Return on Investment for VISIT FLORIDA

March 2024

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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 specific 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 review period covers Fiscal Years 2019-20, 2020-21, and 2021-22.

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.

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:

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

Since EDR's Statewide Model[3] 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 investment.
- **Equal To One (=1.0)**…the program breaks even; the return to the state in additional revenues equals the total cost of the investment.
- **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 of the investment.

[1] Section 288.0001, F.S. Prior to the 2024 Session, seventeen major programs were specified.
[2] Section 288.005(1), F.S.
[3] See the Methodology section for a description of the Statewide Model.

- **Less Than Zero (-, <0)**…the program does not recover any portion of the investment 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, an 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 0.58. For every dollar spent on VISIT FLORIDA's marketing efforts, the state of Florida received 58 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 2024 VISIT FLORIDA ROI was markedly lower than that produced by any of the three previous periods of analysis. [See Table below.]

VISIT FLORIDA ROI Comparison				
	2024 ROI Analysis	**2021 ROI Analysis**	**2018 ROI Analysis**	**2015 ROI Analysis**
ROI	0.58	3.27	2.15	3.21
FY Period Covered	FY 2019-22	FY 2016-19	FY 2013-16	FY 2010-13
Real State GDP ($ mill)	$ 8,564.92	$ 15,853.00	$ 13,493.50	$ 11,322.70
Total State Taxes Generated by the Program ($ mill)	$ 85.49	$ 744.64	$ 453.20	$ 343.40
State Payment ($ mill)	$ 146.60	$ 227.99	$ 210.50	$ 115.50

The largest contributor to the decline in ROI over this review period was the effect of the COVID health crisis on Florida's tourism industry. While state payments also declined significantly over the review period (36 percent lower than the 2021 report's review period), the declines in activity attributable to tourism broadly and VISIT FLORIDA specifically were relatively larger. Real Disposable Personal Income attributed to VISIT FLORIDA decreased by almost 58 percent during this period.

The overall decline in ROI is exacerbated by the precipitous drop in FY 2021-22 to an ROI of 0.11 [See Table on Page 28]. While the overall tourism count had rebounded to near pre-COVID levels by then [See Table Below], the composition was significantly different and still reeled from the effects of the pandemic shock. After the total number of tourists declined nearly 70.0 percent from the prior year in the second quarter of 2020, the recovery was gradual and buttressed by the increased number of domestic visitors travelling to Florida by air or car. It took two years for tourism to reach normal levels of domestic visitors and three years for Canadian visitors, while international visitors are still at depressed levels.

After 2.5 percent growth in Fiscal Year 2022-23, the state's Economic Estimating Conference expects another strong period of growth (6.4 percent) during Fiscal Year 2023-24, after which the annual growth rate moderates from 4.9 percent in Fiscal Year 2024-25 to 2.9 percent in the latter half of the forecast period. While the new forecast levels never exceed the pre-pandemic forecast levels for those years, they come close in the latter part of the 10-year forecast horizon. For these reasons, EDR believes that the current working ROI of 3.3 is more reflective of the VISIT FLORIDA program over a longer period of time and should be used for all forward-looking analyses.

Total Out-of-State Visitors to Florida						
	2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Domestic Visitors	100,808,000	108,590,000	114,922,000	93,285,000	94,281,000	127,046,000
International Visitors	13,358,000	13,474,000	13,487,000	10,061,450	2,336,000	7,237,000
Total Visitors	114,166,000	122,064,000	128,409,000	103,346,450	96,617,000	134,283,000
	Average Growth Rate: 5.32%			**Average Growth Rate: 4.32%**		

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. 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.[4] 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.[5] 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).[6] 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.[7]

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.[8] 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.[9] Finally, the invention and deployment of air conditioning into residential and commercial areas made Florida a year-around tourist destination. In periods prior, the hot temperatures made Florida unappealing during the summer months.[10]

The defining moment for modern tourism in Florida was the opening of Walt Disney World in 1967. 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 on their way to Miami).[11]

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[4] Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism.* University of Florida Press: 5, 7.
[5] Clark, J. (2014) *A Concise History of Florida.* The History Press: 25.
[6] *Ibid*: 77, 86.
[7] Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism.* University of Florida Press: 56.
[8] Thomas Weiss, "Tourism in America Before World War II." *The Journal of Economic History,* (June 2004).
[9] *Ibid.*
[10] Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism.* University of Florida Press: 102.
[11] *Ibid:* 122.

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).[12]

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 6.2 percent of Florida's GDP.[13] The Bureau of Labor Statistics (BLS) estimates that Florida's leisure and hospitality industry employed approximately 1.1 million people in Florida in 2021. This represents about 14.3 percent of all jobs in Florida.[14]

Total GDP and Employment in Florida's Leisure and Hospitality Industry 2021				
Florida	**GDP (Millions of Current Dollars)**	**GDP (Percentage)**	**Employment (Thousands)**	**Employment (Percentage)**
Total Nonfarm Employment	$ 1,210,706	100.0%	8,693	100.0%
Leisure and Hospitality	$ 71,688	5.9%	1,115	12.8%
Subsectors				
Performing Arts and Sports	$ 6,618	0.5%	34	0.4%
Amusement and Recreation	$ 10,722	0.9%	164	1.9%
Accommodation	$ 16,685	1.4%	145	1.7%
Food Services and Drinking Places	$ 37,663	3.1%	772	8.9%

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.

[12] U.S. Bureau of Economic Analysis, "Industries at a Glance: Leisure and Hospitality." www.bls.gov.
[13] U.S. Bureau of Economic Analysis, "Gross Domestic Product (GDP) by State and Industry (millions of current dollars)." (November 23, 2023). www.bea.gov.
[14] U.S. Bureau of Labor Statistics, "State and Area Employment, Hours, and Earnings." (November 23, 2023). www.bls.gov.

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, though 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 of 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, and they were typically performed or commissioned by a local destination marketing organization (DMO).[15] 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 19.2 million overnight tourists in 2022, adding approximately $20.8 billion to the local economy.[16] A Hillsborough County study found that 9.7 overnight visitors in 2019 added about $3.3 billion to the local economy.[17] A 2015 Jacksonville study estimated that visitors spent about $2 billion dollars and sustained more than 30,400 area jobs.[18] 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.[19]

[15] 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."

