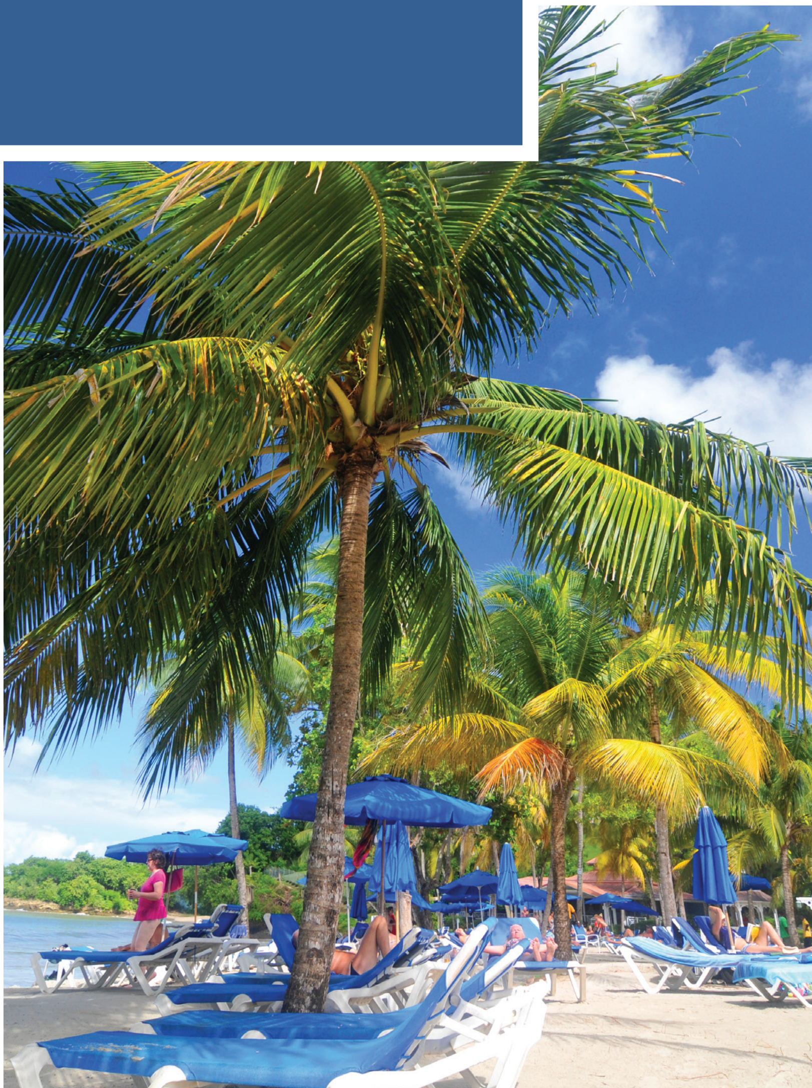
THE SHOW MAY NOT GO ON

AN ANALYSIS OF THE COST OF SEVERE CUTS TO FLORIDA'S TOURISM MARKETING

MARCH 2017



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Dear Fellow Taxpayer:

Tourism is Florida's largest industry, employing 1.4 million Floridians and generating $11.3 billion in state and local tax revenues. Florida's public and private investment in tourism marketing and promotion continues to produce record numbers of out-of-state visitors (112.8 million) and visitor spending ($113 billion).

For many years, Florida TaxWatch research has supported investment in the state's tourism industry. 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.

While I am very proud of the work that TaxWatch has done on this issue, TaxWatch is not alone in finding the value of VISIT FLORIDA and tourism marketing in general. National industry groups, the Office of Economic and Demographic Research (EDR), and others in Florida have analyzed tourism investment and shown similar results, time and time again. The conclusions of this report are simply compelling.

Florida's tourism marketing programs have recently come under heightened scrutiny from Florida legislators, some of whom question whether this is a wise investment and/or an appropriate use of public funds. A handful of stories has pointed to the need for the increased oversight and accountability of VISIT FLORIDA, the marketing and coordinating arm of the Sunshine State's tourism endeavors. Florida TaxWatch fully supports sound governance and responsible oversight.

