research*, Vol.12.1974.

⁷² These late studies include: Edward McWilliams and John. L Crompton, "An Expanded Framework for Measuring Effectiveness of Destination Advertising." *Tourism Management*. Vol.18. 1997. Also: Stephen Pratt, Scott McCabe, Isable Cortes-Jimenez, and Adam Blake, "Measuring the Effectiveness of Destination Marketing Campaigns: Comparative Analysis of Conversion Studies." *Journal of Travel Research*, Vol.49. 2010. See also: David Butterfield, Kenneth R. Deal, and Atif Kubursi, "Measuring the Returns to Tourism Advertising." *Journal of Travel Research*, Vol.37. August 1998.

⁷³ Arch Woodside, "Measuring Advertising Effectiveness in Destination Marketing Strategies." *Journal of Travel Research*, Fall 1990.

⁷⁴ James Bueke and Richard Gitelson, "Conversion Studies: Assumptions, Applications, Accuracy and Abuse." *Journal of Travel Research*, Winter 1990.

⁷⁵ *Ibid.*

⁷⁶ Arch Woodside, "Tourism Advertising and Marketing Performance Metrics." *Tourism and Hospitality Research*, Vol.4. 2010.

unaware populations. This difference is then multiplied by tourist spending to determine the total direct tax revenue to state and local governments. The OmniTrak metric for VISIT FLORIDA's FY 2018-19 integrated marketing campaign was 6:1 to 12:1.⁷⁷

As an alternative to conversion studies, academics have examined the statistical relationship between DMO tourism marketing budgets and the inflow of international tourists. In these analyses, the DMO is just one of the many tourism determinants used in the study. The other determinants include the variables discussed in the "The Determinants of Tourism Demand" section of the paper.

Most of these studies also found positive results. One study of DMOs in Australia found a positive relationship between DMO expenditures and the number of international tourists visiting Australia.⁷⁸ A 1995 meta-analysis study of existing tourism demand studies also found marketing expenditures to be positively associated with international tourism.⁷⁹ However, the authors noted that the impact of marketing expenditures was considerably lower than other determinants of tourism demand. In this same vein, a study of tourism demand in the Canary Islands found marketing promotion to have a positive, but small effect on total tourists.⁸⁰

The studies also concluded that the impact of tourism marketing varies considerably among countries. The 1995 meta-analysis study found that Latin American and North American tourists were influenced the most by DMO advertising.⁸¹ At the other end of the scale, Oceania and Southern European countries appear to respond the least to tourism advertising. A study of Australia's tourism advertising efforts to different foreign countries found considerable differences in the advertising's effectiveness. For example, tourism advertising to the New Zealand market netted a 36:1 return, while the same advertising to the United Kingdom market netted only a 3:1 return.⁸² Another review concluded that the primary reasons why effectiveness is hard to quantify are: (a) "different nationalities and cultures are likely to respond differently to marketing, and (b) different destinations vary in their ability to use marketing effectively."⁸³

EDR's literature review was unable to identify any academic research regarding the statistical relationship between state tourism budgets and total tourism (including domestic and international tourists). This is likely due to data issues. It is very difficult to accurately track domestic tourism travel, and most countries do not bother to do so. In the United States, it is up to the individual states to estimate and report tourism numbers. Due to the decentralized process, it is likely every state has its own tourism methodology. This leads to questions concerning the quality and accuracy of the visitor data.

The literature review did produce one policy paper that evaluated the economic impact of state-funded tourism promotion. The 2016 paper looked at whether certain leisure and hospitality industries

⁷⁷ "VISIT FLORIDA Integrated Marketing Effectiveness Study, FY 2018-19." OmniTrak Group: 128.

⁷⁸ Nada Kulendran and Larry Dwyer, "Measuring the Return from Australian Tourism Marketing Expenditure." *Journal of Travel Research*, Vol.47. 2009.

⁷⁹ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research*. Vol.22. 1995.

⁸⁰ F. Ledsema-Rodriguez, M. Navarro-Ibanez, and J. Perez-Rodriguez, "Panel Data and Tourism Demand. The Case of Tenerife." March 1, 2001.

⁸¹ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research*. Vol.22. 1995.

⁸² Nada Kulendran and Larry Dwyer, "Measuring the Return from Australian Tourism Marketing Expenditure." *Journal of Travel Research*, Vol.47. 2009.

⁸³ Larry Dwyer & P. Forsyth, *International Handbook on the Economics of Tourism*, Edward Elgar Pub: 71.

benefited from state-funded tourism promotion.⁸⁴ The policy paper included promotional expenditures from 48 states over 39 years. The study found a positive, but very weak, relationship between the variables. The study concluded that for every \$1 million increase in state tourism promotion spending, there was only \$20,000 in added revenue for the accommodations industry.

⁸⁴ Dr. Michael Hicks and Michael D. LaFaive, "An Analysis of State-Funded Tourism Promotion." *Mackinac Center For Public Policy*. November 1, 2016.

STATE DMOs ADAPT TO THE COVID-19 PANDEMIC

While the on-going COVID-19 pandemic has affected many segments of the US economy, it has impacted the tourism industry the most.⁸⁵ In this regard, Florida's tourism-sensitive economy is particularly vulnerable to the longer-term effects of the pandemic. Previous economic studies of disease outbreaks have shown that it can take as much as 12 to 15 months *after* the outbreak ends for tourism to return to pre-disease levels. The magnitude of this event is greater. The total number of tourists declined -60.3 percent from the prior year in the second quarter of 2020. After that breathtaking decline, tourism in the third quarter managed to recover to 35.4 percent of the prior year's level, buttressed by the stronger than anticipated number of domestic visitors travelling by car. Several industry groups have already predicted that it will take at least two years to reach recovery from this pandemic. Current expectations are that leisure driving vacations will recover first, and then—in order—business travel, domestic air travel, and international travel.