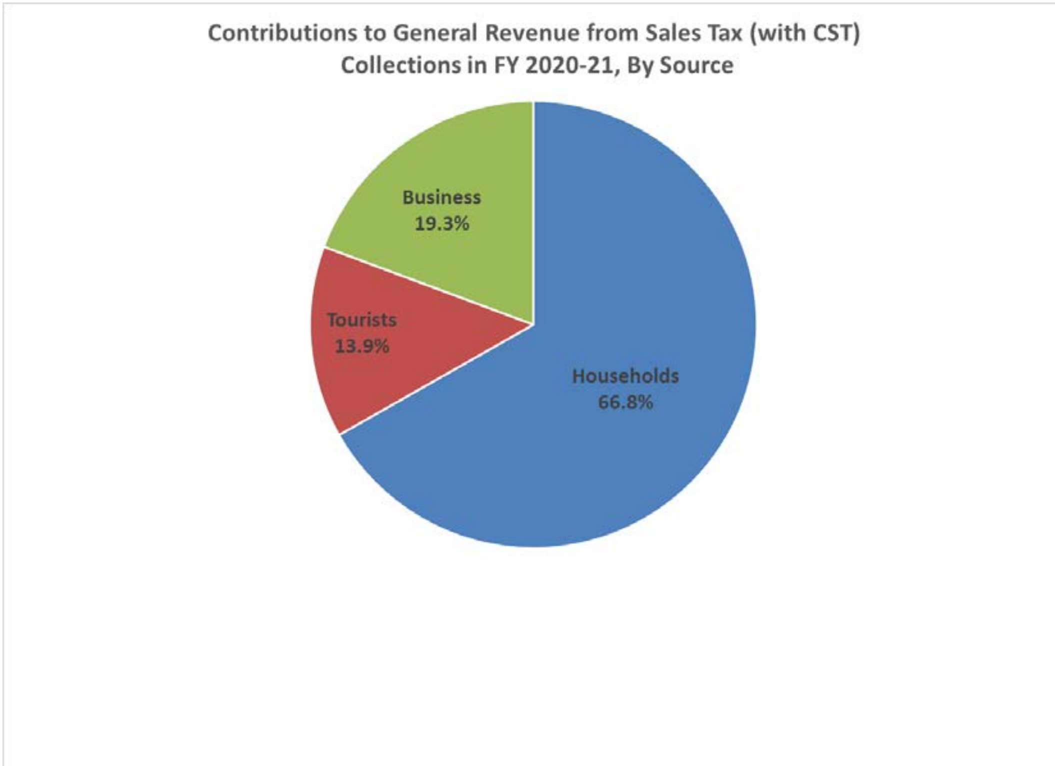
[16] Greater Miami Convention & Visitors Bureau, "2022 Visitor Industry Overview", (2023): 5. https://issuu.com/miamiandmiamibeachguides.com/docs/2022_visitor_industry_overview?fr=sNGVhZTU2MDk4OTk

[17] 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

[18] 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

[19] William Stronge, "Economic Impact of Beach Tourism: Florida and Palm Beach County." (2013). https://www.fsbpa.com/13AnnualConfPresentations/StrongeW.pdf

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 2020-21, sales tax collections provided $27.16 billion dollars to Florida's total General Revenue collections. Of this amount, 13.9 percent ($3.77 billion) is attributable to purchases made by tourists. [See Chart below.]



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.[20] 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.[21]

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.[22] 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.[23] 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.[24]

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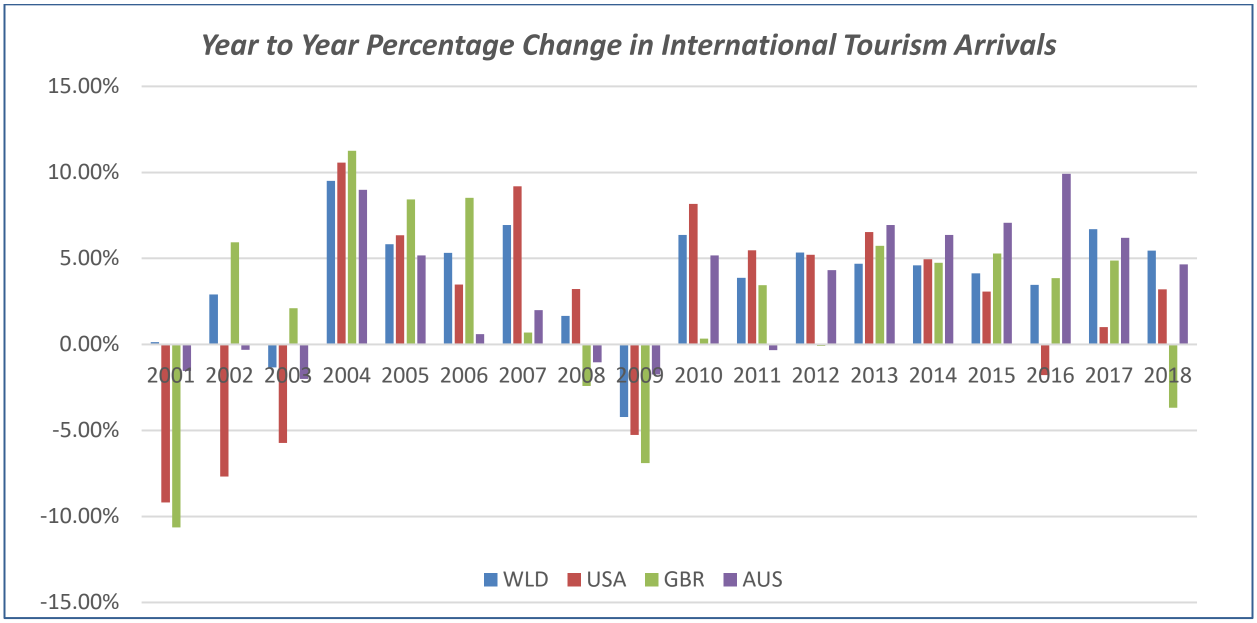
[20] Thomas Weiss, "Tourism in America Before World War II." *The Journal of Economic History,* June 2004.
[21] Kelly Craighead, "U.S.-China Tourism Year 2016." *International Trade Administration Tradeology,* (December 1, 2016). https://blog.trade.gov/2016/12/01/u-s-china-tourism-year-2016/. Notably, 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/
[22] Jana Vencovska, "The Determinants of International Tourism Demand." *Charles University in Prague, Bachelor Thesis,* (2013/2014): 15.
[23] Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research.* Vol.22. 1995.
[24] *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.[25] 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. By and large, CPI indices 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.[26]

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

[25] 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

[26] 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.[27] 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.[28] 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.[29]

