

Economic Impact of Tourism in San Luis Obispo County, California - 2017

June 2018

Prepared for :

Visit SLO CAL



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

1. Introduction

Introduction and definitions

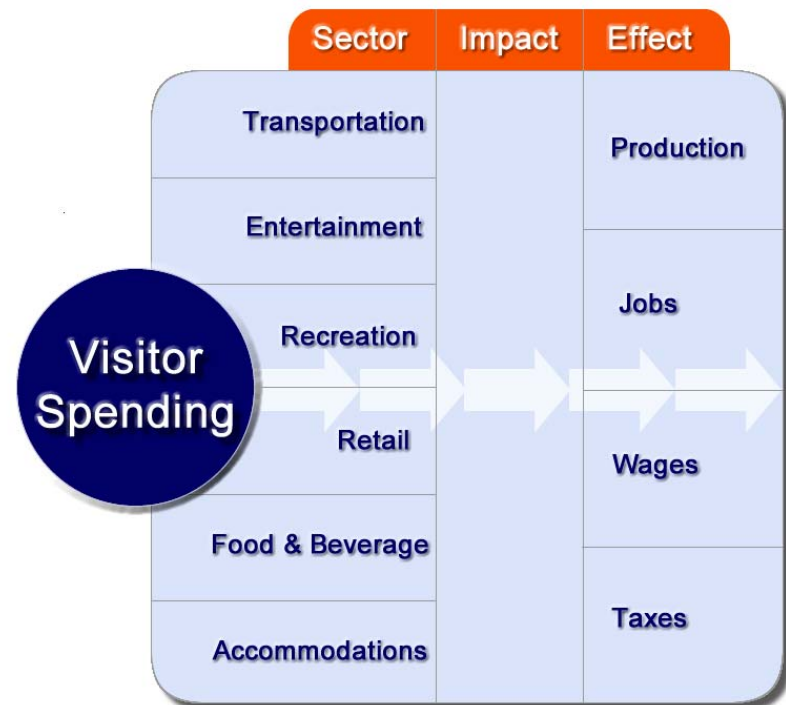
This study measures the economic impact of tourism in San Luis Obispo County, California (SLO CAL). Our analysis of tourism's impact on SLO CAL begins with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in SLO CAL, we input tourism spending into a model of the SLO CAL economy created in IMPLAN. This model calculates three distinct types of impact: direct, indirect, and induced.

- Travelers create **direct** economic value within a discreet group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called **indirect** impacts.
- Lastly, the **induced** impact is generated when employees whose wages are generated either directly or indirectly by tourism, spend those wages in the local economy.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

How visitor spending generates employment and income

Visitor spending flows through the SLO CAL economy and generates indirect benefits through supply chain and income effects.



2. Key Findings

1) Tourism is a major contributor to SLO CAL's economy

Key facts about SLO CAL's tourism sector

In 2017, 7.2 million visitors spent nearly \$1.7 billion in SLO CAL

Tourism spending increased 4.5% in 2017

Tourism spending supports 13.3% of all jobs in SLO CAL

Tourism supports \$1,738 in state and local taxes for every household in SLO CAL



2) Visitor spending generates income, jobs, and tax revenue

Key indicators in SLO CAL, 2017

Dollar figures in millions

Visitor spending	\$1,690
Total economic impact*	\$2,439
Employment sustained by tourism	23,386
Income generated by tourism	\$746
Taxes generated by tourism	\$352
Federal	\$170
State	\$108
Local	\$73

Source: Tourism Economics

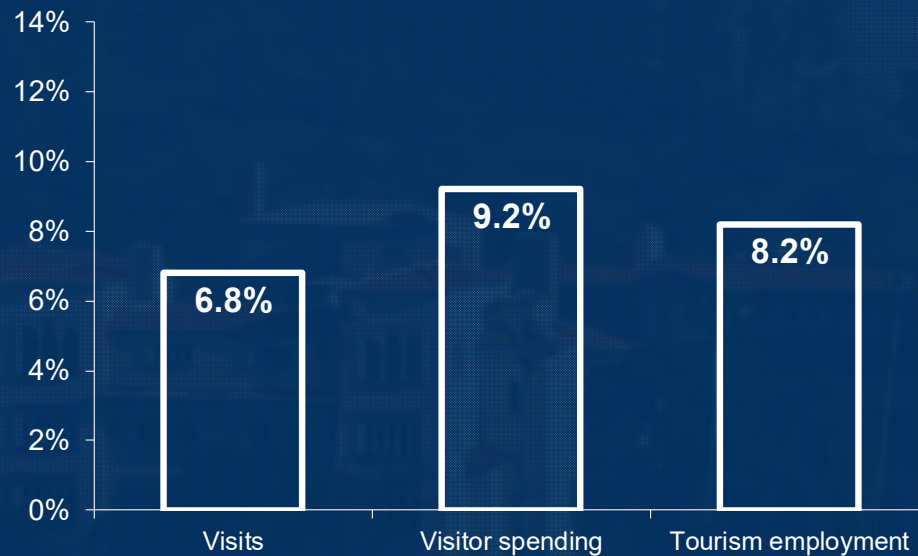
* Includes direct, indirect, and induced impacts



3) Tourism indicators and economic impacts have increased since 2014*

Growth in key indicators

Percent growth 2014-2017



Source: Tourism Economics

* Note: While this study focuses on trends between 2014 and 2017, data shows that visitation and spending have been increasing since 2012.



3. Focus on 2017

Trends in SLO CAL tourism

1

Tourism spending is increasing – and has been since 2012

- Tourism spending approached \$1.7 billion in 2017
- Spending increased 4.5% in 2017

