



Return on Investment for VISIT FLORIDA

Submitted: January 1, 2018

Table of Contents

| | |
|--|-----------|
| <i>EXECUTIVE SUMMARY AND COMPARATIVE ANALYSIS.....</i> | <i>1</i> |
| <i>TOURISM AND FLORIDA.....</i> | <i>4</i> |
| <i>THE DETERMINANTS OF TOURISM DEMAND</i> | <i>8</i> |
| <i>STATE-SPONSORED ADVERTISING AND TOURISM.....</i> | <i>14</i> |
| <i>METHODOLOGY</i> | <i>18</i> |
| <i>THE STATEWIDE MODEL</i> | <i>22</i> |
| <i>PROGRAM FINDINGS.....</i> | <i>25</i> |
| <i>APPENDIX ONE</i> | <i>28</i> |
| <i>APPENDIX TWO.....</i> | <i>31</i> |

EXECUTIVE SUMMARY AND COMPARATIVE ANALYSIS

Background and Purpose

Legislation enacted in 2013 directs the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to analyze and evaluate 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.

The review period covers Fiscal Years 2013-14, 2014-15, and 2015-16. In this report, the program VISIT FLORIDA is under review.

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, and is ultimately conditioned by the state's tax policy.

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:

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

Since EDR's Statewide Model³ 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 incentives.
- **Equal To One (=1.0)**...the program breaks even; the return to the state in additional revenues equals the total cost of the incentives.
- **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 for the incentives.

¹ Section 288.0001, F.S., as created by s. 1, ch.2013-39, Laws of Florida & s. 1, ch.2013-42, Laws of Florida.

² Section 288.005(1), F.S.

³ See section on Statewide Model for more details.

- **Less Than Zero (-, <0)**...the program does not recover any portion of the incentive cost, and state revenues are less than they would have been in the absence of the program 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, a 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 return-on-investment 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.

All of the issues contained in this report shape EDR’s calculation of ROI. Some of them are further addressed in the assumptions and findings.

Overall Results and Conclusions

VISIT FLORIDA’s public marketing spend generated a positive ROI of 2.15. For every dollar spent on VISIT FLORIDA’s marketing efforts, the state of Florida received 2 dollars and 15 cents back in tax revenue. The ROI was estimated using tax revenues generated by visitor spending induced by the marketing efforts of VISIT FLORIDA. The VISIT FLORIDA ROI was lower than the previous 2015 ROI analysis for the program. The 2015 analysis gave VISIT FLORIDA a 3.21 ROI. A comparison of the two ROIs can be found in the table below.

| VISIT FLORIDA ROI Comparison | | |
|--|------------------------------|------------------------------|
| | 2018 ROI Analysis | 2015 ROI Analysis |
| ROI: | 2.15 | 3.21 |
| FY Period Covered | 2013-14,2014-15, and 2015-16 | 2010-11,2011-12, and 2012-13 |
| Real State GDP (\$ mill) | \$13,493.50 | \$11,322.70 |
| Total State Taxes Generated by the Program (\$ mill) | \$ 453.20 | \$ 373.40 |
| State Payment: | \$ 210.5 | \$ 115.5 |

The positive ROI was due to several factors. First, the goods purchased by tourists are taxable at the state level. These purchases include lodgings at hotels, meals at restaurants, gifts at souvenir shops, tickets to amusement parks and Florida attractions, and car rentals. All these goods are subject to state taxes, most to sales taxes. Car rentals and gasoline purchases are subject to the state’s rental car surcharge and fuel taxes.

The ROI also benefited from the strong tourism growth in Florida over the past few years. During the review period, the number of out-of-state visitors grew by 5.32% annually. In 2016, over 112.3 million

out-of-state tourists visited Florida. In comparison, two other tourism-heavy states, California and Hawaii, had tourism growth rates that were lower than Florida during the same time period.⁴

Additionally, the percentage of tourists influenced by marketing rose. The analysis indicated that 57.3% of all out-of-state tourists were influenced by tourism marketing. In the prior analysis, marketing influenced about 54.5% of all out-of-state visitors. A difference of 2.8% is significant and amounts to more than 8.6 million more marketing influenced tourists. A portion of these visitors were attributed to VISIT FLORIDA.

The 2018 ROI was lower than the previous 2015 ROI due to the diminishing returns from additional tourism advertising in Florida. During the review period, VISIT FLORIDA's budget was 82% larger than the prior analysis. In contrast, the total number of out-of-state tourists grew by only 16% over this period. Moreover, local Destination Marketing Organizations (DMO) spending and theme park advertising grew at rates that exceeded out-of-state tourism growth. This amounted to more advertising dollars being spent to attract each out-of-state tourist to Florida. Therefore, the net economic benefit of each tourist attributed to VISIT FLORIDA was lower due to the higher cost of attracting each additional tourist. This had a negative effect on the ROI and is the main reason why the ROI is lower.

The recent strong growth in total visitors and marketing-influenced tourists suggest that VISIT FLORIDA's marketing is working. However, VISIT FLORIDA is just one of the many factors that can contribute to a tourist's decision to visit Florida.⁵ These other determinants impact total tourism levels and suggest that VISIT FLORIDA's role is limited in its impact on Florida tourism. This analysis tried to allocate a fair share of tourists to VISIT FLORIDA and to all the other factors of tourism demand deemed important to Florida tourism. The VISIT FLORIDA results in this report provide a reasonable estimate of the marketing program's impact on the Florida economy.

⁴ Hawaii's tourism growth rate was only 3.18% during the review period.

⁵ Please refer to the "Determinants of Tourism Demand" for an overview of the influential factors on tourism demand.

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 over the years. However, there have been significant transformations. New inventions, better transportation and a larger, wealthier world population have all altered Florida's tourism landscape.

The first visitors to Florida were medical tourists.⁶ 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.⁷ However, the industry was never large due to the hazardous and costly transportation methods that provided the only means of reaching Florida. In addition, the perception of Florida as a backcountry wilderness kept many people away.⁸

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.⁹ Henry Flagler's construction of an Atlantic rail route opened up south Florida to 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).¹⁰ 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.¹¹

Florida's modern era of tourism came about in the mid-1900s' due to multiple developments. First, the rise in household incomes and the decline in working hours led to the expansion of tourism within the U.S. The average middle-class family could afford an annual vacation, and Florida became a popular destination.¹² Second, the construction of the U.S. Highway System and the expansion of the commercial airline industry dramatically lowered transportation costs and made it much faster to travel to Florida.¹³ Finally, the invention and deployment of air conditioning into residential and commercial areas was key as well. It made Florida a year-around tourist destination. In periods prior, the hot temperatures made Florida unappealing during the summer months.¹⁴

The opening of Walt Disney World in 1967 was the defining moment for modern tourism in Florida. Overnight, it changed Orlando's identity from a rural agricultural area to a tourism town. In 1969, the

⁶ Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism*. University of Florida Press. p.5.

⁷ *Ibid.* p.7.

⁸ *Ibid.*

⁹ Clark, J. (2014) *A Concise History of Florida*. The History Press. p.25.

¹⁰ *Ibid.* p.77, 86.

¹¹ Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism*. University of Florida Press. p.56.

¹² Thomas Weiss, "Tourism in America Before World War II", *The Journal of Economic History*, (June 2004).

¹³ *Ibid.*

¹⁴ Revels, T, (2011). *Sunshine Paradise: A History of Florida Tourism*. University of Florida Press. p.102.

City of Orlando estimated 3.5 million tourists visited the area (most of whom were only passing through on their way to Miami).¹⁵ Now, Orlando attracts over 68 million tourists annually, with tourism being the largest industry in the Central Florida area.¹⁶

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, tourism economic-related activity is defined by the consumer based on his or her personal characteristics as opposed to the 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 tied to tourism. A majority of these industries are in the leisure and hospitality industry 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).¹⁷

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 7% of Florida’s GDP.¹⁸ The Bureau of Labor Statistics (BLS) estimates that Florida’s leisure and hospitality industry employed approximately 1.1 million people in Florida in 2015. This represents about 16% of all jobs in Florida.¹⁹

| Gross Domestic Product and Employment in Florida's Leisure and Hospitality Industry 2015 | | | | |
|--|--------------------------------------|------------------|---------------------------|-------------------------|
| Florida | GDP (In Millions of Current Dollars) | GDP (Percentage) | Employment (In Thousands) | Employment (Percentage) |
| Total Private Industries | 777,049 | 100.0% | 7257.3 | 100.0% |
| Leisure and Hospitality Industry | 54,453 | 7.0% | 1160.6 | 16.0% |
| Subsector | | | | |
| Performing Arts and Sport Industry | 6,333 | 0.8% | 47.8 | 0.7% |
| Amusement and Recreational Industry | 9,727 | 1.3% | 175.6 | 2.4% |
| Accommodation | 13,074 | 1.7% | 181.6 | 2.5% |
| Food Services and Drinking places | 25,319 | 3.3% | 755.6 | 10.4% |
| Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis | | | | |

¹⁵ *Ibid.* p.122.