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.[30] One study argued that tourists are more aware of exchange rates than any other price factors.[31] 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.[32]

International tourists represented about 6 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. Four of the top 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.[33] The table clearly shows the high volatility in costs facing international tourists wanting to travel to Florida. For example, in 2022, it cost an Argentinian tourist 38 percent more to purchase one U.S. dollar than in 2021. 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**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Canada	Dollar	-2%	-4%	2%	1%	-6%	4%
United Kingdom	Pound	5%	-7%	5%	-1%	-7%	12%
Brazil	Real	-9%	10%	8%	31%	5%	-4%
Argentina	Peso	11%	64%	71%	47%	35%	38%

27 Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research.* Vol.22. 1994:10.
28 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.
29 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.
30 Christine Lim, "A Meta-Analytic Review of International Tourism Demand." *Journal of Travel Research.* Vol.37. 1999.
31 J. Artus, "An Econometric Analysis of International Travel." *International Monetary Fund Staff Papers.* 1972.
32 Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research.* Vol.22. 1994:10.
33 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.[34] A United Nations report estimated that 27 percent of international tourists traveled to visit friends and relatives, for religious reasons and pilgrimages, and health treatment.[35] For some specific countries, these rates are even higher. Australia has VFR rates of over 45 percent for certain states within that country.[36] Data obtained from VISIT FLORIDA lists "Visiting Family & Friends" as the fifth highest ranking reason for visiting Florida in 2021.

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.[37] 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 destination marketing organizations 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.[38] 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.[39] Over the past 30 years, the study found a shift in U.S. coastal economies from traditional maritime activities to beach tourism. Another study found that "sandy beaches" are a strong determinant of both

[34] Richard Gitelson and Deborah Kerstetter, "The Influence of Friends and Relatives in Travel Decision-Making." *Journal of Travel & Tourism Marketing.* Vol.3. 1994.
[35] United Nations World Tourism Organization, "UNWTO Tourism Highlights: 2015 Edition." *United Nations,* 2015: 4. https://www.e-unwto.org/doi/epdf/10.18111/9789284416899
[36] 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.
[37] Elisa Backer, "VFR Travelers – Visiting the Destination or Visiting the Hosts?" *Asian Journal of Tourism and Hospitality Research,* Vol. 2(1). April 2008.
[38] 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, 2023.
[39] Y.L. Kein, J.P. Osleeb and M.R. Viola, "Tourism-Generated Earnings in the Coastal Zone." *Journal of Coastal Research,* Vol.20. 2004.

international and domestic tourists.[40] A 2010 study of Florida beaches found that beach quality has a dramatic, positive impact on the local tourism economic sector.[41]

Theme Parks

Central Florida has four of the 10 busiest theme parks in the world.[42] The Magic Kingdom at Walt Disney World is number one worldwide, attracting over 17.13 million visitors in 2022.[43] The Themed Entertainment Association (TEA) estimates that the eight major theme parks in Florida recorded almost 77.34 million admissions in 2022.[44] [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 receive over $19.3 billion in net revenue annually.[45] Data obtained from VISIT FLORIDA estimates that 37 percent of all domestic out-of-state tourists visit the Central Florida region.

Theme Park Attendance in Florida				
Amusement Park	**2019**	**2020**	**2021**	**2022**
Disney World - Magic Kingdom	20,963,000	6,941,000	12,691,000	17,133,000
Epcot	12,444,000	4,044,000	7,752,000	10,000,000
Animal Kingdom	13,888,000	4,166,000	7,194,000	9,027,000
Hollywood Studios	11,483,000	3,675,000	8,589,000	10,900,000
Islands of Adventure	10,375,000	4,005,000	9,077,000	11,025,000
Universal Studios Florida	10,922,000	4,096,000	8,987,000	10,750,000
Sea World - Orlando	4,640,000	1,598,000	3,051,000	4,454,000
Busch Gardens - Tampa	4,180,000	1,288,000	3,210,000	4,051,000
Total Attendance	**88,895,000**	**29,813,000**	**60,551,000**	**77,340,000**

Theme parks are a strong determinant 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.

[40] Laura Onofri and Paulo Nunes, "Beach 'lovers' and 'greens': A Worldwide Empirical Analysis of Coastal Tourism." *Ecological Economics,* Vol.88. 2013.

[41] Yehuda Klein and Jeffrey Osleeb, "Determinants of Coastal Tourism: A Case Study of Florida Beach Counties." *Journal of Coastal Research,* 2010.

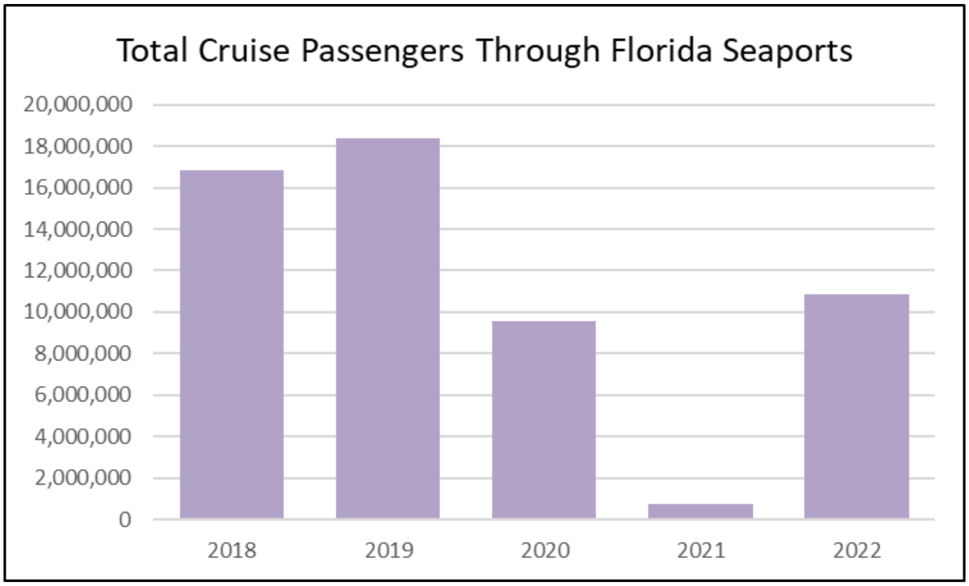
[42] "TEA/AECOM 2022 Theme Index and Museum Index: The Global Attractions Attendance Report 2022." *Themed Entertainment Association (TEA),* 2022, p. 14. https://aecom.com/wp-content/uploads/documents/reports/AECOM-Theme-Index-2022.pdf

[43] *Ibid.*

[44] *Ibid:* 29.

