

# Unpacking the Benefits of Florida Tourism

Quantifying the Jobs Created by Increased Florida Tourism

August 2014





**John B. Zumwalt, III**  
Chairman

**Dominic M. Calabro**  
President & Chief Executive Officer

Dear fellow taxpayer,

Each year, millions of tourists visit the Sunshine State to explore Florida's natural beauty and delight in its man-made thrills and attractions. The revenue collected from the state's thriving tourism-centered economy helps keep tax rates low for our full-time residents. But the tourism industry does much more than pad the state's coffers.

In 2013, Florida TaxWatch released a report detailing the economic impact of increasing the number of annual visitors to the state. Investing in Tourism showed that 100 million visitors to Florida would create more than 121,000 jobs, nearly half of which were in non-tourism related industries.

The findings in this report from the TaxWatch Center for Competitive Florida highlight that Florida is well on its way to welcoming 100 million visitors per year. The number of tourists coming to the state has been steadily increasing as a result of a commitment to invest in tourism-related marketing, and Florida TaxWatch projects that the 100 million mark will be reached in 2015.

Since the beginning of 2013, Florida has seen the addition of 38,000 tourism-related jobs, which resulted in the creation of 37,000 non-tourism industry jobs. Just last year, more than 75,000 jobs were created in Florida as a direct result of our state's investment in tourism.

*Unpacking the Benefits of Florida Tourism* showcases the importance of the tourism industry to Florida's economy, specifically focusing on the economic impact of its job creating ability. With a better understanding of tourism-related return on investment, Florida can tailor the state's marketing efforts to ensure sustained future growth.

Sincerely,

John B. Zumwalt, III  
Chairman

Dominic M. Calabro  
President & CEO

# EXECUTIVE SUMMARY

This report analyzes Florida tourism to determine the number of jobs created by recent increases in visitors to Florida. The analysis shows that an estimated 75,771 jobs were created in Florida in 2013 due to an increase of 2.8 million visitors over the previous year.

The report also projects the number of tourists that Florida can expect in the coming years, showing that the state will reach its 100 million annual visitors goal in 2015.

# INTRODUCTION

Published in January 2013 by Florida TaxWatch, *Investing in Tourism: Analyzing the Economic Impact of Expanding Florida Tourism* analyzed the potential economic impact of increasing Florida’s visitation numbers to 100 million visitors per year. The findings of that report showed that reaching this milestone was expected to create more than 121,000 jobs in Florida.

Recent increases in tourism marketing have increased Florida’s total visitor numbers and moved Florida toward its 100 million annual visitor goal. Also playing a role in increasing visitors and marketing outreach has been additional private sector investments, which have drawn the attention of other states and the business press. In the Wall Street Journal’s *Market Watch*, the investments that private sector companies have made in Florida were compared with the low amounts nationally. Author Tim Mullaney uses the following sentence to end his article, “To put it in terms politicians understand: The model is Florida, Florida, Florida.”<sup>1</sup>

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<sup>1</sup> Has Florida found the secret to saving the economy? Market Watch, The Wall Street Journal. May 29, 2014.