2

Spending growth is strong in key industry sectors

- Visitor spending growth led by spending on accommodations and food & beverage

3

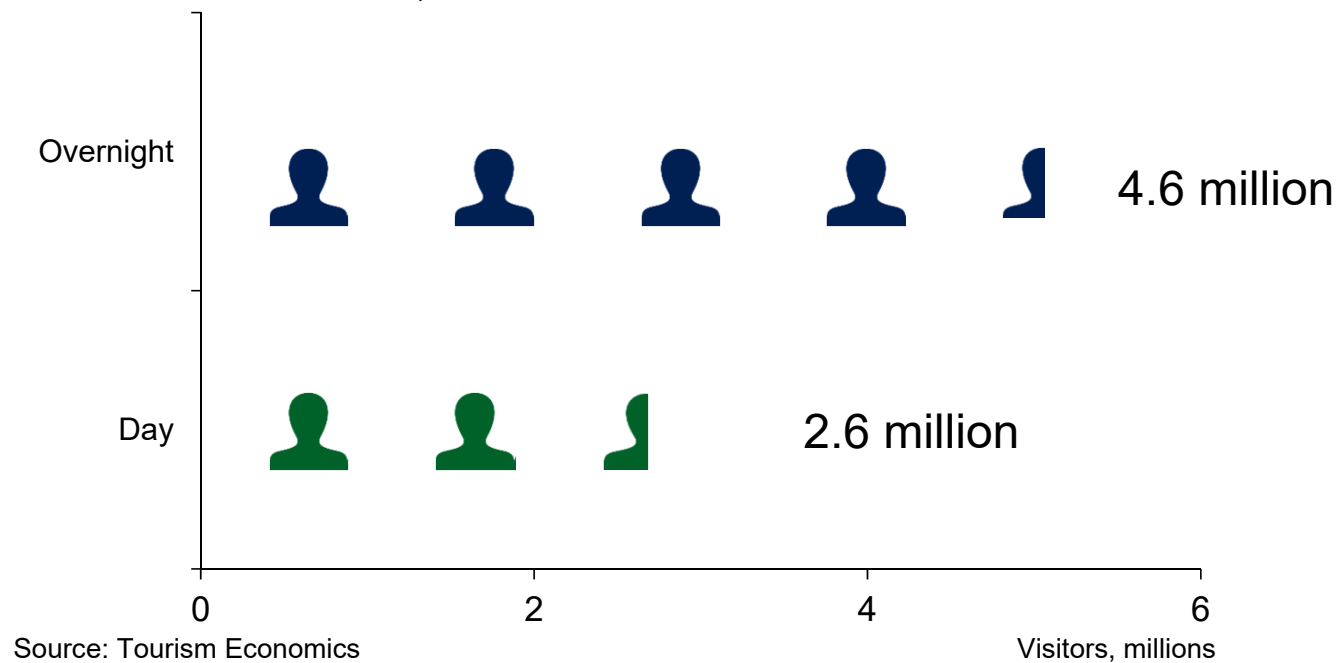
Overnight visitors lead growth


- Visitor growth was strongest from overnight visitors, averaging 3.7% growth each year between 2014 and 2017

SLO CAL hosted 7.2 million visitors in 2017

Overnight visitors outpaced day visitors in 2017, increasing 5.2% to 4.6 million visits. Day visitors increased 0.7%, registering 2.6 million visits.

SLO CAL visitors, 2017



Each  represents one million trips

2017 Visitor trends

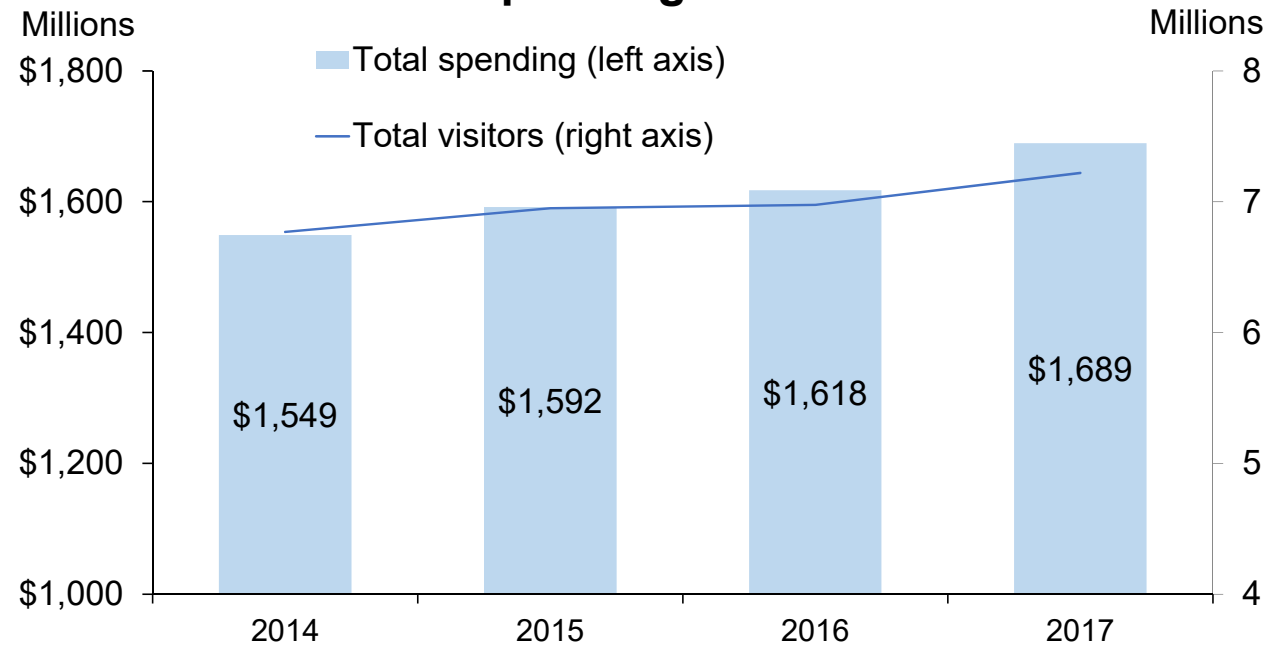
Total visitation reached 7.2 million in 2017, increasing by approximately 244,000 visits over 2016 levels.

Visitor volume in SLO CAL expanded 3.5% in 2017, as overnight visitation expanded 5.2%, while day visitation expanded 0.7%

An estimated 7.2 million visitors spent nearly \$1.7 billion in 2017, representing 4.5% growth compared to 2016 spending levels.

Storms and mudslides in mid-2017 buried a portion of Highway 1, affecting accessibility and visitation to SLO CAL. We expect the scheduled reopening of Highway 1 in September 2018 to be a contributing factor to increased visitation in 2018.

Total visitation and spending in SLO CAL



Source: Tourism Economics

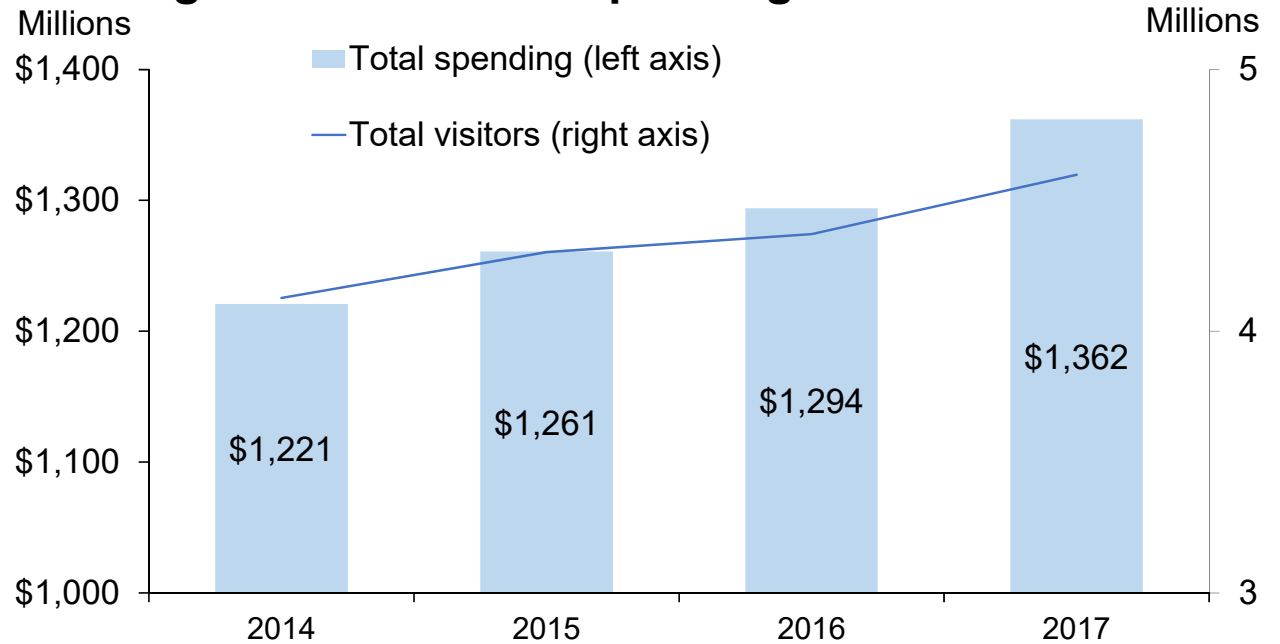
2017 Overnight visitor trends

Overnight visitation reached 4.6 million in 2017, increasing by approximately 227,000 visits over 2016 levels.