[45] 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.

The Cruise Line Industry
Florida has the largest domestic cruise industry in the United States.[46] In 2022, over 10 million passengers embarked from one of Florida's seaports on a cruise.[47] It is likely that the majority of these passengers were out-of-state visitors.[48] 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.[49] This industry was particularly hit hard by the pandemic as shown in the chart below.



[46] "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
[47] Florida Ports Council, "2022 – 2023 Seaport Mission Plan", *Florida Seaport Transportation and Economic Development Council,* 2023, p. 12. https://flaports.org/wp-content/uploads/Florida-Seaports-Mission-Plan-2023_FINAL-2-27_web.pdf
[48] 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;
[49] *Ibid.*

STATE-SPONSORED ADVERTISING AND TOURISM

The previous section identified 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.[50] 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.[51] 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.
- Administers several reimbursement grant programs. [52]
- Partners with businesses, destinations, and local DMOs throughout the state.[53]

State payments for VISIT FLORIDA averaged $48.9 million per year during the three-year review period. This was a decrease 35.7 percent from the previous review period, FYs 2016-17 through 2018-19.[54] The U.S Travel Association reports that the average amount of state tourism funding was $18 million in FY 2021-22.[55] 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, Florida, and New York were $120 million, $82 million, $76 million, and $70 million, respectively.[56]

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.

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[50] During the review period, the Florida Tourism Industry Marketing Corporation, operated under the name VISIT FLORIDA as a statutorily created Direct-Support Organization (DSO) of Enterprise Florida, Inc. (EFI). In 2023, EFI was abolished, and VISIT FLORIDA was placed under the Department of Commerce (renamed). *See* s. 288.1226, F.S. The corporation's board of directors is composed of 32 tourism-industry-related members, appointed by the department. Otherwise, the relationship between the corporation and the department is contractual. The department's Division of Economic Development, which replaced the Division of Tourism Marketing within EFI, must coordinate with VISIT FLORIDA to develop the four-year marketing plan.

[51] https://www.visitflorida.org/about-us/what-we-do/

[52] https://www.oppaga.fl.gov/ProgramSummary/ProgramDetailPrint?programNumber=6112

[53] 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/

[54] 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.

[55] Funding may be exclusively from public sources, or a combination of public and private sources. https://www.ustravel.org/sites/default/files/2023-12/sto-infographic-aug23_0.pdf

[56] As reported in VISIT FLORIDA's 2019-20 Marketing Plan Overview, 2019: 27. https://www.visitflorida.org/media/84139/yearinreview2019.pdf

Of the two methods, conversion studies are more widely used. The earliest academic study looked at the effectiveness of state DMO advertising in magazines.[57] 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.[58] 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.[59] The original 1974 study was criticized for upwardly biased results.[60] 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 or 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.[61] 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.[62] 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.

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.

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

[58] 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.

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

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

[61] *Ibid.*

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

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.[63] A 1995 meta-analysis study of existing tourism demand studies also found marketing expenditures to be positively associated with international tourism.[64] 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.[65]

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.[66] 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.[67] 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."[68]

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 benefited from state-funded tourism promotion.[69] 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.

[63] Nada Kulendran and Larry Dwyer, "Measuring the Return from Australian Tourism Marketing Expenditure." *Journal of Travel Research,* Vol.47. 2009.
[64] Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research.* Vol.22. 1995.
[65] F. Ledsema-Rodriquez, M. Navarro-Ibanez, and J. Perez-Rodriguez, "Panel Data and Tourism Demand. The Case of Tenerife." March 1, 2001.
[66] Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand." *Annals of Tourism Research.* Vol.22. 1995.
[67] Nada Kulendran and Larry Dwyer, "Measuring the Return from Australian Tourism Marketing Expenditure." *Journal of Travel Research,* Vol.47. 2009.
[68] Larry Dwyer & P. Forsyth, *International Handbook on the Economics of Tourism,* Edward Elgar Pub: 71.
[69] Dr. Michael Hicks and Michael D. LaFaive, "An Analysis of State-Funded Tourism Promotion." *Mackinac Center For Public Policy.* November 1, 2016.

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 73 percent of respondents in the 2018-19, 2019-20, 2020-21 and 2021-22 fiscal years reported that a previous trip to Florida influenced their travel decisions. This percentage is very similar to EDR's prior report (70 percent).

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.[70] 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 2018-2022				
Direct VISIT FLORIDA Influencers	**2018-19**	**2019-20**	**2020-21**	**2021-22**
The VISIT FLORIDA Website	5.3%	5.6%	5.4%	5.4%
A Stop at an Official Florida Welcome Center on a previous trip to Florida	4.5%	4.9%	4.9%	5.0%
A VISIT FLORIDA publication	4.3%	0.0%	0.0%	0.0%
VISIT FLORIDA social media	4.9%	5.3%	5.4%	5.3%
VISIT FLORIDA radio, TV, online, magazine/newspaper ad, not destination specific	4.4%	4.8%	4.9%	4.7%
A sweepstakes/contest by VISIT FLORIDA heard or seen on radio, TV, or online	3.6%	4.2%	4.6%	4.5%
Other Influencers				
A previous trip to Florida	9.7%	8.8%	8.0%	8.0%
Have family or friends to visit	7.8%	7.5%	7.2%	6.8%
Any advertising for a specific FL theme park	6.2%	6.2%	5.9%	6.1%
Information from the Internet other than VISIT FLORIDA	5.5%	6.1%	5.9%	6.1%
A hobby, pastime, or passion followed (golf, nature, small towns, spring training)	5.9%	5.7%	5.9%	5.8%
Information about special events or festivals in FL	5.5%	5.7%	5.8%	6.0%
Any advertising for a specific FL location , excluding theme parks	5.7%	6.0%	5.7%	5.9%
A travel article in a newspaper or magazine about a FL vacation experience	4.7%	5.0%	5.1%	5.4%
Any information from social media	5.3%	5.5%	5.6%	5.8%
The vacation in Florida was in connection with a cruise using FL port	4.6%	5.1%	5.3%	4.9%
The recommendation of a travel agent	4.2%	4.8%	5.0%	5.0%
Brochures obtained at consumer trade shows	4.1%	4.6%	4.8%	4.9%
Went on a business trip that was extended into a vacation	3.8%	4.3%	4.5%	4.5%
Marketing Related Influencers	**59.3%**	**58.8%**	**59.1%**	**59.6%**
Non-Marketing Related Influencers	**40.7%**	**41.2%**	**40.9%**	**40.4%**