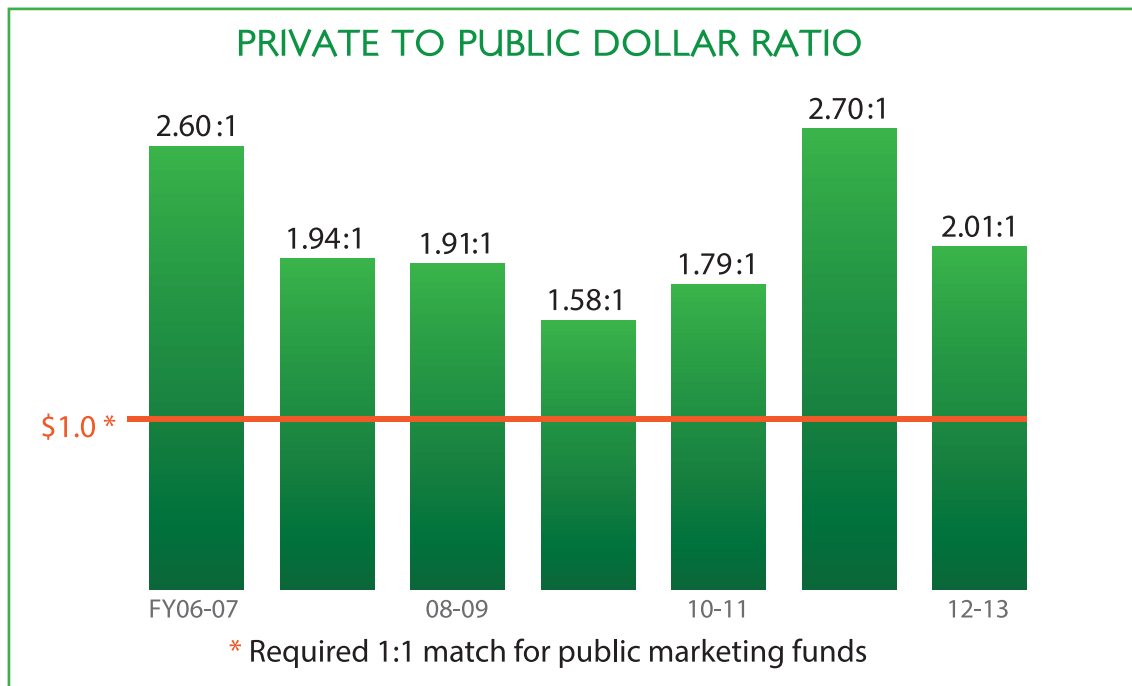
# ABOUT VISIT FLORIDA

VISIT FLORIDA, the state's tourism marketing corporation, serves as Florida's official source for travel planning to visitors across the globe. VISIT FLORIDA is not a government agency, but rather a not-for-profit corporation created as a public/private partnership by the Florida Legislature in 1996.<sup>2</sup>

VISIT FLORIDA's budget has increased significantly over the past several years, increasing from \$24.7 million in Fiscal Year (FY) 2006-07 to \$74 million for FY2014-15. This increase has been a result of the state's commitment to expanding its tourism industry, which has produced a substantial return on investment, as shown in *Investing in Tourism*.

Florida TaxWatch calculations show that between the 2006-07 fiscal year and the 2012-13 fiscal year, the average taxpayer cost per Florida visitor was 40 cents. If each tourist covered his or her marginal costs in state tax revenue during that period, and spent an additional \$6.67 (in total, not per day) on taxable goods<sup>3</sup> during their visit, the state of Florida would cover its marketing costs.

VISIT FLORIDA is required to have at least a 1:1 match for public funds used in its marketing campaigns. Over the past seven fiscal years, VISIT FLORIDA has averaged \$2.08 in private money for every dollar of public money spent over the last 7 fiscal years. The chart below shows the recent history of total dollars received by VISIT FLORIDA<sup>4</sup> compared to private-sector investments.



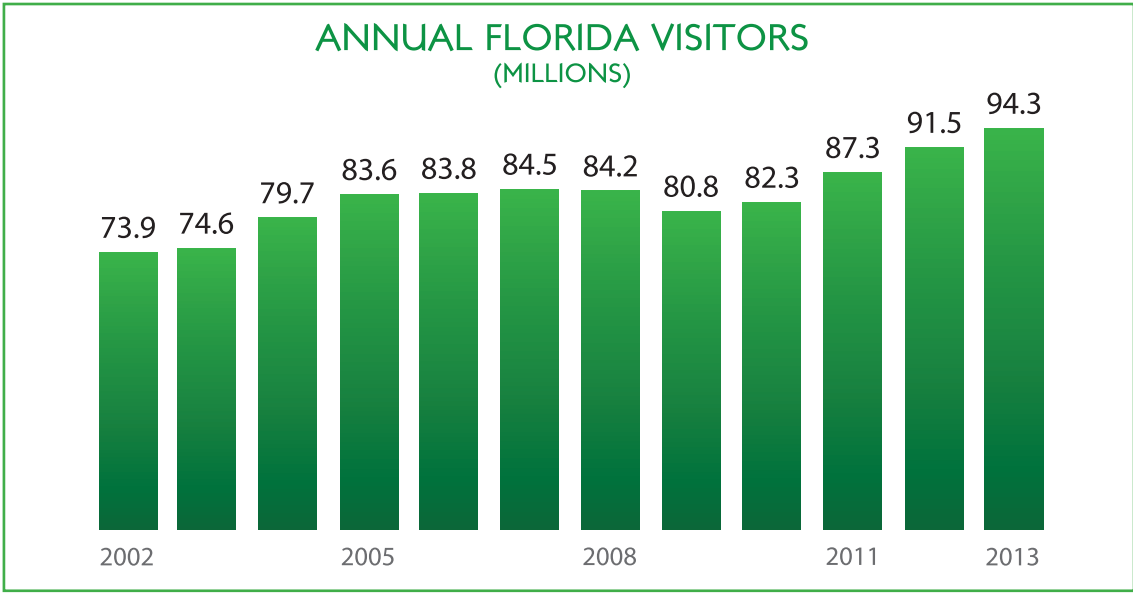
<sup>2</sup> VISIT FLORIDA: About Us. <http://www.visitflorida.com/en-us/about-visit-florida.html>

