

Return on Investment for VISIT FLORIDA

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Presented by:



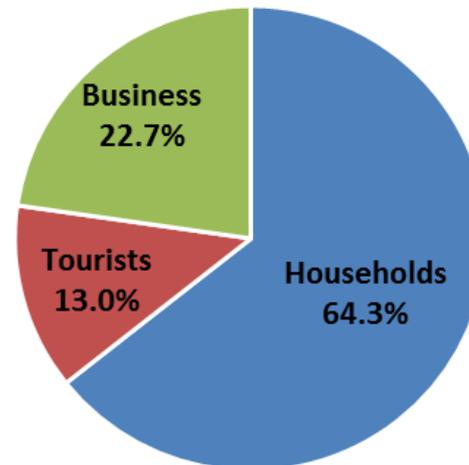
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State Revenues Rely on Tourism...

- The most recent sales tax forecast relies heavily on strong tourism growth and the taxable purchases made directly by tourists.
- It assumes no events that have significant repercussions affecting tourism occur during the forecast window.
- Because of this, tourism-related revenue losses pose the greatest potential risk to Florida's economic outlook.

**Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2015-16, By Source**

The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2015-16, sales tax collections provided \$22.0 billion dollars or 76.4% of Florida's total General Revenue collections. Of this amount, an estimated 13.0% (nearly \$2.86 billion) was attributable to purchases made by tourists.

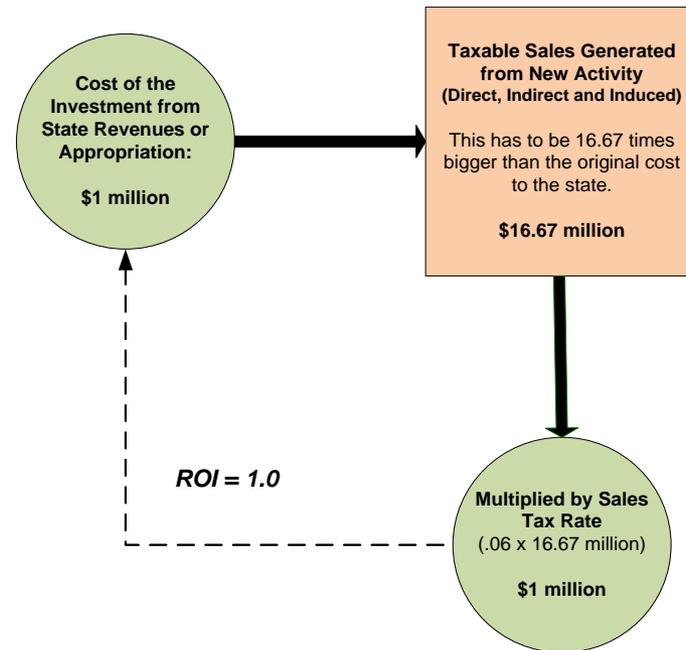


Return on Investment (ROI)...

- In EDR's analysis, the term "Return on Investment" is synonymous with the statutory term "economic benefits" which is defined in s. 288.005, Florida Statutes.

"The direct, indirect, and induced gains in state revenues as a percentage of the state's investment. The state's investment includes state grants, tax exemptions, tax refunds, tax credits, and other state incentives."

Sales Tax Example...



- This measure does not address issues of overall effectiveness or societal benefit; instead, it focuses on tangible financial gains or losses to state revenues.

Meaning of Returns...

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.
- **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 or the costs are greater than the expected benefit.

The review period for the study was FYs 2013-14 through 2015-16. The baseline is what would have happened if the state's investment in VISIT FLORIDA had not taken place.

Summary Results: VISIT FLORIDA's ROI & Economic Benefits...

	ROI	State Expenditures	Net State Revenues	GDP	Jobs Created
VISIT FLORIDA Marketing	2.2	\$210.5 million	\$453.2 million	\$13.5 billion	27,919 annually

Note: Jobs are reported as average annual jobs created to prevent counting accumulated jobs more than once.

The 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. To determine 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 the other advertising funding sources.

VISIT FLORIDA dropped from a reported ROI of 3.2 in 2015 to a new ROI of 2.2. The program still more than breaks even, and the State continues to make money (in the form of increased tax revenue) from its investment. However, as predicted in 2015, the ROI fell primarily due to the diminishing returns from additional tourism advertising in Florida.

Analytical Goal: Determine VISIT FLORIDA's Discrete Effect on Tourists

Who are the visitors?