¹⁶ S. Pedicini, (2017, May 11). Visit Orlando: Record 68 million people visited last year. *The Orlando Sentinel*. Retrieved from: www.orlandosentinel.com.

¹⁷ U.S. Bureau of Economic Analysis, “Industries at a Glance: Leisure and Hospitality”, (September 07, 2017). Retrieved from: www.bls.gov.

¹⁸ U.S. Bureau of Economic Analysis, “Gross Domestic Product (GDP) by State and Industry (millions of current dollars)”, (May 11, 2017). Retrieved from: www.bea.gov.

¹⁹ U.S. Bureau of Labor Statistics, “State and Area Employment, Hours, and Earnings” (September 07, 2017). Retrieved from: www.bls.gov.

The leisure and hospitality industry is also a relatively stable part of Florida's economy. Compared to other prominent industries in Florida, the leisure and hospitality sector has experienced less economic volatility and fewer output declines. When examining historical GDP growth rates, the leisure and hospitality industry has experienced only one year of negative GDP growth since 1997.²⁰ In that same period, the manufacturing, motion picture and sound and finance industries in Florida experienced five, eight, and three years of negative GDP growth, respectively.²¹

The analysis above is only a rough approximation of the benefits of the tourism industry to Florida's economy. It is impossible 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 purchase 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 the leisure and hospitality industry.

Tourism Impact Studies

Many studies have measured the economic impact of tourism to Florida. Most of the studies measured the impact of tourism on a specific Florida county or region of Florida. These studies are typically done or commissioned by a local destination marketing organization (DMO).²² The studies generally follow 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 15.7 million overnight tourists in 2016, spending approximately \$25.5 billion into the local economy.²³ A 2015 tourism study of Hillsborough County found that over 21.1 million individuals visited the area and spent about \$3.6 billion in the local economy.²⁴ A 2014 City of Jacksonville study estimated that overnight tourists spent about \$1.5 billion dollars and supported about 22,000 area jobs.²⁵ A 2012 study

²⁰ U.S. Bureau of Economic Analysis, "Gross Domestic Product (GDP) by State and Industry (millions of current dollars)", (May 11, 2017). Retrieved from: www.bea.gov

²¹ Ibid.

²² The Florida Statutes [s. 288.921(1)(c), F.S.] define a county destination marketing organization as "a public or private agency that is funded by local option tourist development tax revenues"

²³ Greater Miami Convention & Visitors Bureau, "2016 Visitor Industry Overview", (2017): 3.

²⁴ Tourism Economics, "Economic Impact of Tourism in Hillsborough County- 2015", (September 2016): 2.

²⁵ Tourism Economics, "The Economic Impact of Tourism in Jacksonville, FL", (January 2014): 2.

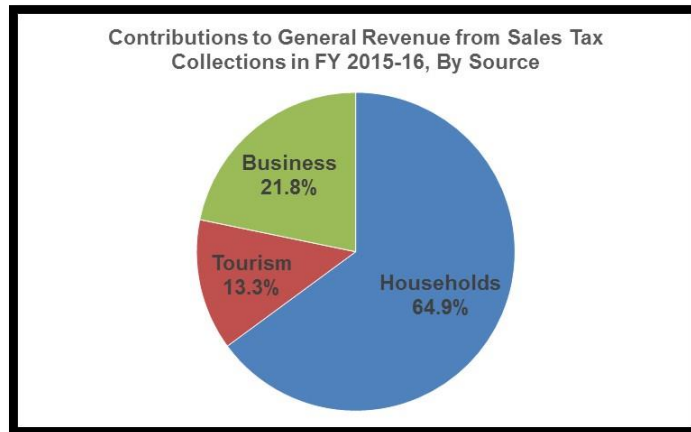
of Palm Beach County estimated that 1.7 million people visited the county’s beaches and spent \$81.9 million dollars during their visit.²⁶

In 2016, VISIT FLORIDA commissioned a tourism economic impact report. The report looked at the economic impact of out-of-state visitors to the entire state.²⁷ The study estimated that out-of-state tourists spent approximately \$108.8 billion dollars in Florida and supported 1.4 million jobs in Florida.²⁸ The study estimated that, on average, out-of-state tourist spending has increased 6.8% annually over the past 5 years.²⁹ The major industries impacted by the spending were: food and beverage, recreation, lodging, and transportation-related services.

The VISIT FLORIDA-sponsored study measured the fiscal impact from out-of-state visitors. The 2016 analysis estimated that tourism spending directly generated over \$7.6 billion dollars in state and local taxes.³⁰ Indirect and induced activity generated another \$3.6 billion dollars in revenue.

In an independent study, the Office of Economic and Demographic Research performed an empirical analysis of the source of the state’s sales tax collections. In Fiscal Year 2015-16, sales tax collections provided \$21.8 billion dollars to Florida’s total General Revenue collections. Of this amount, 13.3 percent (nearly \$2.9 billion) is attributable to purchases made by tourists.³¹

| FY 2015-16: Contributions to General Revenue from Sales Tax Collections, By Source | | |
|--|--------------|------------|
| Category | Total Amount | Percentage |
| Households | \$13,890.76 | 64.9% |
| Tourism | \$2,850.25 | 13.3% |
| Business | \$4,658.00 | 21.8% |
| Total: | \$21,399.01 | 100.0% |



²⁶ William Stronge, “Economic Impact of Beach Tourism: Florida and Palm Beach County”, (2013).
²⁷ The study did not estimate VISIT FLORIDA’s marketing impact; but rather, the general economic impact of tourism in Florida.
²⁸ Tourism Economics, “The Economic Impact of Out-of-State Visitor Spending in Florida”, (December 2016): 2.
²⁹ *Ibid.* p.5.
³⁰ *Ibid.* p. 23.
³¹ Analysis can be retrieved at: <http://edr.state.fl.us/Content/economy/FloridaSalesTaxContributions2017.pdf>

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 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, 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 still are factor today.³² Notably, currently rising incomes in China have led to an explosion in Chinese tourists visiting the United States.³³ 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. When incomes rise, tourism demand goes up. When incomes fall, tourism demand goes down.

Income is the most widely-used explanatory variable in the academic studies of tourism demand.³⁴ 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 produce a study that 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.³⁵ The study estimated that every 1% increase in incomes lead to a 1.74% 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% for every 1% increase in income. On the other hand, South American countries are less responsive to income. For every 1% increase in South American income, international travel increased by only 0.28%.³⁶

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

³² Thomas Weiss, "Tourism in America Before World War II", *The Journal of Economic History*, June 2004.

³³ Kelly Craighead, "U.S.-China Tourism Year 2016", *International Trade Administration Tradeology*, (December 1, 2016). Retrieved from: www.blog.trade.gov.

³⁴ Jana Vencovska, "The Determinants of International Tourism Demand" *Charles University in Prague, Bachelor Thesis*, (2013/2014): 15.

³⁵ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand", *Annals of Tourism Research*. Vol.22. 1995.

³⁶ *Ibid.* p.10.

between tourism and GDP.³⁷ During periods of a global GDP economic recession (2002, 2009) international tourism fell. During periods of consistent positive GDP growth (2004-2007, 2010-2014), 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 a Consumer Price Index (CPI). CPI is a price-level measurement of a market basket of consumer goods. CPI's are widely-available (at both the state and country-level) and can be cross compared. Several studies that have used CPI as a proxy for price have found that it is a factor in tourism demand.³⁸

Another proxy for price is transportation costs. Transportation costs, like airplane fares, can be the most expensive vacation-related purchase, and therefore can play an outsized role in the decision of where to travel. A 1994 meta-analysis study found that every 1% increase in transportation costs led to

³⁷ World Tourism Organization, "Yearbook of Tourism Statistics, Compendium of Tourism Statistics and Data Files", World Bank, (2017). Retrieved from: www.data.worldbank.org.