It is, however, disappointing that so much effort is being spent on a public/private partnership entity that costs the state roughly $80 million per year, when up to $2 billion in cost savings recommendations put forward by the TaxWatch Center for Government Efficiency and the constitutionally created Government Efficiency Task Force have yet to be fully enacted. Accountability and transparency are vital and should be ensured, but with a total budget of nearly $83 billion, surely the Legislature can find more substantive ways to protect the taxpayers' hard-earned money than dismantling a highly effective tourism marketing partnership that is clearly getting tremendous results for Floridians.

Florida TaxWatch urges the Florida Legislature to have a lively and passionate debate on the merits of VISIT FLORIDA and reconsider plans to significantly weaken the agency's abilities to move our state and economy forward.

Sincerely,

Dominic M. Calabro

Dominic M. Calabro
President & CEO

EXECUTIVE SUMMARY

Tourism plays a major role in Florida's economic strength. Last year, more than 112 million tourists visited Florida and spent an estimated $113 billion. This spending supports as many as 1.4 million Florida jobs, and generated $8.0 billion in state and local tax revenue in 2016. Without the state and local taxes generated by tourism, each Florida household would have to pay as much as $1,535 in additional taxes just to maintain the current level of government services.

The Florida Tourism Industry Marketing Corporation, operating under the name VISIT FLORIDA, is the state's destination marketing organization. A public-private economic development partnership, VISIT FLORIDA and its 12,000 tourism industry partners engage in cooperative advertising campaigns, promotional programs and many other cooperative ventures.

Recently, VISIT FLORIDA has come under fire from members of the Florida Legislature. Some legislators maintain that VISIT FLORIDA spending has little demonstrated effect on tourism, and that visitors will come to Florida with or without VISIT FLORIDA. Other legislators question the lack of transparency and accountability surrounding VISIT FLORIDA's business operations. Legislation has been proposed during the 2017 legislative session that, if passed, will limit VISIT FLORIDA's legislative appropriation to $25 million and impose more stringent transparency and accountability requirements.

Global tourism is an increasingly competitive market. To maintain its share of the tourism market, Florida must compete for visitors against other states, primarily California and Texas. Like Florida, California and Texas offer visitors spectacular landscapes and natural beauty, ethnically and culturally diverse cities, theme parks and attractions, sports and recreational opportunities, supportive infrastructure, and climates that are conducive to year-round visitation.

Florida's large theme parks and attractions will continue to advertise and market to out-of-state visitors with or without VISIT FLORIDA. It is the thousands of small tourist-dependent businesses that will get lost in the shuffle without the leadership of VISIT FLORIDA. This is why it is important for VISIT FLORIDA to provide strong leadership to keep Florida's tourism industry competitive and sustainable. VISIT FLORIDA leverages its resources through cooperative marketing programs that add value for its 12,000 business partners. This allows VISIT FLORIDA's business partners to gain access to promotions on a scale not otherwise possible.

One only needs to look at the experience of other states that have reduced or eliminated their tourism marketing efforts to understand what will happen if VISIT FLORIDA is eliminated. States like Colorado and Washington that have drastically cut or eliminated their investment in travel promotion have experienced immediate and long-term negative economic impacts. Destinations that fail to invest consistently in travel promotion will see visitors, jobs, and tax revenues go elsewhere. Should Florida choose to follow suit, tourism and the economic activity and taxes it generates will certainly decline.

Florida TaxWatch research shows that continuous, targeted investment into Florida's tourism industry is critical to our state's success. While diversifying the economy is important, tourism will remain a key component of Florida's economic strength. The Legislature must continue to fund tourism marketing and promotion at its current level and move Florida forward.

INTRODUCTION

"Florida is tourism. Every modern image of the state evokes travel for pleasure."
Tracy J. Revels
Sunshine Paradise: A History of Florida Tourism

TaxWatch research has consistently shown that tourism is a major part of the state's economy, with each additional 85 tourists supporting 1 new job.[1] After several years of a concerted effort to reach the 100 million visitors milestone, the state surpassed the mark in 2014-15,[2] and the growth has continued at a significant rate. As a result of these efforts, Florida remains among the top travel destinations in the United States, having welcomed 112.8 million tourists in 2016.[3] This represents an increase of 5.9 percent increase over 2015 and the sixth-consecutive record-high year for Florida.[4]