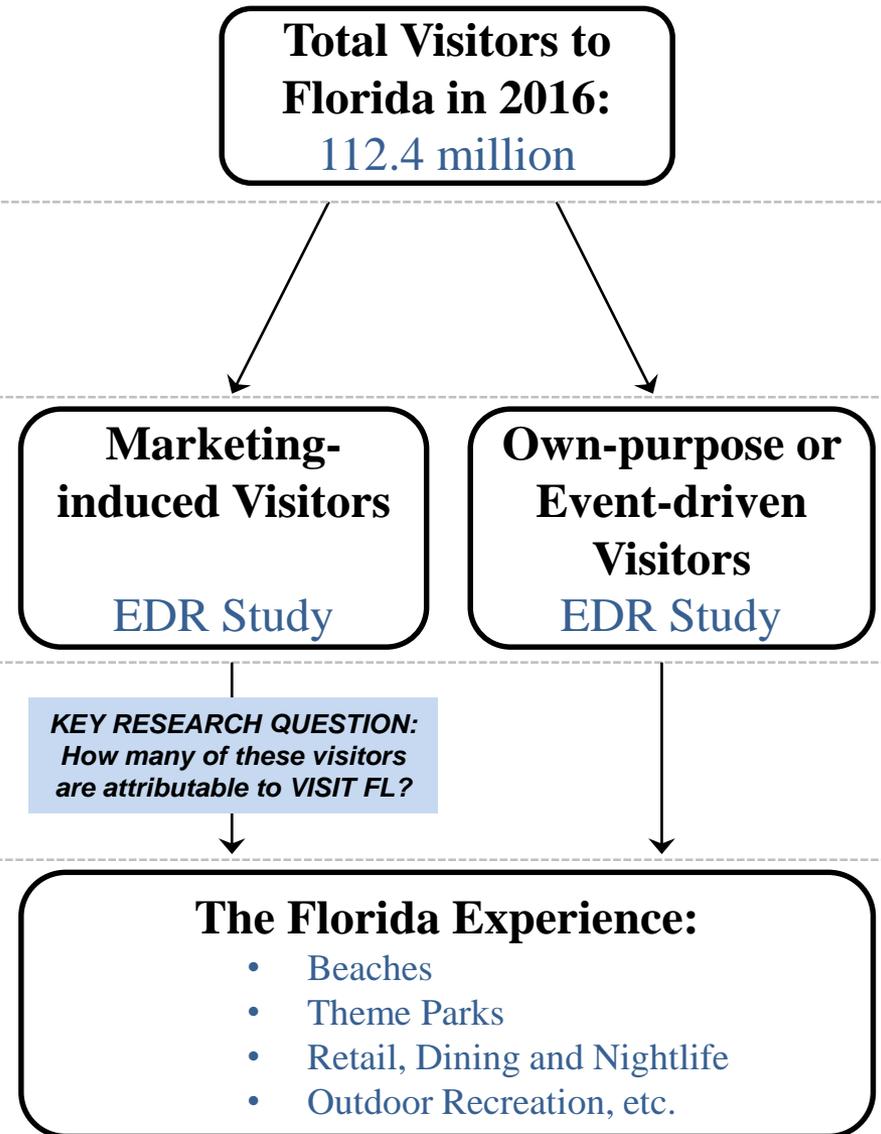
- From a statewide perspective, people traveling to the state (uses an estimate of total out-of-state visitors—both domestic and international).

What motivates the visitors to come to Florida?

- Marketing efforts to raise awareness.
- Self-identified reason or a special event (sporting event, wintering in Florida, business, visiting friends and family, etc.) that exists regardless of marketing.

What makes up the visitors' Florida experience?

- Both types of visitors can participate in the same activities once they arrive.
- However, spending by visitors is attributed to the various state programs differently depending upon what motivated their visit.



Selection of Visitors...

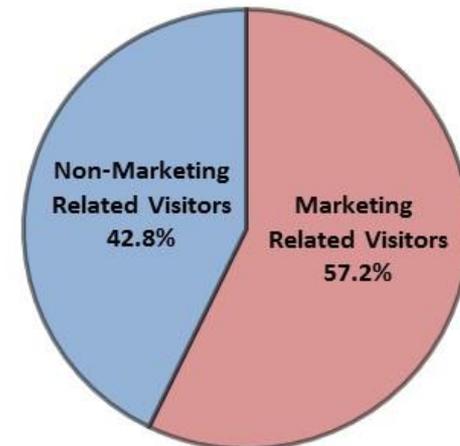
Reason in-state visitors and attendees are excluded...