<sup>3</sup> Those goods with a 6 percent sales tax rate

<sup>4</sup> From 2012-2013 VISIT FLORIDA Annual Report

# FLORIDA'S PROGRESS TOWARD THE GOAL OF 100 MILLION ANNUAL VISITORS

Since *Investing in Tourism* was published in January 2013, Florida has seen substantial progress toward its goal of 100 million annual visitors. Actual year-end figures for 2012 were 91.5 million, followed by a 2013 total of 94.3 million: a 2.8 million visitor increase. This is the fourth consecutive yearly increase in visitation since the recent low in 2009 (see chart below). Of the 94.3 million visitors in 2013, an estimated 11.1 million were from overseas, and 3.7 million came from Canada, both record highs.



From 2012 to 2013, domestic visitors showed a 2.5 percent increase (helped by a severe winter in other parts of the U.S. during the winter of 2013-14), the Canadian increase was 4.1 percent, and the largest percentage increase in visitors was from the Overseas<sup>7</sup> category, with a 6.6 percent increase. Increases in Overseas visitors has a positive effect on tourism industry employment in Florida, due to the additional amounts of time and money spent in the state by Overseas visitors. (see text box on International Tourism for more information about the economic impact of international visitors)

<sup>7</sup> "Overseas" includes all international visitors not coming from Canada.

# INCREASED VISITORS AND JOB CREATION

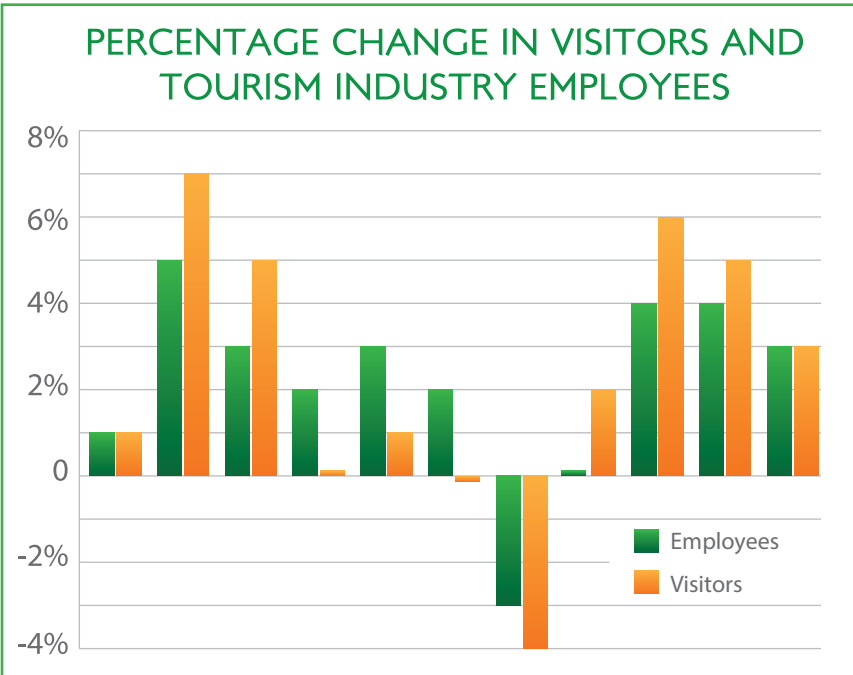
In *Investing in Tourism*, the “Visitors per Florida Tourism Employee” statistic was analyzed over time, showing that the median visitors per Florida tourism employee was 85.46, the average was 85.49, and ranged between 82.97 and 88.12 visitors per employee.