Since 2010, visitor spending has increased by an average of 6.7 percent each year.[5] Tourists spent an estimated $113 billion in 2016,[6] supporting 1.4 million Florida jobs (nearly one in six non-farm jobs),[7] and the number of tourism-related jobs increased to 1.4 million in 2016, setting another record high.[8]

True to its reputation as a premier global destination, Florida's tourists come from all over the U.S. and the world. A record 98 million domestic visitors came to Florida last year, a 7.3 percent increase over 2015; international visitors totaled 14.8 million, with 11.1 million coming from overseas and 3.7 million Canadians coming to Florida.[9] A 2016 TaxWatch report on international tourism found that:[10]

> *Florida currently has two of the most popular overseas tourist destinations in the nation. Data released by the U.S. National Travel & Tourism Office ranked the top 20 cities in the U.S. for international tourism in 2014. Miami came in ranked number two with nearly 5 million visitors and 14.1 percent of the market share for international tourists. Orlando also had a strong showing, ranking fourth in the nation with more than 4 million visitors and 12 percent of the market share for international tourists.*

1 Florida TaxWatch, "Investing in Tourism: Analyzing the economic impact of expanding Florida tourism." January 2013.

2 Caitlin Dineen, "Florida sees record tourism numbers in 2015," Orlando Sentinel, February 18, 2016, retrieved from www.orlandosentinel.com/travel/os-bz-visit-florida-tourism-2016-story.html, March 16, 2017.

3 Caitlin Dineen, "Florida Welcomed Nearly 13 Million Tourists in 2016," Orlando Sentinel, February 16, 2017, retrieved from www.orlandosentinel.com/travel/os-bz-visit-florida-tourism-2016-story.html, February 20, 2017.

4 Ibid.

5 Tourism Economics, "The Economic Impact of Out-of-State Visitor Spending in Florida," June 2016.

6 Florida TaxWatch estimate based on REMI analysis.

7 Tourism Economics, "The Economic Impact of Out-of-State Visitor Spending in Florida," June 2016.

8 Caitlin Dineen, "Florida Welcomed Nearly 13 Million Tourists in 2016," Orlando Sentinel, February 16, 2017, retrieved from www.orlandosentinel.com/travel/os-bz-visit-florida-tourism-2016-story.html, February 20, 2017.

9 Ibid.

10 Florida TaxWatch. "Welcoming the World: Making Florida the top international tourism destination." February 2016.

The influx of domestic and international guests also has a significant impact on state and federal tax revenues. Out-of-state tourism in Florida generated $11.3 billion in state and local taxes, and $13.0 billion in federal taxes last year. Without the state and local taxes generated by tourism, each Florida household would have to pay up to $1,535 in additional taxes just to maintain the current level of government services.[11]

To help support and grow this important sector, the Florida Tourism Industry Marketing Corporation, operating under the name VISIT FLORIDA, is the state's destination marketing organization. A public-private economic development partnership, VISIT FLORIDA and its 12,000 tourism industry partners engage in cooperative advertising campaigns, promotional programs and many other collaborative ventures.[12] In order to participate in cooperative advertising and promotions, partners must make contributions. These matching funds are combined with VISIT FLORIDA's annual legislative appropriation to maximize VISIT FLORIDA's advertising budget, which in fiscal year 2016-17 is $78 million.[13]

Recently, VISIT FLORIDA has come under fire from members of the Florida Legislature. Some legislators maintain that VISIT FLORIDA spending has little demonstrated effect on tourism, and that visitors will come to Florida with or without VISIT FLORIDA. Other legislators question the lack of transparency and accountability surrounding VISIT FLORIDA's business operations. Legislation has been proposed during the 2017 legislative session that, if passed, will limit VISIT FLORIDA's legislative appropriation to $25 million and impose more stringent transparency and accountability requirements.

While more accountability and transparency are always positive steps for the taxpayers, the proposed cut in funding is inconsistent with reports from the Legislature's own Office of Economic and Demographic Research (EDR), which is required by law to analyze and evaluate the economic benefit of VISIT FLORIDA and other economic development incentive programs on a recurring 3-year cycle. As part of this analysis, EDR calculates the return on investment (ROI). The ROI is developed by adding all state revenues generated by VISIT FLORIDA, subtracting state expenditures invested in VISIT FLORIDA, and dividing that calculation by the state's investment. Using this method, EDR estimates VISIT FLORIDA's public marketing spend generates a positive ROI of 3.2.[14] This means that every $1 invested in VISIT FLORIDA's tourism marketing generates $3.20 in state tax revenue.