- Typically, spending by in-state visitors does not generate new spending; rather, it leads to reduced spending in other sectors of the economy. This is referred to as the *substitution effect*. Essentially, residents will substitute one purchase for another (for example, a day at a local sporting event versus a day at an amusement park) in order to live within a personal budget.
- Within the ROI framework, the benefit to the state typically comes from out-of-state visitor spending because this activity is new to the economy.

Basis for out-of-state split...

EDR's analysis of VISIT FLORIDA's Return on Investment Influencer Study indicates that 57.2% of visitors come to Florida due to marketing-related efforts, and 42.8% come on their own for an event or other self-identified reason.

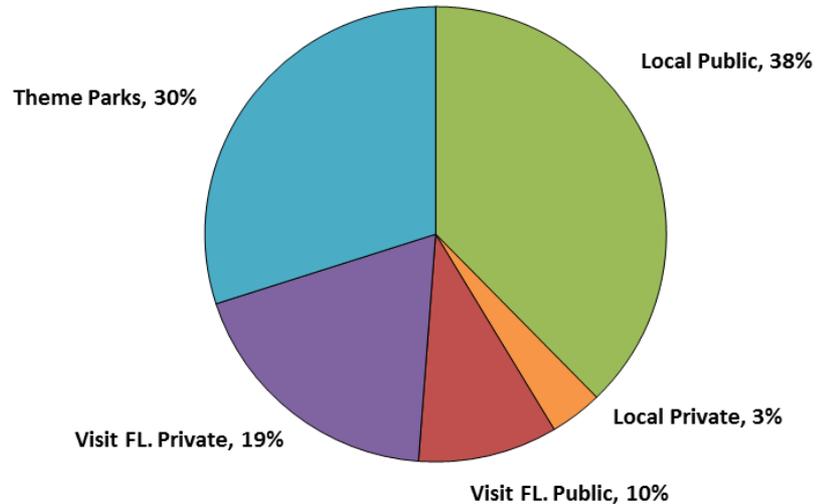
Visitor Breakout by Influencer Type



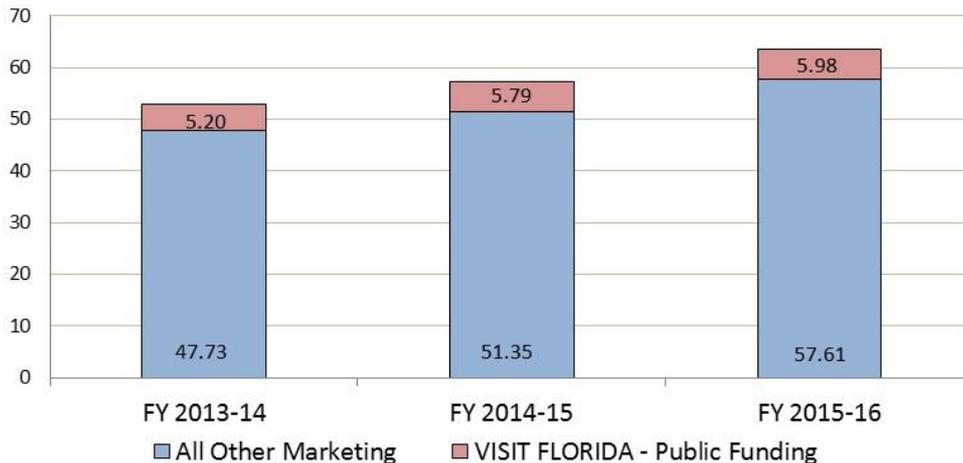
Allocating the Visitors...

EDR found that \$2.15 billion was spent during the review period on major tourism marketing efforts—from state, local, and private sources. In this case, major efforts refer to significant and sustained funding for marketing.