³⁸ 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.

international travel decreasing by 0.85%.³⁹ 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.⁴⁰ Transportation costs can disproportionately impact out-of-state tourism in Florida. Florida attracts a large number of international tourists and domestic tourists from the Northeast who will spend a considerable amount on either gasoline or airline tickets to travel to Florida. Florida's out-of-state tourism is likely more sensitive to transportation costs than other states where tourism demand is more regionally-based.⁴¹

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 exchange rates when modeling tourism demand.⁴² One study argued that tourists are more aware of exchange rates than other price factors.⁴³ In addition, the relative annual 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.⁴⁴

International tourists represent about 13% of all the out-of-state tourists in Florida.⁴⁵ A majority of these tourists are impacted by exchange rates. If the U.S. dollar appreciates in value; then the price of a Florida vacation increases. If the U.S. dollar depreciates in value then the price of a Florida vacation decreases. The top 4 origin markets for international visitors in Florida and their exchange rate fluctuation relative to the U.S. dollar are identified in the table below.⁴⁶ The table shows the high volatility in costs facing international tourists wanting to travel to Florida. For example, in 2016, it cost an Argentinian tourist 60% more to purchase one U.S. dollar than in 2015. This massive depreciation of 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 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Canada | Canadian Dollar | 1% | 3% | 7% | 16% | 4% |
| United Kingdom | Pound | 1% | 1% | -5% | 8% | 13% |
| Brazil | Real | 17% | 11% | 9% | 41% | 5% |
| Argentina | Peso | 16% | 20% | 48% | 14% | 60% |

Source: Annual Exchange Rates, Internal Revenue Service

³⁹ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand", *Annals of Tourism Research*. Vol.22. 1994:10.

⁴⁰ 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.

⁴¹ 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. North Dakota's annual report focuses heavily on visitors who originate from bordering states.

⁴² Christine Lim, "A Meta-Analytic Review of International Tourism Demand", *Journal of Travel Research*. Vol.37. 1999.

⁴³ J. Artus, "An Econometric Analysis of International Travel." *International Monetary Fund Staff Papers*. 1972.

⁴⁴ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand", *Annals of Tourism Research*. Vol.22. 1994:10.

⁴⁵ VISIT FLORIDA, "Summary of International Visitors to Florida", *The 2016 Visitor Study*.2017.

⁴⁶ International Revenue Service, "Yearly Average Exchange Rates for Converting Foreign Currencies into U.S. Dollars", August 17, 2017. Retrieved from: 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.⁴⁷ A United Nations report estimated that VFR accounts for around 26% of all international tourism travel.⁴⁸ For some specific countries, the rates are even higher. Australia has VFR rates of over 45% for certain states within that country.⁴⁹ VISIT FLORIDA's influencer study lists "Visiting Family & Friends" as the 2nd most chosen reason for visiting Florida.⁵⁰

Researchers typically do not value VFR tourism as strongly as other forms of tourist demand. This occurs for several reasons. First, VFR-related tourists tend, on average, to spend less than non-VFR tourists.⁵¹ 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.⁵² Finally, VFR tourism is impacted by other tourism determinants. On average, VFR tourists stay longer and spend more in attractive destination markets than regular markets.⁵³ 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 DMOs' 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. Approximately, 63.4% of all registered lodgings in Florida are located in coastal Florida counties. Furthermore, if one excludes the Central Florida region (Osceola County, Orange County), that percentage increases to 78.6% of all lodgings.⁵⁴ This percentage is a significant indicator of the relationship between beaches and Florida tourism.⁵⁵

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.⁵⁶ Over

⁴⁷ Richard Gitelson and Deborah Kerstetter, "The Influence of Friends and Relatives in Travel Decision-Making", *Journal of Travel & Tourism Marketing*. Vol.3. 1994.

⁴⁸ United Nations World Tourism Organization, "UNWTO Tourism Highlights: 2015 Edition", *United Nations*, 2015.

⁴⁹ 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.

⁵⁰ Toluna USA, Inc., "The Return on Investment Influencer Study", *VISIT FLORIDA*, 2016.

⁵¹ Elisa Backer, "VFR Travelers – Visiting the Destination or Visiting the Hosts?", *Asian Journal of Tourism and Hospitality Research*, Vol. 2(1). 08 April 2008.

⁵² *Ibid.*

⁵³ *Ibid.*

⁵⁴ *Ibid.*

⁵⁵ Bureau of Economic and Business Research, "Lodgings – Total Number Establishments", Retrieved from: www.bebr.ufl.edu.

⁵⁶ Y.L. Kein, J.P. Osleeb and M.R. Viola, "Tourism-Generated Earnings in the Coastal Zone", *Journal of Coastal Research*, Vol.20. 2004.

the past 30 years, the study found a shift in U.S. coastal economies from traditional maritime activities to beach tourism.⁵⁷ Another study found that “sandy beaches” are a strong determinant of both international and domestic tourists.⁵⁸ A 2010 study of Florida beaches found that beach quality has a dramatic, positive impact on the local tourism economic sector.⁵⁹

Theme Parks

Central Florida has 6 of the 10 busiest theme parks in the world.⁶⁰ The Magic Kingdom at Walt Disney World is number one worldwide, attracting over 20.39 million visitors in 2016.⁶¹ The 2015 and 2016 AECOM report estimated that the eight major theme parks in Florida recorded over 81 million admissions (see the table below). Florida’s strong theme park position 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 gross over an estimated \$13.7 billion in revenue annually.⁶² The 2016 Visit Florida report estimated that 36% of all out-of-state tourists visit the Central Florida region and 49% of these tourists listed visiting theme parks as the primary reason why they were visiting Florida.

| Theme Park Attendance in Florida | | |
|--|------------|------------|
| Amusement Park | 2015 | 2016 |
| Disney World Magic Kingdom | 20,492,000 | 20,395,000 |
| Epcot | 11,798,000 | 11,712,000 |
| Animal Kingdom | 10,922,000 | 10,844,000 |
| Hollywood studios | 10,828,000 | 10,776,000 |
| Islands of Adventure | 8,792,000 | 9,362,000 |
| Universal Studios | 9,585,000 | 9,998,000 |
| Sea World-Orlando | 4,777,000 | 4,402,000 |
| Busch Gardens-Tampa | 4,252,000 | 4,169,000 |
| Total Attendance | 81,446,000 | 81,658,000 |
| Source: 2016 & 2015 AECOM Global Attractions Attendance Report | | |

Theme parks are strong determinants of tourism demand because they offer goods and services that have limited substitutability. There are competing theme parks across the United States and the world, but some theme park rides or services are only available in Orlando. For example, the latest Harry Potter expansion at Universal Studios offers an experience not offered anywhere else in the world. In addition, the major theme parks advertise heavily across the world to attract tourists to the theme parks in Florida. The companies controlling these theme parks also have a great interest in promoting Florida in general.

⁵⁷ *Ibid.*

⁵⁸ Laura Onofri and Paulo Nunes, “Beach ‘lovers’ and ‘greens’: A Worldwide Empirical Analysis of Coastal Tourism”, *Ecological Economics*, Vol.88. 2013.

⁵⁹ Yehuda Klein and Jeffrey Osleeb, “Determinants of Coastal Tourism: A Case Study of Florida Beach Counties”, *Journal of Coastal Research*, 2010.

⁶⁰ AECOM, “TEA/AECOM 2016 Theme Index and Museum Index: The Global Attractions Attendance Report 2016”, *Themed Entertainment Association (TEA)*.2017.

⁶¹ *Ibid.*

⁶² 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. In 2016, over 15 million passengers embarked from one of Florida's seaports on a cruise (see the Table below).⁶³ The majority of these passengers were out-of-state visitors.⁶⁴ While much of visitor 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.⁶⁵

| Total Cruise Passengers at Florida Seaports (2012-2016) | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Port | 2012 | 2013 | 2014 | 2015 | 2016 |
| PortMiami | 3,774,452 | 4,078,529 | 4,939,062 | 4,915,576 | 4,980,284 |
| Port Canaveral | 4,004,283 | 3,986,994 | 4,193,005 | 4,168,666 | 4,248,296 |
| Port Everglades | 3,757,320 | 3,600,636 | 4,001,354 | 3,773,386 | 3,826,415 |
| Port Tampa Bay | 974,259 | 854,260 | 888,343 | 867,114 | 813,800 |
| Port of Key West | 906,068 | 832,887 | 800,752 | 804,624 | 696,224 |
| JAXPORT | 390,852 | 371,263 | 363,994 | 366,021 | 392,822 |
| Palm Beach | 341,004 | 345,827 | 364,829 | 350,932 | 502,876 |
| Total | 14,148,238 | 14,070,396 | 15,551,339 | 15,246,319 | 15,460,717 |

Source: Florida Ports Council

⁶³ Florida Ports Council, "Florida's Seaports: High Performance 2017/2021", *Florida Seaport Transportation and Economic Development Council*, April 10, 2017.