## TOURISM JOBS MIRROR TOURISM ACTIVITY

As is typical with many businesses, tourism industry hiring follows increases in business, and employee layoffs are slower than the drop-off in tourism numbers.

Looking at the percentage changes of the two series in the chart below shows that, in some cases, the percentage of employees changes more than that of visitors but they are typically within 2 percentage points of each other whether visitation is increasing or decreasing.



This analysis determines the total number of jobs created in Florida as a result of an annual increase of 2.8 million visitors to Florida during 2013. To estimate the total number of jobs created, Florida TaxWatch used job data from the Bureau of Labor Statistics (BLS),<sup>5</sup> along with the results of a multi-period dynamic model from Regional Economic Models, Inc. (REMI) in the Florida TaxWatch Report *Investing in Tourism*. According to BLS data, direct tourism industry employment showed an increase of 38,389 Florida jobs, providing Floridians with \$23.3 billion in wages.<sup>6</sup>

ESTIMATED JOB CREATION BY CATEGORY FROM VISITOR INCREASES (IN 2013)	
<b>Direct Tourism Industry Employment</b>	
Accommodation and Food Services	28,037
Arts, Entertainment, and Recreation	10,352
<b>Indirect/Induced Industry Employment</b>	
Retail Trade	9,399
Administrative and Waste Management Services	6,778
Construction	3,774
Transportation and Warehousing	3,568
Other Services, except Public Administration	3,518
Health Care and Social Assistance	2,910
Professional, Scientific, and Technical Services	2,147
Real Estate and Rental and Leasing	1,516
Finance and Insurance	1,086
Wholesale Trade	1,055
Other	1,632
<b>Total</b>	<b>75,771</b>

The calculation shows that an estimated 75,771 Florida jobs were created in 2013, due to the increase in Florida visitors. These jobs, as predicted by the multi-period dynamic model, are in many categories, not just traditional tourism categories. Nearly half of the jobs created are in those other categories, which include retail trade, administrative services, construction, and transportation and warehousing. These jobs would be expected to be created in the dynamic, multi-period econometric model at equilibrium. Although they all may not have been created during the 2013 period, sustained tourism employment at the 2013 levels would be expected to produce these amounts of direct, indirect, and induced jobs. *Investing in Tourism* found that the average salary of these new positions was \$43,751.75.

<sup>5</sup> Job data from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics. The category used to encompass direct tourism industry employment was private-sector Leisure and Hospitality.

<sup>6</sup> See Appendix for county-by-county wage information.

## SEASONALITY OF TOURISM EMPLOYMENT IN FLORIDA

Data has shown that while generally seasonal in nature, Florida's tourism industry employment has been significantly less seasonal than the U.S. as a whole, and is becoming less seasonal each year. The table below shows that Florida's tourism industry employment was less than half as seasonal as the rest of the U.S. in 2012, and less than one-third as seasonal in 2013.