VISIT FLORIDA, Florida's official Destination Marketing Organization (DMO), and DMOs in other states market to international and out-of-state domestic visitors, both business and leisure travelers. They promote the destinations, amenities, events, natural resources and experiences unique to their individual states. Some DMOs conduct extensive research to guide their marketing efforts. The mission of these DMOs is to stimulate and capture the demand for travel, tailoring their marketing to existing conditions. This is especially important in the current environment.

A recent report from Skift Research and McKinsey & Company on the status of the travel industry offered insights and proposals, many of which are applicable to State DMOs.⁸⁶ The report noted that “travelers are keen to travel but are restrained in the leisure space by the inability to do anything meaningful at the destination, due to necessary public health measures and safety precautions, such as quarantines, closures, and other restrictions.” Business travelers may be further limited by corporate

⁸⁵ In early September, the U.S. Travel Association reported that the World Travel and Tourism Council (WTTC) “estimates that the U.S. economy will lose \$155 billion in 2020 due to the falloff in international inbound travel—a staggering \$425 million per day. International visitor spending in the U.S. for the year could potentially drop 79%.” As a result, an estimated “nearly 12.1 million jobs in the U.S. supported by travel and tourism are at risk of being lost in a “worst case” scenario mapped out by WTTC economic modelling.” Szyf, Aaron. “By the Numbers: World Travel and Tourism Council Releases 2020 Estimate of International Inbound Travel Spending Losses for U.S. Economy.” U.S. Travel Association, September 2, 2020.

<https://www.ustravel.org/news/numbers-world-travel-and-tourism-council-releases-2020-estimate-international-inbound-travel>

The New York Times reported in November that “(t)he pandemic triggered a free-fall in tourism to New York City, one of the world's most popular destinations. A new forecast predicts that the influx of tourists will not fully rebound for at least four years, a somber assessment that reflects one of the biggest challenges to the city's recovery.” The city's tourism promotion agency projects that in 2020, the city is likely to reach just one-third of last year's visitor totals. McGeehan, Patrick. “Tourism, Engine for N.Y.C. Economy, May Not Fully Recover Until 2025.” November 16, 2020

<https://www.nytimes.com/2020/11/16/nyregion/nyc-tourism-covid.html?action=click&module=Top%20Stories&pgtype=Homepage>

As for Florida, the Economic Estimating Conference expects a continued contraction in Fiscal Year 2020-21, with a projected overall decline of -16.4 percent from the already suppressed Fiscal Year 2019-20 level. *Conference Results*, November 20, 2020: <http://edr.state.fl.us/Content/conferences/fleconomic/index.cfm>

⁸⁶ “The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives.” Skift Research and McKinsey & Company, September 2020: 7, 58.

<https://www.mckinsey.com/~media/mckinsey/industries/travel%20transport%20and%20logistics/our%20insights/the%20travel%20industry%20turned%20upside%20down%20insights%20analysis%20and%20actions%20for%20travel%20executives/the-travel-industry-turned-upside-down-insights-analysis-and-actions-for-travel-executives.pdf>

travel policies developed in response to the pandemic that reflect the company's focus on its duty-of-care obligations to employees.

Until the travel economy recovers, the report suggests the industry pursue emerging opportunities in tourism. For example, in-state, drive-to "nearby vacations" in out-door venues are a substitute for out-of-state and international travel. Additionally, "the working-from-anywhere trend has the potential to blur permanently the lines between leisure and business travel." These digital nomads and "bleisure" travelers⁸⁷ are a growth market opportunity for facilities designed for or adapted to extended-stays, provided the traveler's health safety concerns are addressed.

Finally, the report recommends that marketers understand customers as microsegments, not monoliths, especially in an environment of diminished demand. The report suggests that micro-segmentation has value in forecasting and stimulating demand, as well as informing commercial and marketing strategies.

Another recent report suggests governments "reimagine their role in the tourism sector in the context of COVID-19."⁸⁸ For example, governments should establish a "tourism nerve center" comprised of public and private interests to address travel themes, to include the protection of the tourism workforce and travelers. Another role for government is to ensure transparent, consistent communication on travel protocols, which would reduce confusion regarding the various safety measures in place across the tourism industry.

State Destination Marketing Organization Adaptations

State policy responses regarding business and visitor restrictions have evolved with the progression of the pandemic and emerging therapies. The initial response focused on lockdowns of non-essential services that gradually gave way to the relaxation of restrictions. With the resurgence of coronavirus across the United States, the responses have varied from the re-imposition of lockdowns to selective restrictions on commercial and social activity and travel.⁸⁹

State DMOs have adapted to these policies, primarily by providing safety guidance to travelers and information on any local travel restrictions to out-of-state visitors.⁹⁰ The guidance ranges from

⁸⁷ "Bleisure" travel is when a business trip is extended enjoy leisure activities at or near the destination. With the current decrease in business travel, a new version of bleisure travel is emerging. For example, families are using reconfigured hotels for remote work and school. See Wallin, Bruce. "How the death of business travel will change your next vacation." National Geographic, October 1, 2020. <https://www.nationalgeographic.com/travel/2020/10/is-business-travel-a-thing-of-the-past/#close>