⁶⁴ Martin Associates, "The 2012 Economic Impact of Port Canaveral", *Canaveral Port Authority*, March 20, 2013.

⁶⁵ *Ibid.*

STATE-SPONSORED ADVERTISING AND TOURISM

The previous section identified the most significant determinants of tourism demand into Florida. Another determinant is tourism marketing by local, state and national Destination Marketing Organizations (DMO).

VISIT FLORIDA is Florida's official Destination Marketing Organization. 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. VISIT FLORIDA's budget over the past 4 years is identified in the Table below.

| VISIT FLORIDA's Annual Fiscal Budget | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 |
| Budget | \$54,000,000 | \$63,500,000 | \$73,000,000 | \$74,000,000 |

VISIT FLORIDA 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 research on tourism and travel trends;
- Creates and implements domestic and international advertising campaigns;
- Creates and implements marketing programs to connect visitors with nature-based, heritage, cultural, and rural tourism experiences;
- Operates the five Official Florida Welcome Centers;
- Maintains international representation in the United Kingdom, Europe, Canada, Latin America, and Japan;
- Represents Florida at consumer shows and sales missions; and
- Administers several reimbursement grant programs.

VISIT FLORIDA's budget has increased by 37% from FY 2012-13 to FY 2015-16. This growth rate is not dissimilar to other state tourism budgets. According to the U.S. Travel Association, the average U.S. state tourism budget has increased by 34% during the same time period.⁶⁶ In FY 2015-16, the average state tourism budget was \$20.1 million.⁶⁷ However, U.S states with larger tourism industries tend to have larger state tourism budgets. California, Hawaii and New York had FY 2015-16 tourism budgets of \$119.8 million, \$93.2 million, and \$50 million respectively.⁶⁸

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 the 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.

⁶⁶ Dan Pelter, "The Most Visited U.S. States Spent Less to Market to Travelers Last Year", *Skift*. September 16, 2016. Retrieved from www.skift.com.

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

Conversion studies are the most widely used method to measure the impact of DMO advertising on tourism. The earliest academic study looked at the effectiveness of state DMO advertising in magazines.⁶⁹ The study sampled individual households that had requested state travel information from coupons clipped out from magazine adverts. The researchers calculated a benefit-to-cost ratio of \$32.78 across 8 magazine advertisements.⁷⁰ Later studies have followed with similar methodologies and expanded to cover DMO advertising effectiveness across different media channels, like television and radio. These studies have returned positive results. However, the economic impact has varied significantly between the studies.⁷¹ This could be due to advertisement quality, differences in the media channel or an inadequate methodology.⁷²

The chief criticism of conversion studies has been the inadequacy of the conversion methodology.⁷³ The original 1974 study was criticized for upwardly biased results.⁷⁴ Subsequent studies have improved on the methodology but have not completely controlled for issues related to inadequate sample sizes, not excluding individuals already planning on traveling to the destination, low response rates to conversion surveys and 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 response rates of participants.⁷⁵ However, even with all 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.⁷⁶ The researcher insists that conversion studies are only helpful in comparing the performance of different DMO advertisements.⁷⁷

Nonetheless, conversion studies are the primary tool used by state DMOs' in measuring their marketing effectiveness. These studies are typically done 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 looks at the advertising awareness among targeted groups and extrapolate how the additional awareness translates into additional trips to the DMO's state. One such company, Strategic Marketing and Research Insights LLC, estimates the impact by taking the difference of trips to the state between the ad-aware and ad-unaware populations. This difference is then multiplied by tourist spending numbers to determine the impact.

⁶⁹ Arch Woodside and David Reid, "Tourism Profiles Versus Audience Profiles: Are Upscale Magazines Really Upscale?" *Journal of Travel Research*, Vol.12.1974.

⁷⁰ *Ibid.*

⁷¹ 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. & David Butterfield, Kenneth R. Deal, and Atif Kubursi, "Measuring the Returns to Tourism Advertising", *Journal of Travel Research*, Vol.37. August 1998.

⁷² *Ibid.*

⁷³ Arch Woodside, "Measuring Advertising Effectiveness in Destination Marketing Strategies", *Journal of Travel Research*, Fall 1990.

⁷⁴ James Bueke and Richard Gitelson, "Conversion Studies: Assumptions, Applications, Accuracy and Abuse", *Journal of Travel Research*, Winter 1990.

⁷⁵ *Ibid.*

⁷⁶ Arch Woodside, "Tourism Advertising and Marketing Performance Metrics", *Tourism and Hospitality Research*, Vol.4. 2010.

⁷⁷ *Ibid.*

The Strategic Marketing and Research Insights' metric for VISIT FLORIDA's FY 2015-16 advertising campaign was 35:1.⁷⁸ The VISIT FLORIDA advertising metric is a cost-benefit ratio of tourist spending to media spending.⁷⁹ Previous VISIT FLORIDA advertising campaigns were assigned similar results by the marketing firm.⁸⁰ A review of 2015 and 2016 reports and press releases from California, New York, and Michigan also show positive results. The results ranged from over 400:1 to 2.86:1.⁸¹ Of all the studies analyzed, not a single advertising campaign reported a result of less than 1. The EDR staff were unable to review the details or validity of the research, nor were staff able to locate academic research that empirically supports the methodology of these industry reports.

As an alternative to conversion studies, academics have examined the statistical relationship between DMO tourism budgets and the inflow of international tourists. In these analyses, the DMO is one of the many tourism determinants used in each study. The other determinants were the variables discussed in the "The Determinants of Tourism Demand" section of the paper.

Most of these studies found positive results. One study of DMOs' in Australia found a positive relationship between DMO expenditures and international tourists visiting Australia.⁸² A 1995 meta-analysis study of existing tourism demand studies also found marketing expenditures to be positively associated with international tourism.⁸³ 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.⁸⁴

The studies also concluded that the impact of tourism marketing varies considerably among countries. The 1995 meta-analysis study found that Latin America and North America tourists were influenced the most by DMO advertising.⁸⁵ Oceania and Southern European countries appear to respond the least to tourism advertising.⁸⁶ A study of Australia tourism advertising 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.⁸⁷ Another review concluded that (a) "different nationalities and cultures are likely to respond differently to marketing, and (b) different destinations vary in their ability to use marketing effectively," as the primary reasons why effectiveness is hard to quantify.⁸⁸

⁷⁸ Strategic Marketing Insights and Research, "2015-16 Advertising Effectiveness Return on Investment", *Visit Florida*. September 2016.

⁷⁹ Strategic Marketing Insights and Research uses the industry standard of referring to its metric as a ROI. The EDR ROI is a ratio of state taxes generated divided by program costs. The Strategic Marketing and Research Insights ROI is a ratio of economic activity generated divided by VISIT FLORIDA media costs. The industry ROI is referred to here as a metric in order to avoid confusion since the two concepts are not comparable.

⁸⁰ *Ibid.*

⁸¹ Reports can be found on the states' destination marketing organization website.

⁸² Nada Kulendran and Larry Dwyer, "Measuring the Return from Australian Tourism Marketing Expenditure", *Journal of Travel Research*, Vol.47. 2009.

⁸³ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand", *Annals of Tourism Research*. Vol.22. 1995.

⁸⁴ F. Ledsema-Rodriguez, M. Navarro-Ibanez, and J. Perez-Rodriguez, "Panel Data and Tourism Demand. The Case of Tenerife", March 1, 2001.

⁸⁵ Geoffrey I. Crouch, "A Meta-Analysis of Tourism Demand", *Annals of Tourism Research*. Vol.22. 1995.

⁸⁶ *Ibid.*

⁸⁷ Nada Kulendran and Larry Dwyer, "Measuring the Return from Australian Tourism Marketing Expenditure", *Journal of Travel Research*, Vol.47. 2009.