Examining historic visitor data shows that VISIT FLORIDA's marketing arsenal is consistent with the number of visitors to the state (Fig. 1). Visitors to Florida have had periods of slower growth and reductions over the past 30 years, but as VISIT FLORIDA's budget climbed in the last 6 years, the number of visitors to the state has skyrocketed, surpassing the 100 million visitor milestone in 2015.[15]

11 Tourism Economics, "The Economic Impact of Out-of-State Visitor Spending in Florida," June 2016.

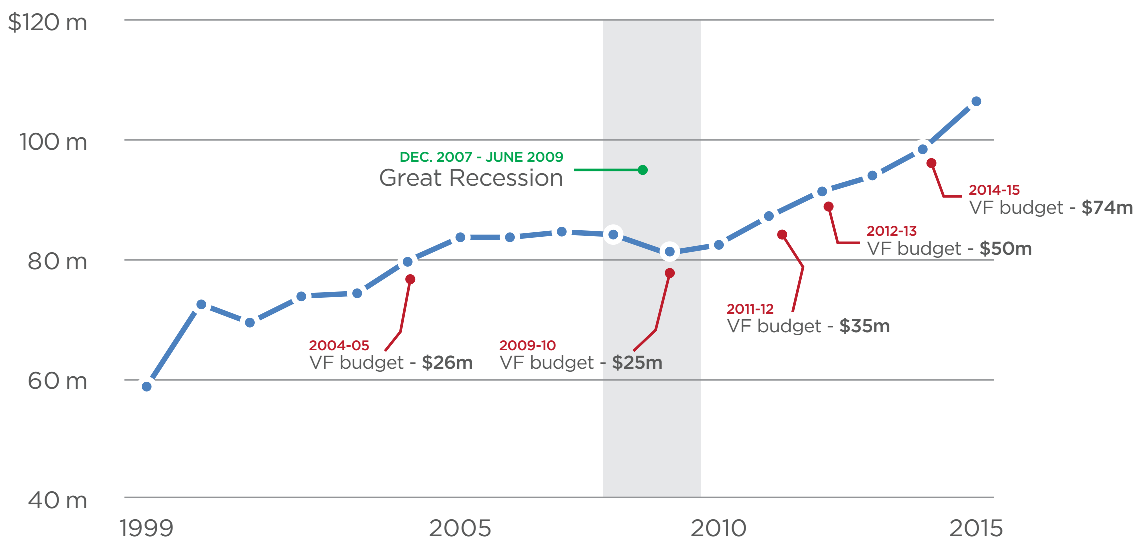
12 www.visitflorida.com/en-us/about-visit-florida.html

13 Office of Economic & Demographic Research, "Return on Investment for VISIT FLORIDA," January 1, 2015.

14 Ibid.

15 Caitlin Dineen, "Florida sees record tourism numbers in 2015," Orlando Sentinel, February 18, 2016, retrieved from www.orlandosentinel.com/travel/os-bz-visit-florida-tourism-2016-story.html, March 16, 2017.

FIGURE 1. FLORIDA TOURISTS – HISTORICAL DATA
(FY1999 - FY2015)



Note: VISIT FLORIDA was created in FY1996 with a budget of $20 million. This chart begins with FY1999 due to changes in the methodology by which visitors to the state are counted.

WHY MARKET AND ADVERTISE TOURISM?

Two reasons: California and Texas. These states are Florida's main competitors when it comes to attracting visitors, both domestic and international. Like Florida, these states offer visitors spectacular landscapes and natural beauty, ethnically and culturally diverse cities, theme parks and attractions, sports and recreational opportunities, supportive infrastructure, and climates that are conducive to year-round visitation. A comparison of key tourism metrics for Florida[16], California[17], and Texas[18] is provided in Table 1.