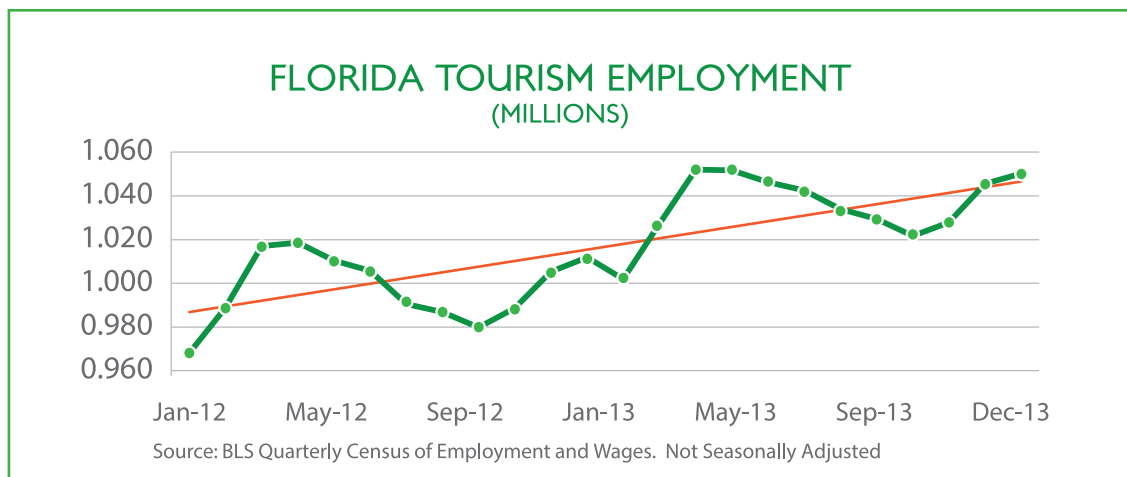
### SEASONALITY OF TOURISM EMPLOYMENT (PEAK TO TROUGH)

	2005-2011	2012	2013
Florida	5.31%	4.95%	4.76%
Rest of U.S.	9.15%	11.28%	17.12%

Source: Florida TaxWatch calculations

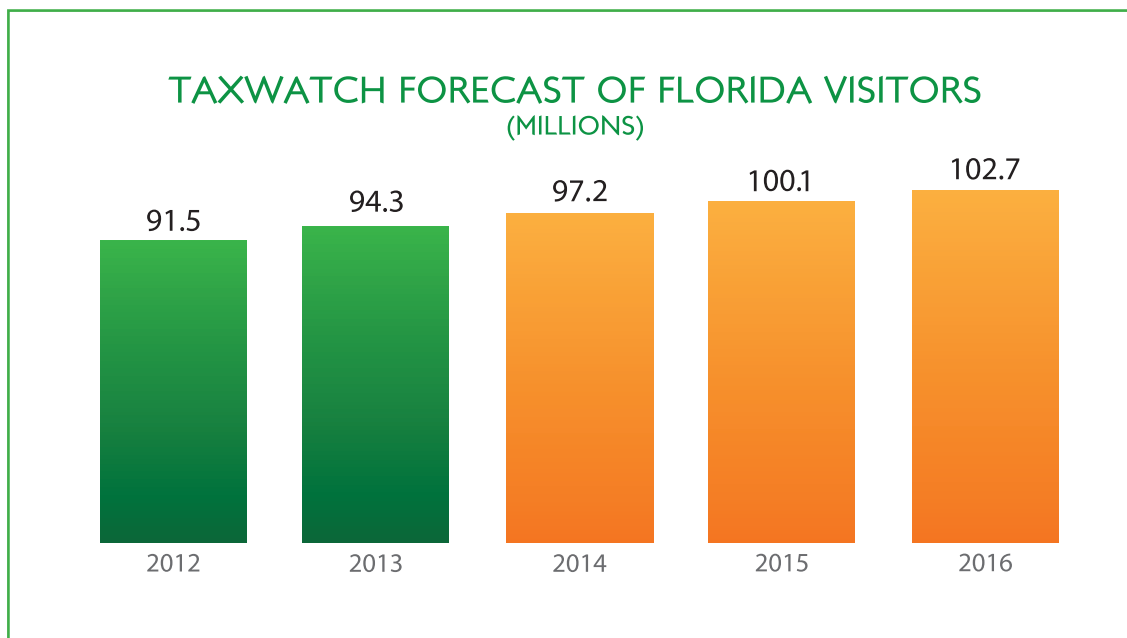
This trend is due to targeted marketing by private companies, regional Convention and Visitors Bureaus, and VISIT FLORIDA to bring in visitors in the off-season. The resulting reduction in seasonality can help both businesses and employees with staffing plans and reducing fluctuations in incomes and cash flows throughout the year.

In both of the two most recent years (see chart), the low point of tourism employment was in January, with the high point of the year in April of 2012, and March of 2013. The added trend line indicates the rate of increase over the previous 24-month period, illustrating that Florida tourism industry employment has been growing.