⁸⁸ Larry Dwyer & P. Forsyth, *International Handbook on the Economics of Tourism*, Edward Elgar Pub, p.71.

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 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.⁸⁹ The policy paper included promotional expenditures from 48 states over 39 years. The study found a positive, but very weak impact between the variables. The study concluded that for every \$1 million increase in state tourism promotion spending, there was only \$20,000 in revenue for the accommodation industry.⁹⁰

⁸⁹ Dr. Michael Hicks and Michael D. LaFaive, "An Analysis of State-Funded Tourism Promotion", *Mackinac Center For Public Policy*. November 1, 2016.

⁹⁰ *Ibid.*

METHODOLOGY

As discussed in the previous two sections, there are many determinants of tourism demand. As part of its methodology for this analysis, EDR allocated all out-of-state tourists in the review period to the different determinants of tourism demand, including VISIT FLORIDA. This amounted to around 300 million tourists being allocated to different determinants.

To do this, EDR first relied on VISIT FLORIDA’s Visitor Influencer Study (see the table below). The Visit Influencer Study asks respondents to identify the factors that influenced their decisions to visit Florida.⁹¹ This study allows EDR to distinguish tourists who were influenced by marketing from those who were influenced by other non-marketing related influencers. The resulting percentages were relied upon to allocate the visitors between the two types of influencers. Important non-marketing related influencers include visiting friends and family (VFR) and the cruise line industry. Important marketing-related influencers include advertising by VISIT FLORIDA and theme parks. Additional detail regarding this part of the analysis can be found in Appendix One.

VISIT FLORIDA Influencer Study Results 2013-2016 ⁹²

| Direct VISIT FLORIDA Influencers | 2013 | 2014 | 2015/16 | 2016/17 |
|--|---------------|---------------|---------------|---------------|
| The VISIT FLORIDA Website | 4.46% | 4.47% | 4.6% | 5.3% |
| A Stop at an Official Florida Welcome Center on a previous trip to Florida | 4.69% | 3.80% | 4.3% | 5.0% |
| A VISIT FLORIDA publication | 4.18% | 3.37% | 4.0% | 4.6% |
| VISIT FLORIDA social media | 3.8% | 3.4% | 4.5% | 5.0% |
| VISIT FLORIDA radio, TV, online, magazine/newspaper ad, not destination specific | 4.1% | 3.51% | 4.2% | 4.5% |
| A sweepstakes/contest by VISIT FLORIDA heard or seen on radio, TV, or online | 2.90% | 2.89% | 3.2% | 3.7% |
| Other Influencers | 2013 | 2014 | 2015/16 | 2016/17 |
| A previous trip to Florida | 12.88% | 14.44% | 11.1% | 9.2% |
| Have family or friends to visit | 10.18% | 10.29% | 8.7% | 7.7% |
| Any advertising for a specific FL theme park | 6.73% | 6.96% | 6.7% | 6.0% |
| Information from the Internet other than VISIT FLORIDA | 6.07% | 7.27% | 6.2% | 5.7% |
| A hobby, pastime, or passion followed (golf, nature, small towns, spring training) | 6.42% | 6.38% | 5.8% | 5.4% |
| Information about special events or festivals in FL | 4.69% | 5.59% | 5.6% | 5.6% |
| Any advertising for a specific FL location , excluding theme parks | 5.29% | 5.47% | 5.7% | 5.4% |
| A travel article in a newspaper or magazine about a FL vacation experience | 4.30% | 4.26% | 4.4% | 4.7% |
| Any information from social media | 4.8% | 4.78% | 5.8% | 5.5% |
| The vacation in Florida was in connection with a cruise using FL port | 4.34% | 3.95% | 4.2% | 4.5% |
| The recommendation of a travel agent | 3.52% | 3.43% | 3.8% | 4.2% |
| Brochures obtained at consumer trade shows | 3.33% | 2.93% | 3.8% | 4.1% |
| Went on a business trip that was extended into a vacation | 3.25% | 2.76% | 3.3% | 3.9% |
| | | | | |
| Marketing Related Influencers | 55.12% | 54.49% | 58.66% | 60.36% |
| Non-Marketing Related Influencers | 44.88% | 45.51% | 41.34% | 39.64% |
| The Visit Florida Influencer Study switched to Fiscal Year beginning in 2015/16 | | | | |

⁹¹ The analysis did not attribute any tourists to the factors discussed in the “Broad Determinants of Tourism Demand” section, because these factors are difficult to estimate and the analysis was unable to locate any data on how they impact Florida-specific tourism.

⁹² The VISIT FLORIDA 2013 Influencer data has been updated to reflect data from more recent Influencer reports.

Next, the marketing-influenced tourists were allocated to entities whose major marketing efforts have been significant and sustained over time in Florida. VISIT FLORIDA is included in this group. The allocation is based on estimates of the amounts spent by each entity during the review period.

While many groups and individual businesses help to market the state as a tourist destination, the 5 major contributors discussed below can be quantified in terms of advertising dollars spent. Because the analysis does not account for smaller marketing efforts, this represents the best case scenario for VISIT FLORIDA.⁹³

A portion of VISIT FLORIDA’s tourist spending was assigned to Florida’s beaches. To do this, EDR relied on VISIT FLORIDA’s Florida Visitor Studies. The studies include information, by region, regarding activities visitors undertook while visiting the state. EDR used this activity data to establish an estimate of the amount of tourist activity and spending due to beach-related activities based-on the tourism activity data. In the analysis, a portion of this beach-related spending was subtracted from VISIT FLORIDA’s total visitor spending number.

In summary, VISIT FLORIDA was appropriated 9.77% of all marketing-influenced tourists in Florida. This amounted to around 14.5 million domestic out-of-state tourists and 2.52 million international tourists being attributed to VISIT FLORIDA’s marketing efforts over the review period. Next the study estimated total visitor spending by multiplying the total tourist number with average tourist spending data. The average domestic tourist spent \$159 dollars a day and stayed 4.3 nights. The average international tourist spent \$105.50 dollars a day and stayed 11.02 nights in Florida. The total visitor spending number was then reduced to account for beach-related activities (see the paragraph above for a description of beach-related spending). In the end, total visitor spending amounted to \$3.850, \$4.060 and \$3.928 billion in fiscal years 2013-14, 2014-15, and 2015-16 respectively. These amounts became the inputs into the Statewide Model.

Important Tourism Marketers of Florida

Tourism Advertising Funding by Funding Source by Fiscal Year

| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
|----------------------------------|----------------|---------------|------------------|-------------------|----------------|------------------|
| 2013-2014 | \$ 244,284,888 | \$ 25,810,105 | \$ 63,500,000 | \$ 120,059,937 | \$ 192,280,570 | \$ 645,935,499 |
| | 37.82% | 4.00% | 9.83% | 18.59% | 29.77% | 100.00% |
| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
| 2014-2015 | \$ 268,767,195 | \$ 26,584,408 | \$ 73,000,000 | \$ 141,826,336 | \$ 210,764,243 | \$ 720,942,181 |
| | 37.28% | 3.69% | 10.13% | 19.67% | 29.23% | 100.00% |
| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
| 2015-2016 | \$ 299,125,764 | \$ 27,381,940 | \$ 74,000,000 | \$ 144,350,589 | \$ 241,961,480 | \$ 786,819,773 |
| | 38.02% | 3.48% | 9.40% | 18.35% | 30.75% | 100.00% |
| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
| Total for all three years | \$ 812,177,846 | \$ 79,776,452 | \$ 210,500,000 | \$ 406,236,862 | \$ 645,006,293 | \$ 2,153,697,453 |
| | 37.71% | 3.70% | 9.77% | 18.86% | 29.95% | |

⁹³ For a more detailed discussion of the report’s methodology, please review Appendix One.

Local Public Tourism Marketing

Whether on their own or through designated DMOs, local governments promote travel destinations, attractions, and events in their areas. During Fiscal Years 2013-14 through 2015-16, local governments accounted for 37.71% of tourism marketing expenditures (\$812.18 million).