[70] The VISIT FLORIDA Direct Influencer Study surveyed domestic visitors, via the internet, who had visited Florida in the past year. Respondents were shown several 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 attribute the equivalent of 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.[71] 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 Advertising Funding by Funding Source by Fiscal Year						
	Local Public	**Local Private**	**VISIT FL. Public**	**VISIT FL. Private**	**Theme Parks**	**Total**
2019-2020	$ 316,705,957	$ 30,689,633	$ 36,955,524	$ 70,513,763	$ 213,090,210	$ 667,955,086
	47.41%	4.59%	5.53%	10.56%	31.90%	100.00%
	Local Public	**Local Private**	**VISIT FL. Public**	**VISIT FL. Private**	**Theme Parks**	**Total**
2020-2021	$ 331,464,454	$ 32,119,770	$ 54,640,732	$ 73,175,826	$ 204,987,000	$ 696,387,782
	47.60%	4.61%	7.85%	10.51%	29.44%	100.00%
	Local Public	**Local Private**	**VISIT FL. Public**	**VISIT FL. Private**	**Theme Parks**	**Total**
2021-2022	$ 412,043,463	$ 39,928,086	$ 55,000,000	$ 109,123,585	$ 369,809,468	$ 985,904,601
	41.79%	4.05%	5.58%	11.07%	37.51%	100.00%
	Local Public	**Local Private**	**VISIT FL. Public**	**VISIT FL. Private**	**Theme Parks**	**Total**
Total for all	$ 1,060,213,874	$ 102,737,488	$ 146,596,256	$ 252,813,174	$ 787,886,677	$ 2,350,247,470
three years	45.11%	4.37%	6.24%	10.76%	33.52%	

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 2019-20 through 2021-22, local governments accounted for 45.1 percent or $1,060.2 million of total tourism marketing expenditures. This was a higher percentage than found in the 2021 report (39.0 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 cooperative advertising, promotional activities or another form of contribution. At the local level,

[71] 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.

private investment is much smaller than the local government investment, but at the state level, private contributions accounted for 63.3 percent of the combined public and private spending attributed to VISIT FLORIDA ($146.6 million public plus $252.8 million private, for a total of $399.4 million)—despite the marked drop in private funding since the 2021 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 77 million in 2022. The companies controlling these parks have a great interest in promoting not only their individual theme parks, but Florida in general.

It was projected that the three major theme park companies—Disney, Universal Studios, and Sea World—were responsible for $787.9 million in marketing during the review period. This expenditure accounted for 33.5 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 similar percentage to that found in the 2021 analysis (33.2 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 above.] Notably, the VISIT FLORIDA public share has dropped from nearly 9.8 percent in the 2018 analysis to just 6.2 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 3.45, 4.66, and 4.30 million visitors during the 2019-20, 2020-21, and 2021-22 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).

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.

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.[72] 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 2020 through 2022, it is estimated that 28.1 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 percentage is notably stronger than the 21.3 percent calculated in the 2021 report.

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				
	2019	**2020**	**2021**	**2022**
Domestic Beach Spending %	21.05%	27.01%	28.27%	28.93%
Beach Restoration				
Share of Ad Related Visitors	490,602	471,680	829,165	779,449
Total Domestic Spending	$ 304,003,513.80	$ 412,852,358.61	$ 841,280,147.90	$ 723,971,428.19
Total International Spending	$ 61,428,572.41	$ 26,510,774.10	$ 38,628,841.37	$ 70,840,158.86

VISIT FLORIDA Final Results

In summary, 6.24 percent of all marketing-influenced tourists in Florida was attributed to VISIT FLORIDA. This amounted to an estimated 11.70 million domestic out-of-state tourists and 708,000 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 $201.00 dollars a day and stayed 4.60 nights. The average international tourist spent $95.00 dollars a day and stayed 12.75 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 $2.471, $4.035 and $3.631 billion in fiscal years 2019-20, 2020-21 and 2021-22, respectively. These amounts along with the State's payments became the inputs into the Statewide Model.

[72] *See* Klein, Yehuda and Jeffrey Osleeb, "Determinants of Coastal Tourism: A Case Study of Florida Beach Counties." *Journal of Coastal Research* (2010) 26(6).

Visitors and Spending Attributable to VISIT FLORIDA's Public Marketing Spend				
Visitors	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Domestic	5,924,562	3,173,173	4,457,356	4,062,940
International	749,134	275,379	200,405	232,621
Total	**6,673,697**	**3,448,552**	**4,657,761**	**4,295,561**
Spending				
Domestic	$ 3,696,496,899.34	$ 2,200,593,323.70	$ 3,826,322,926.01	$ 3,389,007,364.12
International	$ 746,259,210.61	$ 270,623,779.75	$ 209,038,111.44	$ 242,429,359.32
Total	**$ 4,442,756,109.95**	**$ 2,471,217,103.45**	**$ 4,035,361,037.45**	**$ 3,631,436,723.44**

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.[73] 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.[74]

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 equations[75] 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.[76] 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 shocked[77] 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
- Jobs
- Personal income

[73] The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Monash University (Melbourne, Australia).
[74] This report has FY 2018-19 as the base year. Prior reports have differing periods.
[75] These equations represent the behavioral responses to economic stimuli – that is, to changes in economic variables.
[76] The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor demand).
[77] 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.

- 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 2018-19 $(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 2018-19 $(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 2018-19 $(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 2018-19 $(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

		FY2020	FY2021	FY2022	Total
State Payments in the Window	Nominal $ (M)	36.96	54.64	55.00	146.60
Total Net State Revenues	Nominal $ (M)	37.75	41.78	5.96	85.49
Return-on-Investment by Year		1.02	0.76	0.11	
Return-on-Investment for the 3 year period					0.58

		FY2020	FY2021	FY2022	Total		Average per Year
Personal Income	Nominal $ (M)	2,234.63	2,972.38	1,790.13	6,997.13		2,332.38
Real Disposable Personal Income	Fixed 2018-19 $ (M)	1,768.94	2,198.47	1,320.19	5,287.60		1,762.53
Real Gross Domestic Product	Fixed 2018-19 $ (M)	2,916.82	3,546.12	2,101.98	8,564.92		2,854.97
Consumption by Households and Government	Fixed 2018-19 $ (M)	2,323.94	2,336.44	496.79	5,157.17		1,719.06
Real Output	Fixed 2018-19 $ (M)	3,408.08	4,018.02	2,340.27	9,766.37		3,255.46