Overnight visitation volume in SLO CAL expanded 5.2% in 2017.

An estimated 4.6 million overnight visitors spent nearly \$1.4 billion in 2017.

Overnight visitation and spending in SLO CAL



Source: Tourism Economics

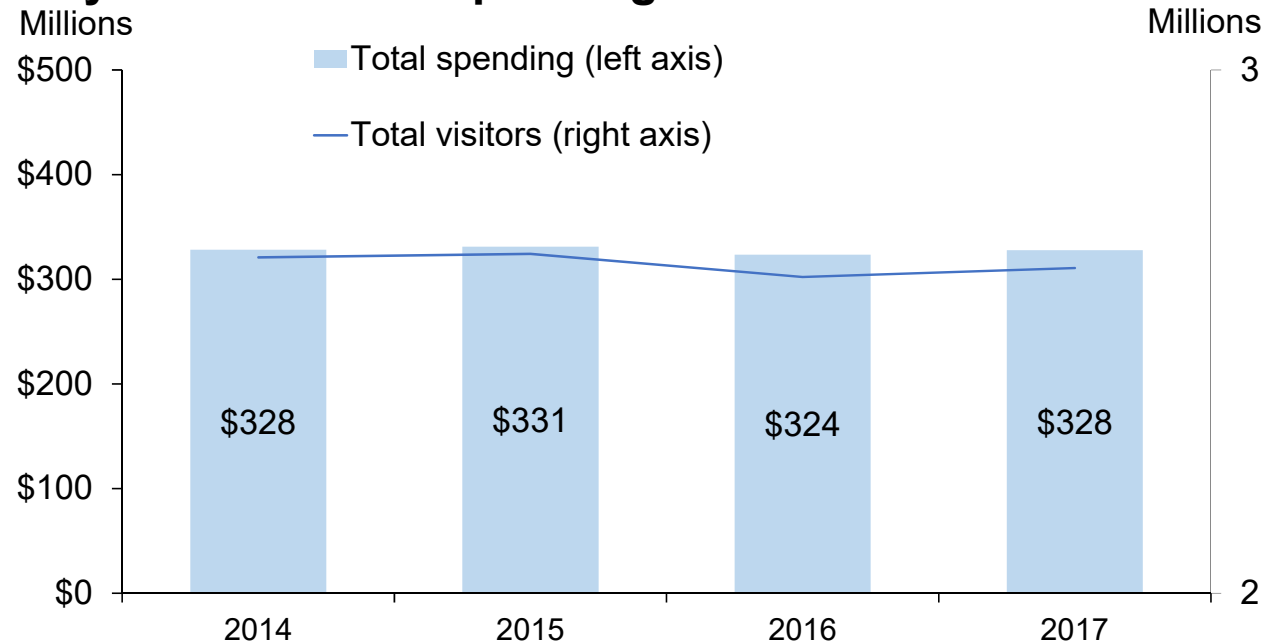
2017 Day visitor trends

Day visitation reached 2.6 million in 2017, increasing by approximately 17,000 visits over 2016 levels.

Day visitation volume in SLO CAL expanded 0.7% in 2017.

An estimated 2.6 million day visitors spent approximately \$328 million in 2017.