⁸⁸ Margaux Constantin, Steve Saxon, and Jackey Yu (2020) "Reimagining the \$9 trillion tourism economy—what will it take?" McKinsey & Company, August 5, 2020 <https://www.mckinsey.com/industries/travel-logistics-and-transport-infrastructure/our-insights/reimagining-the-9-trillion-tourism-economy-what-will-it-take#>

Also see "To Recovery & Beyond: The Future of Travel & Tourism in the Wake of COVID-19." a report for the World Travel and Tourism Council by Oliver Wyman Management Consulting. September 27, 2020. <https://wtcc.org/Research/To-Recovery-Beyond>

For a review of initial policy responses to address the downturn in tourism by other countries, see "Tourism Policy Responses to the Coronavirus (COVID 19)." The Organization for Economic Co-operation and Development (OECD), June 2, 2020. <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/>

⁸⁹ CNN periodically updates a compilation of current state travel restrictions. See <https://www.cnn.com/travel/article/us-state-travel-restrictions-covid-19/index.html>

⁹⁰ EDR reviewed the websites for the official State Tourism Agencies for the nineteen states that had more than \$20 billion in spending by domestic and international travelers in 2018. The source for the spending data was retrieved from U.S. Travel Association. "Economic Impact Map (2018)." <https://www.ustravel.org/economic-impact#ak>

recommending best practices (masking in public settings, social distancing, self-quarantining, etc.⁹¹) to posting state-specific requirements regarding visitor registration, testing and quarantining.⁹² Most have continued to promote in-state destinations, highlighting outdoor activities and road trips.

Florida and California are actively targeting in-state travelers, with the goal of generating tourist activity that, in other times, may have been exported to other states or countries. VISIT FLORIDA has implemented an In-State Rebound Campaign (“Live here. Love here. Explore here.”) to “remind Floridians that their home state offers world-class tourism opportunities that most people travel far distances to experience.”⁹³ VISIT California’s in-state travel promotion (“Calling All Californians”) is designed to “inspire California residents who are ready to travel to take a ‘state-cation’ and travel safely in an effort to help jump-start the state’s economy.”⁹⁴ Using a slightly different approach, NYC & Company, the official DMO and convention and visitors bureau for the five boroughs of New York City, has initiated its “Staycation Guide” to promote in-city excursions for residents.⁹⁵

At least one state has already begun explicitly targeting interstate travelers. VISIT FLORIDA’s Domestic Rebound Campaign (“The power of a Florida vacation”) is intended to “inspire travel to Florida by making people believe that vacations are worth taking.”⁹⁶ California is preparing for the near future with its “See You Soon” campaign, which “encourages travelers to visit when appropriate.”⁹⁷

The Future

It is expected that State DMOs will continue to develop strategies to encourage or capture what remains of the travel economy, recognizing “that the pandemic trajectory and macroeconomic indicators are the core drivers of demand recovery.”⁹⁸ Bearing this in mind, Florida’s Economic Estimating Conference expects a continued contraction during FY 2020-21, with a projected overall decline of -16.4 percent from the already suppressed FY 2019-20 level. Even nascent recovery in this industry is strongly linked to the widespread distribution of a vaccine. As the Conference expects an effective vaccine to be widely deployed by the end of FY 2020-21, the growth rate surges thereafter, albeit from an extremely low level. The new forecast levels never exceed pre-pandemic forecast levels, but come close towards the end of the ten-year forecast horizon.

⁹¹ In November 2020, at least four states recommend visitors quarantine upon arrival in the state: ID, PA, WA and WS.

⁹² In November 2020, some cities and most states on the NE Atlantic coast, as well as AK, HI, NM, and OH have imposed some degree of registration, testing and quarantine for visitors from specified states and countries.

⁹³ <https://www.visitflorida.org/resources/crisis-preparation/covid-19-resources-and-information-for-businesses/rebound-campaigns/>

⁹⁴ <https://industry.visitcalifornia.com/partner-opportunities/campaigns/calling-all-californians>

A parallel campaign includes “California Road Trip Republic.”<https://industry.visitcalifornia.com/partner-opportunities/campaigns/california-roadtrip-republic>

⁹⁵ <https://www.nycgo.com/staycation-guides/>

⁹⁶ <https://www.visitflorida.org/resources/crisis-preparation/covid-19-resources-and-information-for-businesses/rebound-campaigns/>

⁹⁷ <https://industry.visitcalifornia.com/partner-opportunities/campaigns/see-you-soon>

⁹⁸ “The Travel Industry Turned Upside Down: Insights, Analysis and Actions for Travel Executives.” Skift Research and McKinsey & Company, September 2020: 59.

<https://www.mckinsey.com/~media/mckinsey/industries/travel%20transport%20and%20logistics/our%20insights/the%20travel%20industry%20turned%20upside%20down%20insights%20analysis%20and%20actions%20for%20travel%20executives/the-travel-industry-turned-upside-down-insights-analysis-and-actions-for-travel-executives.pdf>

METHODOLOGY

As previously discussed, there are many determinants of tourism demand, some of which have little or no relationship to marketing. As most tourists are risk adverse, a primary motivator for selecting a travel destination may be returning to a destination that is known. VISIT FLORIDA acknowledges this in its VISIT FLORIDA Direct Influencer Study, which indicates that an average 70 percent of respondents in the 2015-16, 2016-17, 2017-18 and 2018-19 fiscal years reported that a previous trip to Florida influenced their travel decisions.