TABLE 1. TOURISM PROFILES (2015)

	FLORIDA	CALIFORNIA	TEXAS
Total Direct Travel Spending	$108.8 B	$122.5 B	$68.7 B
State & Local Tax Revenues	$11.3 B	$9.9 B	$6.2 B
Jobs Supported by Travel	1.4 M	1.06 M	1.1 M

Critics of destination marketing claim the visitors will come to Florida whether or not the state actively promotes itself as a desirable tourist destination. This is true to a certain extent; Florida's beaches, theme parks, golf courses, and other attractions are well-known and many visitors will plan their Florida vacation without regard to VISIT FLORIDA's marketing activities. Many other visitors, however, may not. Those looking for off-the-beaten-path locations, or those driving through the state to get to one of the theme parks, are unlikely to find some of the local treasures that an entity like VISIT FLORIDA often highlights.

16 Tourism Economics, "The Economic Impact of Out-of-State Visitor Spending in Florida," June 2016.

17 Visit California, "California Tourism Facts and Figures," retrieved from http://industry.visitcalifornia.com/Find-Research/California-Statistics-Trends/, February 23, 2017.

18 Travel Texas, "Texas Travel Facts," retrieved from https://travel.texas.gov/tti/media/PDFs/travel-facts_1.pdf, February 23, 2017.

MARKET SHARE

The concept of market share is important. Market share may be calculated as follows:

$$\frac{\text{Tourist spending in Florida}}{\text{Tourist spending in the United States}}$$

Based on total tourist spending of $947.11 billion in 2015[19], Florida's share of the tourism market is approximately 11.5 percent. The market shares for California and Texas are 12.9 percent and 7.25 percent, respectively.

To illustrate the importance of market share, consider Coca-Cola, the leading brand of soft drink with annual revenues of $43.5 billion and $7.3 billion in profit.[20] Everyone who drinks soft drinks knows Coca-Cola, so why would Coca-Cola spend $4 billion[21] in advertising in 2016 when not advertising would immediately add $4 billion in savings to the company's bottom line?

The answer is because Coca-Cola is not the only company that manufactures and sells soft drinks. Pepsi and other soft drink companies compete with Coca-Cola to gain a portion of Coca-Cola's share of the soft drink market. When a shopper goes into a grocery store to buy soft drinks, Coca-Cola wants to make sure the shopper chooses its products.

This underscores a fundamental reason why global mega-brands and leading tourist destinations like Florida advertise: to keep their brand "top-of-mind" and to maintain or grow their market share. When a family in the Midwest begins to plan their next vacation, VISIT FLORIDA and Florida's residents want that family to be thinking about Florida, not California or Texas.

19 "Domestic and International Travel Expenditures in the United States from 2000 to 2015," retrieved from www.statista.com/statistics/207088/travel-expenditures-in-the-us-since-2000/, February 23, 2017.

20 Maggie McGrath, "The World's Largest Food And Beverage Companies 2016: Chocolate, Beer And Soda Lead The List," Forbes, May 22, 2016, retrieved from www.forbes.com/sites/maggiemcgrath/2016/05/27/the-worlds-largest-food-and-beverage-companies-2016-chocolate-beer-and-soda-lead-the-list/#12f70a8ac719, February 23, 2017.

21 Tom Wadlow, "Top 20 Companies With the Biggest Advertising Budget," Business Review Europe, May 2016, retrieved from http://www.businessrevieweurope.eu/marketing/856/Top-20-companies-with-the-biggest-advertising-budget, February 23, 2017.

THE NEED FOR COORDINATION

"Disney doesn't need Visit Florida. All the small businesses in Florida need Visit Florida."

Roger Dow, President & CEO
U.S. Travel Association

Mr. Dow's statement underscores the need for a central mechanism to coordinate tourism marketing and promotion in Florida. As Mr. Dow correctly states, the large theme parks and attractions will continue to advertise and market to out-of-state visitors with or without VISIT FLORIDA. It is the thousands of small tourist-dependent businesses that will get lost in the shuffle without the leadership of VISIT FLORIDA.

This is why it is important for VISIT FLORIDA to provide strong leadership to keep Florida's tourism industry competitive and sustainable. VISIT FLORIDA leverages its resources through cooperative marketing programs that add value for its 12,000 business partners. This allows VISIT FLORIDA's business partners to gain access to promotions on a scale not otherwise possible.