		FY2020	FY2021	FY2022	Minimum	Maximum	Average per Year
Total Employment	Jobs	21,382	24,506	12,498	12,498	24,506	19,462
Population	Persons	0	3,520	7,320	0	7,320	3,613

During this review period, the VISIT FLORIDA ROI was 0.58. While the ROI is positive, the State is getting back less than was invested in the program. For every dollar spent on VISIT FLORIDA, the state of Florida received 58 cents back in tax revenue. Over the review period, the VISIT FLORIDA program contributed approximately $8.56 billion to Florida's real GDP, $5.29 billion in real Disposable Personal Income, and $85.49 million in state revenue. On average, there were 19,462 additional jobs in the state each year due to VISIT FLORIDA marketing efforts though this is more appropriately viewed as jobs not lost during the COVID health crisis. While total nonfarm employment in Florida in 2021 had rebounded back to 2018 levels (8.7 million in both years), the share of state employment in the Leisure and Hospitality Industry decreased from 16.6 percent to 12.8 percent, highlighting the lingering impact of COVID on the tourism industry. For more information about COVID's effect on Florida's economy during the crisis, see the attached contemporaneous report [Appendix One].

The largest contributor to the decline in ROI over this review period was the effect of the COVID health crisis on Florida's tourism industry. While funding also declined significantly over the review period (36 percent lower on average than the 2021 report's review period), the declines in activity attributable to tourism broadly and VISIT FLORIDA specifically were relatively larger. Real Disposable Personal Income attributed to VISIT FLORIDA decreased by almost 58 percent.

The decline in ROI is exacerbated by the further decline in FY 2021-22 to an ROI of 0.11. While the tourism industry as a whole rebounded to near pre-COVID levels, the composition was atypical. Further, EDR's review attributes most of the benefit from the industry rebound to an increase in the share of visitors attributable to beach spending from FY 2019-20 to 2021-22 (24.03 percent to 28.60 percent) and an increase in spending on advertising by theme parks and local public partners from FY 2020-21 to FY 2021-22.

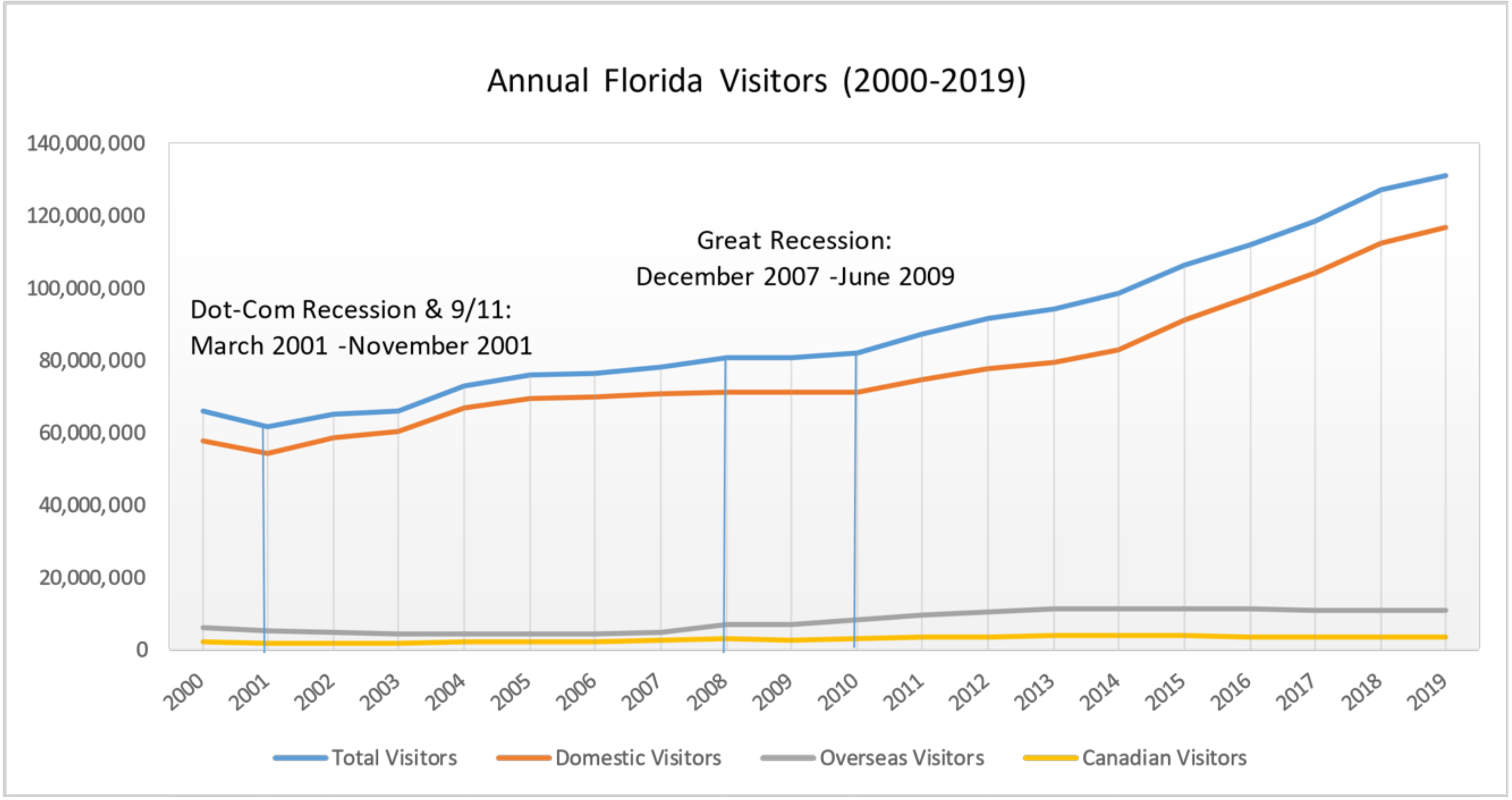
Florida:
An Update on Tourism

January 27, 2021

Presented by:

