

# BRIEFINGS

*Center for a Competitive Florida*

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**September 2004**

## **The Impact of Hurricanes Charley and Frances on the Florida Outdoor Advertising Industry's Impact on Florida's Economy**

Florida TaxWatch partnered in 2002 with the Center for Economic Forecasting and Analysis at Florida State University to determine the economic impact of the 9/11 disaster on Florida's economy resulting from related revenue losses by Florida's outdoor advertising industry.<sup>1</sup> Utilizing the REMI dynamic scoring model,<sup>2</sup> the study found that, in 2002 alone, there would be a \$32 million decrease in Gross Regional Product (GRP) (\$19.4 million direct and \$12.6 million indirect impacts) than otherwise would have been generated by the Florida advertising industry and a loss of 618 jobs in the industry.

In this *Briefings*, the Florida TaxWatch Center for a Competitive Florida projects from the 2002 study estimates of the short- and long- term economic impacts that Hurricanes Charley and Frances are having on Florida's economy as a result of revenue losses suffered by Florida's outdoor advertising industry from advertising billboard face damages.

The substantial positive impact that the outdoor advertising industry has on the nation's and Florida's economies cannot be discounted. The Outdoor Advertising Association of America reports that the industry had 0.8% and 5.2% revenue growth in 2002 and 2003, respectively. Significantly, this is a higher growth rate than that of the national economy. With estimated advertising revenues being close to \$6 billion, the industry has a significant economic impact on a number of industrial sectors. Additionally, the 2002 study found that Florida's outdoor advertising industry generated revenues of \$298 million in 2002, created 10,000 jobs and \$14.3 million in state and local taxes. This industry directly helps the economy grow faster and induces expenditures from a number of other industrial sectors by providing many businesses alternative cost-effective advertising options whereby they can better reach their customers.

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<sup>1</sup> *Research Report: The Economic Impact of Florida's Outdoor Advertising Industry*, Florida TaxWatch Research Institute, Inc., 2002, Tim Lynch, Ph.D. and Julie Harrington, Ph.D, with and under the direction of Keith G. Baker, Ph.D.

<sup>2</sup> REMI is an econometric, input-output model that dynamically measures both backward and forward industrial linkages that can relate to indirect and induced as well as direct economic impacts of policy interventions. The model consists of five basic building blocks: (1) output, (2) labor and capital demands, (3) population and labor supply, (4) wages, prices, and profits, and (5) market shares.

The Florida Outdoor Advertising Association estimates (Table 1 below) that more than two thousand advertising billboard faces were damaged by Hurricane Charley, resulting in over \$1 million per month in advertising industry revenue losses. The initial estimate for Hurricane Frances indicates similar revenue losses. If the damaged billboard faces are not repaired, the revenue loss for the industry would exceed \$2 million per a month and \$27 million per year (Figure on page 3).

**Table 1. Estimated Direct Impact of Hurricane Charley on  
The Florida Outdoor Advertising Industry**

Number of Advertising Billboard Faces Damaged	2050
Estimated Monthly Revenue Loss	\$1,138,600
Estimated Annual Revenue Loss	\$13,663,200

Source: Florida Outdoor Advertising Association

Table 2 shows the current study's projection of indirect and induced, as well as direct, losses for one year to Florida in GRP, employment and disposable income attributable to the advertising billboard faces damaged by Hurricanes Charley and Frances will have on Florida's economy. If the damaged billboard faces are not expeditiously repaired, it is estimated that, in one year, state GRP will decline by \$50 million<sup>3</sup> and real disposable income by \$25 million, respectively, and 870 jobs will be lost.

**Table 2. The Total State Economic Impacts Attributable to  
Outdoor Advertising Billboard Faces Damaged by Hurricanes Charley and Frances**