# VISITOR FORECAST

Using a proprietary forecasting model, Florida TaxWatch developed a forecast for the number of visitors expected in Florida over the next few years.<sup>8</sup> This forecast assumes increases in marketing expenditures consistent with the past two fiscal years. The forecast shown was developed using a conservative scenario of multiple Florida TaxWatch forecasts of Florida visitor levels through 2016. Based on these projections, Florida can expect to welcome at least 100 million annual visitors in 2015, barring any unexpected economic shocks or substantial drops in tourism marketing.



This forecast indicates smaller increases in Florida visitor numbers in the next three years than the 5 million increase in 2011 and 4.2 million increase in 2012, which is a reflection of increasing marketing competition from other states and countries, as those competitors have also realized that increasing tourism is a way to put their citizens to work and improve economic returns. It is also an estimation based on the diminished capacity of the state's infrastructure to handle an increasing number of tourists in Florida, which will be the subject of a forthcoming Florida TaxWatch report.

<sup>8</sup> Additional marketing efforts that have helped bring in more Overseas and high-spending visitors appear to be paying off in accelerated job growth numbers for 2014. Although data is available on job creation only through April, preliminary seasonally-adjusted data indicate that this will be another positive year for both tourism employment.

## INTERNATIONAL TOURISM

According to the *2012 Visitors Study* from VISIT FLORIDA, average spending per overseas visitor was \$1,737, during an average of 10.9 nights in Florida. By comparison, the average domestic visitor spent \$148 per person per day, averaging 4.4 nights in Florida during their visit. Data shows that international tourists are higher spenders, on average, than domestic tourists, leading to more benefits for the state, including higher sales tax collections for Florida.

Another benefit of increasing international tourism is the diversification of the Florida economy. Welcoming more international tourists better exposes the state's economy to the economies of other countries, allowing the Florida tourism industry to be less exposed to, and therefore less dependent upon, the Florida and U.S. business cycles.<sup>1</sup>

Establishing repeat visitors from other countries also leads to higher probabilities of the relocation of international businesses to Florida and international purchases of Florida homes, which has been a stabilizing influence on housing markets in many areas in Florida, as shown in the Florida TaxWatch report *Buying In: An Analysis of International Homebuyers in Florida*.

<sup>1</sup> For further information see Florida TaxWatch Economic Commentary, *Florida's Business Cycle*, June 2011.

## AIR TEAM FLORIDA

With the increase in marketing capacity through VISIT FLORIDA, the state has transitioned to year-round marketing in some areas of the U.S. and in other countries. In an effort to bring new direct flights to Florida, one of the unique programs developed by VISIT FLORIDA over the last two years has been Air Team Florida.

Air Team Florida is designed to help Florida airports obtain new scheduled or chartered international flights through high-value routes that operate at least one day per week. It matches funds from Destination Marketing Organizations and international airports to promote inbound Florida flights through competitive grants based on the projected economic impact to the destination and the state.

Some of the more recent direct flight additions to Florida include Copa Airlines from Panama direct to Tampa and Fort Lauderdale International. Norwegian Airlines has initiated flights from Oslo, Copenhagen, and Stockholm, and there are recent additions of direct flights from London Gatwick to Fort Lauderdale routes, as well as Oslo to Orlando.

# CONCLUSION

This report finds that an increase in marketing expenditures has led to substantial increased visitation to Florida, and the result has been an increase in jobs in many diverse industries in the state. Florida has welcomed more than 90 million visitors in each of the past two years, culminating in 94.3 million in 2013, and showing a steady increase going back to 2009. Florida TaxWatch projections show the state reaching the 100 million visitors milestone by 2015.

An increase in visitors to Florida by 2.8 million from 2012 to 2013 resulted in the creation of more than 38,000 direct tourism industry jobs, and another 37,000 indirect and induced jobs in other industries, for a total of more than 75,000 new Florida jobs.

Policymakers' commitment to investing in Florida's tourism industry through increased marketing capacity has made a significant difference for Florida's economy, and as more visitors come to the Sunshine State, the positive impacts will continue to be seen by all.