As part of its methodology for this analysis, EDR allocated all out-of-state tourists during the review period to the different determinants of tourism demand, including VISIT FLORIDA. To do this, EDR first relied on VISIT FLORIDA’s Direct Influencer Study.⁹⁹ The Study asks respondents to identify the factors that influenced their decisions to visit Florida, which allows EDR to distinguish tourists who were influenced by marketing from those who were influenced by other non-marketing related influencers. [See Table below.] The resulting percentages were used to allocate the visitors between the two classes of influencers. Important non-marketing related influencers include visiting friends and family (VFR); travel related to a hobby, pastime or passion, “bleisure” travel, and vacations in connection with a cruise using a Florida port. Important marketing influencers include VISIT FLORIDA, local DMOs for specific Florida locations, and theme parks.

VISIT FLORIDA Direct Influencer Study Results 2013-2019						
Direct VISIT FLORIDA Influencers	2013	2014	2015-16	2016-17	2017-18	2018-19
The VISIT FLORIDA Website	4.46%	4.47%	4.61%	5.32%	5.23%	5.32%
A Stop at an Official Florida Welcome Center on a previous trip to Florida	4.69%	3.80%	4.30%	4.96%	4.65%	4.49%
A VISIT FLORIDA publication	4.18%	3.37%	4.01%	4.56%	4.66%	4.28%
VISIT FLORIDA social media	3.83%	3.45%	4.48%	4.96%	4.83%	4.89%
VISIT FLORIDA radio, TV, online, magazine/newspaper ad, not destination specific	4.11%	3.51%	4.20%	4.50%	4.50%	4.41%
A sweepstakes/contest by VISIT FLORIDA heard or seen on radio, TV, or online	2.90%	2.89%	3.25%	3.70%	4.12%	3.57%
Other Influencers	2013	2014	2015-16	2016-17	2017-18	2018-19
A previous trip to Florida	12.88%	14.44%	11.13%	9.15%	8.40%	9.69%
Have family or friends to visit	10.18%	10.29%	8.71%	7.66%	7.06%	7.75%
Any advertising for a specific FL theme park	6.73%	6.96%	6.72%	6.05%	5.94%	6.19%
Information from the Internet other than VISIT FLORIDA	6.07%	7.27%	6.24%	5.71%	5.63%	5.48%
A hobby, pastime, or passion followed (golf, nature, small towns, spring training)	6.42%	6.38%	5.79%	5.44%	5.72%	5.89%
Information about special events or festivals in FL	4.69%	5.59%	5.61%	5.59%	5.24%	5.48%
Any advertising for a specific FL location , excluding theme parks	5.29%	5.47%	5.66%	5.43%	5.30%	5.75%
A travel article in a newspaper or magazine about a FL vacation experience	4.30%	4.26%	4.40%	4.73%	4.88%	4.72%
Any information from social media	4.84%	4.78%	5.82%	5.47%	5.52%	5.32%
The vacation in Florida was in connection with a cruise using FL port	4.34%	3.95%	4.17%	4.54%	4.83%	4.62%
The recommendation of a travel agent	3.52%	3.43%	3.80%	4.25%	4.62%	4.24%
Brochures obtained at consumer trade shows	3.33%	2.93%	3.78%	4.11%	4.44%	4.13%
Went on a business trip that was extended into a vacation	3.25%	2.76%	3.35%	3.86%	4.43%	3.78%
Marketing Related Influencers	55.12%	54.49%	58.66%	60.36%	60.07%	59.30%
Non-Marketing Related Influencers	44.88%	45.51%	41.34%	39.64%	39.93%	40.70%
The VISIT FLORIDA Direct Influencer Study Converted to Fiscal Year in 2015-16						

⁹⁹ The 2018-19 VISIT FLORIDA Direct Influencer Study surveyed 1,068 domestic visitors, via the internet, who had visited Florida in the past year. Respondents were shown 19 information and influence sources that may have been used in planning their Florida vacations and asked to rate the importance of each source on their decisions to select Florida using a scale of 1-5, where 5 indicates the source was “very important.” While the Study has limitations, EDR used the survey results as a proxy to determine the annual number of visitors who were influenced by marketing efforts to visit the state of Florida. Since VISIT FLORIDA’s survey methodology allows respondents to select more than one influencer, the responses were normalized to allow for only one response per respondent.

Major Marketers of Florida Tourism

The marketing-influenced tourists were then allocated among the entities whose major marketing efforts have been significant and sustained over time in Florida.¹⁰⁰ While many groups and individual businesses help to market the state as a tourist destination, the five major contributors identified below can be quantified in terms of marketing dollars spent. Because the analysis does not account for smaller or ad hoc marketing efforts, this represents the best case scenario for VISIT FLORIDA. The major contributors include local governments (or their designated DMOs); private entities in partnership with local governments and DMOs; VISIT FLORIDA; private entities in partnership with VISIT FLORIDA; and theme parks.