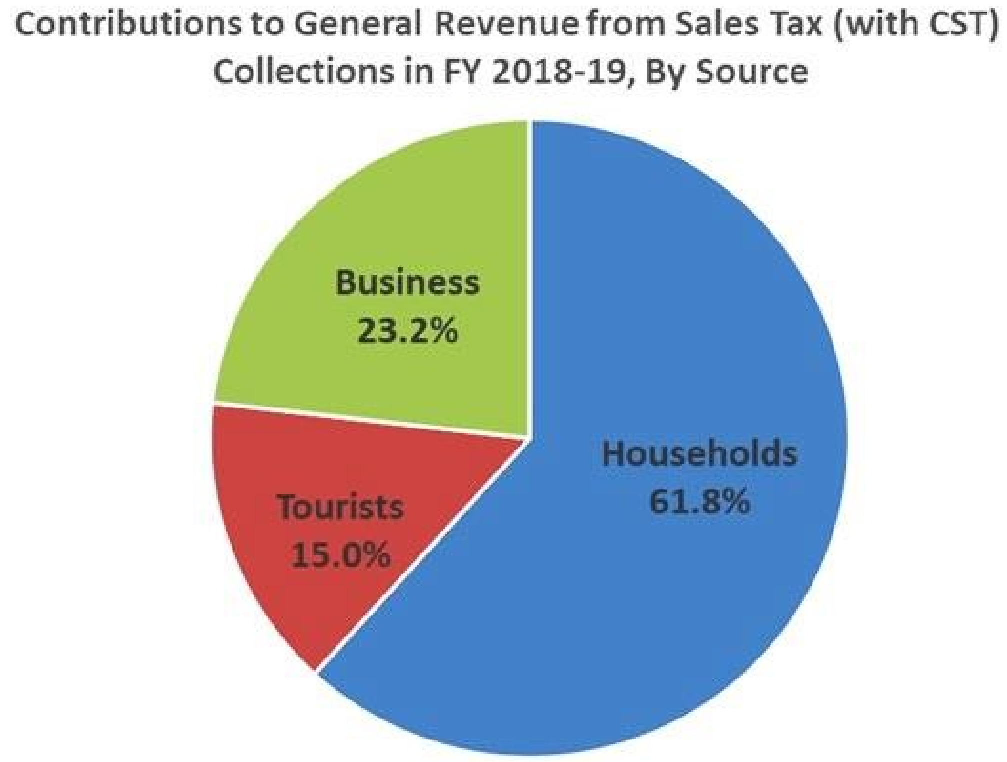
The Florida Legislature
Office of Economic and Demographic Research
850.487.1402
http://edr.state.fl.us

Florida Tourism Pre-Pandemic…



- In the 2000 calendar year, Florida had 65,832,000 visitors.
- In the 2019 calendar year, Florida had nearly double that amount with 131,423,000 visitors. Since the beginning of Florida's recovery from the Great Recession in 2010, tourism has grown each year.

Florida's Tourism Sensitivity…



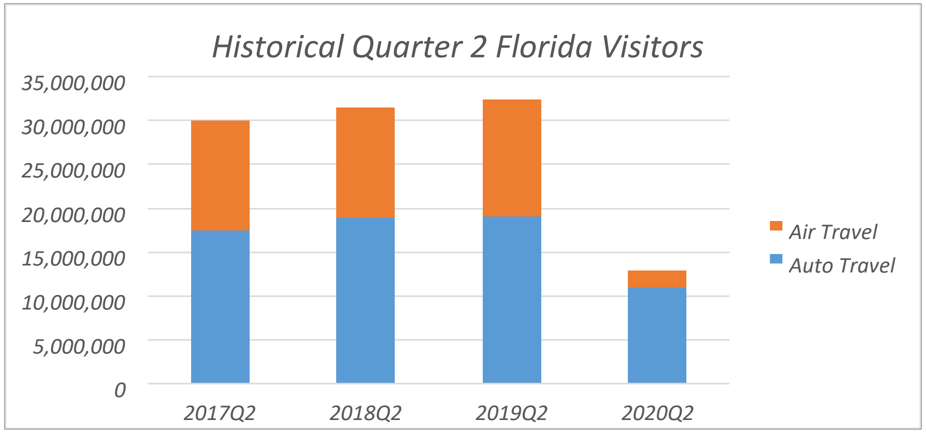
The Legislative Office of Economic and Demographic Research has just updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2018-19, sales tax collections provided nearly $25.4 billion dollars or 76.0% of Florida's total General Revenue collections. Of this amount, an estimated 15.0% (over $3.8 billion) was directly attributable to purchases made by tourists.

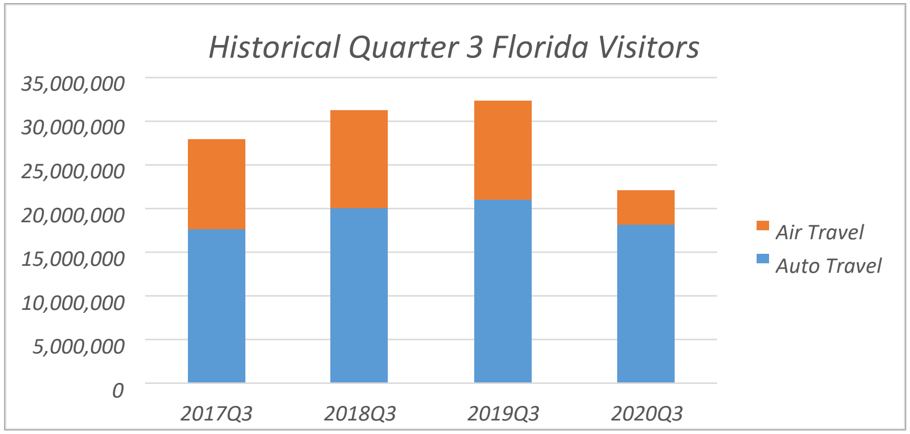
Pandemic…

- First currently known cases were reported in China in December 2019, but evidence exists that the first case was at least a month earlier.
- Near the end of Florida’s 2020 Regular Session, the World Health Organization declared a Global Pandemic (March 11, 2020).
- Global and national recessions have since been called.
  - ✓ The US economy declined in the first quarter (January, February and March) by its fastest rate since the Great Recession. According to the US Commerce

    Department, Bureau of Economic Analysis, GDP shrank at a 5.0 percent annualized rate. The National Bureau of Economic Research (NBER) had previously dated the business cycle peak to February 2020 after 128 months of expansion, marking that month as the official turning point which began the recession.
  - ✓ During the second quarter (April, May and June), the US economy further contracted—this time, at its greatest rate in postwar history. According to the US Commerce Department, Bureau of Economic Analysis, GDP shrank at an annualized rate of 31.4 percent.
  - ✓ In the third quarter (July, August and September), the US economy gained at a 33.4 percent annual rate according to the just released “third” estimate that was only slightly higher than the “second” estimate. Year over year, the real level is 2.8 percent lower than the third quarter of 2019. [Next Release: January 28, 2021]