## BE ON THE LOOKOUT FOR

*In its next report on the tourism component of the Florida economy, Florida TaxWatch will analyze barriers to reaching 100 million annual visitors. Those barriers could include capacity constraints of roads, airports, hotels, or even major attractions.*

# APPENDIX

Source: From BLS Quarterly Census of Employment and Wages, 2013 Annual Averages, Leisure & Hospitality Category, Private-Sector Jobs

2013 ANNUAL AVERAGE EMPLOYMENT AND WAGES	AVERAGE ANNUAL EMPLOYMENT	TOTAL ANNUAL WAGES
Florida	1,035,896	\$23,303,387,353
Alachua	13,528	229,240,939
Baker	532	6,761,592
Bay	12,982	228,498,098
Bradford	777	10,404,225
Brevard	22,856	397,850,301
Broward	84,353	1,919,052,278
Calhoun	123	1,576,250
Charlotte	6,253	105,594,017
Citrus	3,923	61,308,216
Clay	6,887	119,185,209
Collier	24,256	672,224,591
Columbia	2,495	35,446,885
DeSoto	613	8,694,969
Dixie	152	1,733,438
Duval	47,166	950,392,233
Escambia	15,629	252,771,861
Flagler	3,360	59,785,566
Franklin	732	14,480,264
Gadsden	696	10,194,595

Gilchrist	188	\$2,848,644
Glades	79	1,620,741
Gulf	352	5,248,988
Hamilton	130	2,142,280
Hardee	456	6,100,779
Hendry	862	12,265,446
Hernando	5,369	79,910,784
Highlands	2,807	42,698,629
Hillsborough	65,208	1,474,452,534
Holmes	196	2,449,661
Indian River	6,690	147,993,700
Jackson	1,407	17,671,063
Jefferson	183	2,334,481
Lafayette	39	506,206
Lake	10,623	168,216,574
Lee	34,685	734,505,991
Leon	15,682	223,417,534
Levy	748	11,289,925
Liberty	71	901,083
Madison	380	5,368,322
Manatee	15,365	322,783,499
Marion	10,520	173,712,231
Martin	8,282	169,755,690
Miami-Dade	124,610	3,369,939,891
Monroe	13,099	359,043,193

Nassau	4,523	\$101,342,717
Okaloosa	13,069	227,682,744
Okeechobee	1,142	17,074,016
Orange	173,899	4,590,451,729
Osceola	15,858	334,399,868
Palm Beach	75,192	1,847,512,496
Pasco	12,623	199,392,316
Pinellas	49,317	1,029,178,976
Polk	19,499	326,257,117
Putnam	1,362	18,906,444
St. Johns	12,200	252,642,987
St. Lucie	7,845	153,041,037
Santa Rosa	5,045	73,599,692
Sarasota	21,367	467,203,717
Seminole	17,236	301,542,628
Sumter	3,258	57,083,406
Suwannee	714	9,653,840
Taylor	564	7,407,529
Union	85	936,385
Volusia	22,958	415,894,853
Wakulla	535	6,898,763
Walton	5,998	143,654,395
Washington	614	10,355,845
Unknown Or Undefined, Florida	5,656	288,900,457

# ABOUT THE AUTHOR



**Dr. Jerry D. Parrish is TaxWatch Chief Economist and the Director of the TaxWatch Center for Competitive Florida.** Dr. Parrish is also an Adjunct Instructor in the Masters in Applied Economics Program at Florida State University. He earned a Bachelor's in Agricultural Business and Economics from Auburn University, an M.B.A. from Bellarmine University, an M.S. in Economics from the University of North Carolina at Charlotte, and a Ph.D. in Economics from Auburn University.

He regularly publishes articles on the Florida economy, Florida's competitiveness, Florida's property and casualty insurance system, and other economic topics of interest to Floridians. Dr. Parrish previously served as the Associate Director of the Center for Economic Forecasting & Analysis (CEFA) at Florida State University. Prior to joining TaxWatch, he spent several years in management roles with international companies.

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## ABOUT FLORIDA TAXWATCH

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

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants, and does not accept government funding. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves for the last 34 years.

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All Florida TaxWatch research done under the direction of Dominic M. Calabro, President, CEO, Publisher & Editor.

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### FOR MORE INFORMATION: [WWW.FLORIDATAXWATCH.ORG](http://WWW.FLORIDATAXWATCH.ORG)

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

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