

## **Analysis of the Impact on Retail Sales in NW Florida from the Gulf Oil Spill** *Bay, Escambia, Okaloosa, Santa Rosa, and Walton Counties*

The Deep Water Horizon oil spill has negatively impacted millions of people. In Florida, that impact was most acutely felt along the Gulf Coast of the northwest part of the state. The spill began April 20, 2010 with an explosion and fire on an oil rig in the Gulf of Mexico. The well was capped in mid-July, but it was not officially declared “dead” by the federal government until September 19, 2010. While estimates differ, the government estimates more than 200 million gallons of oil were released from the well.

The long-term environmental, economic, and social impacts will not be known for some time but those impacts are surely significant and may last for years. This analysis focuses on the retail sector of five coastal counties in Northwest Florida - Bay, Escambia, Okaloosa, Santa Rosa, and Walton. Tourism drives the economy in these counties and many vacationers stayed away this past summer as a result of the spill. While oil did impact some of these counties’ beaches, numerous surveys and reports show that the peoples’ perception of the impact was far worse.

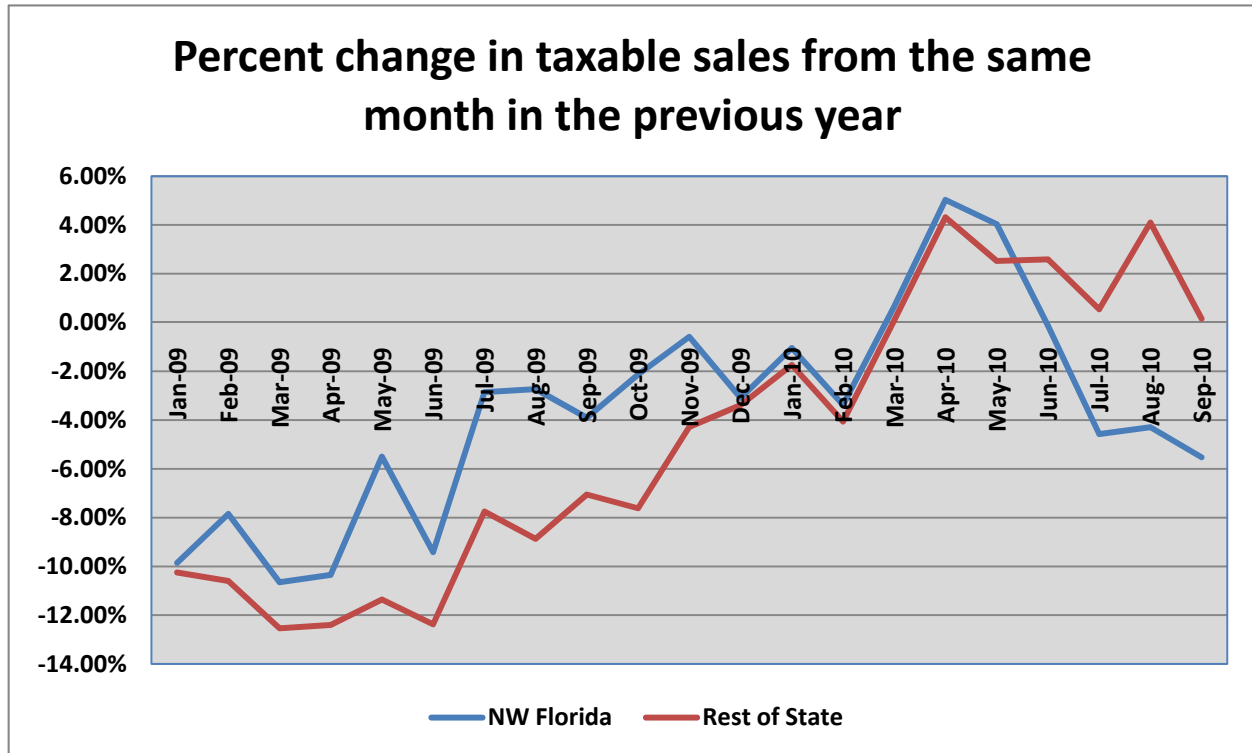
The tourism industry in Northwest (NW) Florida is the region’s largest taxable economic sector with more than 53,000 people employed and \$1.5 billion generated in employee earnings. Tourism trails only the military as a jobs generator in the region.