Pandemic's Immediate Impact…

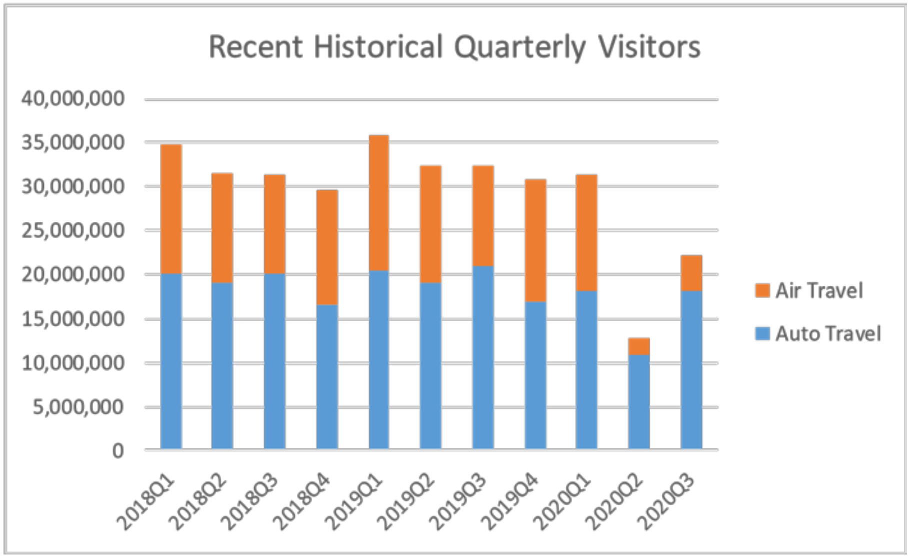




2020:Q1
- Total Visitors…31,387,000 (93.7% of PY)
- Air…86.5% of PY
- Auto…88.6% of PY

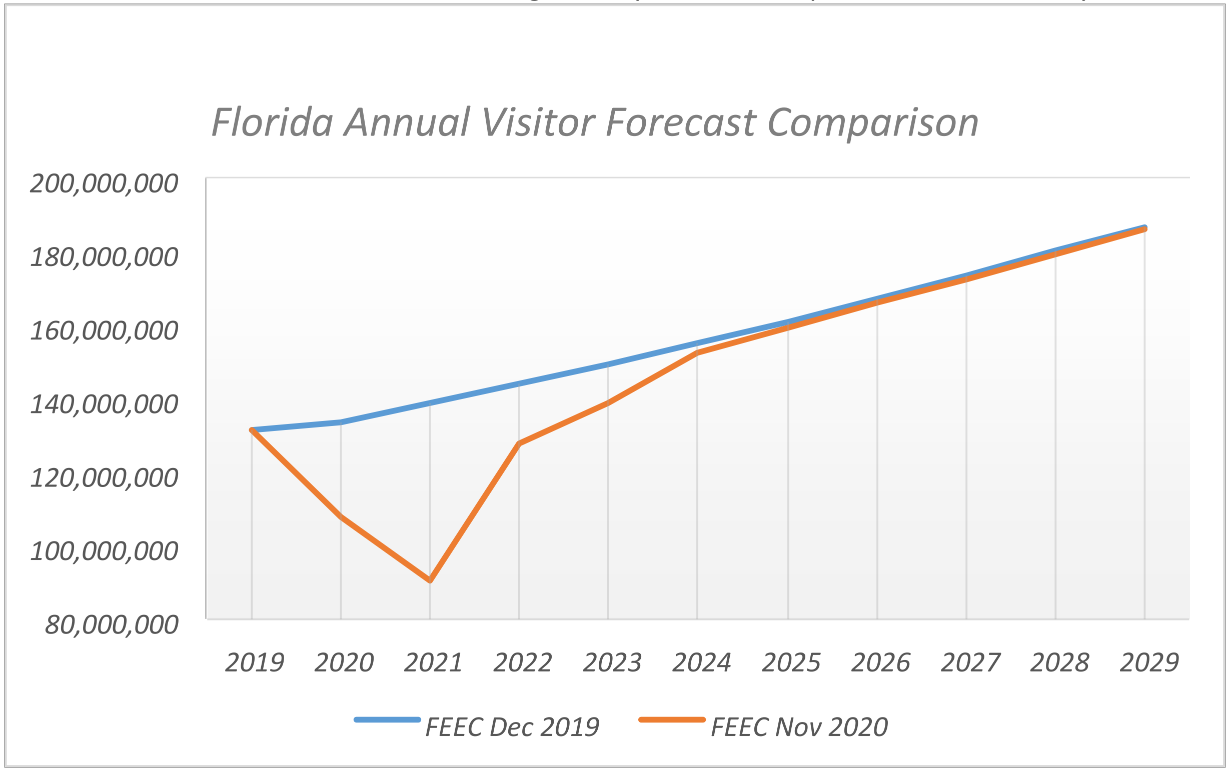
2020:Q2
- Total Visitors…12,859,000 (38.0% of PY)
- Air…14.6% of PY
- Auto…57.2% of PY

2020:Q3
Total Visitors…22,112,500 (64.8% of PY)
- Air…34.2% of PY
- Auto…86.8% of PY



Florida-Based Vulnerability

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. 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. The new tourism forecast generally follows this pattern with recovery in 2024.



Sales Tax Impact…

Average fiscal year growth over most recent five years: 6.1% from FY 2014 -15 through FY 2018 -19.

Mar-20	*4.6%*
Apr-20	*-41.3%*
May-20	*-63.7%*
Jun-20	*-51.0%*
Jul-20	*-33.5%*
Aug-20	*-33.3%*
Sep-20	*-28.1%*
Oct-20	*-17.4%*
Nov-20	*-20.2%*
Dec-20	*-25.5%*
Cumulative	***-31.5%***

In the ten months that sales tax collections have been reported since Florida's first two cases were officially confirmed by the Department of Health on March 2nd, the tourism category collections have been down cumulatively by -31.5%. Even though a significant part of the loss arises from a reduction in the number of out-of-state tourists, this category also includes sales to Florida residents at restaurants, local attractions and other leisurebased activities which have likewise been negatively affected by the pandemic.

Recent Research…

- 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. 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 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 outdoor 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” travelers are a growth market opportunity for facilities designed for or adapted to extendedstays, 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.