The data on local government tourism marketing expenditures was obtained through both a survey conducted by EDR of local DMOs' and an examination of the publicly posted budgets for local DMOs'. The EDR survey requested expenditure data for the three 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 1 being highest (see the table below for the results). If the local DMO did not complete the survey, EDR relied on publicly-available posted budgets to estimate local tourism promotion spending.⁹⁴

| The Top Features that Attract Tourists | |
|--|--------------------------------------|
| Rank | Feature |
| 1 | Beaches |
| 2 | Outdoor Recreation |
| 3 | Federal and State Parks |
| 4 | Sporting Events |
| 5 | Festival, Cultural and Annual Events |
| 6 | Amusement Parks, Themed Attractions |

The Local Public Tourism Marketing methodology changed in two ways from the 2015 report. First, the study expanded the number of local DMOs included in the analysis from 28 to 30. Second, local DMO General & Administrative expenses were included in the total local public funding amount. This methodological change gives the study a more accurate comparison between local DMO funding and VISIT FLORIDA funding since the EDR analysis includes VISIT FLORIDA's General & Administrative expenses. The substantial increase in Local Public's share of tourism advertising funding is due to these methodological differences, as well as the general increase in local DMO advertising spending due to a stronger economy and higher local tourism development tax revenues.

Local and VISIT FLORIDA Private

Private sector companies such as rental car agencies and hotels provided money to VISIT FLORIDA and local governments to increase tourism promotion efforts. This may be in conjunction with cooperative advertising, promotional activities or another form of contribution. At the local level, private investment is much smaller than the local government investment, but at the state level, private contributions accounted for about two-thirds (\$406.2 million or 65.5%) of VISIT FLORIDA's total spending during the review period.

The VISIT FLORIDA private contributions were obtained directly from VISIT FLORIDA. The local private contributions were estimated through the EDR survey of local tourism marketing agencies.

⁹⁴ A total of 30 local DMOs' were asked to participate in the survey. EDR received responses from 15 DMOs.

Theme Parks

The theme park industry had annual admissions in Florida that exceeded 81 million in 2016.⁹⁵ The companies controlling these parks have a great interest in promoting not only their individual theme parks, but a Florida vacation in general.

The EDR analysis estimated that the three major theme park companies – Disney, Universal Studios, and Sea World– are responsible for \$645.0 million in marketing during the review period. This accounted for 29.95% of all major tourism marketing efforts in the state, not including additional dollars that the theme parks provided to both VISIT FLORIDA and local governments. EDR estimated the advertising expenditures of Florida’s major theme parks by utilizing 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.

VISIT FLORIDA

The state appropriations for VISIT FLORIDA account for only 9.77% of all major tourism marketing efforts during the review period. This percentage is a best case scenario given that it is impossible to determine the total amount of advertising dollars spent to promote tourism in a given year. Inclusion of any further funding sources would only serve to reduce this percentage. VISIT FLORIDA’s budget was obtained directly through the agency.

The analysis relied on two annual VISIT FLORIDA reports (The Florida Visitor Study, The Return on Investment Influencer Study) to estimate tourism spending levels and the total number of tourists.

The Florida Visitor Study evaluates data on the travel patterns of Florida residents and domestic and overseas visitors. VISIT FLORIDA obtains domestic travel data primarily from D.K. Shifflet & Associates⁹⁶ while international travel data is primarily obtained from the U.S. Department of Commerce’s International Trade Administration. VISIT Florida also uses data provided by VisaVue Travel and other independent research sources.

The Return on Investment Influencer Study, conducted annually online by Toluna USA, Inc., surveys 500 domestic visitors who had visited Florida in the past year. The survey asks respondents what items influenced their decision to choose Florida as a travel destination.

The 2016-17 survey, comprised of 19 influencing items, gauged the respondents’ considerations when choosing Florida as a destination. Each item was ranked on a scale of 1 – 5, with 5 representing a “very important” factor in the decision-making process. Six of the 19 items are directly attributable to VISIT FLORIDA’s advertising efforts. Other items in the survey include outside influencers, such as brochures at trade shows, advertising by individual Florida locations and information found on other websites. Non-marketing items such as visiting family and friends were also considered. Respondents are allowed to choose multiple influencing items.

⁹⁵ AECOM, “TEA/AECOM 2016 Theme Index and Museum Index: The Global Attractions Attendance Report 2016”, *Themed Entertainment Association (TEA)* .2017.

⁹⁶ D.K. Shifflet Survey Methodology

THE STATEWIDE MODEL

Statewide Model

EDR used the Statewide Model to estimate the return-on-investment for the programs under review. The Statewide Model is a dynamic computable general equilibrium (CGE) model that simulates Florida's economy and government finances.⁹⁷ 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.⁹⁸

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 equations⁹⁹ 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.¹⁰⁰ 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 shocked¹⁰¹ using static analysis to develop 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.

The model was 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 labor demand 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

⁹⁷ The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Monash University (Melbourne, Australia).

⁹⁸ Reports prior to January 1, 2017 have 2009 as the base year. Reports as of January 1, 2017 have 2011 as the base year.

⁹⁹ These equations represent the behavioral responses to economic stimuli – to changes in economic variables.

¹⁰⁰ The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor demand).

¹⁰¹ 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 analyses, a shock is imposed to simulate the effect of tourist-related spending in the economy.

- Personal income
- Florida Gross Domestic Product
- Gross output
- Household consumption
- Investment
- Population

EDR's calculation of the return-on-investment 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 individually measurable by Return-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 cohesiveness of the state's brand. Even though this value is not quantified, it is potentially offset by assuming all commercials and promotional activities are equally effective.

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 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 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 precedes 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 under review by fiscal year.

Personal Income (Nominal \$(M)) – 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 2011 \$(M)) – Total after-tax income received by persons; it is the income available to persons for spending or saving.

Real Gross Domestic Product (Fixed 2011 \$(M)) – A measurement of 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 2011 \$(M)) –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 2011 \$(M)) – Consists of sales, or receipts, and other operating income, plus commodity taxes and changes in inventories.

Total Employment (Jobs) – This comprises 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 of the VISIT FLORIDA (FY2013-2015)

| | 2013-2014 | 2014-2015 | 2015-2016 | Total |
|--|-----------|-----------|-----------|-------|
| State Payments in the Window \$ (M) | 63.5 | 73.0 | 74.0 | 210.5 |
| Total Net State Revenues \$ (M) | 139.4 | 155.8 | 158.0 | 453.2 |
| Total State Sales Tax Collection \$ (M) | 96.0 | 106.0 | 109.0 | 311.0 |
| Return-on-Investment by Year | 2.20 | 2.13 | 2.14 | |
| Return-on-Investment for the 3 year period | | | | 2.15 |

| | | 2013-2014 | 2014-2015 | 2015-2016 | Total | | Average per Year |
|--|----------------------|-----------|-----------|-----------|----------|---------|------------------|
| Personal Income | Nominal \$ (M) | 2,749.0 | 3,229.0 | 3,440.0 | 9,418.0 | | 3,139.3 |
| Real Disposable Personal Income | Fixed 2010-11 \$ (M) | 2,190.0 | 2,547.4 | 2,696.0 | 7,433.4 | | 2,477.8 |
| Real Gross Domestic Product | Fixed 2010-11 \$ (M) | 4,288.4 | 4,608.2 | 4,596.9 | 13,493.5 | | 4,497.8 |
| Consumption by Households and Government | Fixed 2010-11 \$ (M) | 2,792.1 | 3,071.5 | 3,115.8 | 8,979.3 | | 2,993.1 |
| Real Output | Fixed 2010-11 \$ (M) | 5,338.2 | 5,714.5 | 5,733.9 | 16,786.6 | | 5,595.5 |
| | | 2013-2014 | 2014-2015 | 2015-2016 | Minimum | Maximum | Average per Year |
| Total Employment | Jobs | 31,638 | 28,041 | 24,077 | 24,077 | 31,638 | 27,919 |
| Population | Persons | 0 | 6,144 | 11,910 | 0 | 11,910 | 6,018 |

During this review period, the VISIT FLORIDA ROI was 2.15. For every dollar spent on VISIT FLORIDA, the state of Florida received 2 dollars and 15 cents back in tax revenue. The VISIT FLORIDA program contributed approximately \$13.5 billion to Florida's real GDP, \$7.4 billion in real Disposable Personal Income, and \$453.2 million in state revenue. On average, there were over 27,000 additional jobs in the state each year due to VISIT FLORIDA marketing efforts.

