SESSION SPOTLIGHT

Florida TaxWatch

Not Funding VISIT FLORIDA Would Hurt Tourism Promotion and Florida's Economy

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Tourism plays a major role in Florida's economic strength. More than 142 million tourists are expected to visit Florida in 2023.[1] In 2019, 131 million visitors spent nearly $100 billion, supporting 1.6 million Florida jobs that paid $57 billion in wages.[2] The spending generated $12.7 billion in state and local taxes. Without the state and local taxes generated by tourism, each Florida household would have to pay as much as $1,420 in additional taxes just to maintain the current level of government services.

In 1996, the Florida Legislature created the Florida Tourism Industry Marketing Corporation, known as VISIT FLORIDA (VF). VF is a public-private partnership that serves as Florida's statewide destination marketing organization. It is a direct support organization of Enterprise Florida, which is required to contract with VF "to execute tourism promotion and marketing services, functions, and programs for the state."[3]

Over the years, a number of Florida TaxWatch research projects have highlighted the value of VF and shown that continuous, targeted investment in Florida tourism promotion is critical to our state's economic success. VF has been instrumental in helping tourism recover following disasters and events such as hurricanes, red tide, the Zika virus scare, and the COVID-19 pandemic, dispelling rumors and letting the world know that Florida and its beaches and other attractions were open for business. The pandemic caused a 24.8 percent decrease in tourists. After growth of 38.5 percent in 2022, the number of visitors has surpassed the pre-pandemic peak and is expected to continue to grow, passing the 150 million mark in 2026.[4]

Cutting Funding and Proposed Legislation Could Scuttle that Success

State funding for VISIT FLORIDA is in question as the House and Senate negotiate in the budget conference. The Senate budget provides $80 million, but the House proposes not to fund VF. Further, HB 7053 would change the way tourism promotion is funded in Florida and could result in its eventual elimination. Under that legislation, state funding of VISIT FLORIDA would be prohibited, shifting responsibility to counties, who would have to contribute five percent of their Tourist Development Tax (TDT) revenue. Rural counties[5] would contribute two percent of TDT revenue.These county contributions would be required for three years, after that, it would be at the counties' discretion.

The bill also impacts TDTs, which raise $1.5 billion

1 Results of the Florida Economic Estimating Conference, February 15, 2023.

2 Rockport Analytics and VISIT FLORIDA, 2019 Contribution of Travel & Tourism to the Florida Economy, February 2021.

3 S. 288.923(3), F.S.

4 Results of the Florida Economic Estimating Conference, February 15, 2023.

5 Under the bill, a rural county is defined as a county with a population of 75,000 or fewer or a population of 125,000 or fewer which is contiguous to a county of 75,000 or fewer.

annually for local tourism promotion and other related spending. There are five separate TDTs and at least one is levied by 62 of 67 counties. Currently, the original one or two percent TDT may be approved by a simple majority of voters. Additional TDT levies may be authorized by the county commission or by a countywide referendum. Once voters have approved the original one or two percent TDT, the county is not required to get voter approval to continue levying the original TDT or to impose any of the additional TDTs. The bill would provide that all TDTs expire after six years and ordinances to enact any TDT would have to be approved by 60 percent of the electors voting in the county.

If public funding falls below $1 million in a fiscal year, VF will be dissolved. In addition, if the one-to-one public/private match requirement is not met, all unmatched funds would be required to be returned to counties.

The bill further requires that at least 75 percent of VF's revenue be used to directly assist rural counties and Florida's state parks and forests.

It seems the bill is designed to bring a slow death to VF and perhaps dismantle publicly funded tourism promotion in Florida. The six-year limit on TDT's, coupled with the requirement for a referendum and a 60 percent supermajority vote to renew one, puts that tourism promotion funding source at risk. Over the years, the Legislature had expanded the authorized uses for TDT revenue, already diluting funding for their original intent—funding tourism promotion—and increasing counties' reliance on this source to fund other things.

Because of this, counties may be reluctant to provide funding to VF after the initial mandatory three-year period. In addition, the requirement that at least 75 percent of VF funding go to the promotion of small, rural counties and state parks and forests, may make VF contributions less attractive for larger counties. At current TDT revenue levels, counties would initially have to contribute approximately $77 million to VF. Non-rural counties would provide $72.5 million (93.8 percent) of that amount for a chance to share in $19.3 million (25.0 percent).[6] In addition, the bill would require counties to pay for the promotion of state assets.