Tourism Marketing by Source						
	Local Public	Local Private	Visit FL. Public	Visit FL. Private	Theme Parks	Total
2016-17	\$ 310,402,805	\$ 30,078,841	\$ 75,999,784	\$ 128,575,649	\$ 264,343,949	\$ 809,401,028
	38.35%	3.72%	9.39%	15.89%	32.66%	100.00%
2017-18	\$ 326,078,147	\$ 31,597,823	\$ 75,999,152	\$ 120,515,241	\$ 277,718,070	\$ 831,908,432
	39.20%	3.80%	9.14%	14.49%	33.38%	100.00%
2018-19	\$ 346,164,561	\$ 33,544,248	\$ 75,994,680	\$ 128,575,649	\$ 294,200,256	\$ 878,479,394
	39.40%	3.82%	8.65%	14.64%	33.49%	100.00%
Total for all three years	\$ 982,645,513	\$ 95,220,912	\$ 227,993,616	\$ 377,666,539	\$ 836,262,275	\$ 2,519,788,855
	39.00%	3.78%	9.05%	14.99%	33.19%	

Local Public Marketing

Whether on their own or through designated DMOs, local governments promote travel destinations, attractions, and events in their areas. During Fiscal Years 2016-17 through 2018-19, local governments accounted for 39.0 percent or \$982.6 million of total tourism marketing expenditures. This was a slightly higher percentage than found in the 2018 report (37.7 percent).

The data for local government tourism marketing expenditures was obtained through EDR surveys of local DMOs. The EDR surveys requested expenditure data for the fiscal years under review. Respondents were asked to separate public from private funding in order to determine the amount of funds from public appropriations. Respondents were also given a list of 10 potential reasons why tourists visit the respondent's county and asked to rank them in order of importance, with beaches coming in as the highest-ranked response.

Local and VISIT FLORIDA Private Marketing

Private sector companies such as rental car agencies and hotels provided money to VISIT FLORIDA and local governments (or DMOs) to increase tourism promotion efforts. This may be in conjunction with

¹⁰⁰ The analysis did not attribute any tourists to the factors discussed in the "Broad Determinants of Tourism Demand" section, as these factors are difficult to estimate and the analysis was unable to locate any data on how they impact Florida-specific tourism.

cooperative advertising, promotional activities or another form of contribution. At the local level, private investment is much smaller than the local government investment, but at the state level, private contributions accounted for 62.4 percent of the combined public and private spending attributed to VISIT FLORIDA (\$228.0 million public plus \$377.7 million private, for a total of \$605.7 million)—despite the marked drop in private share and private funding since the 2018 report.

The VISIT FLORIDA private contributions were obtained directly from VISIT FLORIDA. The local private contributions were estimated using the EDR survey results from local tourism marketing agencies.

Theme Parks

The theme park industry had annual admissions in Florida that exceeded 88 million in 2019.¹⁰¹ The companies controlling these parks have a great interest in promoting not only their individual theme parks, but Florida in general.

EDR analysts projected that the three major theme park companies—Disney, Universal Studios, and Sea World—were responsible for \$836.3 million in marketing during the review period. This expenditure accounted for 33.2 percent of all major tourism marketing efforts in the state, not including the additional dollars that theme parks provided to VISIT FLORIDA, local governments and DMOs. This is a higher percentage than found in the 2018 analysis (30.0 percent).

EDR estimated the advertising expenditures of Florida’s major theme parks by analyzing financial records from the companies’ SEC filings; visitor data provided by the Global Attractions Attendance Report produced by the Themed Entertainment Association and the AECOM Economics Practice; and media reports on advertising contracts held by the theme parks.

Visitors Attributed to VISIT FLORIDA Marketing

To develop the estimate of the number of visitors to credit to VISIT FLORIDA’s own marketing efforts, EDR used the percentage of marketing dollars provided by VISIT FLORIDA’s public appropriation relative to all other marketing sources. [See Table below.] Notably, the VISIT FLORIDA public share has dropped from nearly 9.8 percent in the 2018 analysis to slightly under 9.1 percent in the current analysis.

The visitors attributed to VISIT FLORIDA were further subdivided into international and domestic travelers. Visitor expenditures were calculated separately for each group to accommodate differences in spending patterns between domestic and international travelers.

Based on its share of total tourism advertising spend, VISIT FLORIDA is responsible for approximately 6.50, 6.75, and 6.67 million visitors during the 2016-17, 2017-18, and 2018-19 fiscal years, respectively. The remaining marketing-influenced visitors are attributable to the efforts of the four other major marketing contributors (local public, local private, VISIT FLORIDA private, and theme parks).

¹⁰¹ “TEA/AECOM 2019 Theme Index and Museum Index: The Global Attractions Attendance Report 2019.” *Themed Entertainment Association (TEA)*, 2019: 35.

<https://aecom.com/wp-content/uploads/documents/reports/AECOM-Theme-Index-2019.pdf>

Florida Beaches as a Special Case

One key determinant of tourism demand in Florida is its beaches. The analysis assigned a portion of all tourists and their spending to the beaches based on a methodology that relied on state beach restoration funding and VISIT FLORIDA’s Visitor Studies.¹⁰²

This analysis assumes that beach restoration is essential to maintaining Florida’s beaches and that dollars spent on beach restoration functions as a form of marketing for the state. Without pristine, nationally-ranked beaches, Florida loses its appeal as a beach destination.¹⁰³ As such, the expenditures associated with beach visitors must be evaluated separately. While other state investments may serve a similar purpose, they have not been separately addressed in this report since they fulfill multiple functions for both residents and tourists. Those expenditures would be needed for residents, regardless of tourists.

VISIT FLORIDA’s Florida Visitor Study includes information regarding activities visitors undertook while visiting the state. EDR used this activity data to establish an estimate of the number of visitors who come to Florida for beach-related activities and the corresponding expenditures associated with that activity. During calendar years 2017 through 2019, it is estimated that 21.3 percent of all domestic visitor tourism spending was attributable to beach activities while visiting Florida. That is not to say that the spending occurred in and around Florida’s beaches, but that a portion of the overall trip was induced by the beaches.