The ROI benefited both from the aggregate amount of spending and the type of purchases made by tourists. Generally, tourists purchase products that are taxable at the state level. These products include purchases of lodging in hotels or other accommodations, meals in restaurants, and gifts at souvenir shops. Further tourists rent cars, shop at local retail establishments, and visit local bars and nightclubs. Tourists also spend money to entertain themselves at Florida's theme parks, movie theaters, and sporting events. Most of these expenditures are taxable. Expenditures at establishments such as hotels, restaurants, and theme parks are subject to sales and use tax. Tourists who rent automobiles while in the state are subject to the rental car surcharge and the fuel tax. Of the increase in total state revenues of \$453.2 million, sales and use tax accounted for \$311 million or over two-thirds of the increase.

Not only are the products generally taxable, but most of the production for these products is sourced locally. This means that money spent in the Florida economy generally stays in the economy. There is little lost from the state's economy to cover the costs of intermediate inputs which need to be purchased from outside of the region.

A couple other factors contributed to an ROI over 1.0. First, the percent of out-of-state visitors influenced by marketing has increased since the 2015 analysis. The analysis estimated that 57.2% of visitors were influenced by marketing in the review period.¹⁰² This is especially pronounced in the latest Visitor Influencer Studies where 58% and 60% of all visitors were influenced by marketing in FY 2014-15 and FY 2015-16 respectively. In the prior analysis, marketing influenced about 54.5% of all the visitors. A difference of 2.8% is significant, and amounts to more than 8.6 million tourists being reapportioned to the Marketing Influencer Group (which includes VISIT FLORIDA) in the review period.

Also, Florida’s recent out-of-state visitor growth has been strong (see Table below). In the review period, the number of out-of-state visitors grew, on average, by 5.32% annually. Historically, Florida’s visitor rates grew by only 1.99%. In comparison, Hawaii (another tourism-dependent economy) recorded only a 3.18% growth rate in the same period.¹⁰³ The higher growth rate led to around 2 million more out-of-state tourists being allocated to VISIT FLORIDA in the review period.

| Total Number of Out-of-State Visitors to Florida | | | | |
|--|------------|---|-------------|-------------|
| | 2013 | 2014 | 2015 | 2016 |
| Total Out-of-State Visitor Counts: | 94,143,000 | 98,492,000 | 106,585,000 | 112,394,000 |
| CY2001-2012 Historical Growth Rate: | 1.99% | CY2013-2015 Average Growth Rate: | | 5.32% |

In comparison, EDR’s previous ROI analysis (FY 2011-2013) returned an ROI of 3.2. The lower 2018 ROI was due to the diminishing returns of additional tourism advertising in Florida. In the review period, VISIT FLORIDA’s budget, on average, was 82% larger than the prior analysis. In contrast, the total number of out-of-state tourists grew by only 16% in the review period. Local DMO spending and Theme Park advertising also grew at rates that exceeded out-of-state tourism growth. This amounted to more advertising being spent to attract each out-of-state tourist to Florida. Therefore, the net economic benefit of each tourist attributed to VISIT FLORIDA was lower due to the higher cost to attract each tourist. This had a negative effect on the ROI and is the sole reason why the ROI is lower.

| VISIT FLORIDA ROI Comparison | | |
|--|------------------------------|------------------------------|
| | 2018 ROI Analysis | 2015 ROI Analysis |
| ROI: | 2.15 | 3.21 |
| FY Period Covered | 2013-14,2014-15, and 2015-16 | 2010-11,2011-12, and 2012-13 |
| Real State GDP (\$ mill) | \$13,493.50 | \$11,322.70 |
| Total State Taxes Generated by the Program (\$ mill) | \$ 453.20 | \$ 373.40 |
| State Payment: | \$ 210.5 | \$ 115.5 |

If the state were to reduce funding for VISIT FLORIDA, the result would not necessarily produce an immediate reduction in tourism by VISIT FLORIDA’s share of total advertising. It is unknown whether and

¹⁰² This is based on our review of Visit Florida’s The Return on Investment Influencer Report.

¹⁰³ The growth rate was estimated based on a review of Hawaii’s annual visitor reports.

to what extent the other major advertising sources might increase spending to keep the overall level of funding the same. Further, since the advertising investment appears to be seeing diminishing returns (albeit still positive), some reduction may be absorbed without materially influencing the number of tourists.

In summary, the state invested \$210.5 million dollars in VISIT FLORIDA during the review period resulting in an increase in Real GDP of over \$13 billion which then increased overall collection in state revenues by \$453.2 million. The analysis estimates a ROI of 2.15 for the program.

APPENDIX ONE

Methodology Expanded – Marketing Related Visitors

This analysis assumed that not all visitors to the state of Florida came as a result of marketing efforts. While marketing plays a large and instrumental role in attracting tourists to the state of Florida, it is not the only reason visitors chose to come to Florida. Among the many other reasons, people travel to visit friends and family, compete in sporting events, or to attend work. These reasons may have nothing to do with advertising. Moreover, 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 fact in their annual Return on Investment Influencer Study which indicates that more than 95% of respondents had previously visited the state.

The study asks survey respondents what items influenced their decision to choose Florida as a travel destination. Respondents were given a choice of the 19 influencing items, 7 of which were determined to be primarily non-marketing related. Non-marketing related items are highlighted in blue.

VISIT FLORIDA ROI Influencer Study Results 2013-2016

| Direct VISIT FLORIDA Influencers | 2013 | 2014 | 2015/16 | 2016/17 |
|--|---------------|---------------|---------------|---------------|
| The VISIT FLORIDA Website | 4.46% | 4.47% | 4.6% | 5.3% |
| A Stop at an Official Florida Welcome Center on a previous trip to Florida | 4.69% | 3.80% | 4.3% | 5.0% |
| A VISIT FLORIDA publication | 4.18% | 3.37% | 4.0% | 4.6% |
| VISIT FLORIDA social media | 3.8% | 3.4% | 4.5% | 5.0% |
| VISIT FLORIDA radio, TV, online, magazine/newspaper ad, not destination specific | 4.1% | 3.51% | 4.2% | 4.5% |
| A sweepstakes/contest by VISIT FLORIDA heard or seen on radio, TV, or online | 2.90% | 2.89% | 3.2% | 3.7% |
| Other Influencers | 2013 | 2014 | 2015/16 | 2016/17 |
| A previous trip to Florida | 12.88% | 14.44% | 11.1% | 9.2% |
| Have family or friends to visit | 10.18% | 10.29% | 8.7% | 7.7% |
| Any advertising for a specific FL theme park | 6.73% | 6.96% | 6.7% | 6.0% |
| Information from the Internet other than VISIT FLORIDA | 6.07% | 7.27% | 6.2% | 5.7% |
| A hobby, pastime, or passion followed (golf, nature, small towns, spring training) | 6.42% | 6.38% | 5.8% | 5.4% |
| Information about special events or festivals in FL | 4.69% | 5.59% | 5.6% | 5.6% |
| Any advertising for a specific FL location , excluding theme parks | 5.29% | 5.47% | 5.7% | 5.4% |
| A travel article in a newspaper or magazine about a FL vacation experience | 4.30% | 4.26% | 4.4% | 4.7% |
| Any information from social media | 4.8% | 4.78% | 5.8% | 5.5% |
| The vacation in Florida was in connection with a cruise using FL port | 4.34% | 3.95% | 4.2% | 4.5% |
| The recommendation of a travel agent | 3.52% | 3.43% | 3.8% | 4.2% |
| Brochures obtained at consumer trade shows | 3.33% | 2.93% | 3.8% | 4.1% |
| Went on a business trip that was extended into a vacation | 3.25% | 2.76% | 3.3% | 3.9% |
| | | | | |
| Marketing Related Influencers | 55.12% | 54.49% | 58.66% | 60.36% |
| Non-Marketing Related Influencers | 44.88% | 45.51% | 41.34% | 39.64% |
| The Visit Florida Influencer Study switched to Fiscal Year beginning in 2015/16 | | | | |

While the Return on Investment Influencer 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 choose more than one influencer item, the responses were normalized to allow for only one response per respondent. The results indicated that marketing related influencers accounted for approximately 57.16% of visitor responses and non-marketing related influencers accounted for approximately 42.84% of visitor

responses in 2013-2016.¹⁰⁴ The percentages of marketing and non-marketing related influencers were applied against the total visitor count reported for the state for each year.

VISIT FLORIDA Marketing Related Visitors

Marketing efforts accounted for a little more than 57% of visitors to Florida during the review period and this analysis further assumed that not all marketing-related visitors to the state are attributable to VISIT FLORIDA’s marketing efforts. There are many other entities that engage in the similar promotion of Florida as a tourism destination. Combined, these entities spent an estimated \$2.15 billion during the review period.¹⁰⁵ Since it is likely that the total combination of advertising efforts ultimately cause some consumers to take action, the economic activity associated with tourism promotion cannot be attributed to any single entity.