**Total Tourism Advertising Funding by Funding Source
FY 2013-14 through FY 2015-16**



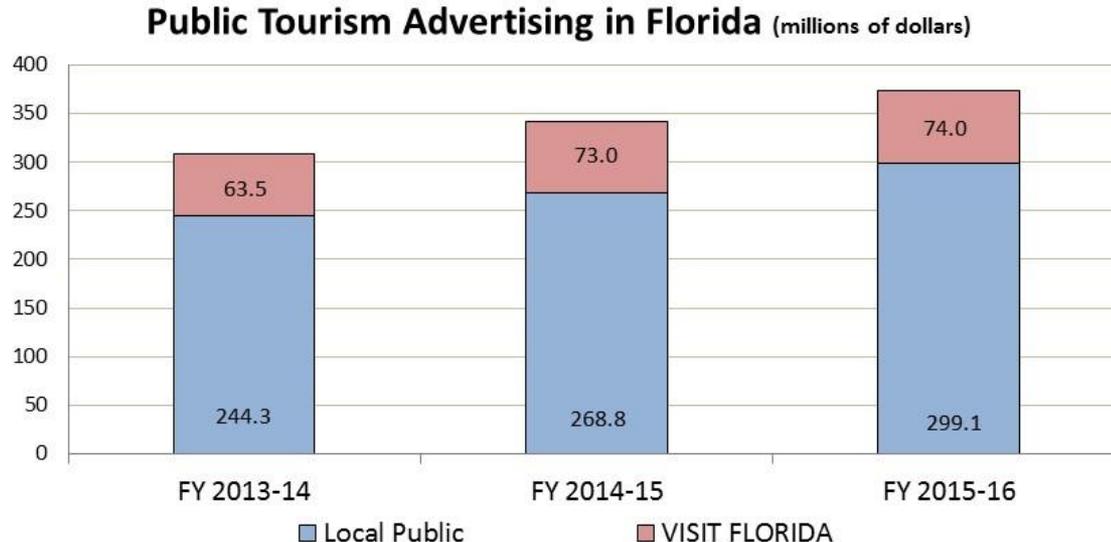
Marketing Related Visitors (millions)



The direct investment by the state (\$210.5 million from state funds) was 9.8% of the total major tourism marketing efforts. These advertising shares were used to allocate the total marketing-related visitors.

Public Tourism Spending...

- Each of the five tourism sources spent more on advertising during the review period than in the prior ROI analysis. However, the two public groups increased their advertising spend at a faster rate than the others. Combined, the public share of the total advertising expenditure during these years was 47.5%.
 - EDR estimated that Local Destination Marketing Organizations (DMO) spent approximately \$812.2 million over FYs 2013-14 through 2015-16, or 37.7% of the total.
 - The public total includes spending on tourism marketing, public relations, convention sales, and General & Administrative (G&A) expenses.
 - The 2018 ROI analysis included additional local DMOs and G&A expenses in the local public spending category. The methodological change presents a more accurate picture of total local public spending, and matches the treatment for VISIT FLORIDA.



VISIT FLORIDA Adjustments...

- The analysis also addresses the fact that Florida's brand itself attracts tourists and that separate state investments in the brand are nested within the marketing efforts. While many features comprise the state's unique brand, the key component is Florida's pristine beaches.

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

Since the brand or destination image increases demand, all else being equal, spending associated with marketing-related visitors attracted primarily by the existence of the state's beaches would not be solely attributable to VISIT FLORIDA's marketing efforts.

- While EDR believes that VISIT FLORIDA fulfills an important role in shaping and coordinating the state's advertising message and brand awareness throughout the state, that function is not easily quantifiable in financial terms. It can be better thought of as a societal benefit. However, since the analysis does assume that all advertising is equally effective, a portion of this role is addressed indirectly.

VISIT FLORIDA's Share...

- Total tourism spending that EDR attributed to VISIT FLORIDA's public marketing efforts during the review period:

	2013-14	2014-15	2015-16
Total Visitors	5.20	5.79	5.98
Domestic Visitors	4.37	4.92	5.17
International Visitors	0.83	0.86	0.81
Total Spending	\$ 4,103.88	\$ 4,400.23	\$ 4,339.93
Domestic Spending	\$ 3,062.72	\$ 3,372.97	\$ 3,456.99
International Spending	\$ 1,041.15	\$ 1,027.26	\$ 882.94
Less Spending Attributed to Florida's Beaches	\$ 253.51	\$ 340.59	\$ 411.55
Total Spending Attributable to VISIT FLORIDA Public Marketing Program	\$ 3,850.36	\$ 4,059.64	\$ 3,928.38

Note: Values are in millions. Calendar year data was converted to fiscal year data in the analysis.

- The projected ROI reflects the upper bound for VISIT FLORIDA since the identified major advertising sources (state and local governments, private entities, and theme parks) are not the only sources of tourism advertising for the state. While it is impossible to determine the total amount of advertising dollars spent to promote tourism in Florida for a given year, inclusion of additional funding sources would reduce VISIT FLORIDA's reported ROI.