This analysis assumes that not all visitors to the state come as a result of marketing efforts. Some beach visitors come for reasons other than seeing an advertisement. To gauge the number of visitors who visit Florida’s beaches as a result of marketing efforts, EDR applied the percentage described above to the number of marketing-related visitors for each year. The total spending amount (both domestic and international) was then subtracted from the amount attributed to VISIT FLORIDA.

Visitors and Spending Attributable to Beaches							
	2013	2014	2015	2016	2017	2018	2019
Domestic Beach Spending Activity %	22.45%	22.01%	19.88%	20.45%	21.13%	21.85%	21.05%
Beach Restoration Share of Ad. Related Visitors	264,942	378,311	522,224	596,294	605,871	676,892	490,828
Beach Restoration Total Domestic Spending	\$ 153,779,708	\$ 225,654,123	\$ 297,404,483	\$ 349,604,318	\$ 355,673,206	\$ 402,092,288	\$ 304,143,497
Beach Restoration Total International Spending	\$ 55,429,513	\$ 72,165,909	\$ 85,957,061	\$ 78,557,463	\$ 81,026,756	\$ 80,961,886	\$ 61,456,858

VISIT FLORIDA Final Results

In summary, 9.05 percent of all marketing-influenced tourists in Florida was attributed to VISIT FLORIDA. This amounted to an estimated 17.57 million domestic out-of-state tourists and 2.35 million international tourists being credited to VISIT FLORIDA’s marketing efforts over the review period. The study then estimated total visitor spending by multiplying the total number of tourists for each group by the average spending data for that group. The average domestic tourist spent \$162.00 dollars a day and stayed 4.20 nights. The average international tourist spent \$97.50 dollars a day and stayed 11.06 nights in Florida. The total visitor spending number was then reduced to account for beach-related activities, which reduced visitor spending attributed to VISIT FLORIDA to \$4.241, \$4.382, and \$4.443 billion in fiscal

¹⁰² The Florida Visitor Study evaluates data on the travel patterns of Florida residents and domestic and overseas visitors. VISIT FLORIDA obtains domestic travel data primarily from D.K. Shifflet & Associates while international travel data is primarily obtained from the U.S. Department of Commerce’s International Trade Administration.

¹⁰³ See Klein, Yehuda and Jeffrey Osleeb, “Determinants of Coastal Tourism: A Case Study of Florida Beach Counties.” *Journal of Coastal Research* (2010) 26(6).

years 2016-17, 2017-18 and 2018-19 respectively. These amounts became the inputs into the Statewide Model.

Visitors and Spending Attributable to VISIT FLORIDA's Public Marketing Spend						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total Visitors	5,203,712	5,785,647	5,981,041	6,494,637	6,751,887	6,674,242
Domestic Visitors	4,373,694	4,921,023	5,166,932	5,684,833	5,961,277	5,925,047
International Visitors	830,018	864,624	814,109	809,803	790,611	749,195
Total Spending	\$ 3,850,362,093.80	\$ 4,059,636,051.61	\$ 3,934,167,807.55	\$ 4,241,139,458.81	\$ 4,382,407,853.66	\$ 4,443,297,996.38
Domestic Spending	\$ 2,873,005,967.46	\$ 3,111,438,270.23	\$ 3,133,482,879.43	\$ 3,457,883,793.07	\$ 3,608,317,083.95	\$ 3,696,947,863.91
International Spending	\$ 977,356,126.34	\$ 948,197,781.37	\$ 800,684,928.12	\$ 783,255,665.73	\$ 774,090,769.72	\$ 746,350,132.48

THE STATEWIDE MODEL

Statewide Model

EDR used the Statewide Model to estimate the return-on-investment for VISIT FLORIDA. The Statewide Model is a dynamic computable general equilibrium (CGE) model that simulates Florida's economy and government finances.¹⁰⁴ The Statewide Model is enhanced and adjusted each year to reliably and accurately model Florida's economy. These enhancements include updating the base year the model uses as well as adjustments to how the model estimates tax collections and distributions.¹⁰⁵

Among other things, the Statewide Model captures the indirect and induced economic activity resulting from the direct program effects. This is accomplished by using large amounts of data specific to the Florida economy and fiscal structure. Mathematical equations¹⁰⁶ are used to account for the relationships (linkages and interactions) between the various economic agents, as well as likely responses by businesses and households to changes in the economy.¹⁰⁷ The model also has the ability to estimate the impact of economic changes on state revenue collections and state expenditures in order to maintain a balanced budget by fiscal year.

When using the Statewide Model to evaluate economic programs, the model is shocked¹⁰⁸ using static analysis estimates of the initial or direct effects attributable to the programs funded by the state. In this analysis, the annual direct effects (shocks) of the program took the form of:

- Removal of the program funding from the state budget.
- Removal of expenditures attributable to visitors.

After the direct effects are developed and estimated, the model is then used to estimate the additional—indirect and induced—economic effects generated by the program. This includes the supply-side responses to tourism activity, where the supply-side responses are changes in investment and the demand for labor arising from that activity. Indirect effects are the changes in employment, income, and output by local supplier industries that provide goods and services to support the direct economic activity. Induced effects are the changes in spending by households whose income is affected by the direct and indirect activity.