The timing of the oil spill could not have been worse for NW Florida retailers, particularly tourism-related businesses. According to Visit Florida, NW Florida is the only tourism region, out of eight in the state, where summer is its peak season. More than half (52 percent) of visitors to the region reported that their top activities were beach/waterfront related – by far the largest share in the state.

### **NW Florida Retail Sales Were Outperforming the Rest of the State Prior to the Spill**

Using data from the Florida Department of Revenue, Florida TaxWatch compared taxable sales in all Florida counties for each month to the same month in the previous year. As Florida slowly tried to climb out of the recession, retail sales in NW Florida were initially not deteriorating as

much as the state as a whole and then began rebounding more quickly than the rest of the state. In every month between January 2009 and February 2010, decreases in the region’s taxable sales from the previous year were not as large as those experienced in the rest of the state. When sales across Florida began to improve in March 2010, NW Florida outperformed the rest of the state with larger reported increases from March to May 2010 (see graph below).



Source: Florida TaxWatch. Data from the Florida Department of Revenue, November 2010.

The oil spill reversed this trend. While Florida’s statewide taxable sales continued to show improvement over the same month in the previous year, taxable sales in NW Florida began to decline. Taxable sales reported for June 2010 broke a string of seventeen consecutive months where growth in taxable sales outperformed the state as a whole.

NW Florida’s deterioration in sales began with the oil spill despite the fact that the unemployment rates in NW Florida counties continued to be some of the lowest in the state--as they were prior to the spill. This employment was propped up in part by temporary oil spill cleanup jobs. In July 2010, Walton County had the lowest unemployment in the state (7.5 percent) and Okaloosa had the third lowest (7.9 percent). All five counties had a lower unemployment rate than the state as a whole (12.0 percent). Furthermore, the deterioration in taxable retail sales occurred despite the retailers and local governments of NW Florida devoting significantly increased resources to promotional activities.

## **Tourism-Sensitive Sales Were Hit Hard**

Comparing May through September 2009 to the same period in 2010, taxable sales in tourist-sensitive categories such as lodging, restaurants, bars, and amusement and recreation fell significantly in NW Florida at a time when the same categories increased statewide. During this period, taxable sales in NW Florida dropped by 7.1 percent while they increased statewide by 2.8 percent.

The impact of the oil spill is also illustrated in the decline of tourist development tax—or “bed tax”—collections in NW Florida. Prior to the spill, bed tax collections had increased in comparison with the previous year in every month except one during the thirteen month period of May 2009 to May 2010. However, collections decreased markedly in June (6 percent), July (21 percent), and August (22 percent) when compared with the same time period in 2009.

The decline in tourism-sensitive sales and tax collections occurred even though statewide tourism increased in the second quarter (ended June 30, 2010). An estimated 20.8 million people visited the state between April and June, a 3.4 percent increase from the same time period last year. Growth was particularly strong with overseas (11.9 percent) and Canadian (10.4 percent) visitors. While NW Florida’s taxable sales decreased from the previous year in each of the four months from June to September 2010, sales in another tourist destination—Orange County—increased in each month, including an 11.4 percent increase in August.

## **Estimates of the Impact on NW Florida Retail Sales**

Assuming taxable sales in NW Florida – without the oil spill— would have continued its upward trend and increased (compared to the previous year) at the *same rate* as the rest of the state from May to September 2010, the oil spill then:

- Reduced gross sales in NW Florida by **\$454 million**
- Reduced taxable sales in NW Florida by **\$239 million**
- Reduced state sales tax collections in NW Florida by **\$14.3 million**
- Reduced local sales tax collections by **\$1.1 million**

These are likely conservative estimates for several reasons: NW Florida’s taxable sales were consistently outperforming the rest of the state prior to the oil spill; there were increased promotional efforts in the region; tourism statewide has increased; and the spill cleanup injected extra money into the region’s economy.

The dramatic reversal in the recovery of Northwest Florida’s retail sector during the past summer provides strong evidence that the Deepwater Horizon oil spill had a significant negative impact on retail sales. These losses in the retail sector have, and will continue, to cascade through other economic sectors in the region and further slow its once promising economic recovery.

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