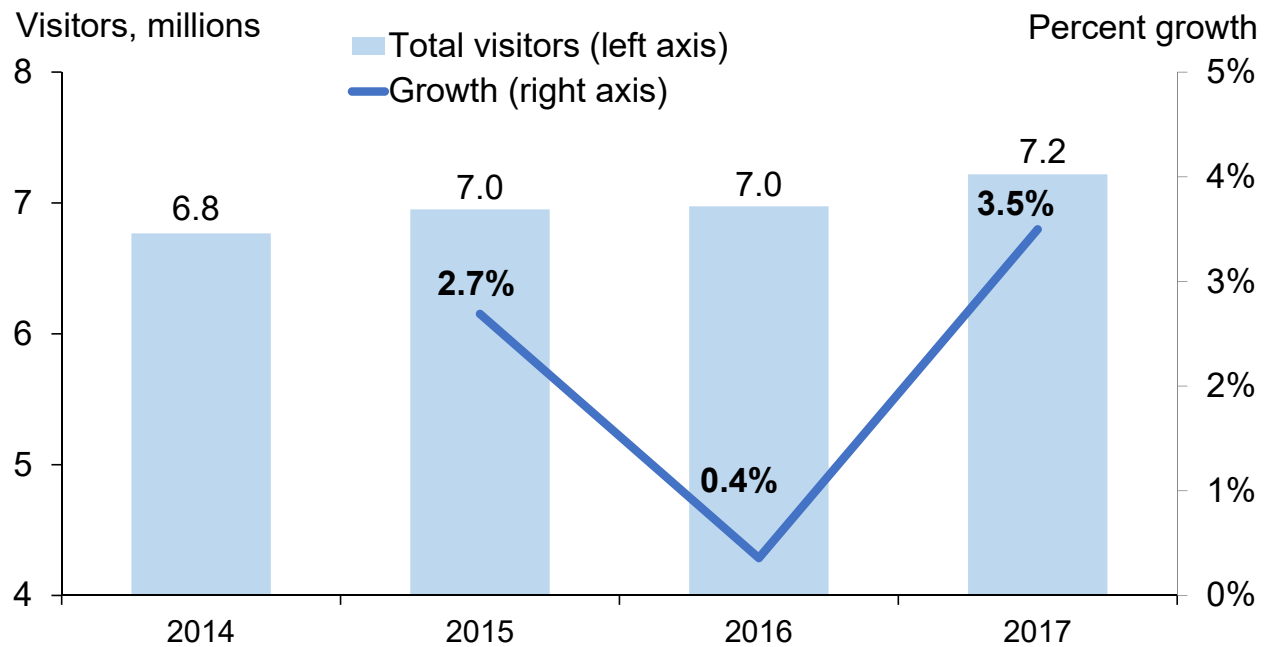
Day visitation and spending in SLO CAL



Source: Tourism Economics

Visitation growth, 2014-2017

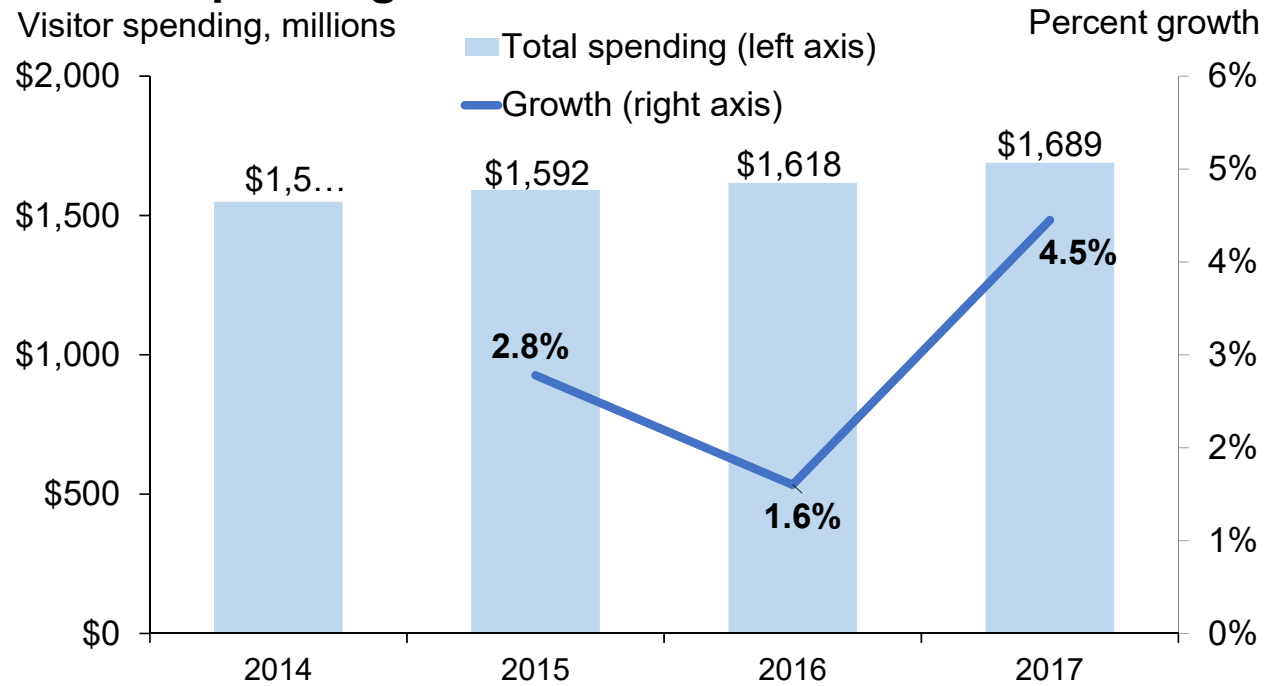
Visitors to SLO CAL



Source: Tourism Economics

Visitor spending growth, 2014-2017

Visitor spending in SLO CAL



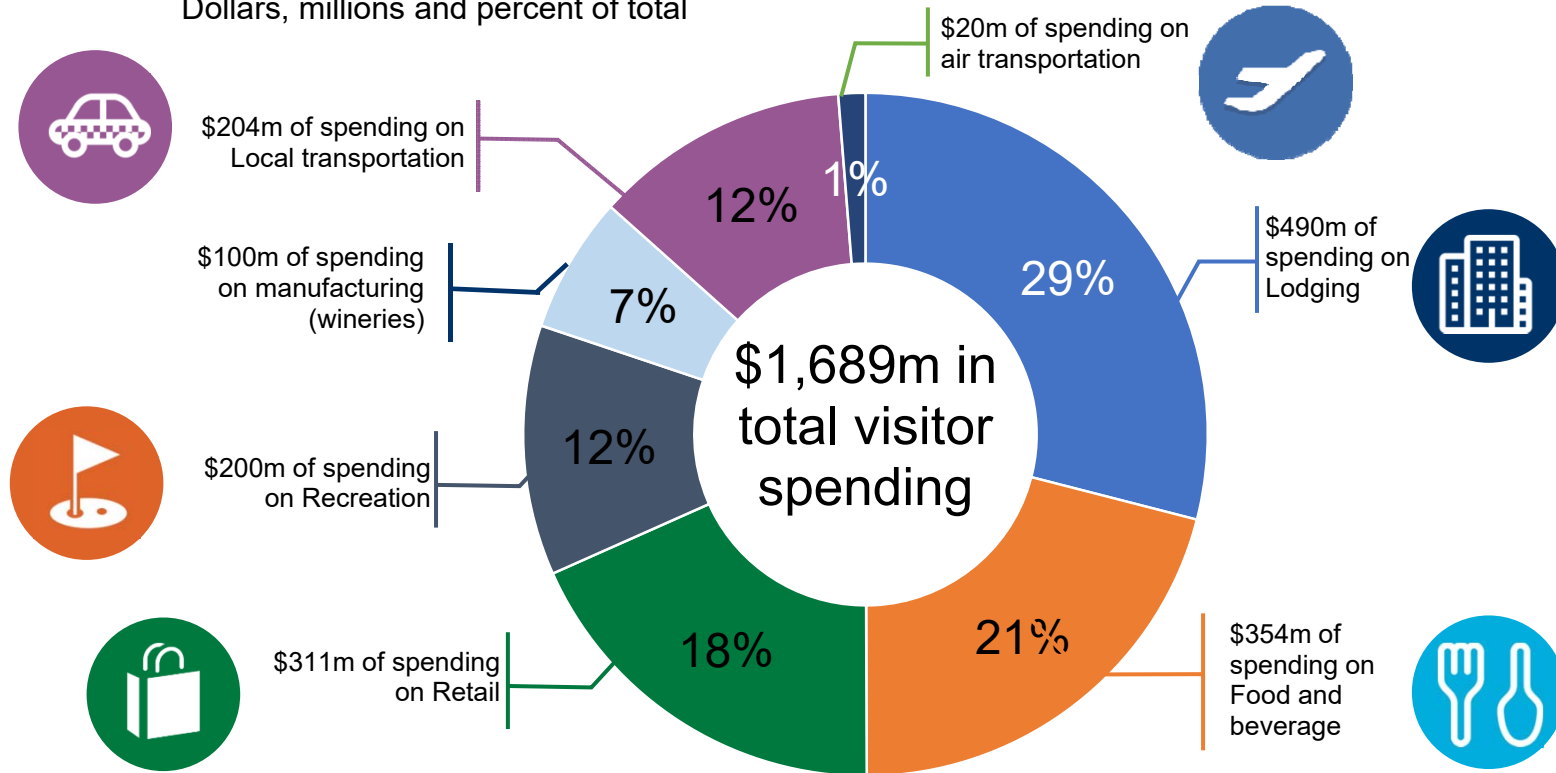
Source: Tourism Economics

Visitor spending in SLO CAL

Visitors to SLO CAL spent nearly \$1.7 billion in 2017.

Visitor spending in SLO CAL, 2017

Dollars, millions and percent of total



Source: Tourism Economics

Note: Lodging spending includes dollars spent on second homes

Tourism spending approached \$1.7 billion in 2017

Lodging represents the largest spending sector at approximately \$490 million, followed by spending on food and beverages (\$354 million).

Visitor spending increased by \$72 million in 2017, with spending on lodging, food and beverage, and retail contributing more than 60% of the total increase.

On average, each visitor spent \$234.

Spending grew 4.5% year-over-year in 2017, led by increases in lodging, food and beverage, and retail.