All of these effects can be measured by changes (relative to the baseline) in the following outcomes:

- State government revenues and expenditures

¹⁰⁴ The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Monash University (Melbourne, Australia).

¹⁰⁵ Reports prior to January 1, 2017 have 2009 as the base year. Reports as of January 1, 2017 have 2011 as the base year.

¹⁰⁶ These equations represent the behavioral responses to economic stimuli – that is, to changes in economic variables.

¹⁰⁷ The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor demand).

¹⁰⁸ In economics, a shock typically refers to an unexpected or unpredictable event that affects the economy, either positive or negative. In this regard, a shock refers to some action that affects the current equilibrium or baseline path of the economy. It can be something that affects demand, such as a shift in the export demand equation; or, it could be something that affects the price of a commodity or factor of production, such as a change in tax rates. In the current analysis, a counter-factual shock is introduced to remove the impact of the program (tourist-related spending) in the economy.

- Jobs
- Personal income
- Florida Gross Domestic Product
- Gross output
- Household consumption
- Investment
- Population

EDR's calculation of the Return on Investment (ROI) used the model's estimate of net state revenues and expenditures. Other required measures for this report include the number of jobs created, the increase or decrease in personal income, and the impact on gross domestic product, all of which are included in the model results.

Treatment of Statutorily Required Private Matches

Required matching funds from private entities were excluded from the state payments used in the Statewide Model. In the analysis, visitors were allocated as shares of total advertising dollars. The state share was then used to derive visitor expenditures. Since matching funds were included in total payments but excluded from state payments, visitors that would have been attributable to these dollars have been excluded from the ROI calculation.

KEY ASSUMPTIONS IN THE MODEL

The following key assumptions are used in the Statewide Model to determine the outcomes of the programs under review. Some of the assumptions are used to resolve ambiguities in the literature, while others conform to the protocols and procedures adopted for the Statewide Model.

1. The analysis assumes all data provided by VISIT FLORIDA and other local and private entities was complete and accurate. The data was not independently audited or verified by EDR.
2. The analysis assumes that given the time span under review, applying discount rates would not prove material to the outcome.
3. The analysis assumes that any expenditure made for tourism promotion is a redirection from the general market basket of goods and services purchased by the state. Similarly, any revenue gains from increased business activities are fully spent by the state.
4. The analysis assumes the relevant geographic region is the whole state, not individual counties or regions. The model accounts and makes adjustments for the fact that industries within the state cannot supply all of the goods, services, capital, and labor needed to produce the state's output.
5. This analysis assumes that VISIT FLORIDA's grant program and welcome center promotions are not measurable by separate returns on investment. These dollars have been included as expenditures in the overall analysis of VISIT FLORIDA.
6. This analysis assumes that no specific value is attributed to the overall cohesiveness of the state's marketing strategies. Even though this value is not quantified, it is potentially offset by the assumption that all commercials and promotional activities are equally effective (see #10).
7. This analysis assumes that not all visitors to the state of Florida come as a result of marketing or advertising efforts and that other factors influence visitors' destination decisions.
8. This analysis assumes that while some visitors to the state come as a result of marketing efforts, not all marketing-influenced visitors to the state of Florida are attributable to VISIT FLORIDA's marketing efforts.
9. This analysis assumes that beach restoration and maintenance is essential to maintaining Florida's brand and that moneys spent on beach restoration functions as a form of marketing for the state. While other state investments may serve a similar purpose, they have not been separately addressed in this report since they fulfill multiple functions for both residents and tourists. Those expenditures would be needed for residents, regardless of tourists.
10. The analysis assumes that all advertising from all entities is equally effective.

KEY TERMS IN THE MODEL

In the pages that follow, diagnostic tables describing the composition and statistics of the VISIT FLORIDA analysis precede the discussion. Key terms used in the tables are described below:

State Payments Used in Analysis – Represents the amount of state payments made to the program in each fiscal year.

Total Net State Revenues \$ (M) – Represents the amount of new state revenue generated by the program in each fiscal year.

Personal Income (Nominal \$(M)) – Reflects income received by persons from all sources. It includes income received from participation in production as well as from government and business transfer payments. It is the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance.

Real Disposable Personal Income (Fixed 2019-20 \$(M)) – Reflects total after-tax income received by persons; it is the income available to persons for spending or saving.

Real Gross Domestic Product (Fixed 2019-20 \$(M)) – Measures the state's output; it is the sum of value added from all industries in the state. GDP by state is the state counterpart to the Nation's gross domestic product.

Consumption by Households and Government (Fixed 2019-20 \$(M)) – Reflects the goods and services purchased by persons plus expenditures by governments consisting of compensation of general government employees, consumption of fixed capital (CFC), and intermediate purchases of goods and services less sales to other sectors and own-account production of structures and software. It excludes current transactions of government enterprises, interest paid or received by government, and subsidies.

Real Output (Fixed 2019-20 \$(M)) – Consists of sales, or receipts, and other operating income, plus commodity taxes and changes in inventories.

Total Employment (Jobs) – Provides estimates of the number of jobs, full time plus part time, by place of work. Full time and part time jobs are counted at equal weight. Employees, sole proprietors, and active partners are included, but unpaid family workers and volunteers are not included.