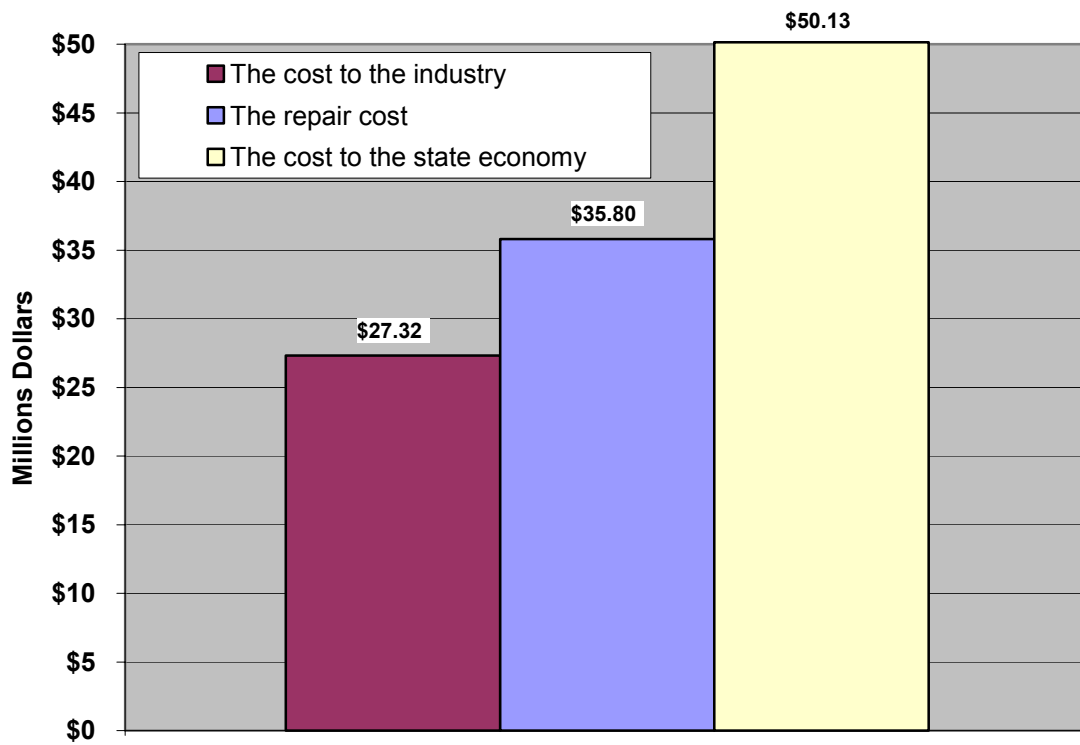
GRP (in millions) (2004 Dollars)	-\$50.13 <sup>4</sup>
Employment	-870
Disposable income (in millions) (2004 Dollars)	-\$25.07

Moreover, the estimated cost to repair the damaged advertising billboard faces is far less than the benefits that accrue to Florida's economy should they be expeditiously repaired—\$35.8 million—or two-third of the estimated loss to state GRP (Figure on page 3). It is estimated that additional one-year losses of \$660,126 and \$414,811 will occur in state sales and use tax and property taxes, respectively, if steps are not taken to repair the advertising billboard faces that were damaged. Total federal, state and local tax revenues could drop by \$5.8 million.

<sup>3</sup> The REMI result is converted to 2004 dollars. The inflator used to convert 1999 dollars to 2004 dollars was: (CPI 2004) / (CPI 1999) = 180.5/162 = 1.114

<sup>4</sup> State GRP loss also graphically displayed in Figure on page 3

**Related Costs of Hurricanes Charley and Frances  
to the Florida Outdoor Advertising Industry and State Economy**



In summary, when unhampered by natural or man-made disasters, the Florida outdoor advertising industry, other things being equal, has an impressive track record of having a very favorable impact on the state's business climate, the economic well being of all Florida citizens and Florida's economy overall. The most recent disruptions by Hurricanes Charley and Frances could have significant negative impact, especially on Florida small businesses that depend so much on reaching their customers cost-effectively via Florida billboard advertising. Florida tourism as well, as the TaxWatch 2002 study so vividly described, is heavily dependent on billboard advertising and could be impacted toward no good end unless action is taken to provide necessary relief to Florida's outdoor advertising industry.

Florida TaxWatch recommends that state Administrative Procedures Act (APA) emergency rules provision Fla. STAT. 120.54(4) be invoked to ameliorate the damages sustained by Florida advertising industry billboards as a result of Hurricanes Charley and Frances.<sup>5</sup> The sooner that the industry can recover from these most unfortunate natural disasters, the better off will be Florida citizens, the business community and the state's economy overall.

<sup>5</sup> As this *Briefings* goes to press, yet another Hurricane Ivan is approaching a likely landfall in the Florida Panhandle and another possible hurricane, Jeanne, is making its way toward the U.S. Eastern Seaboard.

This *Briefings* was written by Necati Aydin, Ph.D., Senior Research Analyst, with and under the direction of Keith G. Baker, Ph.D., Senior Vice President and Chief Operating Officer. Barney Barnett, Chairman; Dominic M. Calabro, President, Publisher and Editor.

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## About Florida TaxWatch

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Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard-earned tax dollars. The nationally distributed *City and State* magazine (now *Governing* magazine) published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected government watchdogs and taxpayer research institutes in the nation.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post* and *Fortune* magazine. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported by voluntary, tax-deductible membership contributions and philanthropic foundation grants and contracts. Membership is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens.

Florida TaxWatch's empirically sound research products recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$6.2 billion (according to an independent assessment by Florida State University). That translates to approximately \$1,067 in added value for every Florida family.

With your help, we will continue our diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

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