VISIT FLORIDA: Positive Drivers of the ROI

- Tourist spending is new money to the state. Tourism is essentially “...a footloose export industry...” where the final product is uniquely determined by the consumer from an array of goods and services.
- Tourists purchase many products that are taxable at the state level.
 - Examples: lodging, meals in restaurants, gifts at souvenir shops and entertainment
 - Production for these products is generally sourced locally (backward linkages). Money generated from the purchase of tourism-related products is generally kept within the local economy.
- Florida’s recent tourism growth has been strong. In the review period, Florida’s out-of-state visitor growth rate exceeded Florida’s historic visitor growth rate by over 3%.
- More tourists are being influenced by tourism marketing than in the past. This meant that more visitors and their spending were allocated to VISIT FLORIDA’s public marketing program.

VISIT FLORIDA's ROI COMPARISON...

During this review period, VISIT FLORIDA's budget was 82% larger than the prior analysis (averaging \$70.2 million each year versus \$38.5 million each year). In contrast, the total number of out-of-state tourists grew by only 16% over this period. Local Destination Marketing Organizations (DMO) spending and theme park advertising also grew significantly. This amounted to more advertising dollars being spent to attract each additional 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. This is the main 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

Diminishing Returns from Tourism Advertising...

- The 2018 ROI for VISIT FLORIDA shows that the advertising program has been beneficial and a strong investment to Florida. However, the lower ROI suggests that tourism advertising is experiencing diminishing returns in its effectiveness. Each new dollar of tourism advertising is less effective in attracting new tourists than the prior advertising spending.
- The diminishing returns suggest that any additional state funding for the same advertising program (and total advertising expenditure) would decrease the ROI even more, although it would continue to be positive for some additional levels of investment.
- Some options to reverse diminishing returns (other than reducing the budget):
 - Identify and eliminate areas of redundancy or duplication among all partners—reduce costs.
 - Develop new, cost-efficient marketing strategies for existing messaging—reduce costs.
 - Identify new target audiences and mediums that are currently underserved / underutilized, but would increase the state's return if effectively reached / used.
 - Analyze VISIT FLORIDA's current advertising strategy and determine which target market has been the most responsive to VISIT FLORIDA's advertising—refocus marketing efforts to these groups.

Comparison to Other Programs...

Return On Investment Analyses			
<i>Conducted by the Office of Economic and Demographic Research</i>			
Ranked Incentives and Investments	CURRENT ROI	PRIOR ROI	STATUS
Economic Evaluation of Florida's Investment in Beaches	5.4		More than Breaks Even (State makes money from the investment)
Florida Sports Foundation Grant Program	4.7	4.7*	
Qualified Target Industry (QTI)	4.4	6.4	
International Offices Program	4.0		
Transportation: Seaports Program Area	2.7		
#6 → VISIT FLORIDA Advertising	2.2	3.2	
Export Assistance Program	1.9		
Transportation: Aviation Program Area	1.7		Does Not Break Even (however, the State recovers a portion of the cost)
Quick Action Closing Fund (QACF)	0.60	1.1	
Entertainment Industry Sales Tax Exemption (STE)	0.58	0.54	
Capital Investment Tax Credit (CITC)	0.43	2.3	
Professional Sports Franchise Incentive	0.32	0.30	
Brownfield	0.30	1.1	
Spring Training Baseball Franchise Incentive	0.22	0.11	
Transportation: Roads & Highways	0.19		
Entertainment Industry Financial Incentives Program (Tax Credit or FTC)	0.18	0.43	
New Markets Development Program	0.18		
Microfinance Loan Program	0.15		
Professional Golf Hall of Fame Facility Incentive	0.12	-0.08	
Innovation Incentive Program (IIP)	0.10	0.20	
Quick Response Training Program	0.09		
Microfinance Guarantee Program	0.08		
Urban High-Crime Area Job Tax Credit	0.07		State Loses All of Its Investment (plus incurs additional costs)
Transportation: Public Transit	0.05		
High-Impact Sector Performance Grant (HIPI)	0.05	0.70	
Transportation: Rails	0.02		
Enterprise Zones	-0.05		
International Game Fish Association World Center Facility Incentive	-0.09		

* Formerly reported as 5.6; revised to 4.7 after applying the new methodology to the prior inputs.