Population (Persons) – Reflects first of year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

PROGRAM FINDINGS

Statewide Economic Model Impact Projections of VISIT FLORIDA					
		FY2016	FY2017	FY2018	Total
State Payments in the Window	Nominal \$ (M)	76.00	76.00	75.99	227.99
Total Net State Revenues	Nominal \$ (M)	235.02	245.08	264.54	744.64
Return-on-Investment by Year		3.09	3.22	3.48	
Return-on-Investment for the 3 year period					3.27

		FY2016	FY2017	FY2018	Total	Average per Year
Personal Income	Nominal \$ (M)	4,081.9	4,466.2	4,997.1	13,545.1	4,515.0
Real Disposable Personal Income	Fixed 2019-20 \$ (M)	3,849.4	4,147.0	4,557.9	12,554.3	4,184.8
Real Gross Domestic Product	Fixed 2019-20 \$ (M)	4,996.2	5,224.2	5,632.7	15,853.0	5,284.3
Consumption by Households and Government	Fixed 2019-20 \$ (M)	5,053.8	5,373.4	5,904.4	16,331.5	5,443.8
Real Output	Fixed 2019-20 \$ (M)	5,914.2	6,029.2	6,451.3	18,394.7	6,131.6

		FY2016	FY2017	FY2018	Minimum	Maximum	Average per Year
Total Employment	Jobs	29,899	24,316	21,935	21,935	29,899	25,383.3
Population	Persons	0	5,008	9,392	0	9,392	4,800.0

During this review period, the VISIT FLORIDA ROI was 3.27. For every dollar spent on VISIT FLORIDA, the state of Florida received 3 dollars and 27 cents back in tax revenue. The VISIT FLORIDA program contributed approximately \$15.85 billion to Florida’s real GDP, \$12.55 billion in real Disposable Personal Income, and \$744.64 million in state revenue. On average, there were over 25,000 additional jobs in the state each year due to VISIT FLORIDA marketing efforts.

The ROI benefited both from the aggregate amount of spending and the type of purchases made by tourists. Generally, tourists purchase products that are taxable at the state level. These products include purchases of lodging in hotels or other accommodations, meals in restaurants, and gifts at souvenir shops. Further, tourists rent cars, shop at local retail establishments, and visit local bars and nightclubs. Tourists also spend money to entertain themselves at Florida’s theme parks, movie theaters, and sporting events. Most of these expenditures are taxable. Expenditures at establishments such as hotels, restaurants, and theme parks are subject to sales and use tax. Tourists who rent automobiles while in the state are subject to the rental car surcharge and the fuel tax. Of the increase in total state revenues of \$744.6 million, sales and use tax accounted for \$597.26 million or over two-thirds of the increase.

Not only are the products generally taxable, but most of the production for these products is sourced locally. This means that money spent in the Florida economy generally stays in the economy. There is little lost from the state’s economy to cover the costs of intermediate inputs which need to be purchased from outside of the region.

VISIT FLORIDA’s public marketing spend generated a positive ROI of 3.27, which is greater than the ROI in 2018 (2.25) and is comparable to the ROI in 2015 (3.21). The 2021 ROI clearly benefited from the continued growth in the number of out-of-state visitors to Florida, but this is only a part of the reason for the improvement over 2018. More important to that outcome is the limited increase in state payments to VISIT FLORIDA during this period relative to that growth. While state payments to VISIT FLORIDA increased by \$17.5 million or 8.3 percent relative to the prior three years, the increase in the 2018 analysis relative to 2015 was \$95.0 million or 82.3 percent. This change contrasts with the annual average growth of 5.19 percent in the number of out-of-state visitors, which essentially matched the average growth rate for the preceding years. [See following Table.]

Total Number of Out-of-State Visitors to Florida						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Domestic Visitors	80,338,000	86,891,000	95,524,000	101,201,000	108,414,000	114,513,000
International Visitors	15,305,000	15,493,000	14,422,000	14,541,000	14,507,000	14,515,000
Total Number of Visitors	95,643,000	102,384,000	109,946,000	115,742,000	122,921,000	129,028,000
CY2001-12 Historical Growth Rate: 1.99%	FY2013-16 Average Growth Rate: 5.20%		FY2016-19 Average Growth Rate: 5.19%			

Source: Florida Economic Estimating Conference database maintained by EDR

In addition, the percentage of tourists influenced by marketing rose yet again. The analysis indicated that an average of 59.9 percent of all out-of-state tourists were influenced by tourism marketing during this period of review. In the prior analyses, marketing influenced about 57.3 percent and 54.5 percent, respectively. This increase is significant, changing the total number of visitors influenced by marketing, as well as the number that is attributed to VISIT FLORIDA.

However, it is also clear that VISIT FLORIDA’s ROI is partially dependent on the activities of its key marketing partners. As noted earlier, the state’s cash investment in VISIT FLORIDA was higher during this review period than it was in the previous period; however, its share of the total spend was lower. Assuming the four marketing partners were proportionately decreased to produce the same share of the total marketing spend for VISIT FLORIDA as found in 2018 (9.77 instead of the current 9.05), its ROI in 2021 would have been higher—holding all other high-level variables at their 2021 values. In this respect, the year-to-year variations in share have as much to do with the investments made by its partners as it does with the public investment in VISIT FLORIDA. This degree of interdependence is greater than seen in the other programs that have been reviewed. Yet, this finding comes with a caveat. Another lesson learned from the 2018 report is that it is possible to overly invest in VISIT FLORIDA and thereby reduce its ROI. Nonetheless, EDR believes that a ROI of between 3.2 and 3.3 is reflective of VISIT Florida’s return in periods of strong tourism growth and state investments at their current levels.