The need for strong leadership becomes apparent when external events threaten Florida's tourism market. The two hurricanes that battered the Florida coastline in 2016, the Zika virus, recent algae blooms in the St. Lucie River, and changes in federal immigration policy all affect visitor behavior. Less recently, but still significant, are the Gulf of Mexico oil spill and the events of September 11, 2001, which both had a negative impact on both domestic and international travelers to the state.

Consider, for example, that the recent federal executive order banning visitors from seven Middle Eastern countries from entering the U.S. (and the subsequent re-release of the ban only targeting six countries) has already had an effect on visitor travel. The online travel site Cheapflights.com saw international searches for flights to the U.S. drop 38 percent in the days immediately following the executive order.[22] The airline prediction app *Hopper* analyzed 303 million flight searches between January 26, 2017 and February 1, 2017 and found that flight search demand from 122 international countries to the United States dropped 17 percent after the implementation of the travel ban.[23] The tour operator Intrepid Travel saw a 21 percent decrease in sales for trips to the U.S. from travelers in Australia and a 30 percent decrease in sales from travelers in Britain.[24]

It will be critical for VISIT FLORIDA and its partners to craft a strategy to sustain Florida's market share and remain competitive in light of this external pressure.

22 Shivani Vora, "After the Travel Ban, Interest in Trips to the U.S. Declines," New York Times, February 20, 2017, retrieved from www.nytimes.com/2017/02/20/travel/after-travel-ban-declining-interest-trips-to-united-states.html?_r=0, February 28, 2017.

23 Ibid.

24 Ibid.

WHAT IF FLORIDA STOPS MARKETING AND ADVERTISING TOURISM?

One only needs to look at the experience of other states that have reduced or eliminated their tourism marketing efforts to understand what will happen if VISIT FLORIDA is eliminated.

PENNSYLVANIA

Consider Pennsylvania, which in 2009 experienced a slowdown in tax revenues and a tightening of the state budget. Legislators viewed the state's destination marketing budget as an easy target to cut and reduced the travel destination budget from $30 million to $7 million.[25]

As a result of this reduction, Pennsylvania experienced a decline in market share; in 2009, Pennsylvania attracted 18 percent of marketable overnight trips within a nine-state region[26] and 23 percent of marketable day trips. By 2014, that share had declined to 15 percent and 19 percent respectively. Pennsylvania also lost tax revenues. Tourism Economics estimated that every $1 cut from the Pennsylvania destination marketing budget cost the state $3.60 in lost tax revenue.[27] Between 2009 and 2014, Pennsylvania lost more than $600 million in state and local tax revenue that travelers would have generated had the destination marketing budget been sustained.[28]

Additionally, Pennsylvania lost ground to competitor states. Between 2010 and 2014, direct travel spending increased 24 percent nationwide, but only increased 17 percent in Pennsylvania. State and local tax revenues increased 22 percent nationwide during this same period, but only increased 17 percent in Pennsylvania.[29] Pennsylvania also lost out on overseas visitors. Since 2007, overseas visitors to the U.S. increased by 44 percent, compared to just 19 percent in Pennsylvania. This represents a loss of about 206,000 additional overseas visitors in 2014.[30]

COLORADO

In 1993, the state of Colorado eliminated funding for its tourism office ($12 million). Within one year, the state dropped from first to 17th place among summer resorts and lost $1.4 billion in visitor spending.[31] From 1993 to 1997, Colorado's share of the national leisure market dropped 30 percent, annual visitor spending fell by $2.4 billion, and tax receipts declined by $134 million.[32] To remedy the situation in 2000, Colorado re-opened its tourism office. From 2000 to 2015, travel spending in Colorado increased by 74 percent. Despite re-opening its tourism office and regaining a reliable revenue stream in 2000, Colorado has yet to regain the tourist market share it had in 1993.[33]

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25 U.S. Travel Association, "The Power of Travel Promotion: What Destination Marketing Means to Communities Nationwide," Updated January 2017.