Visitor spending in SLO CAL

Nominal dollars, millions

	2014	2015	2016	2017	2017 Growth	2014-2017 CAGR
Lodging*	\$433	\$457	\$475	\$490	3.2%	3.1%
Food and beverage	\$325	\$336	\$339	\$354	4.3%	2.1%
Retail	\$293	\$294	\$295	\$311	5.3%	1.5%
Recreation	\$188	\$189	\$190	\$200	5.2%	1.6%
Local transportation	\$192	\$194	\$195	\$204	4.9%	1.6%
Air transportation	\$20	\$20	\$21	\$22	5.2%	2.1%
Manufacturing (Wineries)	\$98	\$102	\$103	\$109	5.9%	2.7%
Total	\$1,549	\$1,592	\$1,618	\$1,689	4.5%	2.2%

Source: Tourism Economics

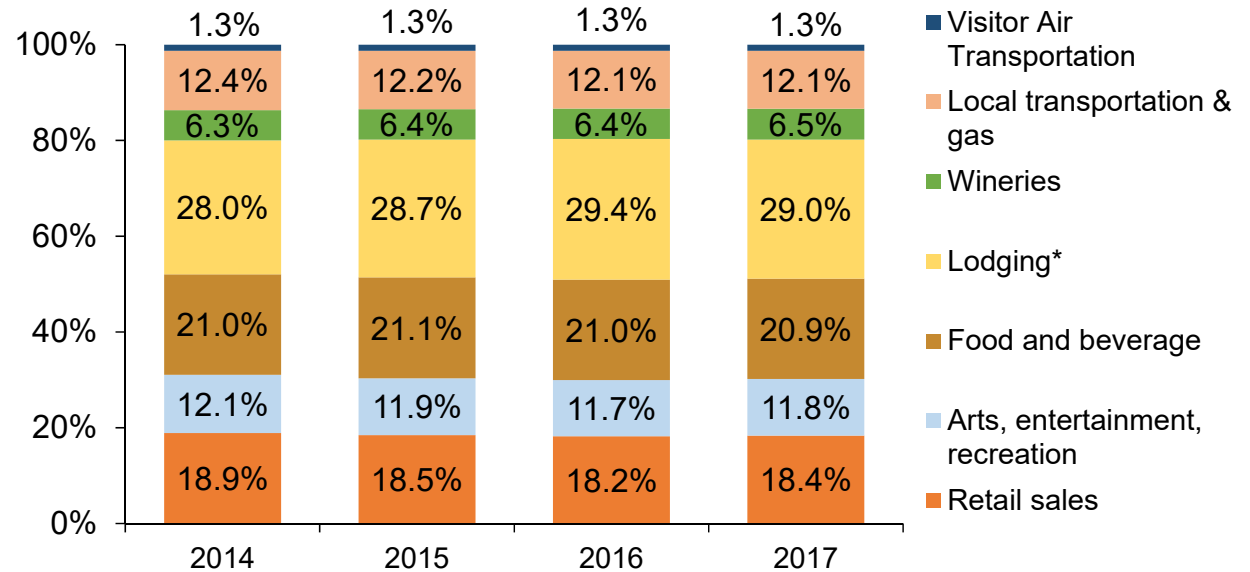
*Lodging includes approximately \$90 million in spending on second homes

Tourism spending shares held steady

Spending shares in 2017 remained on trend with shares experienced previously in SLO CAL.

SLO CAL visitor spending

Percent of total



Source: Tourism Economics

*Note: Lodging includes visitor spending for second homes

Visitation segments – domestic and international

After declining in 2016, international visitation remained flat in 2017, amounting to 0.29 million international visits and \$304 million in spending.

Domestic visits and spending vastly outpace that of international visitors. Domestic visits totaled 6.93 million in 2017, with approximately \$1,385 million in visitor spending.

Trips and Spend

	2014	2015	2016	2017
Visits (millions)	6.77	6.95	6.98	7.22
Domestic	6.46	6.64	6.68	6.93
International	0.31	0.31	0.29	0.29
Spending (\$ millions)	\$1,549	\$1,592	\$1,618	\$1,689
Domestic	\$1,264	\$1,299	\$1,324	\$1,385
International	\$285	\$293	\$293	\$304

Source: Tourism Economics

Average spending per visit – day and overnight

Average Spending per Visit

	Overnight	Day
Lodging	\$106.58	-
Food & Beverage	\$53.61	\$39.93
Daily Transportation	\$31.30	\$23.91
Entertainment	\$30.61	\$23.39
Retail	\$47.57	\$36.34
Air transportation	\$4.69	-
Wineries	\$14.17	\$13.29
Total	\$288.54	\$123.58

Source: Tourism Economics

3) The Economic Impact of Tourism

Tourism's impact on business sales (1 of 2)

Spending in support of the tourism industry totaled nearly \$1.7 billion in SLO CAL, which supported \$2.4 billion in business sales when indirect and induced impacts are considered.

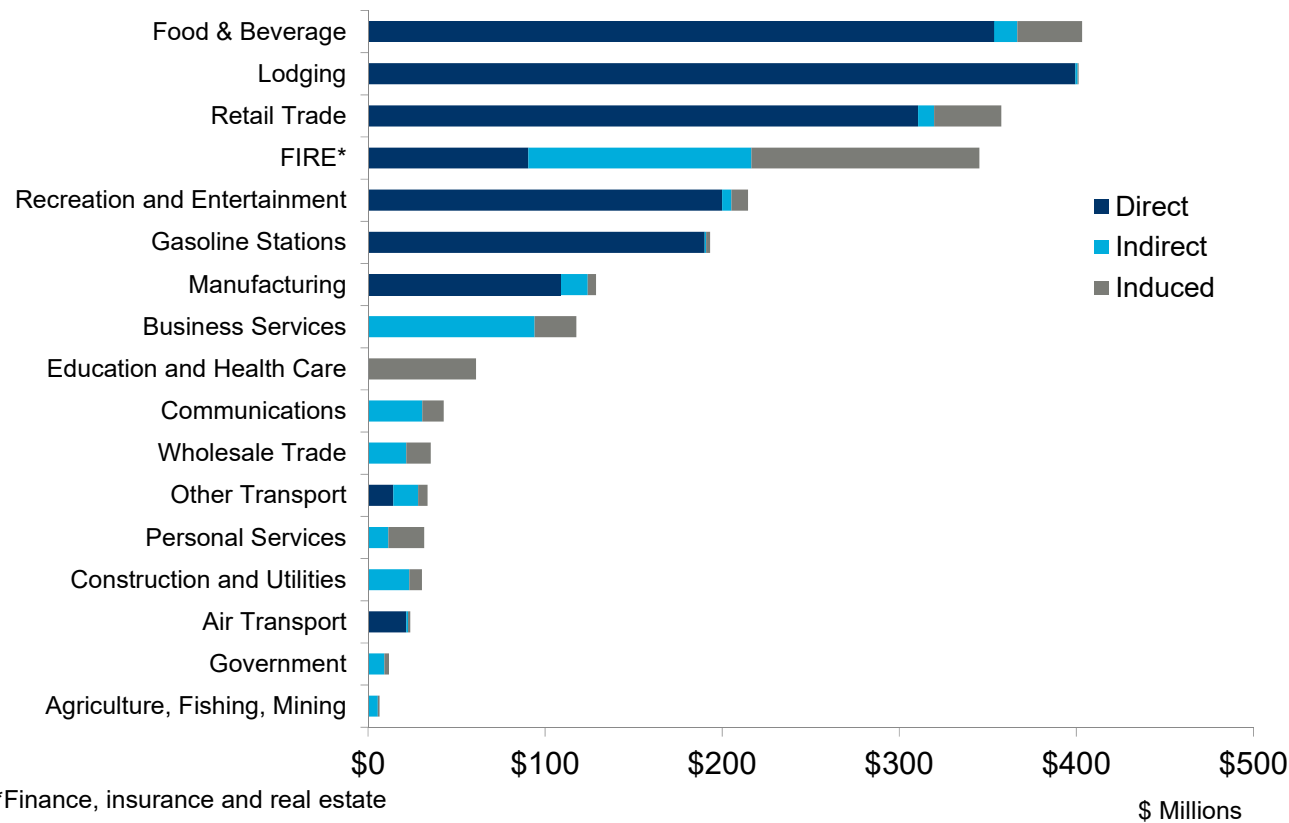
Tourism industry generated business sales, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	\$5.5	\$1.1	\$6.5
Construction and Utilities	-	\$23.4	\$7.0	\$30.4
Manufacturing	\$109.0	\$15.1	\$4.7	\$128.8
Wholesale Trade	-	\$21.6	\$13.8	\$35.4
Air Transport	\$21.6	\$1.0	\$1.4	\$24.0
Other Transport	\$14.3	\$14.0	\$5.3	\$33.6
Retail Trade	\$310.7	\$8.9	\$38.0	\$357.6
Gasoline Stations	\$190.2	\$0.7	\$2.3	\$193.2
Communications	-	\$30.7	\$12.0	\$42.7
Finance, Insurance and Real Estate	\$90.6	\$125.9	\$128.8	\$345.3
Business Services	-	\$94.1	\$23.6	\$117.7
Education and Health Care	-	\$0.6	\$60.4	\$61.0
Recreation and Entertainment	\$200.0	\$5.3	\$9.4	\$214.6
Lodging	\$399.5	\$1.3	\$0.5	\$401.2
Food & Beverage	\$353.6	\$13.0	\$36.6	\$403.3
Personal Services	-	\$11.5	\$20.3	\$31.8
Government	-	\$9.2	\$2.7	\$11.9
TOTAL	\$1,689.5	\$381.7	\$367.8	\$2,439.0