It should be noted that the Florida Small County Coalition, a non-partisan alliance of small and rural county commissions, appeared at the House Regulatory Reform & Economic Development Subcommittee meeting to speak in opposition of the bill, saying any financial gain for them would be short-lived. They were joined by more than 30 other speakers--economic development professionals and local government and business representatives—that voiced opposition. Only one speaker was in favor of the legislation. In debate, the only committee members that spoke either opposed the bill or voiced concerns.

Visit Florida has a Proven Record of Producing Benefits for Florida Taxpayers

In 2013, the Legislature directed its Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to determine the return-on-investment (ROI) of the state's economic development programs on a recurring three-year cycle. The law defines economic benefit/ROI as gains in state revenues as a percentage of the state's investment. EDR is required to quantify jobs created, the change in personal income, and the impact on state Gross Domestic Product (GDP) for each program.

The House is also considering legislation (HB 5) this session to eliminate Enterprise Florida and repeal 25 other economic development programs. The major justification for eliminating these programs is that they did not have a positive ROI as calculated by EDR. However, EDR also reviews VF and all three of

6 Calculations by Florida TaxWatch, using TDT revenue and population data from the Office of Economic and Demographic Research.

its reviews show it has a positive ROI. The most recent analysis estimates VF returns $3.3 dollars in state revenue for each $1 invested.[7]

In an earlier analysis, Florida TaxWatch used econometric modeling to determine that a loss of 5 million visitors a year, which is currently only 3.6 percent of total visitors coming to the state, could have far-reaching consequences for Florida. The analysis estimated a loss of 137,000 jobs over a two-year period and a reduction in real disposable income of $2.9 billion.[8] Such losses in jobs, job opportunities, and income would lead to people leaving the state in search of work.

Promotion is Essential for Success

There are some that say Florida has so much going for it as a tourist destination, people will continue to come to our state regardless of advertising and promotion. This is true to a certain extent; Florida assets are well known. But with global competition for the tourist dollars increasing, Florida must continue to highlight those assets to the world. Florida has a great brand, but the most successful businesses all know not to rest on their laurels. The most recognizable brands in the world—Apple, Amazon, Microsoft, Google, Coca-Cola, Disney, McDonald's—are also among the top advertising spenders, all with multi-billion-dollar budgets.

The EDR analysis estimates that three out of every five (60 percent) out-of-state visitors to Florida were influenced by tourism marketing, and that percentage is growing.

States that have reduced their tourism promotion spending, such as Colorado, Pennsylvania, and Washington, have experienced immediate and long-term negative economic impacts.[9]

For many years, Florida TaxWatch research has supported investment in the state's tourism industry. The state has developed a very good tourism promotion model that has proven success. HB 7053 would threaten that model Although the legislation did not get through its committees, funding for VF is still very much in doubt as budget negotiators have not yet reached agreement. The language in HB 7053 could resurface as a compromise.

To remain competitive and sustain Florida's share of the U.S. tourism market, Florida must continue to invest in tourism marketing and promotion to make sure that when tourists begin to plan their next vacation, they think first of Florida.

Other Florida TaxWatch Research on VISIT FLORIDA and Tourism Marketing

www.floridataxwatch.org

- Florida TaxWatch, Diverting Tourist Development Tax Revenue: Florida Shouldn't "Eat Our Seed Corn" by Diverting Tourist Development Tax Revenue, February 2020.
- Florida TaxWatch, "The Show May Not Go On: An Analysis of The Cost of Severe Cuts To Florida's Tourism Marketing", March 2017.
- Florida TaxWatch. "Welcoming the World: Making Florida the top international tourism destination." February 2016.
- Florida TaxWatch, "Investing in Tourism: Analyzing the economic impact of expanding Florida tourism." January 2013.
- Florida TaxWatch, "Florida's Tourism Promotion Effort Could Eat the State's Seedcorn", March 1996.

7 Office of Economic and Demographic Research, "Return on Investment for VISIT FLORIDA," January 2021.

8 Florida TaxWatch, "The Show May Not Go On: An Analysis of The Cost Of Severe Cuts To Florida's Tourism Marketing", March 2017.

9 Ibid.

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