26 Pennsylvania, New York, New Jersey, Delaware, Maryland, District of Columbia, Virginia, West Virginia, and Ohio.

27 Tourism Economics, "Competitive Analysis of Pennsylvania's Tourism Budget," December 2015.

28 Ibid.

29 U.S. Travel Association, 2016.

30 Tourism Economics, "Competitive Analysis of Pennsylvania's Tourism Budget," December 2015.

31 U.S. Travel Association, Presentation to Florida Senate Appropriations Committee, January 26, 2017.

32 Ibid.

33 Washington Hospitality Association, "Putting Washington on the Tourism Map," Washington Hospitality Magazine, October 2016, retrieved from http://wahospitality.org/blog/putting-washington-on-the-tourism-map/, February 20, 2017.

WASHINGTON

In 2011, as a result of budget cuts, the state of Washington ignored the lessons learned by Colorado and closed its tourism office, becoming the only state in the nation with no statewide tourism office and no state money to promote itself to visitors. Tourism is a $20 billion industry in Washington that annually generates $1.8 billion in tax revenue and supports more than 170,500 jobs. It is also the state's fourth largest sector for employment and its fifth largest export-oriented industry.[34]

When Washington closed its tourism office in 2011, neighboring states increased their tourism promotion budgets. Montana, for example, increased its tourism marketing budget by 30 percent the following year. Traveler spending in Montana predictably grew 70 percent faster and, as a result, took in far more travel-related tax revenue than Washington.[35] In 2011, only Connecticut and Washington provided no public money for travel and tourism promotion.[36] It should be noted that the Washington Legislature is currently considering creating a Washington Tourism Marketing Authority to fund and manage resources throughout the state.

34 Washington Hospitality Association, "Putting Washington on the Tourism Map," Washington Hospitality Magazine, October 2016, retrieved from wahospitality.org/blog/putting-washington-on-the-tourism-map/, February 20, 2017.

35 Roger Dow, "Strong State Tourism Budgets Mean Strong Communities," U.S. Travel Association, retrieved from www.ustravel.org/news/strong-state-tourism-budgets-mean-strong-communities, February 20, 2017.

36 Skift. The Haves and Have Nots of U.S. State Tourism Budgets https://skift.com/2013/07/17/most-state-tourism-boards-get-peanut-budgets-in-comparison-to-the-top-ten/

ECONOMIC IMPACT ANALYSIS

This report uses the advanced econometric forecasting model Florida Regional Economic Models, Inc. (REMI) to show the contribution that the state's tourism sector provided in 2015 and 2016, as well as the potential economic contribution this important economic sector can deliver over the next several years. The analysis estimates an increase of 89,000 jobs in the forecast for 2017 and 2018, an increase in Florida's Gross Domestic Product (GDP) of $11 billion (adjusted for anticipated inflation), and a contribution of $1.1 billion in state and local government tax revenue.

The forecasted increase in employment opportunities, the state's quality of life (amenities), and rising "real" disposable personal income work together to encourage population growth. The forecast shows a population increase of 374,000 from 2017 to 2018, which is sure to bring with it new businesses and expand the tax base.

A longer term view indicates that the tourism sector has the potential to increase its contribution to the state's employment in 2024 by 14 percent (159,000 jobs) over the number of jobs in 2015. The contribution to Florida's GDP (adjusted for inflation) is anticipated to increase by 43 percent ($29 billion) in 2024 versus 2015. The state's economy also has the potential to increase state and local tax revenues while maintaining the current aggregate rate of 6.2 percent of economic output (sales). The forecast also estimates an increase in state and local tax revenues of 45 percent ($3.0 billion), after adjusting for price inflation.

Also using REMI, it is possible to estimate what the impact of a reduction in tourists' spending would be on our economy. Visitor data (see Fig. 1) show that when the most recent uptick in visitors began in 2011 following the Great Recession, Florida welcomed approximately 87 million visitors, and by 2015, that number was up to 106.5 million.[37] VISIT FLORIDA's marketing efforts over that time were also expanding, as the agency's state appropriation increased from $26.6 million in 2010-11 to roughly $80 million in 2015-16.[38]

To estimate the economic impact on the state if VISIT FLORIDA's funding were to be significantly reduced, this analysis uses a reduction in tourist spending of approximately $5.2 billion, which would be expected from a reduction of 5 million visitors to the state, a conservative estimate representing 26 percent of the increase in visitors from 2011-2016. This number also represents roughly 10 percent of visitors who were at least in part highly influenced by VISIT FLORIDA marketing efforts.[39]

If reductions to funding for VISIT FLORIDA were to result in a loss of tourism marketing, Florida could expect to take a hit in terms of the number of visitors each year, which would in turn have a significant impact on the state of Florida. For example, if Florida were to lose out on just 5 million visitors, the consequences would be far-reaching. After running an analysis using REMI, Florida TaxWatch found that the state could experience a loss of 71,000 jobs in 2018 and 67,000 in 2019.