Source: Tourism Economics

Tourism's impact on business sales (2 of 2)

While the majority of sales are in industries directly serving visitors, significant benefits accrue in sectors like finance, insurance and real estate from selling to tourism businesses.

Tourism Industry Generated Business Sales, 2017



Tourism's impact on local employment (1 of 2)

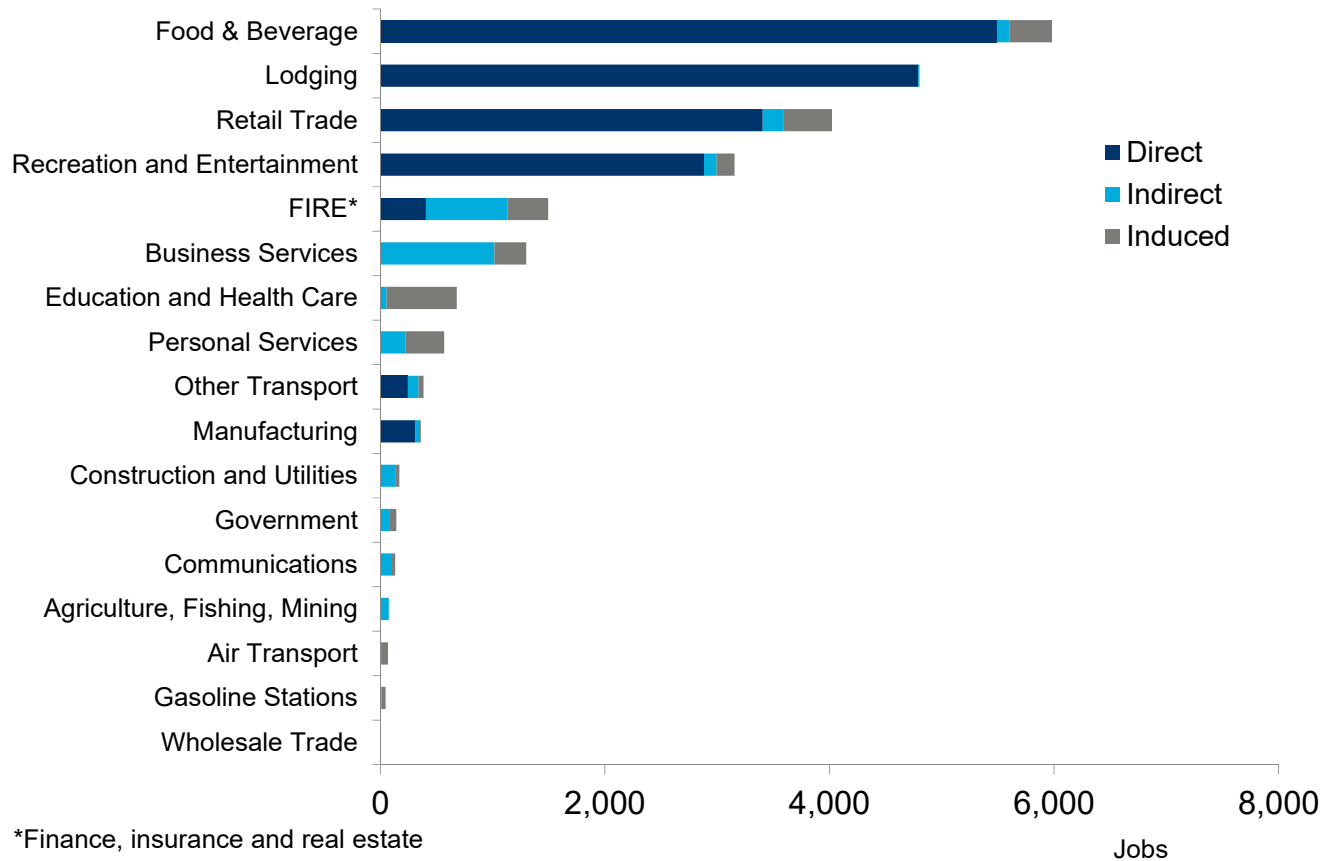
Tourism directly generated 17,534 jobs and 23,386 jobs when indirect and induced impacts are considered.