To obtain the appropriate number of visitors to credit to VISIT FLORIDA’s marketing efforts, EDR used the percentage of advertising dollars provided by VISIT FLORIDA’s public appropriation relative to all other advertising funding sources. The table below provides the breakdown.

Tourism Advertising Funding by Funding Source by Fiscal Year

| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
|----------------------------------|----------------|---------------|------------------|-------------------|----------------|------------------|
| 2013-2014 | \$ 244,284,888 | \$ 25,810,105 | \$ 63,500,000 | \$ 120,059,937 | \$ 192,280,570 | \$ 645,935,499 |
| | 37.82% | 4.00% | 9.83% | 18.59% | 29.77% | 100.00% |
| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
| 2014-2015 | \$ 268,767,195 | \$ 26,584,408 | \$ 73,000,000 | \$ 141,826,336 | \$ 210,764,243 | \$ 720,942,181 |
| | 37.28% | 3.69% | 10.13% | 19.67% | 29.23% | 100.00% |
| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
| 2015-2016 | \$ 299,125,764 | \$ 27,381,940 | \$ 74,000,000 | \$ 144,350,589 | \$ 241,961,480 | \$ 786,819,773 |
| | 38.02% | 3.48% | 9.40% | 18.35% | 30.75% | 100.00% |
| | Local Public | Local Private | Visit FL. Public | Visit FL. Private | Theme Parks | Total |
| Total for all three years | \$ 812,177,846 | \$ 79,776,452 | \$ 210,500,000 | \$ 406,236,862 | \$ 645,006,293 | \$ 2,153,697,453 |
| | 37.71% | 3.70% | 9.77% | 18.86% | 29.95% | |

As a share of total tourism advertising spending, VISIT FLORIDA is responsible for approximately 5.2, 5.8, and 6.0 million visitors during the fiscal years 2013-14, 2014-15, and 2015-16 respectively. The remaining 38 million marketing-influenced visitors are attributable to all other marketing efforts conducted by local governments, theme parks, and private entities.

Visitors who were deemed attributable to VISIT FLORIDA’s marketing efforts were divided into international and domestic travelers. Expenditures were calculated separately to accommodate the difference in spending patterns between domestic and international travelers.

¹⁰⁴ EDR’s 2015 study determined these percentages to be 54.5% and 45.5% respectively. The marketing related influencers are now representing a greater share.

¹⁰⁵ EDR’s 2015 study determined this number to be \$1.37 billion. Expenditures over the subsequent three-year period increased by 57%, with a significant portion of the increase attributable to Local Public.

Visitors and Spending Attributable to VISIT FLORIDA's Public Marketing Spend

| | 2013-14 | 2014-15 | 2015-16 |
|------------------------|----------------------------|----------------------------|----------------------------|
| Total Visitors | 5,203,712 | 5,785,647 | 5,981,041 |
| Domestic Visitors | 4,373,694 | 4,921,023 | 5,166,932 |
| International Visitors | 830,018 | 864,624 | 814,109 |
| Total Spending | \$ 3,850,362,093.80 | \$ 4,059,636,051.61 | \$ 3,928,382,630.29 |
| Domestic Spending | \$ 2,873,005,967.46 | \$ 3,111,438,270.23 | \$ 3,128,759,144.06 |
| International Spending | \$ 977,356,126.34 | \$ 948,197,781.37 | \$ 799,623,486.23 |

Key Methodology Expanded – Beaches

One key determinant of tourism demand in Florida is the 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.¹⁰⁶ 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 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 2013 through 2016, it is estimated that roughly 21 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 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 for each year to the number of marketing-related visitors. The total spending amount (both domestic and international) was subtracted from the amount attributed to VISIT FLORIDA.

| | 2013 | 2014 | 2015 | 2016 |
|---|----------------|----------------|----------------|----------------|
| Domestic Beach Spending Activity % | 22.45% | 22.01% | 19.88% | 21.02% |
| Beach Restoration Share of Ad. Related Visitors | 264,942 | 378,311 | 522,224 | 612,408 |
| Beach Restoration Total Domestic Spending | \$ 153,779,708 | \$ 225,654,123 | \$ 297,404,483 | \$ 359,051,789 |
| Beach Restoration Total International Spending | \$ 55,429,513 | \$ 72,165,909 | \$ 85,957,061 | \$ 80,680,347 |

¹⁰⁶ The academic paper: "Determinants of Coastal Tourism: A Case Study of Florida Beach Counties", by Yehuda Klein and Jeffrey Osleeb, analyze the influence that beach restoration has on attracting visitors.

APPENDIX TWO

Full-Time Equivalent Tourist

A full-time equivalent (FTE) tourist is an estimate of the number of out-of-state visitors in Florida at any given time. Though the majority of these visitors will stay only a short time, on an annualized basis, there are over one million visitors in Florida every day. These visitors are not considered Florida residents, but they place similar demands on Florida's public infrastructure like the roadway system and public services such as the utilities and police. This section will briefly review their impact and provide a FTE tourist estimate.

Out-of-state visitors demand and consume a wide range of resources while in Florida. This demand can lead to negative environmental and social impacts if not properly planned for by both local and state authorities. For example, tourists tend to overuse fresh water. In a study of Spanish tourism, tourists consumed almost double what local inhabitants used.¹⁰⁷ Also, common attractions like golf courses and water parks consume large amounts of fresh water. Additionally, the tourism industry can exhaust sewage and waste infrastructure and has done so in countries that failed to plan properly.¹⁰⁸ Other public services provided by police and firefighters are extremely sensitive to tourism development and have become overburdened in some tourism-heavy localities.¹⁰⁹

Almost all tourists will use Florida's roadway system during their stay. In a 2012 report, Florida's Department of Transportation (FDOT) estimated that out-of-state visitors accounted for 8% of all vehicle miles traveled in Florida.¹¹⁰ This usage rate is higher in popular tourism destination areas like Central Florida and Miami. Tourism demand of Florida's roadway infrastructure does lead to negative impacts. These include an increase in congestion on Florida's roadway system, an increase in air pollution from tourist automobiles, and an increase in traffic accidents.¹¹¹ Finally, Florida's roadway infrastructure requires additional spending to accommodate out-of-state visitor travel.

EDR's analysis estimates that, on average, 1.46 million FTE tourists were in Florida each day in the years of 2012 to 2015 (see the table below).¹¹² This would increase Florida's annual population projections by an average of 6.90%; however, the FTE tourist number is not static throughout the year because tourist visits are seasonal. The FTE tourism number is higher in the spring and summer and lower in the fall and winter. In the summer, the FTE tourist number is about 54% higher than in the fall.

¹⁰⁷ United Nations Environment Program, *Blue Plan for the Mediterranean: Tourism and Environment in the Mediterranean*. 1995.

¹⁰⁸ Bob Mc Kercher, "Some Fundamental Truths About Tourism: Understanding Tourism's Social and Environmental Impacts", *Journal of Sustainable Tourism*. January 1993.

¹⁰⁹ Lawrence Allen, Patrick Long, & R. Perdue, "The Impact of Tourism Development on Residents' Perceptions of Community Life." *Journal of Travel Research*. July 1988.

¹¹⁰ Florida Department of Transportation Office of Policy Planning, *Florida Transportation Trends and Conditions: Travel Demand Tourist and Visitors*. December 2012.

¹¹¹ Ibid.

¹¹² The FTE methodology relied on VISIT FLORIDA's Visitor Study to come up with estimate. The Visitor Study provided the total number of out-of-state visitors to Florida annually, the duration of stay and the seasonality of visitors. Florida's population estimate was provided by the Florida Demographic Estimating Conference.

| Full-Time Equivalent Tourist | |
|---|--------------|
| Average Annual FTE Estimate (2012-2015) | 1,455,841.92 |
| % of Florida's Population (2012-2015) | 6.90% |
| FTE Seasonal Estimates | |
| Winter (Dec, Jan, Feb) | 1,368,101.00 |
| Spring (Mar, Apr, May) | 1,597,251.49 |
| Summer (Jun, July, Aug) | 1,724,281.37 |
| Fall (Sept, Oct, Nov) | 1,122,769.16 |