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37 Caitlin Dineen, "Florida sees record tourism numbers in 2015," Orlando Sentinel, February 18, 2016, retrieved from www.orlandosentinel.com/travel/os-bz-visit-florida-tourism-2016-story.html, March 16, 2017.

38 Office of Economic & Demographic Research. http://edr.state.fl.us/Content/returnoninvestment/Tourism.pdf

39 Direct VISIT FLORIDA Influencer. Toluna Group. 2016. "Highly influenced" refers to those surveyed who rated VISIT FLORIDA marketing outlets (Website, Social Media, Publications, Advertising, Welcome Centers, Contests/Sweepstakes) as either a 4 or 5 out of 5. A 5 indicates that the method described was "Very Important." More than 46 percent of visitors surveyed were, at least in part, highly influenced by VISIT FLORIDA marketing strategies. Extrapolated out beyond the survey, this would represent more than 48 million tourists who visit the state each year.

In 2018, it is estimated that Floridians would lose approximately $2.9 billion in real disposable income (more than $39,000 per job lost). The issue would likely persist as the analysis shows that the state would continue to lose out on real disposable income each year, which could total nearly $19.5 billion by 2024.[40]

However, the effects would not just be felt within the economy. Due to a loss in jobs, job opportunities, and income, Florida could actually start to see people leaving the state in search of work in other states. In 2018 alone, Florida could see nearly 50,000 individuals leave the state, and that number would likely continue to rise for the foreseeable future. In fact, this REMI analysis shows that the Sunshine State could lose 460,000 residents by the year 2024.

While the effects on the economy and population should give policymakers pause when considering reducing the state's tourism marketing efforts, it is important to also understand these losses will also result in a loss of state and local tax revenue. For the year 2018, the state would lose more than $560 million in taxes collected at the state and local level. In total, state and local tax revenues could fall by nearly $3.5 billion by 2024.[41]

40 Summing the loss in real disposable income each year including 2024.

41 Implicit tax rate of 6.16% of gross economic output for each year, based on REMI Analysis.

CONCLUSIONS AND RECOMMENDATIONS

As stated earlier, "Florida is tourism." Tourism and visitor spending support as many as 1.4 million jobs and generate as much as $11.3 billion in state and local taxes, which support vital public services. Without the state and local taxes generated by tourism, each Florida household would have to pay as much as $1,535 in additional taxes just to maintain the current level of government services.

In an increasingly competitive travel market, the consistent investment in tourism and travel promotion will help Florida's tourism-related businesses remain competitive and sustainable. States like Florida that invest in travel promotion will benefit from increased tourism and visitation. Destination marketing organizations like VISIT FLORIDA and its 12,000 partners are able to leverage and coordinate their existing relationships and marketing programs to be more visible and attractive to potential travelers and businesses.

As we have seen, states like Colorado and Washington that have drastically cut or eliminated their investment in travel promotion have experienced immediate and long-term negative economic impacts. Destinations that fail to invest consistently in travel promotion will see visitors, jobs, and tax revenues go elsewhere. Should Florida choose to follow suit, there is no reason to believe the outcome will be any different.

After running multiple REMI analyses, Florida TaxWatch has determined that a loss of 5 million visitors a year, which is currently about 4.5 percent of total visitors coming to the state each year, could have lasting consequences for Florida. The state is likely to experience job loss figures in the hundreds of thousands in the foreseeable future, which will lead to a loss in billions of dollars in real disposable income. This in turn will greatly impact the residents of Florida, causing many to leave the state in search of jobs, which is likely to negatively affect state and local tax collections.

Florida TaxWatch research has shown time and time again that continuous, targeted investment in Florida's tourism industry is critical to our state's success. While diversifying the economy is important, tourism will remain a key component of Florida's economic strength. The Legislature must continue to fund tourism marketing and promotion at its current level and move Florida forward.

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MARCH 2017

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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