Tourism industry generated employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	74	-	74
Construction and Utilities	-	131	38	169
Manufacturing	314	40	6	359
Wholesale Trade	-	0	0	0
Air Transport	-	7	60	67
Other Transport	244	97	44	384
Retail Trade	3,405	183	434	4,023
Gasoline Stations	-	12	36	48
Communications	-	95	37	132
Finance, Insurance and Real Estate	405	727	363	1,495
Business Services	-	1,016	284	1,300
Education and Health Care	-	56	625	681
Recreation and Entertainment	2,884	110	160	3,155
Lodging	4,790	13	-	4,803
Food & Beverage	5,492	110	381	5,983
Personal Services	-	222	346	568
Government	-	78	66	143
TOTAL	17,534	2,972	2,880	23,386

Source: Tourism Economics

Tourism's impact on local employment (2 of 2)

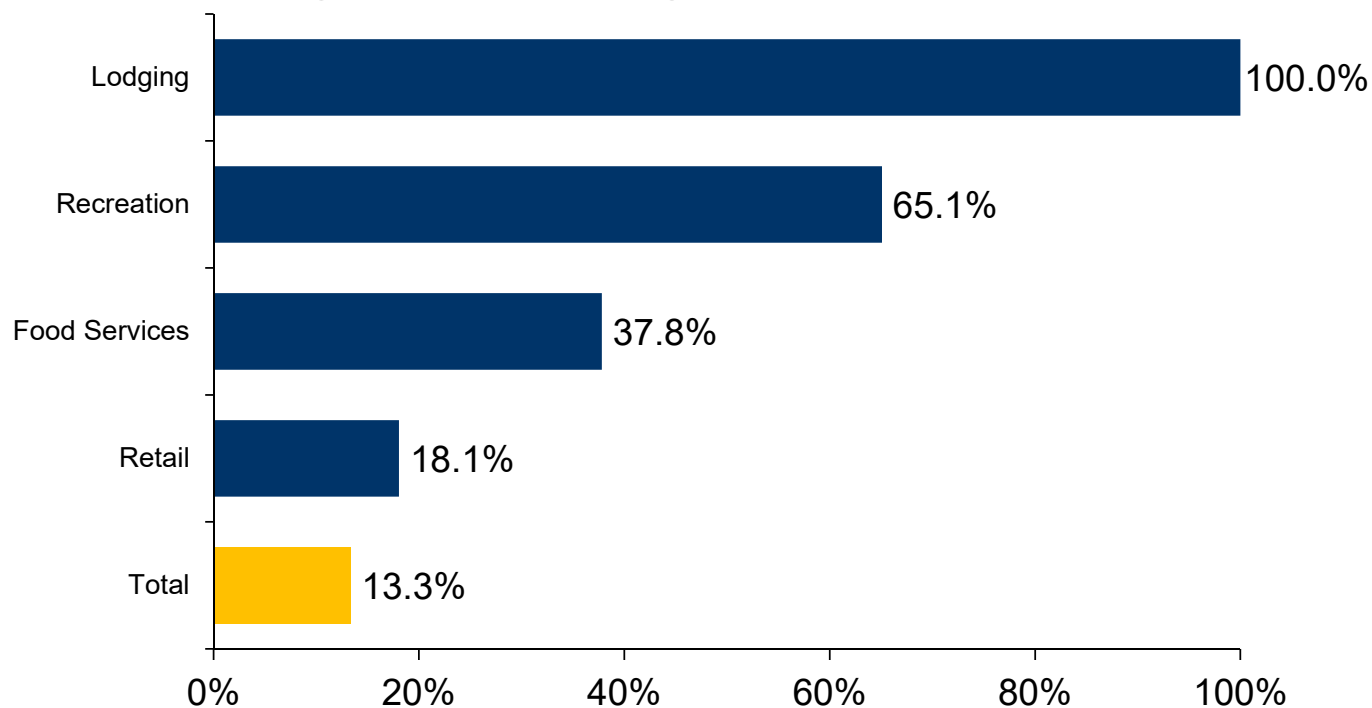
Tourism Industry Generated Employment, 2017



Tourism Employment Intensity

Tourism employment is a significant part of several industries—the entire lodging industry, 65% of recreation, and nearly 38% of food and beverage employment is supported by tourism spending.

Tourism Employment Intensity



Source: BEA, BLS, Tourism Economics

Tourism's impact on local income (1 of 2)

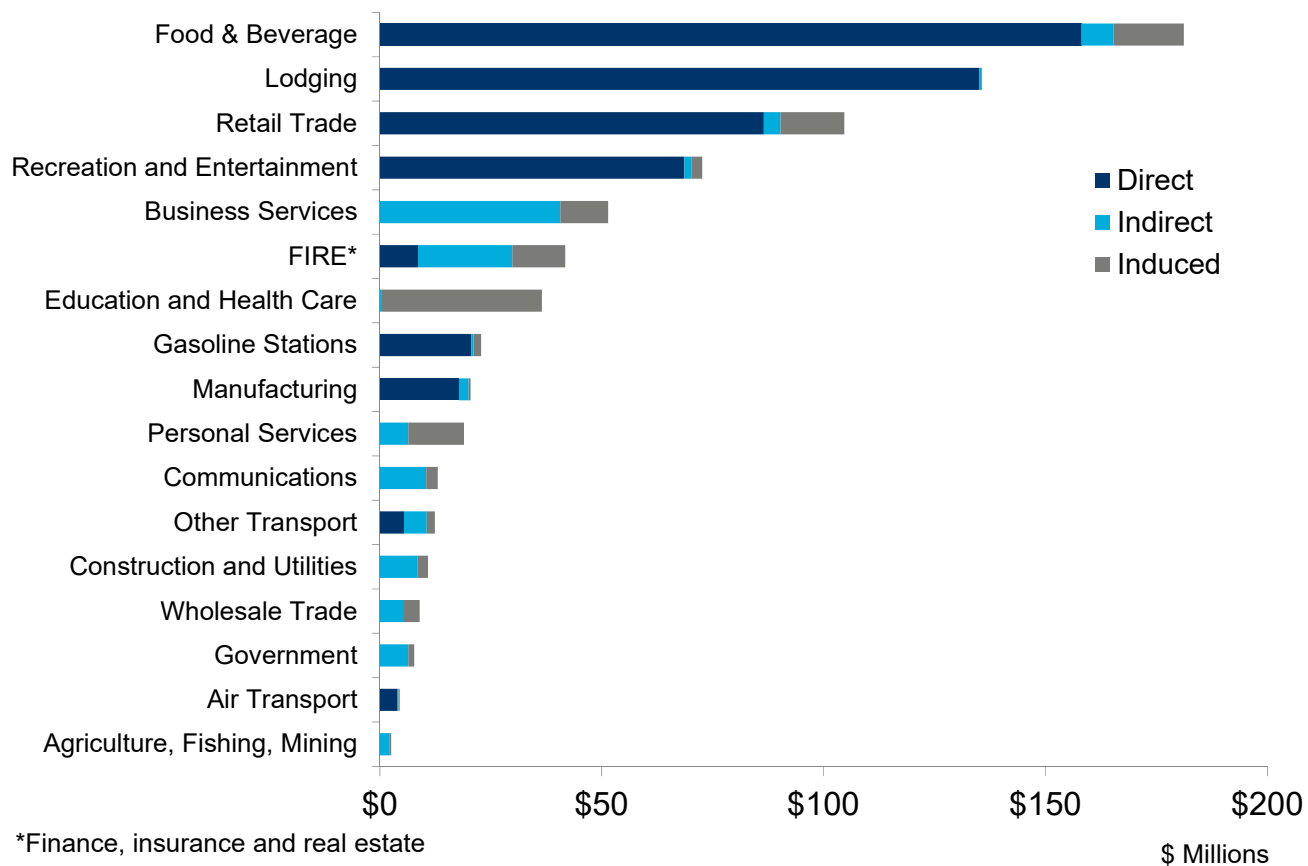
Tourism generated \$505 million in direct income and nearly \$746 million when indirect and induced impacts are considered.

Tourism industry generated wages, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	\$2.2	\$0.3	\$2.5
Construction and Utilities	-	\$8.4	\$2.4	\$10.9
Manufacturing	\$17.8	\$2.2	\$0.5	\$20.4
Wholesale Trade	-	\$5.4	\$3.5	\$8.9
Air Transport	\$4.0	\$0.2	\$0.3	\$4.5
Other Transport	\$5.4	\$5.1	\$1.8	\$12.4
Retail Trade	\$86.6	\$3.7	\$14.4	\$104.7
Gasoline Stations	\$20.6	\$0.5	\$1.7	\$22.8
Communications	-	\$10.4	\$2.6	\$13.1
Finance, Insurance and Real Estate	\$8.6	\$21.2	\$11.9	\$41.7
Business Services	-	\$40.7	\$10.8	\$51.4
Education and Health Care	-	\$0.3	\$36.2	\$36.5
Recreation and Entertainment	\$68.6	\$1.7	\$2.4	\$72.6
Lodging	\$135.1	\$0.4	\$0.1	\$135.7
Food & Beverage	\$158.0	\$7.3	\$15.8	\$181.2
Personal Services	-	\$6.4	\$12.5	\$18.9
Government	-	\$6.4	\$1.3	\$7.7
TOTAL	\$504.7	\$122.6	\$118.6	\$745.9

Source: Tourism Economics

Tourism's impact on local income (2 of 2)

Tourism Industry Generated Wages, 2017



Tourism's impact on taxes

State and local taxes alone amounted to more than \$181 million.

Tourism generated approximately \$352 million in total tax revenue in 2017.

Each household in SLO CAL would need to be taxed an additional \$1,738 per year to replace the traveler taxes received by state and local governments.

Tourism supported tax revenue, millions			
	Direct	Indirect/Induced	Total
Federal	\$112.5	\$57.6	\$170.1
Personal Income	\$42.0	\$20.2	\$62.1
Corporate	\$6.3	\$8.1	\$14.5
Indirect business	\$10.6	\$4.8	\$15.4
Social insurance	\$53.6	\$24.5	\$78.2
State and Local	\$129.4	\$52.1	\$181.5
Sales	\$64.7	\$21.3	\$86.0
Personal income	\$15.1	\$7.3	\$22.4
Corporate	\$1.2	\$1.6	\$2.8
Social insurance	\$2.3	\$1.0	\$3.3
Excise and Fees	\$8.2	\$3.8	\$12.0
Property	\$37.9	\$17.2	\$55.1
TOTAL	\$241.9	\$109.7	\$351.6

Source: Tourism Economics

Tourism's impact on taxes

Local tax revenues alone amounted to more than \$79 million.

State tax revenues amounted to \$102.2 million, while local tax revenues totaled \$79.3 million.

State & local tax revenues , millions	
Total	
Total State & Local	\$181.5
State tax revenues	\$102.2
Local tax revenues	\$79.3

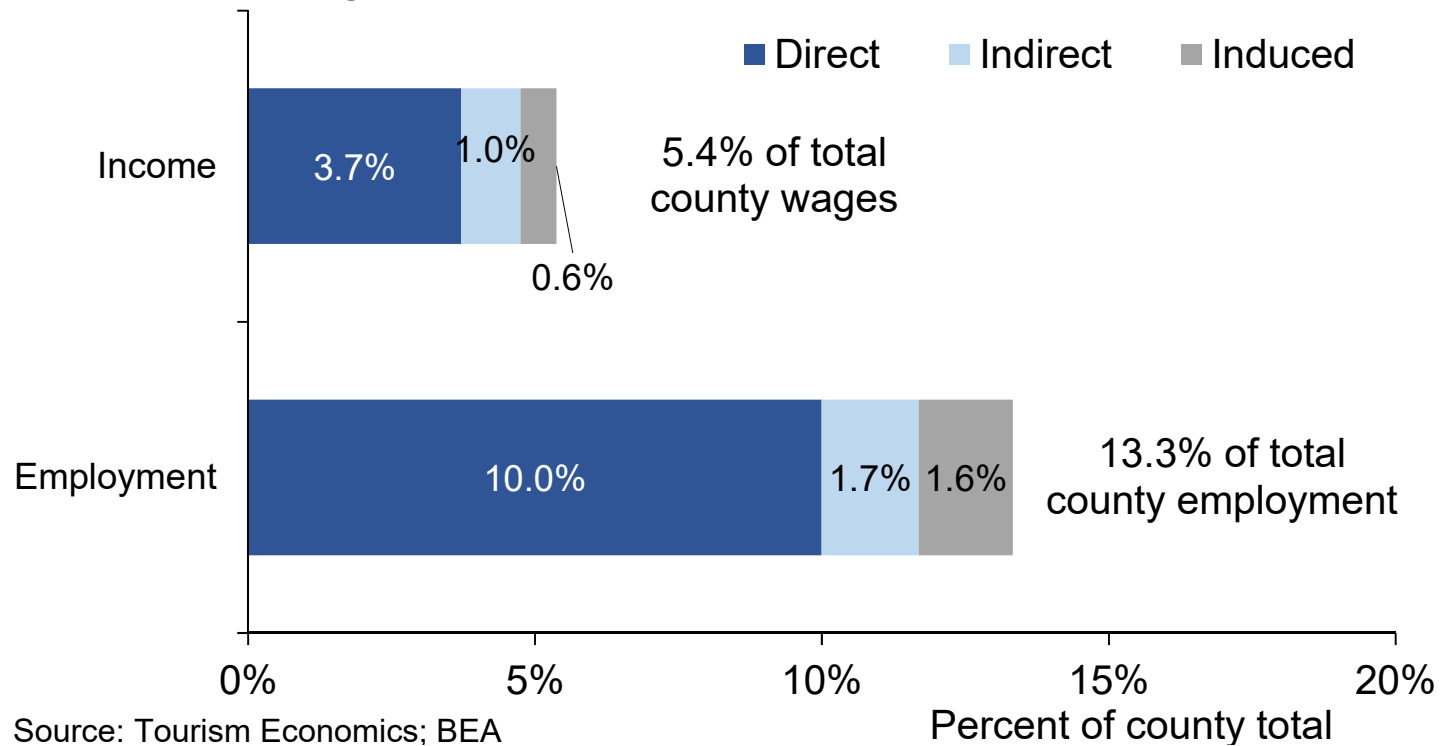
Source: Tourism Economics

4) Economic Impact in Context

The tourism sector is a major contributor to SLO CAL's economy

The tourism sector sustains 5.4% of all income and 13.3% of all jobs in SLO CAL.

Share of total SLO CAL employment and income supported by tourism



Figures in context

Tourism spending

The \$1.7 billion in tourism spending means that almost \$192,863 was spent EVERY HOUR in SLO CAL in 2017.

Employment

The number of jobs sustained by tourism (more than 23,000) is approximately twice the capacity of Alex G. Spanos Stadium (formerly Mustang Stadium) at Cal Poly.

Taxes

Each household in SLO CAL would need to be taxed an additional \$1,738 per year to replace the \$182 million in state and local taxes generated by tourism.

\$79.3 million in local tax revenues equates to:

- 792 police officers' salaries
- 127 miles of 2-lane road resurfaced
- 1,074 firefighters' salaries
- 110 parks built

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

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